



## UW Health Audit Committee

May 7, 2020, 9:00 - 10:00 AM

Via WebEx: <https://uwhealth.webex.com/uwhealth/j.php?MTID=mb1b5ab518a0b8d8c5294e714adcd37b9>

Meeting Number: 194 995 953 // Password: uwhac

Telephone: 1-415-655-0003 // Access Code: 194 995 953

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# UW Health Audit Committee - May 7, 2020 - PUBLIC MEETING NOTICE

## Agenda

9:00 AM	<hr/> <b>I. Call to Order</b> Mr. Ronald Anderson		
9:00 AM	<hr/> <b>II. Meeting Minutes - Open Session</b> Mr. Ronald Anderson	Approval	
	Attachment - Open Session Minutes from February 27, 2020		Page 3
9:05 AM	<hr/> <b>III. UW Health 2020 Client Service and Audit Plan</b> RSM Representatives: Mr. Jeremy Zabel, Mr. David Affeldt, Mr. Danny Schmidt	Approval	
	Presentation - UW Health 2020 Client Service and Audit Plan		Page 7
9:45 AM	<hr/> <b>IV. Subsidiary Audits as of June 30, 2019</b> RSM Representatives: Mr. Jeremy Zabel, Mr. David Affeldt, Mr. Danny Schmidt	Report/Discussion	
	Attachment - Subsidiary Audits as of June 30, 2019		Page 37
10:00 AM	<hr/> <b>V. Adjourn</b> Mr. Ronald Anderson		

## **Attachment**

**Open Session Meeting Minutes  
UW Health Audit Committee  
February 27, 2020**

# UNIVERSITY OF WISCONSIN HOSPITALS AND CLINICS AUTHORITY

## Minutes of the UW Health Audit Committee Meeting

### Open Session

February 27, 2020, 8:30 a.m. – 10:00 a.m.  
Room H6/215

A meeting of the University of Wisconsin Hospitals and Clinics Authority (“UW Health”) Audit Committee was held at 600 Highland Avenue, Room H6/215, Madison, Wisconsin, pursuant to notice duly given. Committee Chair, Ronald Anderson, chaired the meeting, Mary Link, Assistant Secretary of the Board of UW Health, served as Secretary of the meeting.

#### Members Present:

Ronald Anderson (Chair), Dean Robert Golden (Board Chair) (non-voting), Dr. Alan Kaplan (non-voting), Dr. Cristopher Meyer, Senator Luther Olsen, Dr. Peter Rahko, Gary Wolter (Board Vice Chair).

#### Also Present by Invitation:

Kenneth Mount (Senior Associate Dean for Finance, UWSMPH)

#### UW Health/SwedishAmerican Health Staff (SAHS):

Ruth Bindl (Corporate Governance Coordinator), Heather Brahm (Director, Finance), Patti DeWane (SAHS VP Finance/Treasurer); Bob Flannery (SVP/Chief Financial Officer); Scott Houtakker (Director, Internal Audit), Troy Lepien (VP/Business Integrity), Mary Link (VP/Deputy General Counsel, Legal Operations, Risk & Regulatory, Assistant Secretary of the Board), Rich Lovitt (SAHS Director Corporate Accounting); Patti Meyer (Corporate Governance Program Director), Jodi Vitello (VP, Finance)

### 1. Call to Order

Chair Ronald Anderson called the duly noticed meeting of the University of Wisconsin Hospitals and Clinics Authority (“UW Health”) Audit Committee to order at 8:31 a.m.

### 2. Meeting Minutes - Open Session

Chair Anderson requested a motion to approve the UW Health Audit Committee November 7, 2019 Open Session Minutes.

Upon a motion duly made by Dr. Cristopher Meyer, seconded by Dr. Peter Rahko, and unanimously carried, the November 7, 2019 Open Session Minutes were approved.

### **3. FY19 Single Audit Summary and GASB 87 and ASC 842 Update**

Ms. Jodi Vitello reviewed the criteria and purpose of a Uniform Guidance Audit (aka Single Audit). She then reviewed UW Health's FY19 Single Audit results including Grantor/Pass-Through Grantor total expenditures on federal and state awards, noted there are no instances of noncompliance or other matters identified that are required to be reported under Government Auditing Standards Board (GASB) or Wisconsin State Single Audit Guidelines, there were no material weaknesses identified, and one significant deficiency was identified (internal control over financial reporting) and the corrective action plan has been established.

Ms. Vitello then provided overviews of GASB 87 and Accounting Standards Codification (ASC) 842. She shared examples of lease models under GASB 87 and ASC 842 in addition to reviewing the complexity factors of these rules. She noted, for UW Health, GASB 87 is effective beginning July 1, 2020 and ASC 842 is effective beginning July 1, 2021.

The Committee engaged in discussion with Ms. Vitello regarding these matters.

### **4. UW Health Audit and Compliance Committee Update**

Chair Anderson provided an update regarding the UW Health Audit Committee and the UW Health Compliance Committee. He shared the two committees' functions are being streamlined and both committees will become independent and have dual-reporting to the UWHC Authority Board of Directors and UWMF Board of Directors (currently, the UW Health Compliance Committee reports to UW Health Audit Committee).

The reporting change was recognized by internal discussions, review of other organizations' practices, and by an assessment completed of the Office of Inspector General and Federal Sentencing Guidelines to ensure proper structure if UW Health was audited. Chair Anderson noted that both Committee charters are being updated to ensure each Committee's core competencies are met with the appropriate committee membership.

The Committee engaged in discussion with Chair Anderson, Mr. Robert Flannery and Mr. Troy Lepien regarding this matter.

### **5. UW Health Enterprise Risk Management (ERM)**

Mr. Lepien shared that ERM is a comprehensive approach to anticipate, identify, prioritize, and manage material risks to UW Health's business objectives. He provided an overview of UW Health's past ERM oversight structure and current/future ERM oversight structure. Mr. Lepien reviewed the ERM Steering Workgroup purpose, membership, and ERM Steering Workgroup will provide updates to the Audit Committee, Compliance Committee and Board of Directors.

Mr. Scott Houtakker reviewed the three lines of defense (lines of business, risk function, and internal audit) and their roles and responsibilities of each. He then provided an example of a risk category, risk response tactics, residual risk, and action plan. Mr. Houtakker shared other key functions of the ERM Steering Workgroup and proposed timeline for quarterly meetings,

performing risk assessments, and develop and monitor key risk indicators and key performance indicators (long-term goal).

The Committee engaged in discussion with Mr. Lepien and Mr. Houtakker regarding this matter.

## **6. Closed Session**

There being no other matters for discussion in open session, Chair Anderson proposed to take the meeting into closed session to consider confidential compliance and internal audit matters that require a closed session for competitive reasons pursuant to Wisconsin Statutes sections 19.85(1)(e) and 146.38 for the review and evaluation of health care services and the discussion of the following confidential strategic matters, which for competitive reasons require a closed session: review and approval of closed session minutes and members only closed session minutes, discussion of internal audit matters, review of subsidiary and joint venture internal audits; and, pursuant to section 19.85(1)(g) to confer with legal counsel regarding these and other matters.

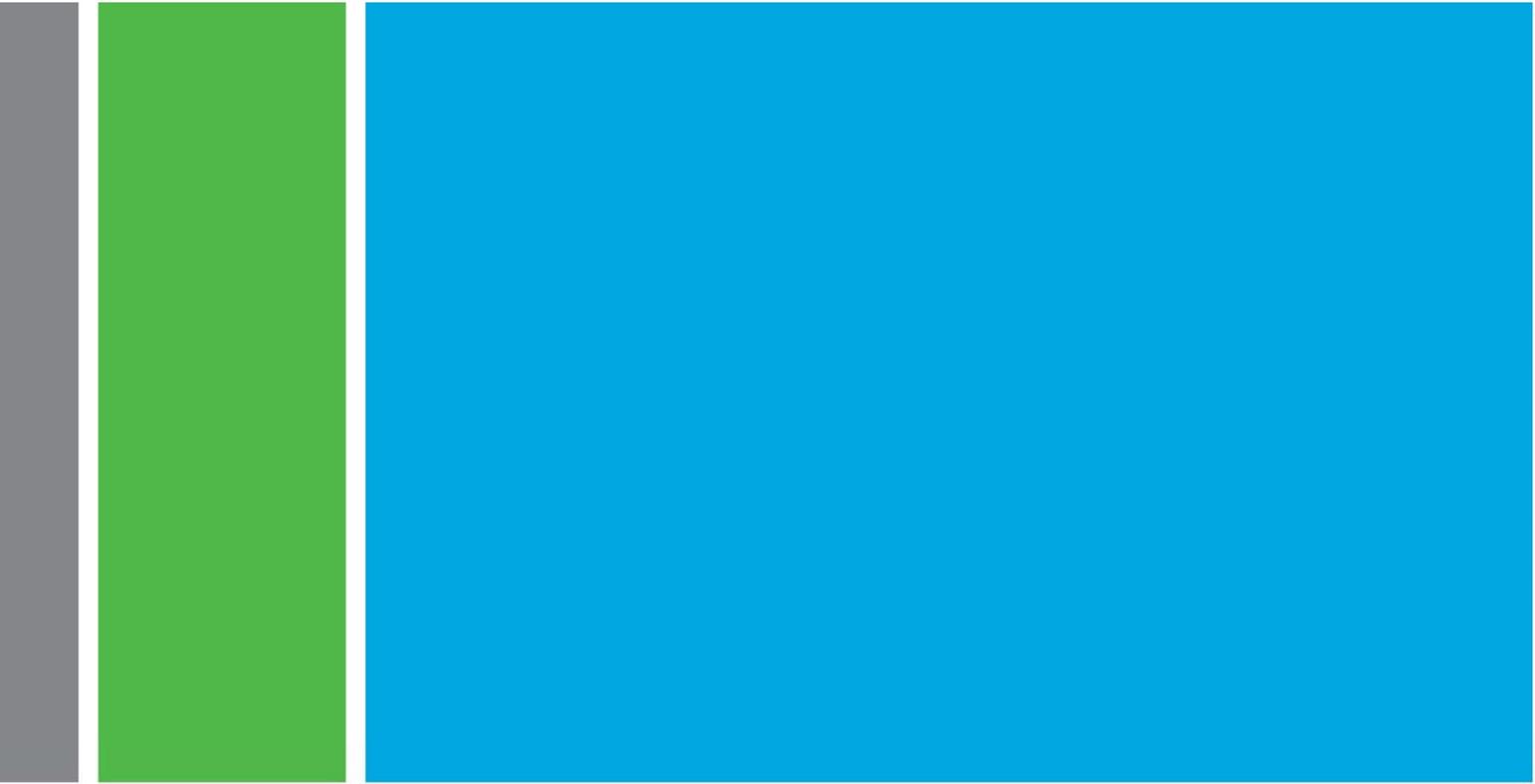
Senator Luther Olsen moved to go into closed session; Dr. Meyer seconded the motion; and there was a unanimous roll call vote approving entering closed session. The following members voted for the motion: Ronald Anderson (Chair), Dr. Cristopher Meyer, Senator Luther Olsen, Dr. Peter Rahko, Gary Wolter (Board Vice Chair).

## **7. Adjournment**

The meeting was adjourned in closed session.

Respectfully Submitted,

Mary Link, Secretary



## 2020 CLIENT SERVICE AND AUDIT PLAN

**UW HEALTH**

May 7, 2020



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May 7, 2020

To the Audit Committees of:

UW Health

SwedishAmerican Health System Corporation

On behalf of RSM US LLP, we are pleased to submit our 2020 client service and audit plan. This report outlines our proposed audit delivery plan for UW Health, our engagement team, key risks, overall audit approach, service deliverables, timelines and other matters.

Our audit plan has been developed to provide UW Health with efficient, high-quality audits that address key risks and business issues within the organization. This plan incorporates best practices and efficiencies identified during our prior-year audits. This service plan will be monitored throughout the year to ensure that we meet your expectations and address key audit, business and industry risks as they arise.

We appreciate the time and resources that your management team has committed to assisting us. If you have any questions or comments after reviewing this client service and audit plan, please contact us.

Sincerely,

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## TABLE OF CONTENTS

<b>Audit scope.....</b>	<b>1</b>
<b>Expectations of RSM US LLP .....</b>	<b>3</b>
<b>Engagement team .....</b>	<b>5</b>
<b>Risk areas and summary audit procedures .....</b>	<b>6</b>
<b>COVID—19 Audit Considerations.....</b>	<b>9</b>
<b>Use of specialists .....</b>	<b>10</b>
<b>Integrated audit approach.....</b>	<b>11</b>
<b>Summary audit calendar .....</b>	<b>14</b>
<b>Using the work of others in an audit.....</b>	<b>15</b>
<b>Other risk areas—Consideration of fraud .....</b>	<b>16</b>
<b>Other required communications .....</b>	<b>18</b>
<b>Upcoming accounting standards .....</b>	<b>21</b>
<b>Appendix A—Health care—Research, events and news .....</b>	<b>23</b>
<b>Appendix B—Independence letter .....</b>	<b>24</b>

## AUDIT SCOPE

Auditing standards require that we plan and perform our audits to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement, whether caused by error or fraud. Based on discussions with management, we are planning to audit the financial statements and provide other services as follows.

### **Stand-alone audits (separate opinions):**

Procedures are performed at a level that allows RSM US LLP to express an opinion on the individual entity's financial statements as a whole. However, for UW Health, based on requirements for governmental entities, the opinion will be on the major fund level of blended and discrete component units. The procedures are designed to be performed on all significant accounts, using a materiality threshold calculated based on the separate entity's financial statements or for UW Health at the blended and discrete fund level.

As of and for the year ending June 30, 2020:

- UW Health
- Regional Division Inc. (RDI)
- SwedishAmerican Health System and Subsidiaries (SAHS)
- SwedishAmerican Hospital and Subsidiary (SwedishAmerican Obligated Group)
- SwedishAmerican Obligated Group debt service coverage schedule
- Highland Insurance Company, LLC (HIC)
- Generations Fertility Clinic, Inc.\*
- Wisconsin Sleep, Inc.\*
- Transformations Surgery Center, Inc.\*
- Madison Surgery Center, Inc.\*
- Chartwell Wisconsin Enterprises, LLC\*

As of and for the year ended December 31, 2019:

- University of Wisconsin Medical Foundation (UWMF) Employees 401(k) Profit Sharing Plan (UWMF 401(k) Plan)
- UWMF Physicians Retirement Plan
- UWMF VEBA and Trust
- SwedishAmerican IncentiveSAVER Plans

**Compliance audits:** We will perform compliance audits of federal and state programs with consideration given to the Single Audit Act and Subpart F of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Wisconsin's *Department of Health Services Audit Guide, An Appendix to Wisconsin's State Single Audit Guidelines* (the DHS Audit Guide).

- UW Health business-type activities or UW Health—Madison (excluding its discrete component units)

**Other letters:** These reports are required based on SAHS's debt agreements.

- Negative assurance on SwedishAmerican debt covenant compliance

**Written communications with the Audit**

**Committee:** We will issue written reports summarizing the results of our audits, including all required communications under the American Institute of Certified Public Accountants (AICPA) AU-C Section 260 (AU-C 260), *The Auditor's Communication With Those Charged With Governance*.

If applicable, we will issue a management letter providing our observations and recommendations regarding internal controls (including all material weaknesses and significant deficiencies identified), business and industry matters, relevant technical advice, accounting guidance, and other matters.

- UW Health
- SAHS
- HIC
- Generations Fertility Clinic, Inc.
- Wisconsin Sleep, Inc.
- Transformations Surgery Center, Inc.
- Madison Surgery Center, Inc.
- Chartwell Wisconsin Enterprises, LLC
- UWMF 401(k) Plan
- UWMF Physician Retirement Plan
- UWMF VEBA and Trust
- SwedishAmerican IncentiveSAVER Plans

\*These entities are collectively referred to as “the Affiliates.”

The concept of the reporting entity is defined by several standards issued by the Governmental Accounting Standards Board (GASB). In those standards, the GASB defined criteria for financial statement preparers to determine how to account for and present entities that the primary government determined should be included in their financial statements. Below is a summary of management’s positions on how the entities to be included in the UW Health financial statements should be reported (blended versus discrete component units or joint ventures). We reviewed management’s determination and determined it to be materially correct.

Beyond the determination of component unit, the determination of the reporting framework for each entity preparing its own stand-alone financial statements was determined by management. We also reviewed management’s determination of the reporting framework (GASB versus Financial Accounting Standards Board [FASB]) and determined their position to be materially correct.

Entity	Component unit determination	GASB vs. FASB
University of Wisconsin Hospitals and Clinics Authority (UWHCA)	Considered the primary government	GASB
University of Wisconsin Medical Foundation (UWMF)	Blended with UWHCA	GASB
UW ACO, Inc. (ACO)	Blended with UWHCA	GASB
Isthmus Project, Inc. (Isthmus)	Blended with UWHCA	GASB
RDI	Discretely presented	FASB
Highland Insurance Company, LLC (HIC)	Discretely presented	GASB
University Health Care	Equity method joint venture	FASB
Affiliates	Equity method joint ventures	FASB

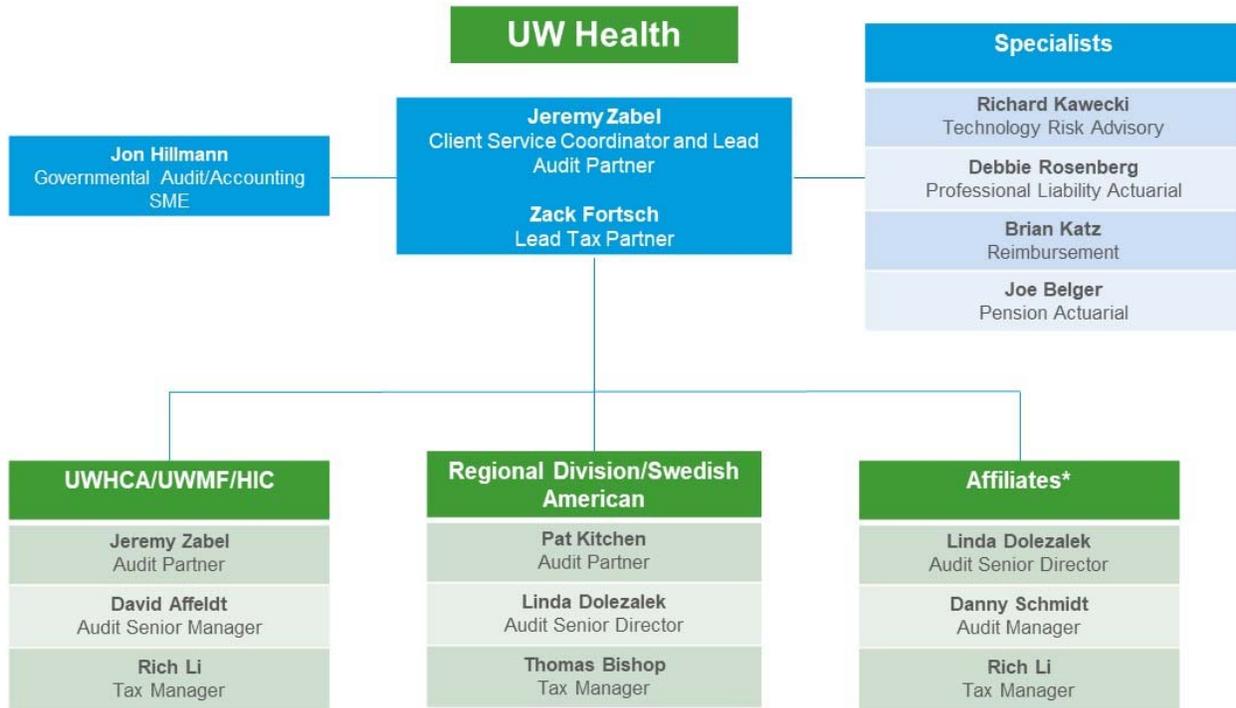
## EXPECTATIONS OF RSM US LLP

RSM US LLP's engagement team and our plan have been developed to meet or exceed your expectations.

Expectation	RSM US LLP's response
There will be no surprises.	We will continue to keep management apprised on a timely basis of issues encountered during the audits, as well as communicate changes in the accounting and regulatory environments. The key to this objective is active and ongoing two-way communication between our organizations.
Assign a consistent service team that thoroughly understands the needs, challenges and dynamics of health care organizations that report under both the GASB and the FASB frameworks.	We have assigned professionals to your team based on their prior experience, many of whom have provided services to other large multihospital integrated health systems. We have also ensured that a majority of the team assigned has experience with both the GASB and FASB reporting frameworks.
Provide proactive, hands-on involvement from the partners, senior managers and seasoned practitioners on our team. You will get the attention you deserve from our top people.	<p>Our entire engagement team has significant hands-on involvement in the UW Health engagement. You will also continue to have tax, cost reporting and other advisory service practitioners from our team on-site, working seamlessly with the audit team.</p> <p>We have assigned national resources to the UW Health account that will support the partners, senior managers and UW Health specifically with respect to technical and financial reporting matters. UW Health is a top priority for our engagement team. In addition, our audit approach involves specialists who provide audit support and consulting services to an array of clients. They will share best practice ideas with UW Health.</p>
Continue to build a long-term relationship with UW Health.	UW Health is a flagship client of our Wisconsin offices, our national health care practice and our firm. We will take due care to ensure you receive the highest level of service now and in the future.

Expectation	RSM US LLP's response
<p>Maximize the resources of your internal audit and finance departments to develop a coordinated, effective, efficient and integrated audit plan focused on audit and business risks.</p>	<p>We continue to develop relationships and communicate frequently throughout the year, address issues in real time, and build efficiencies to help us throughout our audit process.</p> <p>Specifically, we have listed below some of the items discussed in the current and prior years: a) Cloud computing implementation costs and related matters, b) the Joint Operating Agreement and related accounting, c) other postemployment benefits (OPEB) implementation and data needs from the State, d) potential impacts of the Tax Cuts and Jobs Act, e) entity and activity restructuring, f) potential benefits of New Market Tax Credit program and other credit and incentive programs that UW Health may benefit from, g) public/private financing partnerships and potential for UW Health to utilize, h) benefits and drawbacks of establishing a captive insurer, structuring and domicile, taxability, as well as risk acceptance profiles, and i) potential reimbursement strategies that could alter UW Health benefits from 340b program.</p>
<p>Demonstrate our commitment to uncompromising standards, high integrity and professional ethics.</p>	<p>We will continue to demonstrate our commitment to uncompromising standards, high integrity and professional ethics every day and in everything we do. This is possible because of the people we have assigned to serve UW Health, our policies, training, monitoring and our culture, which require us to adhere to the professional standards that guide our profession.</p>
<p>Communications will be transparent.</p>	<p>We continue to ensure all of our communications are timely and include the facts, as we know them, to ensure management, the Audit Committee and others have the necessary information to make informed decisions.</p>
<p>Assess our performance and demonstrate continuous improvement.</p>	<p>After the conclusion of the audits, we will solicit input from your staff to assess our performance. This process will allow us to continuously improve our client service, as well as increase the overall efficiency of the client service delivery.</p>

# ENGAGEMENT TEAM



\*Includes Chartwell Wisconsin Enterprises, LLC, Generations Fertility Clinic, Inc., Madison Surgery Center, Inc., Transformations Surgery Center, Inc. and Wisconsin Sleep, Inc.

## RISK AREAS AND SUMMARY AUDIT PROCEDURES

Our audit of the financial statements includes the performance of risk assessment procedures in order to identify risks of material misstatement, whether due to fraud or error. As part of these risk assessment procedures, we determine whether any risks identified are a significant risk. A significant risk is an identified and assessed risk of material misstatement that, in our professional judgment, requires special audit consideration. The audit plan below is risk-focused and items deemed to represent a potential risk of material misstatement are noted in **bold**. Where deemed to be efficient, tests of controls will be performed. In those areas where we are relying on controls, as required by auditing standards, we will also perform certain substantive and analytic tests. For those areas where controls are not relied upon, we will perform substantive and analytic tests with more selections and a lower scope than applied when we are relying on controls. A summary of the substantive and analytic tests we plan to perform is presented below. Our plan will be updated, if needed, as we continue to perform planning and preliminary audit procedures or as additional risks are identified.

Risk area	Summary audit procedures	Entities
<b>Patient accounts receivable and net patient service revenue, including related allowances</b>	<ul style="list-style-type: none"> <li>Assess adequacy of current methodologies to establish allowances.</li> <li>Review historical results (look back) used in calculating allowances for contractual adjustments and doubtful accounts.</li> <li>Perform substantive testing on a selected sample of patient balances and on patient billings.</li> <li>Review subsequent cash receipts and credits.</li> <li>Perform detailed analytical reviews.</li> </ul>	All
<b>Third-party payor settlements and valuation allowances</b>	<ul style="list-style-type: none"> <li>Perform review of filed, revised and settled cost reports and contracts.</li> <li>Review historical results of reserving methodology.</li> <li>Test underlying data to support reserve level.</li> <li>Gain an understanding of outstanding compliance-related matters and other areas that may require specific valuation allowances.</li> </ul>	UW Health SAHS
Investments	<ul style="list-style-type: none"> <li>Confirm investment balances.</li> <li>Test fair values and detail transactions on a sample basis.</li> <li>Perform analytical procedures to test investment income.</li> <li>Perform specific tests on UWHCA's pooled investments.</li> <li>Perform specific tests on joint venture investments.</li> </ul>	All
Capital assets	<ul style="list-style-type: none"> <li>Test a sample of additions and disposals.</li> <li>Review depreciation expense for reasonableness.</li> <li>Review construction in process for proper recognition and disclosure, including commitments.</li> <li>Review accounting treatment of significant leases.</li> <li>Review implementation of lease accounting standard.</li> </ul>	All

Risk area	Summary audit procedures	Entities
Long-term debt	<ul style="list-style-type: none"> <li>• Read the master trust indentures, official statements and other significant debt agreements.</li> <li>• Confirm debt balances with trustees and banks.</li> <li>• Test interest expense by reviewing bond documents and performing analytical procedures.</li> <li>• Test compliance with debt covenants.</li> </ul>	All
Interest rate swap agreements	<ul style="list-style-type: none"> <li>• Review management’s valuation process.</li> <li>• Discuss process used by the third party to value the swap agreements with our national subject matter expert on financial instruments to ensure that the swaps are being valued using a reasonable method. If determined necessary, independently value the interest rate swap agreements.</li> <li>• Review whether swaps are “effective” per GASB accounting literature for UWHCA.</li> </ul>	UW Health SAHS
Defined benefit pension plans and other postretirement benefits (Wisconsin Retirement System, “WRS”)	<ul style="list-style-type: none"> <li>• Review the accounting and financial reporting under GASB Statement No. 68, <i>Accounting and Financial Reporting for Pensions</i>.</li> <li>• Review the accounting and financial reporting under GASB Statement No. 75, <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>.</li> <li>• Test data sent to actuaries for accuracy and completeness.</li> <li>• Review of the actuarial firm’s (engaged by State of Wisconsin) methodologies by RSM US LLP specialists.</li> </ul>	UW Health
Commitments and contingencies	<ul style="list-style-type: none"> <li>• Review status of litigation with management and internal legal counsel.</li> <li>• Confirm with external legal counsel.</li> <li>• Review Board and certain Board committees’ minutes.</li> <li>• Assess reasonableness of reserve level, if applicable.</li> </ul>	All
Operating expenses	<ul style="list-style-type: none"> <li>• Perform analytical procedures and substantive test work to address risks, including testing of Joint Operating Agreement and income-sharing model.</li> </ul>	All
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>• Perform analytical procedures and substantive test work to address risks of patient revenue and other sources of revenue.</li> <li>• Test period-to-period cutoff of revenue recognized.</li> </ul>	All
Federal and State program compliance	<ul style="list-style-type: none"> <li>• Understand and test key controls over federal and state program compliance and compliance with laws and regulations.</li> </ul>	UW Health

Risk area	Summary audit procedures	Entities
Net assets	<ul style="list-style-type: none"> <li>• Compare expenses that meet donor-intended purposes to amounts released from restriction.</li> <li>• Select a sample of expenses and ensure they were spent for donor-intended purposes.</li> <li>• Test rollforward of temporarily and permanently restricted net assets.</li> <li>• Update understanding and review accounting treatment of any assets held for the benefit of SAHS.</li> </ul>	SAHS
Internal control documentation and testing	<ul style="list-style-type: none"> <li>• Gain an understanding of internal control policies and procedures relevant to specific assertions that are likely to prevent, or detect and correct, material misstatement of financial statements.</li> <li>• Design and perform tests of controls to evaluate the operating effectiveness of those policies and procedures.</li> </ul>	All
Information system general computer controls	<ul style="list-style-type: none"> <li>• Assess information system controls relevant to financial reporting. Activities consist of the procedures (manual or automated) and records established to initiate, authorize, record, process and report entity transactions, events and conditions, and to maintain accountability for the related assets, liabilities and net position.</li> </ul>	All
<b>Medical malpractice reserves and related insurance recoveries receivable</b>	<ul style="list-style-type: none"> <li>• Review actuary report.</li> <li>• Engage our firm's internal actuaries to review the methodology utilized by management's actuary and assumptions used by management.</li> <li>• Test data provided to actuaries.</li> <li>• Assess the collectibility of the estimated insurance receivables.</li> </ul>	SAHS/HIC
Financial statement close process, including disclosures	<ul style="list-style-type: none"> <li>• Review management's disclosure checklist for completeness.</li> <li>• Gain an understanding of the financial statement close process, and review financial statements and significant disclosures.</li> </ul>	All
Related-party transactions	<ul style="list-style-type: none"> <li>• Review transactions between UW Health and related parties.</li> </ul>	All

## COVID—19 AUDIT CONSIDERATIONS

- Audit responses to identified risks
  - Assess potential financial reporting considerations associated with COVID-19 pandemic
    - Valuation and impairment of investments
    - Valuation of inventory of supplies and pharmaceuticals
    - Impairment of property and equipment and other long-lived assets to be held and used
    - Debt modifications and classification
    - Business interruption insurance considerations
    - Potential obligations for exit and disposal costs, including potential severance benefits and lease termination costs
    - Effects on estimates of variable consideration in revenue and accounts receivable
    - Accounting for payments received under government assistance programs
  - For additional information, refer to RSM’s whitepaper
    - [https://rsmus.com/content/dam/mcgladrey/pdf\\_download/wp\\_coronavirus\\_financial\\_reporting\\_considerations.pdf](https://rsmus.com/content/dam/mcgladrey/pdf_download/wp_coronavirus_financial_reporting_considerations.pdf)

## USE OF SPECIALISTS

UW Health is a highly complex organization. This complexity requires a level of additional specialized expertise. As noted in the previous section, we have identified several specialists to evaluate key risk areas embedded in your business. These specialists will not only ensure we have the right resources to achieve our audit objectives, they will also be able to draw upon their best practice knowledge to identify areas of operational improvement for your business, as well as potential regulatory or compliance risks.

Area	Description of services	Entities
Information technologies	We know IT systems are an area of focus for UW Health. Our information technology specialists will assist with evaluating the current general computer controls implemented across UW Health. Our IT team, led by Richard Kawecki, has extensive experience working in a similar capacity on our largest health care engagements.	All
Third-party reimbursement	The third-party reimbursement team will assist us in reviewing the balances and underlying data related to Medicare settlements. Medicare reimbursement for a system as diverse as UW Health is complex. These specialists, led by Brian Katz, provide the precise industry-based experience we need to gain an appropriate understanding of the estimates prepared by management.	UW Health and SAHS
Nonprofit taxation	The world of nonprofit taxation as it relates to health systems is rapidly evolving. The level and volume of required informational reporting to taxing authorities has placed additional burden and a heightened need for specialists to evaluate compliance with these requirements. Our nonprofit taxation team, led by Zack Fortsch and Rebekuh Eley, will assist you in preparing your returns as detailed in our arrangements with you.	UW Health and SAHS
Actuarial—pension, OPEB and medical malpractice	Our actuaries assist us in evaluating the methodologies utilized by the actuaries hired by WRS as they relate to UWHCA's pension plan, by the State as they relate to the other postemployment benefit plan and by the actuaries hired by SAHS management as they relate to the self-insured portion of SAHS' medical malpractice liability.	UW Health and SAHS/HIC
Financial instruments	The accounting and reporting requirements for interest rate swaps are complex; therefore, we utilize national resources to review management's engaged valuation specialist methodology and results to independently assess the valuation of the interest rate swaps. We also consult with an accounting and reporting specialist to continue to ensure that the positions that management has taken in respect to the interest rate swaps are reasonable and that all required disclosures are made.	UW Health and SAHS

## INTEGRATED AUDIT APPROACH

### Reliance on internal control

We will continue to work with UW Health management and the internal audit department to leverage the risk assessment procedures and internal control work performed by the organization, where appropriate.

With respect to both general computer controls and business process controls, we have planned for the following with respect to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework.

COSO component	Procedures performed
Risk assessment	We update and refine our understanding of management’s financial reporting objectives and analyze risks related to the achievement of those objectives. Our focus will be on quantitative and qualitative factors that potentially affect the reliability of financial reporting, and identifying and challenging where, in the transaction processing or other activities, something could go wrong.
Control environment	We update and refine our understanding of the key environmental factors, such as the integrity and values of management, their philosophy and operating style, the organizational structure, the financial reporting competencies of those involved with financial statement preparation and oversight, and overall human resources policy and practice.
Control activities	We will reassess how control activities are integrated with risk assessment to assure the most effective and efficient activities are in place to mitigate risks to the achievement of financial reporting objectives. We will gain assurance that policies related to reliable financial reporting are communicated throughout the organization, resulting in management directives being carried out.
Information and communication	Our information technology specialists will assist us in testing general computer controls associated with each of the significant financially related applications, including the general ledger and billing applications. As part of their testing, they will ensure that pertinent information is identified, captured and distributed in a form and time frame that supports the achievement of financial reporting objectives.
Monitoring	We update and refine our understanding of monitoring activities already in place and focus on changes in the financial reporting system since the prior year to gain insight into where to target more detailed testing. We will ensure that internal control deficiencies identified are communicated in a timely manner to those parties responsible for taking corrective action and to management and the Audit Committee, as appropriate.

For audit areas where we believe it will be effective and efficient to rely on internal controls, we plan to review the design and implementation of key business processes and information technology (general computer) controls for those business processes and test the operating effectiveness of those controls. The design evaluation, implementation walk-throughs, and operating effectiveness testing will be done in collaboration with internal audit.

There are certain audit areas where we believe it would not be efficient or effective to rely on internal controls. This assessment is based on the overall risk of the area, the significance to the financial statements, and the impact on substantive audit procedures. Many of the audit areas where we will not be relying on internal controls involve significant estimates. For these audit areas, we will continue to use a substantive audit approach. However, for each of these areas, we will obtain an understanding of the controls and perform walk-throughs.

Following is a high-level summary of the business processes and the determination of whether or not we plan to rely on controls. We also have indicated the procedures to be performed.

Control type	Control reliance		Impact on audit plan
	Yes	No	
Entity-level controls	X		Reliance on selected entity-level, business process and information technology controls will allow us to reduce substantive audit work and increase the use of analytical procedures.
Business process controls	X		
Information technology controls		X	

Business process	Control reliance		Evaluate design of internal controls	Perform walk-through	Summary audit plan
	Yes	No			
Financial reporting and consolidations		X	X	X	<p>Following is a description of the procedures to be performed.</p> <p><b>Control reliance:</b></p> <ul style="list-style-type: none"> <li>We will perform an evaluation of the design of internal controls and perform walk-throughs for all relevant business processes.</li> <li>We will determine adequate methodology and sampling size.</li> <li>Where deemed efficient and effective, we will rely on internal audit to perform parts of the testing and documentation of internal controls, and we will reperform their work on a sample basis.</li> </ul> <p><b>No control reliance:</b></p> <ul style="list-style-type: none"> <li>We will perform an evaluation of the design of internal controls and perform walk-throughs for all relevant high- and moderate-risk business processes.</li> <li>We will perform an evaluation of the design of internal controls of all relevant low-risk business processes.</li> </ul>
Patient service revenue—allowances and provisions for bad debts and cost report settlements		X	X	X	
Patient service revenue—billing and collections		X	X	X	
Investments		X	X	X	
Fixed assets		X	X		
Inventories		X	X		
Debt		X	X		
Expenditures and cash	X		X	X	
Payroll			X	X	
Other revenue		X	X		
Tax positions		X	X		

## SUMMARY AUDIT CALENDAR

The following is a summary audit and tax engagement execution schedule, which integrates all facets of the engagement to meet internal and external deadlines.

Date	Activity
Ongoing	Planning discussions with UW Health management team
April 9, 2020	Preplanning activities: <ul style="list-style-type: none"> <li>• Provide client service plan to management and the SAHS Audit Committee</li> </ul>
May 7, 2020	Preplanning activities: <ul style="list-style-type: none"> <li>• Provide client service plan and arrangement letter to management and the UW Health Audit Committee</li> </ul>
UW Health: <ul style="list-style-type: none"> <li>• May 18 through June 5, 2020</li> </ul> SAHS: <ul style="list-style-type: none"> <li>• June 2020</li> </ul>	Planning and interim fieldwork: <ul style="list-style-type: none"> <li>• Audit engagement team on-site</li> <li>• Information technology specialist on-site</li> <li>• Third-party specialist to review preliminary settlement calculation</li> <li>• Income tax specialist to review tax positions</li> </ul>
UW Health: <ul style="list-style-type: none"> <li>• August through September 2020</li> </ul> SAHS: <ul style="list-style-type: none"> <li>• August 2020</li> </ul>	Final fieldwork: <ul style="list-style-type: none"> <li>• Audit engagement team on-site</li> <li>• Third-party specialist to review final third-party settlement calculations</li> <li>• Concurring partner review scheduled</li> </ul>
September 2020	<ul style="list-style-type: none"> <li>• Present results of June 30, 2020, audit of SAHS to its audit committee</li> </ul>
October 2020	<ul style="list-style-type: none"> <li>• RSM US LLP to host conference call with UW Health Audit Committee Chair to discuss audit status and results</li> </ul>
October/November 2020	<ul style="list-style-type: none"> <li>• Present results of the 2020 audits of the June 30 year-end Affiliates to their respective audit committees</li> </ul>
November 2020	<ul style="list-style-type: none"> <li>• Present results of the June 30, 2020, audit of UW Health to its audit committee</li> </ul>
Ongoing activities (continuous)	<ul style="list-style-type: none"> <li>• Open communication among management and RSM US LLP's partners, senior managers and specialists</li> <li>• Internally ensure seamless coordination between all members of RSM US LLP's engagement team</li> </ul>

## USING THE WORK OF OTHERS IN AN AUDIT

As part of our understanding of your business and its environment, we will obtain and document an understanding of your internal audit function. We will read relevant internal audit reports issued during the year to determine whether such reports indicate a source of potential error or fraud that would require a response when designing our audit procedures. Because internal auditors are employees, they are not independent, and their work can never be substituted for the work of the external auditor. We will, however, alter the nature, timing and extent of our audit procedures based upon the results of the internal auditors' work, and we will use the internal auditors to provide direct assistance to us during the performance of our audits.

We currently plan to use internal auditors to assist us in the following areas:

- Substantive and control testing of revenue
- Performing walk-throughs and documenting internal control understandings of certain business processes

## OTHER RISK AREAS—CONSIDERATION OF FRAUD

Generally accepted auditing standards (AU-C 240, *Consideration of Fraud in a Financial Statement Audit*) require us to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether caused by error or fraud. Following are the procedures designed to obtain reasonable assurance.

Summary audit procedures	
Generally accepted auditing standards (AU-C 240, <i>Consideration of Fraud in a Financial Statement Audit</i> )	<p><b>Assess:</b></p> <ul style="list-style-type: none"> <li>• Risk of misstatement due to fraudulent financial reporting or misappropriation of assets</li> <li>• UW Health’s risk-assessment process</li> <li>• Internal audit and Audit Committee activities</li> <li>• Financial performance versus budget and prior year</li> </ul>
	<p><b>Evaluate and review:</b></p> <ul style="list-style-type: none"> <li>• Code of conduct/ethics policies</li> <li>• Management programs and controls to deter and detect fraud for identified risk</li> <li>• Areas most susceptible to fraud</li> <li>• Business rationale for significant unusual transactions</li> <li>• Management structure and any changes</li> <li>• Accounting estimates, current and retrospective, for biases</li> <li>• Revenue recognition policies and procedures</li> </ul>
	<p><b>Consider:</b></p> <ul style="list-style-type: none"> <li>• Results of analytical procedures (including revenue analytics)</li> <li>• Conditions generally present to commit fraud, and assess risks of fraud throughout the audit</li> <li>• Materiality</li> <li>• Current market and industry conditions</li> <li>• Understanding of business and history of errors</li> </ul>
	<p><b>Examine and conduct:</b></p> <ul style="list-style-type: none"> <li>• Inquiries of management and others within the entity, including the Audit Committee, internal auditors, those outside management, and those outside the finance function</li> <li>• Journal entries and other adjustments</li> <li>• Incorporate elements of unpredictability in audit procedures from year to year</li> </ul>

## Opportunity

Conditions  
for fraud

Incentive		Rationalization
<ul style="list-style-type: none"><li>• Career disappointment</li><li>• Layoffs, known or anticipated</li><li>• Expected changes in compensation or benefits</li></ul>	<ul style="list-style-type: none"><li>• Rewards inconsistent with expectations</li><li>• Other dissatisfaction with company or treatment of its employees</li></ul>	<ul style="list-style-type: none"><li>• “Company owes me,” for instance because pay is perceived to be low</li></ul>

## OTHER REQUIRED COMMUNICATIONS

### Communication

Effective, two-way communication between RSM US LLP and the Audit Committee is important to understanding matters related to the audit and in developing a constructive working relationship.

Your insights may assist us in understanding UW Health and its environment, in identifying appropriate sources of audit evidence, and in providing information about specific transactions or events. We will discuss with you your oversight of the effectiveness of internal control and any areas where you request additional procedures to be undertaken. We expect that you will timely communicate with us any matters you consider relevant to the audits. Such matters might include strategic decisions that may significantly affect the nature, timing and extent of audit procedures; your suspicion or detection of fraud; or any concerns you may have about the integrity or competence of senior management.

We will timely communicate to you any fraud involving senior management and other fraud that causes a material misstatement of the financial statements, instances of noncompliance with laws and regulations that come to our attention (unless they are clearly inconsequential), and disagreements with management and other serious difficulties encountered in performing the audits. We also will communicate to you and to management any significant deficiencies or material weaknesses in internal control that become known to us during the course of the audits. Other matters arising from the audits that are, in our professional judgment, significant and relevant to you in your oversight of the financial reporting process will be communicated to the Audit Committee in writing after the audits.

### Audit Committee responsibilities

We acknowledge that the Audit Committee is directly responsible, among other things, for the appointment, compensation and oversight of our work and, except as otherwise noted, we will report directly to the Audit Committee.

## Management's responsibilities

As part of the audit process, management is responsible for the following:

- The overall accuracy of the financial statements and their conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), including the selection and application of accounting policies and adjusting the financial statements to correct material misstatements.
- Establishing and maintaining effective internal control over financial reporting, including design and implementation of programs and controls to prevent, and detect and correct, fraud.
- Identifying and ensuring that UW Health complies with laws and regulations applicable to their activities, and informing us of any known material violations of such laws or regulations.
- Making all financial records and related information available to us.
- Providing us with a written letter confirming certain representations made to us during our audits, including affirming to us that the effects of any uncorrected misstatements aggregated by us during the audits are immaterial, both individually and in aggregate, to the financial statements taken as a whole.

## Materiality

We apply the concept of materiality in planning and performing the audit, evaluating the effect of identified misstatements on the audit and the effect of uncorrected misstatements, if any, on the financial statements, forming the opinion in our report on the financial statements, and reporting in accordance with *Government Auditing Standards* and other compliance reporting requirements. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. We establish performance materiality at an amount less than materiality for the financial statements as a whole to allow for the risk of misstatements that may not be detected by the audit. We use performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. Our assessment of materiality throughout the audits will be based on both quantitative and qualitative considerations. Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements as well as financial statements of future periods. We will accumulate misstatements identified during the audits, other than those that are clearly trivial. At the end of the audits, we will inform you of all individual unrecorded misstatements aggregated by us in connection with our evaluation of our audit test results.

## Our approach to internal control and compliance relevant to the audits

Our audits of the financial statements, including compliance, will include obtaining an understanding of internal control sufficient to plan the audits and determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or identify significant deficiencies or material weaknesses. Our review and understanding of the entity's internal control is not undertaken for the purpose of expressing an opinion on the effectiveness of internal control.

We will issue reports on internal control related to the financial statements and compliance, as applicable for UWHCA and SAHS. These reports describe the scope of testing of internal control and the results of any tests of internal control. Our reports on internal control will include any significant deficiencies and material weaknesses in the system of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States, the provision of the Single Audit Act; Subpart F of Title 2 U.S. CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; the U.S. Office of Management and Budget's (OMB) Compliance Supplement, and the State of Wisconsin's *Department of Health Services Audit Guide, An Appendix to Wisconsin's State Single Audit Guidelines*.

We will issue reports on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance that could have a material effect on the financial statements and any noncompliance that could have a direct and material effect on each tested program. Our reports on compliance will address material errors, fraud, abuse, violations of compliance requirements, and other responsibilities imposed by federal or state statutes and regulations and assumed contracts; and any federal or state grant, entitlement or loan program questioned costs of which we become aware, consistent with the requirements of the standards and guides identified above.

## UPCOMING ACCOUNTING STANDARDS

Applicable for GASB reporting entities (UW Health)		
Standard	Summary	Effective date
See further information.	The GASB has announced on March 26, 2020, a proposal to consider postponing all Statement and Implementation Guide provisions with an effective date that begins on or after reporting periods beginning June 15, 2018.	The GASB Board plans to consider an Exposure Draft for issuance in April and finalize the guidance in May 2020.
GASB Exposure Draft, an Amendment of GASB No. 14 and 84 and supersession of No. 32	This statement makes certain changes to GASB No. 84 and 14 for consideration of component units and related criterion.	Written comments submitted by April 10, 2020. Unknown effective date at the current time.
GASB Statement No. 84: <i>Fiduciary Activities</i>	This statement provides guidance and establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities.	<b>TENTATIVE—GASB Considering Deferral</b>  Effective for UW Health's June 30, 2020, consolidated financial statements.
GASB Statement No. 87: <i>Leases</i>	This statement changes the historical practice of lease classification and recognition. The statement requires balance sheet recognition of all leases.	<b>TENTATIVE—GASB Considering Deferral</b>  Effective for UW Health's June 30, 2021, consolidated financial statements.
GASB Statement No. 90: <i>Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61</i>	The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.	<b>TENTATIVE—GASB Considering Deferral</b>  Effective for UW Health's June 30, 2020, consolidated financial statements.

Applicable for FASB reporting entities (RDI, SAHS and the Affiliates)

Standard	Summary	Effective date
Accounting Standards Update (ASU) No. 2014-09: <i>Revenue from Contracts with Customers (Topic 606)</i>	ASU 2014-09 provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. GAAP.	Effective for Affiliates for their June 30, 2020, financial statements.
ASU No. 2016-01: <i>Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities</i>	This ASU requires that all equity investments be measured at fair value with the changes in fair value recognized through the performance indicator (net income).	Partially adopted in fiscal year 2016, full adoption effective for SAHS for its June 30, 2020, financial statements.
ASU No. 2016-02: <i>Leases (Topic 842)</i>	This ASU changes the historical practice of operating versus capital leases, and introduces a right-to-use asset concept for operating leases, effectively requiring balance sheet recognition for previously off-balance-sheet leases.	<p><b>TENTATIVE—FASB Considering Deferral</b></p> <p>Effective for SAHS for its June 30, 2020, financial statements.</p> <p>Effective for Affiliates for their June 30, 2021, financial statements.</p>
ASU No. 2018-13: <i>Fair Value Measurement (Topic 820) Changes to the Disclosure Requirements for Fair Value Measurement</i>	The ASU removes, modifies and add certain disclosure requirements for assets and liabilities measured at fair value.	Effective for SAHS and for Affiliates for their June 30, 2021, financial statements.
ASU No. 2018-15: <i>Intangibles –Goodwill and Other –Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs in a Cloud Computing Arrangement That is a Service Contract</i>	This ASU aligns the requirements for capitalizing implementation costs in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation cost incurred for internal-use software.	<p>Effective for SAHS for its June 30, 2021, financial statements.</p> <p>Effective for Affiliates for their June 30, 2022, financial statements. Early adoption is permitted.</p>

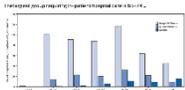


## Health Care Appendix

Governmental | April/May 2020

RSM invites you to access its data-backed reports and insights from senior analysts and experienced professionals to help you navigate the issues and challenges you face as you lead your organization. Here are some highlights.

### RESEARCH AVAILABLE TO YOU



#### [The Real Economy Health Care Blog](#)

Health care industry analysts interpret data and share timely insights for health care leaders and media.



#### [The Real Economy](#)

Monthly publication to help the middle market anticipate and address unique issues and challenges facing the industries in which they operate. Written by chief economist, Joe Brusuelas, and professionals throughout the firm.



#### [Middle Market Business Index](#)

In partnership with the U.S. Chamber of Commerce, RSM presents this quarterly middle market economic index in collaboration with Moody's Analytics, using data collected from RSM and The Harris Poll.

### CORONAVIRUS RESOURCES



#### [RSM Coronavirus Resource Center](#)

Stay on top of the evolving issues related to this crisis in order to mitigate risks and plan accordingly.

[Weekly webcasts](#) – Live events provide the latest on tax, labor, liquidity, cyber and others as they are affected by the pandemic. On-demand recordings are organized by topic.

Featured articles:

- [How health systems can manage the financial impact of the coronavirus](#)
- [5 things an organization can do to brace against the coronavirus fallout](#)
- [Notice 2020-18 provides limited relief to exempt organizations](#) [March 24, 2020] Extensions for tax returns and payments due to the coronavirus pandemic are largely inapplicable for most exempt organizations.
- [Charities providing assistance in the time of Coronavirus](#) [March 20, 2020] How tax-exempt organizations can provide assistance to those impacted by the coronavirus pandemic.

### EVENTS

#### HEALTH CARE WEBCASTS LIVE & ON-DEMAND

- [Quarterly Accounting Updates](#) [April 16, July 16 and Oct. 15]
- [M&A for health care investments: Overcoming risks and realizing value](#) [Oct. 31, 2019]
- [Data-driven revenue cycle improvement for health care organization](#) [Nov. 14, 2019]
- [The state of digital transformation in health care and the role of virtual health](#) [Jan. 16, 2020]
- [Health care's age of automation: Innovations in workflows with a new workforce](#) [Feb. 13, 2020]
- Fall 2020 health care webcast series to be announced soon

#### LIVE EVENTS

- Let's connect at the [HFMA annual conference](#) (June 28-July 1) San Antonio, TX
- Ask us about HITRUST Educational Sessions
- [RSM Classic](#) PGA event – Nov. 2020



#### IN THE NEWS

RSM senior analysts quoted in [Modern Healthcare](#):

- March 19: [Hospitals putting bond issues on hold amid COVID-19 outbreak](#)
- March 9: [Widespread COVID-19 outbreak in U.S. would threaten hospitals' finances](#)
- Jan. 22, 2020: [Hospitals advised to prepare for dealing with coronavirus](#)
- Jan. 6, 2020: [Another great recession: Health systems are getting ready](#) – pay wall
- Dec. 17, 2019: [Medicare estimated to have paid \\$94M in improper EHR incentives](#)
- Nov. 30, 2019: [Telemedicine helps rural hospitals meet intensivist shortage](#)
- Oct. 26, 2019: [Medicare estimated to have paid \\$94M in improper EHR incentives](#)
- Oct. 14, 2019: [Proposed accounting rule could shift millions into hospitals' current debt](#)

#### RELEVANT RSM-ISSUED NEWS RELEASES

- RSM Donates \$3.8 Million to Charity Through Birdies Fore Love Program [NEWS RELEASE](#)
- Modern Healthcare Ranks RSM No. 10 on 2019 Management Consulting Firm [NEWS RELEASE](#)

#### ASK YOUR RSM PROFESSIONAL TO:

- Provide you with an electronic copy of this document to access these resources
- Connect you with any of our presenters or authors to schedule a call or meeting, or exchange an email

## APPENDIX B—INDEPENDENCE LETTER



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May 7, 2020

Audit Committee  
University of Wisconsin Hospitals and Clinics Authority  
d/b/a UW Health

We have been engaged to audit the financial statements of the business-type activities and the aggregate discretely presented component units of University of Wisconsin Hospitals and Clinics Authority (d/b/a UW Health) (collectively referred to as UW Health) as of and for the year ended June 30, 2020.

Our audits were conducted in accordance with audit and related professional practice standards of the American Institute of Certified Public Accountants (AICPA) and the United States Government Accountability Office (GAO). Independence from UW Health is crucial to the performance of our audit services with both objectivity and independence.

We confirm in writing that, in our professional judgment, we are independent of UW Health.

We are not aware of any relationship between our firm and UW Health that, in our professional judgment, may reasonably be thought to bear on our independence. Other services provided by our firm to UW Health include the following:

- Tax return services
- Audits of certain University of Wisconsin Medical Foundation (UWMF) benefits plans
- Various other services as requested by the Audit Committee or management of UW Health

In our professional judgment, RSM US LLP is independent with respect to UW Health within the meaning of *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States, and Rule 101 of the AICPA Code of Professional Conduct.

This letter is intended solely for the information and use of the Audit Committee, the Board of Directors, management and others within UW Health, and is not intended to be, and should not be, used by anyone other than these specified parties.

*RSM US LLP*



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# Attachment

Subsidiary Audits as of June 30, 2019

UWH Joint Ventures  
6/30/2019

Tab

Quartz	Quartz	12/31/2018
Swedish American Hospital System	SAHS	
Wisconsin Dialysis	WDI	
Chartwell	Chartwell	stub year
Generations Fertility Care	GFC	
Wisconsin Sleep	WSI	
Madison Surgery Center	MSC	stub year
Transformations Surgery Center	TSC	stub year
UW ACO	No audit done in 2019 as ownership structure changed	

Quartz  
December 31, 2018

Premium and other revenues \$1,696,760,000  
Change in net assets, prior to capital contributions \$5,503,000

Date of issuance 5/30/2019  
Audit Opinion: Unqualified (Clean)

Significant deficiencies/material weaknesses Significant deficiencies for Unity pharmacy rebate recognition and PPIC tax provision errors.

Passed adjustments

**Quartz—GAAP Basis**

Description	Effect—Debit (Credit)				
	Assets	Liabilities	Net Assets	Revenue	Expenses
Reversed pretax opening net asset misstatements:					
Prior-year items within GHP, Unity and GHPMN	\$ -	\$ -	\$ 184,000	\$ (34,000)	\$ (150,000)
Current-year misstatements:					
General and administrative expense not recorded in proper period—Unity and PPIC:					
Factual misstatement	-	-	9,000	-	(9,000)
Projected misstatement	-	-	410,000	-	(410,000)
Adjustment to income tax expense	196,000	-	-	-	(196,000)
Client-identified:					
Miscellaneous items	538,032	(433,696)	-	(771,648)	667,312
Total pretax effect—close to net assets	-	-	(903,336)	\$ (805,648)	\$ (97,688)
Balance sheet effect (pretax)	\$ 734,032	\$ (433,696)	\$ (300,336)		

Audit adjustments We proposed and management recorded an audit adjustment to reduce Unity's health care and other amounts receivable and its claims unpaid by approximately \$5,498,000 for pharmaceutical rebates subject to administrative offset.

Swedish American Health System Corporation and Subsidiaries  
June 30, 2019

Change in net assets \$28,463,000

Date of issuance 10/22/2019

Audit opinion: Unqualified (Clean)

Significant deficiencies/material weaknesses None

Passed adjustments

Description	Increase (Decrease)				
	Assets	Liabilities	Net		
			Assets	Revenue	Expenses
SwedishAmerican Health System Corporation					
<u>Carryover Impact From Previous Periods</u>	\$ 949,411	\$ 982,890	\$ (577,479)	\$ -	\$ (544,000)
To record current year straight-line operating lease expense	-	55,200	-	-	55,200
To increase self insurance reserves	-	936,000	-	-	936,000
To record 2019 net patient service revenues recorded in fiscal year 2020.	196,600	-	-	196,600	-
To record YMCA naming rights	(73,032)	(83,874)	-	-	(10,842)
	<u>\$ 1,072,979</u>	<u>\$ 1,890,216</u>	<u>(577,479)</u>	<u>\$ 196,600</u>	<u>\$ 436,358</u>
Effect on change in net assets			(239,758)		
Effect on ending net assets			<u>\$ (817,237)</u>		

Audit adjustments None

Wisconsin Dialysis, Inc.  
30-Jun-19

Change in net assets 6/30/2019  
\$1,761,205

Date of issuance 9/30/2019  
Audit opinion: Unqualified (Clean)

Signifcant deficiencies/material weaknesses None

Passed adjustments

Description	Effect — Increase (Decrease)				
	Assets	Liabilities	Net Assets	Revenue	Expense
Reversed opening Net Assets misstatements				\$-	\$ 9,526
Liability is nonreversing - PY effects of straightline rent - East Madison	\$-	\$ 66,587	\$ (66,587)	-	-
To record current year effect of straightline adjustment for deferred rent - East Madison	-	(4,801)	4,801	-	(4,801)
Liability is nonreversing - PY effects of straightline rent - Fitchburg	-	28,238	(28,238)	-	-
To record current year effect of straightline adjustment for deferred rent - Fitchburg	-	12,025	(12,025)	-	12,025
Effect on Change in Net Assets				\$-	\$ 16,750
Effect on Statement of Financial Position	\$-	\$ 102,049	\$ (102,049)		

Audit adjustments

Description	Debit (Credit)				
	Assets	Liabilities	Net Assets	Revenue	Expense
To adjust cash on hand due to improper excusion of outstanding checks in the bank reconsilation	\$ (13,019)	\$ 13,019	\$-	\$-	\$-

Chartwell Wisconsin Enprises, LLC  
 June 30, 2019 (Stub period)

Net Income For 6 months  
 1,687,294

Date of issuance 10/17/2019  
 Audit opinion: Unqualified (Clean)

Significant deficiencies/material weaknesses None

Passed adjustments

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Equity	Revenue	Expense
To adjust for final management bonus approved by Management Committee	\$ -	\$ (22,101)	\$ 22,101	\$ -	\$ (22,101)
Total Pretax Effect				\$ -	\$ (22,101)
Balance Sheet Effect (Pretax)	\$ -	\$ (22,101)	\$ 22,101		

Audit adjustments

Description	As of June 30, 2019				
	Assets	Liabilities	Equity	Revenue	Expense
To increase property and equipment and accounts payable for construction payabl	\$ 22,039	\$ (22,039)	\$ -	\$ -	\$ -
To decrease accounts receivable for accounts receivable cutoff error	(22,276)	-	-	22,276	-
Total	\$ (237)	\$ (22,039)	-	\$ 22,276	\$ -
Change in net income			22,276		
Change in ending equity			\$ 22,276		



Wisconsin Sleep, Inc  
 June 30, 2019

Revenue in excess of expense	\$860,658
Distribution to owners	<u>(1,500,000)</u>
Change in net assets	(\$639,342)

Date of issuance	11/19/2019
Audit opinion:	Unqualified (Clean)

Significant deficiencies/material weaknesses	None
Passed adjustments	None

Audit adjustments

Description	Debit (Credit)				
	Assets	Liabilities	Equity	Revenue	Expense
To correct the change in deferred rent resulting from lease extension	\$ -	\$ (24,536)	\$ -	\$ -	\$ 24,536
To reclassify credit balances in patient accounts receivable	9,097	(9,097)	-	-	-
Total	<u>9,097</u>	<u>(33,633)</u>	-	<u>\$ -</u>	<u>\$ 24,536</u>
Balance sheet effect	<u>\$ 9,097</u>	<u>\$ (33,633)</u>	<u>24,536</u>		

Madison Surgery Center, Inc  
 June 30, 2019 (Stub period)

	<u>For 6 months</u>
Revenue in excess of expense	\$4,596,658
Distribution to owners	<u>(5,400,000)</u>
Change in net assets	(\$803,342)
Date of issuance	12/11/2019
Audit opinion:	Unqualified (Clean)
Significant deficiencies/material weaknesses	None

Passed adjustments

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Assets	Revenue	Expense
<b>Reversal of previous year entries</b>	\$ -	\$ -	\$ 22,512	\$ -	\$ 22,512
<b>Current year misstatements:</b>					
To record adjustment for prior year expenses posted to the current period - factual	-	(8,550)	-	-	(8,550)
To record adjustment for prior year expenses posted to the current period - projected	-	(46,610)	-	-	(46,610)
Total effect	<u>\$ -</u>	<u>\$ (55,160)</u>	22,512	<u>\$ -</u>	<u>\$ (32,648)</u>
<b>Effect on change in net assets</b>			<u>32,648</u>		
<b>Effect on ending net assets</b>			<u>\$ 55,160</u>		

Audit adjustments

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Assets	Revenue	Expense
To increase the allowances for contractual adjustments and bad debt	<u>\$ (240,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (240,000)</u>	<u>\$ -</u>
<b>Effect on change in net assets</b>			<u>(240,000)</u>		
<b>Effect on ending net assets</b>			<u>\$ (240,000)</u>		

Transformatin Surgery Center, Inc  
 June 30, 2019 (Stub period)

For 6 months

Change in net assets                      \$137,790

Date of issuance                              12/11/2019

Audit opinion:                                  Unqualified (Clean)

Signifcant deficiencies/material weaknesses      None

Passed adjustments

Description	Effect — Increase (Decrease)				
	Assets	Liabilities	Net assets	Revenue	Expense
Reversal of previous year entries	\$ -	\$ -	\$ 10,629	\$ -	\$ 10,629
To reclassify debit balance in accounts payable	2,002	2,002	-	-	-
Total effect	<u>\$ 2,002</u>	<u>\$ 2,002</u>	10,629	<u>\$ -</u>	<u>\$ 10,629</u>
Effect on change in net assets			<u>(10,629)</u>		
Effect on ending net assets			<u>\$ -</u>		

Audit adjustments                              None