

South Broward Hospital District d/b/a Memorial Healthcare System

FY 2025 Overview of Audit Strategy
Report to the Audit and Compliance
Committee of the Board of Commissioners

January 16, 2025



Audit and Compliance Committee of the Board of Commissioners
South Broward Hospital District d/b/a Memorial Healthcare System

We are pleased to present this report covering the planned scope and timing of our audit of South Broward Hospital District d/b/a Memorial Healthcare System's (the System) 2025 consolidated financial statements (collectively, the "financial statements").

This report is designed to help you understand our audit approach, including the importance of communication, our emphasis on understanding how your organization functions, and our incorporation of concepts like materiality, internal control and risk assessment into tailoring audit procedures to the unique aspects of your organization.

It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to be of service to the System.

RSM US LLP

This report is intended solely for the information and use of the Audit and Compliance Committee of the Board of Commissioners and management, and is not intended to be, and should not be, used by anyone other than these specified parties.



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Summary of key planning areas

We will take an unbiased, risk-based approach in designing audit procedures. The nature, timing and extent of procedures performed will be consistent with our risk assessments and our audit approach.

Audit timeline

Preliminary audit work will take place the weeks of January 27, 2025 and February 3, 2025. Procedures will include updating our understanding of the entity, walkthroughs of transaction cycles and preliminary analytical review procedures.

Interim fieldwork will take place the weeks of March 3, 2025 and March 10, 2025. Procedures will include wrapping up preliminary audit work and getting a head start on year-end field work.

We have scheduled year-end fieldwork to begin the week of May 19, 2025.

For additional details, refer to [Timing of the audit](#) section.

Emphasis areas

Key areas of focus during this period's audit include those deemed to be significant risks, which are listed at [Significant risks of material misstatement](#) section.

We plan to use the work of subject matter experts and valuation specialists in testing information technologies (IT) systems, third-party reimbursements, and reviewing the System's various actuarial valuation reports.

We anticipate that the following areas will represent significant changes in audit emphasis from the prior period:

- DPP performance bonus
- Update accounting and reserves for Florida Section 1115 DSH Waiver Days settlement

Summary of key planning areas

Other Services Provided

- Tax assistance and review
- We are the auditors for Memorial Insurance Company, LLC.
- Provide assistance in connection with a performance review for compliance with Florida Statute Chapter 189.0695.
- Provide ongoing assistance in connection with GASB Statement No. 87, *Leases*, and GASB No. 96, *Subscription-Based Information Technology Arrangements*, accounting matters.

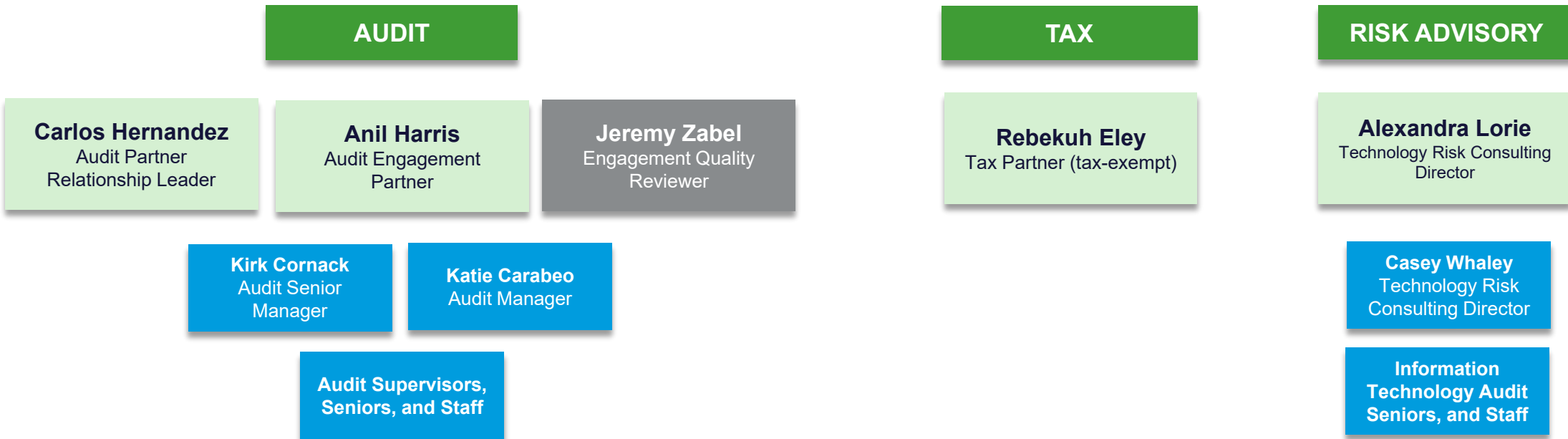
Internal audit reliance

Internal audit will be relied upon for various aspects of the engagement. Please refer to [Using the work of internal auditors](#) section for more information.



Engagement team

Our team approach emphasizes assigning professionals with the right level of experience for each aspect of the engagement. The chart below depicts how the engagement team is organized. Anil Harris serves as the engagement leader and your main point of contact. All of these individuals have served the System in previous years.



Communication

Effective two-way communication between our firm and the Audit and Compliance Committee of the Board of Commissioners is important to understanding matters related to the audit and developing a constructive working relationship.

Your insights may assist us in understanding the System and its environment, identifying appropriate sources of audit evidence and providing information about specific transactions or events.

Our responsibilities

We will:

- Discuss with you your oversight of the effectiveness of internal control and any areas where you request additional procedures to be undertaken.
- Timely communicate to you any instances of the following that are identified during the audit:
 - Fraud involving senior management and other known or likely fraud, noncompliance with provisions of laws, statutes, regulations, rules, provisions of contracts or grant agreements or abuse that is likely to have a material effect on the financial statements.
 - Illegal acts, noncompliance or fraud (unless they are clearly inconsequential).
 - Disagreements with management and other serious difficulties encountered in performing the audit.
- Communicate the following matters to you:
 - Significant deficiencies or material weaknesses in internal control that become known to us during the audit.
 - Significant unusual transactions, matters that are difficult or contentious for which we consulted outside the engagement team, and circumstances that affect the form and content of the auditor's report.
 - Other matters arising from the audit that are, in our professional judgment, significant and relevant to you in your oversight of the financial reporting process.

Your responsibilities

We expect that you:

- Timely communicate to us any matters you consider relevant to the audit, which might include:
 - Strategic decisions that may significantly affect the nature, timing and extent of audit procedures.
 - Your suspicion or detection of fraud.
 - Any concerns you may have about the integrity or competence of senior management.

Independence

Shared responsibilities for independence

Independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and *Government Accountability Office* (GAO) independence rules. For RSM to fulfill its professional responsibility to maintain and monitor independence, management, the Audit and Compliance Committee of the Board of Commissioners, and RSM each play an important role.

Our responsibilities

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. RSM is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

Your responsibilities

- Timely inform RSM, before the effective date of transactions or other business changes, of the following:
 - New affiliates, directors, or officers.
 - Changes in the organizational structure or the reporting entity impacting affiliates such as subsidiaries, partnerships, related entities, investments, joint ventures, component units, or jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the System and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with RSM.
- Not entering into arrangements of nonaudit services resulting in RSM being involved in making management decisions on behalf of the System.
- Not entering into relationships resulting in close family members of RSM covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the System.

Overall audit strategy

Our independence policies and procedures

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable professional independence standards. Our policies address financial interests, business and family relationships, and non-audit services that may be thought to bear on independence. For example:

- Our partners and professional employees are restricted in their ability to own a direct financial interest or a material indirect financial interest in a client or any affiliate of a client.
- If an immediate family member or close relative of a partner or professional employee is employed by a client in a key position, the incident must be reported and resolved in accordance with firm policy.
- Our policies prohibit us from providing certain non-attest services and require audit clients to accept certain responsibilities in connection with the provision of permitted non-attest services.

The audit planning process

Our audit approach places a strong emphasis on obtaining an understanding of how your entity functions, which enables us to identify key audit components and tailor our procedures to the unique aspects of your entity.

- **Understand the entity.** The development of our audit plan begins by meeting with you and with management to obtain an understanding of the System's objectives, strategies, risks and performance.
- **Materiality.** We obtain an understanding of the users of the financial statements in order to establish an overall materiality level for audit purposes.
- **Internal control.** As part of obtaining an understanding of your entity and its environment, we obtain an understanding of your system of internal control.
- **Risk assessment.** We use this understanding of your entity, its environment, and its internal control to identify risks of material misstatement and noncompliance, which provides us with a basis for designing and implementing responses to the assessed risks of material misstatement and noncompliance.
- **Discussions among the engagement team.** We conduct formal discussions among engagement team members to consider how and where your financial statements might be susceptible to material misstatement due to fraud or error or to instances of noncompliance.

Materiality

The concept of materiality in planning and executing the audit

We apply the concept of materiality in planning and performing the audit; evaluating the effect of identified misstatements or noncompliance 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 determining our reporting in accordance with *Government Auditing Standards* in the following ways:

- **Professional judgment.** Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial and compliance informational needs of users of the financial statements.
- **Overall materiality.** We establish an overall materiality for audit purposes.
- **Performance materiality.** 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.
- **Quantitative and qualitative considerations.** Our assessment of materiality throughout the audit 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.
- **Accumulation of misstatements.** We will accumulate misstatements identified during the audit, other than those that are clearly trivial.
 - At the end of the audit, we will inform you of all individual uncorrected misstatements aggregated by us in connection with our evaluation of our audit test results.

Significant risks of material misstatement

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.

As part of our initial risk assessment procedures, we identified the following risks as significant risks. Additional significant risks may be identified as we perform additional audit procedures.

Risk Name	Risk Description
Management override of controls	Management could override controls that are in place in order to commit fraudulent financial reporting, misappropriate assets, or manipulate earnings.
Fraudulent revenue recognition	Management could improperly recognize revenues in order to manipulate earnings.
Patient accounts receivable and net patient service revenue, including allowances	Accounts receivable could be misstated due to complexity, subjectivity, uncertainty, or economic developments.
Self-insurance liabilities	Self-insured liabilities could be misstated due to incorrect claim data, inaccurate liability estimation processes, or missing claims.
Third-party payor settlements and valuation allowances	Receivable could be misstated due to complexity and subjectivity.
Net pension liability and related balances	Liabilities could be misstated due to inaccurate data or estimation processes.
Section 1115 Medicaid demonstration waivers	Section 1115 Medicaid demonstration waivers could be misstated due to complexity, subjectivity, and uncertainty of these transactions.

Definition of significant risk: *An identified risk of material misstatement:*

- i. *For which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk due to the degree to which inherent risk factors affect the combination of the **likelihood** of a misstatement occurring and the **magnitude** of the potential misstatement should that misstatement occur; or*
- ii. *That is to be treated as a significant risk in accordance with auditing standards generally accepted in the United States of America.*

Using the work of internal auditors

Understanding the internal audit function

As part of our understanding of your entity 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.

Using the work of internal auditors

Because internal auditors are employees, they are not independent and their work can never be substituted for the work of the external auditor.

We may, however, alter the nature, timing and extent of our audit procedures based upon the results of the internal auditors' work or use the internal audit function to provide direct assistance to us during the performance of our audit.

We will also use the internal audit function to provide direct assistance to us in relation to the following audit areas:

- Walkthrough testing of key business processes
- Substantive testing of samples of payroll; fixed assets and CIP additions; patient revenue; accounts receivable hindsight; credit balances; unapplied discounts; and zero balance patient accounts

Timing of the audit

The schedule below outlines the expected timing of the audit.

Management’s adherence to its closing schedule and timely completion of information used by us in performance of the audit is essential to timely completion of the audit.

----- 2025 -----

Jan/Feb	Preliminary audit work (weeks of January 27 and February 3)
March	Interim audit work (weeks of March 3 and March 10)
May/June	Field work (weeks of May 19, May 26, June 2, and June 9)
June	Field work wrap up and financial statement review (week of June 16)
July	Present results of the 2025 audit to the Audit and Compliance Committee of the Board of Commissioners

Market and industry update

We are pleased to provide real-time, middle market relevant macroeconomic perspectives to help clients anticipate and address the unique issues and challenges facing their businesses and the industries in which they operate. Our insights and analysis benefit clients and others by deepening their understanding of the importance of the middle market to economic growth and stability. For more articles, guides and webcasts, [view all RSM Insights](#).

01

[RSM Middle Market AI Survey 2024](#)

Learn how peers use AI and where opportunities exist

05

[Governing cybersecurity means revamping your organization and processes](#)

Transform cyber governance as an enterprise

02

[Generative AI](#)

Get insights to capitalize on opportunities while addressing risks

06

[Economy and business opportunity](#)

Discover how decisions today may pay dividends tomorrow

03

[The Real Economy](#)

A monthly economic report for middle market business leaders

07

[Critical insights for boards and audit committees](#)

Guidance for board members and audit committees serving public and private companies

04

[The Real Economy: Industry Outlook](#)

Industry-specific quarterly insights

08

[Tax regulatory resources](#)

Insights on tax policy and regulation

Hannah

One of the
RSM team



Appendices

FORVIS

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Report on the Firm's System of Quality Control

December 5, 2022

To the Partners of RSM US LLP and the National Peer Review Committee,

We have reviewed the system of quality control for the accounting and auditing practice of RSM US LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2022. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of and compliance with the firm's system of quality control based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans; audits performed under FDICIA; and examinations of service organizations (SOC 1[®] and SOC 2[®] engagements).

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of RSM US LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2022, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. RSM US LLP has received a peer review rating of *pass*.

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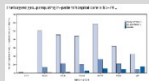
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[The Real Economy](#)

Monthly publication to help the middle market anticipate and address unique issues and challenges facing the industries in which they operate.



[Middle Market Business Index](#)

The RSM US Middle Market Business Index provides a leading measure on the performance of businesses each quarter.

Insights & Alerts

- [Value-based Care, Education And Technology Key To The Future Of Patient Care - Healthcare Business Today](#)
- [How health care organizations can prepare for tax changes under Trump in 2025](#)
- [RSM's guide to advanced data analytics](#)
- [Business spending on equipment falls in September, but orders pick up](#)
- [How tax-exempt hospitals can prepare for increased IRS scrutiny](#)
- [Health Care CIOs Play A Crucial Role As Organizational Change Agents - Healthcare Business Today](#)
- [5 health care deal risks to address with effective integration planning](#)

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Events & Webcasts

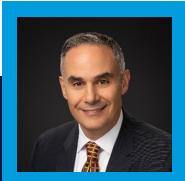


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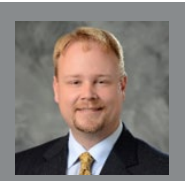
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