

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Schedule of Findings and Responses
For the Year Ended September 30, 2018**

2018 – 002 Accruals and Balance Sheet Presentation (Partial repeat of findings 2017-001 and 2016-001)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and presenting financial statements in accordance with generally accepted accounting principles.

Condition: Audit adjustments were required to adjust prepaid expense and accounts payable for fiscal 2019 amounts not yet paid at September 30, 2018; to adjust accounts payable and capital assets to record outstanding liabilities associated with capital purchases; and to correct accumulated depreciation and depreciation expense for a client entry which was recorded in reverse.

Cause: The Chief Financial Officer resigned from the Hospital before the fiscal year-end ledger was completely closed, which likely resulted in certain routine adjustments not being recorded and other reconciling items not being corrected in a timely manner.

In any event, internal controls surrounding accounts payable, prepaid expense, and capital assets were not sufficient to detect certain misstatements in the financial statements.

Effect: Material audit adjustments were required to properly state the accounts.

Recommendation: Management should continue to focus on strengthening internal controls surrounding financial reporting and the proper presentation of financial statements in accordance with GAAP and ensure that appropriate measures are taken to capture all assets and liabilities. Financial close procedures should include reconciliations of all capital asset and related accumulated depreciation accounts and an analysis of prepaid expenses.

Views of Responsible Officials and Planned Corrective Actions: Management recognizes the required audit adjustments were significant to the financial statements. A complete year-end review will ensure all adjustments are completed prior to the audit.

MANAGEMENT LETTER

Board of Trustees
Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Bonifay, Florida

Report on the Financial Statements

We have audited the financial statements of Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the "Hospital"), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated March 13, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 13, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, we determined that finding 2017-001 of the preceding annual financial audit report, which was a partial repeat of 2016-001 of the second preceding annual financial audit report, was again partially repeated as current year finding 2018-002 in the accompanying schedule of findings and responses.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires us to apply appropriate procedures and communicate the results of our determination as to whether or not the Hospital has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions(s) met. In connection with our audit, we determined that the Hospital did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Hospital. It is management's responsibility to monitor the Hospital's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we included recommendations in the accompanying schedule of findings and responses.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Hospital for the fiscal year ended September 30, 2018, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2018. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Trustees, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

March 13, 2019