



*Create
Opportunities*

January 7, 2022

Proposal to provide professional
audit services to:

Mangum Regional Medical Center

Prepared by:

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WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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Create Opportunities

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January 7, 2022

Andrea Snider
Hospital Director of Finance
Cohesive Healthcare Management & Consulting
2510 E. Independence , Suite 100
Shawnee, OK 74804

Dear Andrea:

Thank you for inviting us to propose our services to you. We gladly welcome the opportunity to share our approach to helping Mangum Regional Medical Center (MRMC) meet its need for professional services. The enclosed proposal responds to your request for audit services for 2020, 2021, 2022, 2023 fiscal years, beginning December 31, 2021.

We enjoyed speaking with you last week to discuss your background to understand your broader objectives of MRMC. Based on our discussions, we have tailored our responses to convey our commitment to helping health care clients through a relationship that exceeds the services themselves. We are confident our proposal not only addresses your requests, but also demonstrates our capabilities and insights.

If we were both candid, we would most likely agree there are other firms that are capable of providing the service you have requested. However, very few can provide it in a manner that creates exceptional value and a noticeably different experience. At CLA (CliftonLarsonAllen LLP), our greatest strengths correspond to your most critical needs; we possess a full spectrum of resources needed to most effectively help meet their goals today and in the future.

CLA exists for one reason: to create opportunities — for our clients, our people, and our communities. We create these opportunities when we live the **CLA Promise: We promise to know you and help you.**

As a professional services firm, we can provide clients with a wide array of services. But living the CLA Promise requires an incredible amount of trust. We seek to build a trusting relationship and create personal connections with MRMC so we can understand your business, risks, opportunities, and challenges. This is what allows us to provide insight and perspective on the critical strategic decisions that lie ahead for MRMC.

We are excited for the opportunity to serve in the traditional services being requested but also related to the future changes and transformation of the organization and the industry into the future. Whatever MRMC's needs are – audit, reimbursement, or consulting – we'll bring ideas to help with the things that matter. Thank you for this invitation and we look forward to hearing from you soon. If you have any questions regarding the content of our proposal, please to not hesitate to let us know.

Sincerely,

CliftonLarsonAllen LLP



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1. Qualifications

A. Staff Commitment to Health care Industry

CLA has developed one of the nation's largest health care practices. Our team includes CPAs and a diverse range of experienced professionals with backgrounds and skill sets ranging from CEOs and CFOs to RNs, certified coders, and certified medical practice executives. Represented by team members possessing up to 30 years of dedicated experience to the health care field, we develop innovative responses and creative strategies for clients who demand specialized consultation and advice, as well as providers who require traditional CPA services. Our consulting and advisory services focus on finance, strategy, capital planning, internal audit, operations and performance improvement, and facilities. Our independent and objective professionals are guided by your strategic vision and your unique environment.

Serving Health Care Organizations is a Focus at CLA			
More than 90 principals	Approximately 350 professionals	Spent 100 percent of their time serving health care organizations	Provide audit, tax, and related services to more than 8,700 health care organizations nationwide (including 620+ hospitals and health systems)

CLA organizes our healthcare into fourteen distinct growth networks, with the Sunbelt being one of the largest. We have developed, and continue to develop, a team of professionals locally that are dedicated to the healthcare industry. Unlike most firms, CLA teaches our senior and associates across the various technical disciplines (audit, reimbursement, consulting, tax, etc.), believing that a well-rounded health care professional will better understand what drives our client's business today and into the future. Below is a list of staff that devote a significant time to our healthcare practice in the Sunbelt:

Role	Number of Professionals	Time Dedicated
Principal/Signing Directors	12	100%
Manager/Directors	18	100%
Seniors	16	100%
Associates/Interns	34	100%



B. Evaluation of Accounting and Financial Controls

Many organizations view an audit as a requirement that doesn't contribute to their overall operations or value. At CLA, we believe an audit should be an annual check-up that allows us to have insight into your organization and to share in-depth advice on how to improve your operations.

Our industry experience makes it easier — CLA auditors are experienced in your industry, which allows us to make the process faster and smoother. We approach our client engagements with a commitment to operational efficiency and to leverage our industry-focused experience to bring positive impact and meaningful insights to our clients. What does this mean for your organization? It means we bring a team of professionals and an approach focusing on you, our client, listening to and working with you for a successful outcome.

Your time has value — Our approach recognizes that your time is valuable and best spent with key decision makers asking clarifying questions, discussing organizational strategies, and dealing with sensitive reporting issues. We believe this approach is effective and cost-efficient, produces a quality audit, provides you with substantive discussions with our team leaders, and recognizes there is more value to time spent discussing significant issues with management than reviewing detailed workpapers.

No surprises — Our emphasis on planning and communication allows for an efficient and effective audit process in which everyone involved knows their roles and expectations. We provide a "**"no surprises"** approach to our services, based on frequent and timely communication. As issues arise during the course of the audit, we engage the right people in a frank discussion to resolve them.

Significant involvement of principals and managers — An important distinction between CLA and other firms is the amount of principal and manager involvement in the engagement. Because our principals and managers are directly involved in the engagement during fieldwork, we can proactively identify significant issues immediately and resolve them with management.

C. Techniques to Maximize Efficiency

Innovating the audit to drive quality and value — Where appropriate, we will use CaseWare's Interactive Data Extraction and Analysis (IDEA) software. IDEA is a file interrogation, or data analysis, tool that facilitates an efficient audit of large volumes of transactions. IDEA is able to read electronic downloads of transactions in many different formats, including text files, spreadsheet files print report, pdf and database files. IDEA allows CLA to focus on identifying potential audit anomalies, ranging from journal entry analysis to unusual trends. Our team's experience and maturity with using analytics enables us to look at larger populations of data, adjust the timing of our audit work and identify areas of focus. IDEA has the ability to:

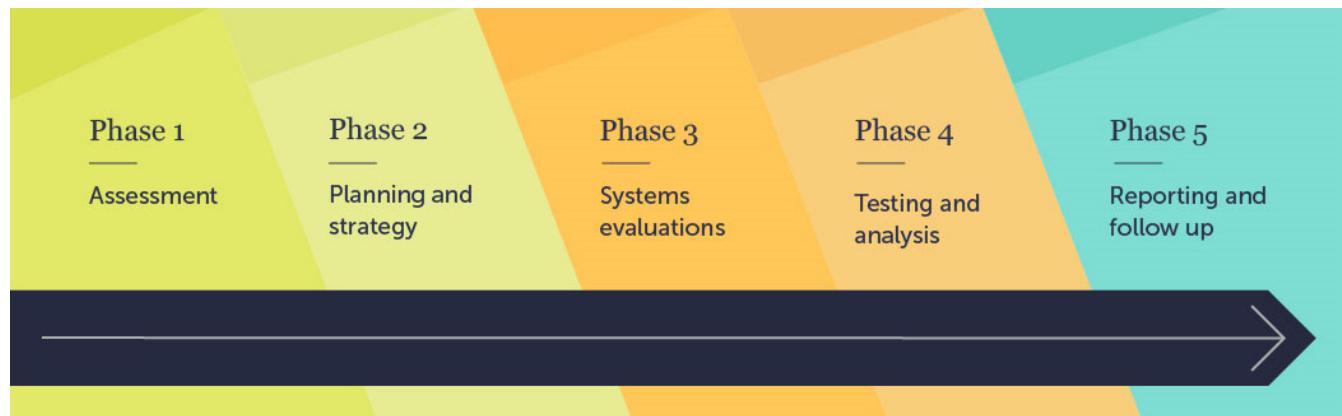
- Statistically sample, summarize, stratify and/or perform an aging of large data sets.
- Compare, join, append or otherwise manipulate multiple, related populations of data.
- Extract subsets of data using a variety of criteria or filters.
- Identify trends and anomalies in your processes and controls to help direct our efforts in the right areas.
- Analyze non-financial information in an impactful way.



We tailor the audit just for you — We begin the audit with a thorough planning and preparation phase and culminate with the timely delivery of our reports. We will work with you immediately to coordinate and schedule the engagement to minimize any potential disruptions to your business. We would envision that we immediately begin our planning process upon receipt of a signed engagement letter. We will then work with you to finalize dates that accommodate your schedules (see Appendix for proposed timeline). While our audit programs provide typical approaches for given audit areas, CLA tailors and designs a client-specific, risk-based audit approach. We don't follow a "cookie cutter" approach. We use custom, industry-tailored programs, procedures, and other tools that are designed specifically to focus on the issues that are applicable to health care.

We explain exactly what we're doing and what we've found in plain, everyday language. We translate our findings into ideas on how you can address them. We believe our services are a contributing factor to better business and administrative practices. We gain a better understanding of your organization by working closely with your staff. This involvement enables us to offer you recommendations or suggestions for improvement in your systems and procedures that are more comprehensive, better understood, and more frequently implemented.

The CLA audit methodology utilizes a five-phase approach.



Year-long support — We encourage your staff to take advantage of our accessibility throughout the year for questions that may arise. Our people, working with you and your staff, can provide proactive advice on new accounting or GAAP pronouncements and their potential impact; help with immediate problems including answers to brief routine questions; and share insights and best practices to assist you in planning for your future success. We commit to being your advisor throughout the year, not just an auditor at year end.

Technical consultations — The current financial reporting environment continues to be challenging with standard setters issuing an increasing number of complex accounting standards. Our national technical office oversees consultation with our audit teams on complex accounting issues. Consultation is a decision-making process, not just a process to obtain advice. Our consultation process is designed to utilize our firm's resources in reaching conclusions on difficult accounting, auditing, and financial reporting matters. Our consultation protocols require audit teams to obtain the approval of a technical consultation partner on significant technical issues before audited financial statements can be issued. Our approach is collaborative and transparent and the resolution process is streamlined.

Approach to IT security controls as part of the audit

CLA brings significant experience in auditing IT systems and applications and has a wealth of skills in technology controls and processing. The IT Assurance and Security Services Team is comprised of over 100 dedicated IT security and audit professionals with numerous major professional certifications, including Certified Information Security Manager (CISM), Certified Information System Auditor (CISA), Certified Internal Auditor (CIA), Certified Information Systems Security Professional (CISSP), Cisco Certified Networking Associate (CCNA), Health Care Information Security and Privacy Practitioner (HCISPP) and Microsoft Certified System Engineer (MCSE).

In support of the financial statement audit, our IT specialists, will perform procedures to provide assurance that infrastructure and application controls relating to data integrity are effective for the general ledger system and other ancillary application systems which directly impact revenue, asset valuation and expenses. In order to meet this objective, we will review current policies and procedures, and conduct interviews to determine the existence of a committed and keen security posture, and identify for discussion all applications, which impact revenue, asset valuation and expenses.

The scope of this review may include domains such as technical infrastructure, software, data and application administration, IT operations/support, physical environment, and business continuity.

We will provide real-time observations that we note during our review to assist you in enhancing MRMC's controls in the new system.

Additionally, with the depth of resources in our consulting and advisory services, we aim to be your year-round advisor, keeping you informed of issues and events that are important to you.

Summary of benefits

MRMC will realize the following benefits from CLA's services —

- An objective look at your operations to help you make sound business decisions.
- Credibility only an outside professional can provide your lenders and stakeholders.
- Confidence that accounting principles have been evaluated for application accuracy.
- An opportunity to improve internal controls and accounting procedures, which increases reliability of accounting records and financial statements.
- Improved efficiency and effectiveness of the assurance service, thus adding value to the process while reducing disruption to your operations.



D. Technical and Industry Training

We consistently offer our people the most current information—continuing education for our people helps us stay current. Each member of our professional team, including principals, attends at least 40 hours of technical training annually. When team members work extensively in one of our industry segments, they also attend specific training for that field.

Our health care professionals are specifically trained in the industry at a level beyond many of our competitors:

Year-round on-the- job industry specific training	By serving only health care clients, the team chosen to serve you is exposed to and trained on industry specific issues while performing their day-to-day work.
Tailored general training	When instructing our basic CPA, consulting, and advisory classes, we tailor the entire discussion, examples, and exercises to apply to health care clients.
We recruit for industry specialization	Our on-campus recruiting aggressively seeks individuals with health care degrees and/or backgrounds.

Following is a partial list of our internal health care specific educational sessions.

Educational Sessions	
Introduction to the Health Care Industry	Internal Controls
CliftonLarsonAllen Health Care Conference	Debt/Bonds
Annual Health Care Accounting & Auditing Update	Medicare Cost Report Preparation
Annual Regulatory Reimbursement Update	Hospital Update
Home Health Update	Form 990 Preparation
Senior Living Update	Healthcare Finance Seminar
Physician and Clinics Update	Growing in the Health Care Industry
Foundation webinars, round tables and national foundation conferences	

In addition to industry-specific training, we have a “Continuous Feedback” process wherein timely and frequent performance feedback is provided to all personnel. This process includes engagement specific evaluations by project managers, assignment of a “performance coach,” and regular periodic meetings to discuss and assess an individual’s performance, including strengths and areas for improvement. Training, evaluations, and feedback sessions are structured to ensure competency at current positions, as well as focusing on technical and non-technical areas for growth to enable advancement in career paths.

CLA has a “culture strategy” as an integral part of our firm’s strategic framework. The goal of our culture strategy is to maintain the underlying philosophies that have been in place since our firm’s inception: quality, integrity, and total client service.



E. Overview of Technology Platform

Artificial intelligence, machine learning, cryptocurrencies, and other technologies are disrupting the way we all do business. Disruption creates the need for innovation; innovation is an opportunity to improve the way we do our work and interact with you. Our entrepreneurial culture requires us to embrace change wherever we find it, learn from it, and create solutions designed to make interactions easier, more transparent, and more seamless.

We use a combination of technical and non-technical means to improve efficiency, enhance quality, and make your experience better.

As your organization continues to innovate, we're doing the same by continually increasing our knowledge of you and understanding of your industry so we can help you address the business issues you face.

The CLA Seamless Assurance Advantage (SAA)

The CLA Seamless Assurance Advantage (SAA) is an innovative approach to auditing that utilizes leading technologies, analytics, and audit methods to help solve client problems and create a seamless experience.



A different approach

SAA is unlike any conventional audit process. SAA does not depend on physical location. It reduces the time our professionals spend on site, creates fewer disruptions, enables more efficient use of resources (yours and ours), and allows for more impactful interactions with your people.



Insights through analytics

CLA uses strategic data analysis to examine whole data sets to gain a deeper understanding of your organization. Insights that were once impossible can now come into focus to help you measure performance, enhance strategic decision making, and understand your competitive opportunities.



Effective technology

CLA embraces technologies that help solve client problems and create a seamless experience. Assurance Information Exchange (AIE) is a web-based application, developed by CLA, to digitally request and obtain audit documents through a secure and efficient online portal.



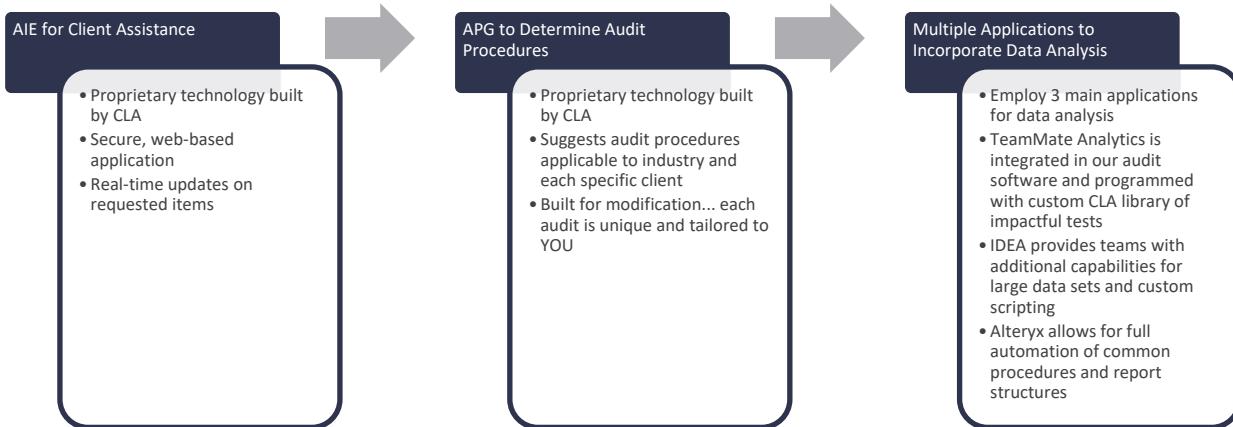
Effective Technology

CLA's approach to technology and disruptive forces is driven by two objectives:

- How can we leverage technology to drive a seamless client experience?
- How can we leverage technology to build inspired careers?

Seamless Client Experience through Technology

There are three major technology elements we employ to enhance our clients' seamless experience.



Our clients work with the Assurance Information Exchange (AIE)

To make working with CLA a seamless experience, our team utilizes a secure web-based application to request and obtain documents necessary to complete client engagements. This application allows CLA and our clients to view a live client assistance letter, which provides detailed information, including due dates for all of the open items CLA is requesting. Additionally, clients have the ability to attach electronic files and add commentary related to the document requests directly on the application.

Inspired Careers through Technology

Our clients are best served by a passionate and engaged team. Our internal technology plan is designed to improve our CLA family members' experience and keep their attention focused serving clients. We employ a combination of internally and externally developed technologies and continuously expand our integrations between those systems.

Two of the main technology applications used by our teams include the following:

- XCM is our project management tool. Our custom setup allows teams to easily track all deliverables and deadlines, assign and track assignment of detailed audit areas, and manage the workflow.
- CCH ProSystem Fx Engagement is our electronic trial balance and workpaper system. We also employ a number of custom application programming interfaces (APIs) to integrate other systems. For example, APIs are used to automatically transfer AIE requests here and our APG methodology is integrated into our electronic binders.

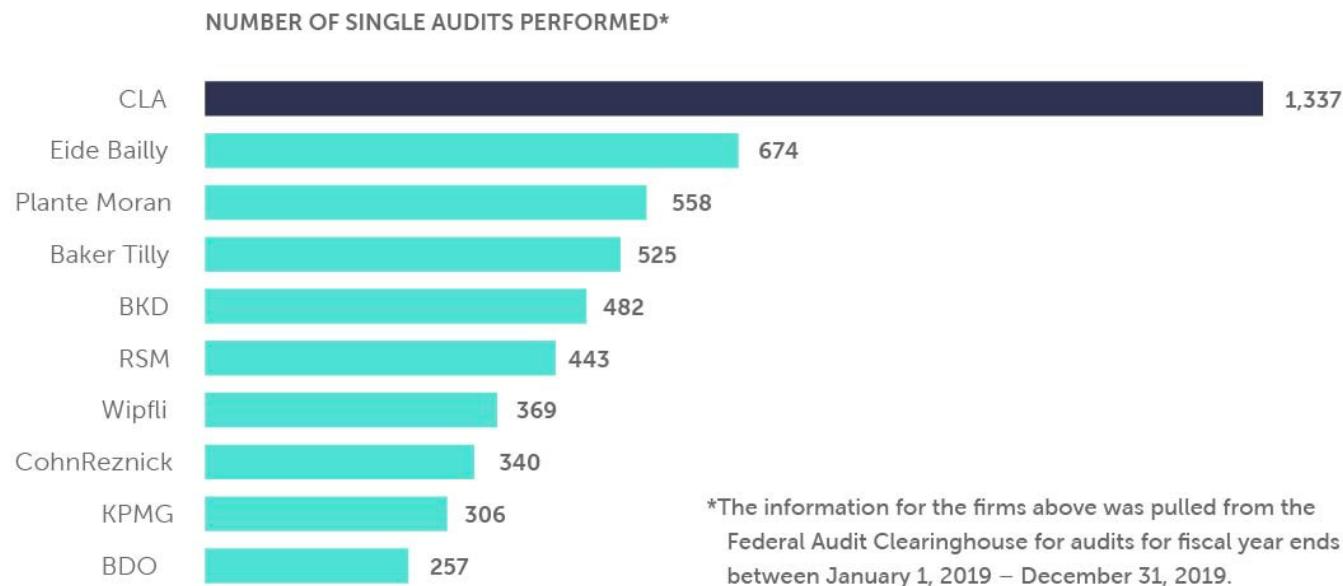
Across all of our technology applications, the majority use some degree of APIs or robotic process automation (RPA) to improve integration and to keep our CLA family members focused on serving clients, not on manually transferring data.



F. Leaders in performing single audits

Our client portfolio of nonprofit, government, and health care institutions represents nearly half of the firm's total revenues. The chart below illustrates CLA's experience in serving organizations that receive federal funds and demonstrates our firm's dedication to serving the government and nonprofit industry.

CLA performs the largest number of single audits in the United States! We audited more than \$56 billion dollars in federal funds in 2019.



Single Audit Resource Center (SARC) Award

CLA received the [Single Audit Resource Center \(SARC\) Award](#) for Excellence in Knowledge, Value, and Overall Client Satisfaction. SARC's award recognizes audit firms that provide an outstanding service to their clients based on feedback received from an independent survey in June 2018.



The survey queried 10,762 nonprofit and government entities about the knowledge of their auditors, the value of their service, and overall satisfaction with their 2017 fiscal year-end audit. The SARC award demonstrates CLA's dedication to serving the government and nonprofit industry and maintaining the most stringent regulatory requirements in those sectors.



2. Firm Practice Profile

A. List of Office Health Care Clients

We recognize that having the right team serve a client is equally as important as having a local team serve a client. CLA has worked to build strong hospital and health system resources across our geographies, and the following includes a sample of the clients your team has served.

Academic Medical Centers	
University of Illinois Health System	Chicago, Illinois
University of Mississippi Medical Center	Jackson, Mississippi
University of Toledo Medical Center	Toledo, Ohio
Integrated Health Systems	
Aultman Hospital	Canion, Ohio
Cancer Treatment Centers of America	Chicago, Illinois
Holy Redeemer Health System	Philadelphia, Pennsylvania
HonorHealth	Scottsdale, Arizona
ThedaCare	Neenah, Wisconsin
WakeMed	Raleigh, North Carolina
Community Hospitals	
Children's Hospital of Omaha	Omaha, Nebraska
Hannibal Regional Health System	Hannibal, Missouri
Great River Health System	Burlington, Iowa
Ivinson Memorial Hospital	Laramie, Wyoming
Nanticoke Health Services	Seaford, Delaware
St. Luke's	Duluth, Minnesota

Critical Access Hospitals	
Cody Regional Health	Cody, Wyoming
Holy Cross Medical Center	Taos, New Mexico
Miners Colfax Medical Center	Raton, New Mexico
Reedsburg Medical Center	Reedsburg, Wisconsin
Sidney Health Center	Sidney, Montana
Tri-County Health Care	Wadena, Minnesota
Macon County Samaritan Memorial Hospital	Macon, Missouri
William Bee Ririe	Ely, Nevada
Hospital Districts	
Booker Hospital District	Booker, Texas
Stratford Hospital District	Stratford, Texas
Gainesville Hospital District	Gainesville, Texas

B. Competitive Advantage

Easing the transition to a new accounting firm

We recognize changing accounting firms presents an opportunity as well as a challenge. Our approach deliberately and effectively minimizes the impact of transition.

- Michael Siegel and James Mann have significant transition experience and will focus their efforts to achieve a seamless transition and minimize disruption.
- We will utilize previous “prepared by client” listings of your prior service provider as a starting point for our listing. Such lists typically request similar information and utilizing prior listings can alleviate the burden of trying to interpret differences in the way requests are worded.
- We have budgeted excess principal and manager time in the first year as experience has shown that highly experienced personnel can reduce the frustrations and burden of transition more effectively. These additional hours are not included in the fee sections of this proposal as they reflect our investment in a long-term relationship.





Our service plans include time for additional communication and coordination as well as longer service cycles to accommodate questions or inefficiencies sometimes associated with the initial year of a new relationship.

The engagement such as outlined in this proposal requires the interaction of numerous individuals working within relatively narrow time frames. **Our assurance staff work as a team. Our team has been cross-trained to understand audit and reimbursement matters.** We are in close, regular contact, keeping each other informed of our progress and any issues that arise. We emphasize communication — making sure that issues that cross disciplines are fully evaluated by the entire team.

Value beyond the audit

We take pride in our ability to team with our clients to provide value beyond the audit, including a full spectrum of supporting advisory services to help our clients successfully navigate this complex industry. We have assembled a team of industry professionals with extensive experience in finance, system strategy, physician strategy clinical operations, healthcare delivery, complex reimbursement and payment transformation capabilities. We offer an integrated set of consulting expertise on a wide variety of topics, some of which are highlighted below.

- Revenue management and enhancement
- Operational design and transformation
- Population Health
- Physician and system strategy
- Payment transformation
- Capital strategic finance planning
- Reimbursement & cost reporting
- 340B compliance
- Cybersecurity
- Regulatory Compliance



C. List of Client References

CLA offers its clients the best of two worlds — a firm with national health care experience, complemented by a team dedicated to accessibility and responsiveness. We are pleased to provide you with the following references, who can describe their experience in greater detail, currently served by the proposed CLA team.

Organization Name	Scope of Work	Contact Information
Community Hospital Corporation Plano, Texas	Audit Services	Mr. James Hill, SVP Corporate Finance 972-943-6431 jhill@communityhospitalcorp.com
Haxtun Hospital District Haxtun, Colorado	Audit, Reimbursement, and Consulting Services	Ms. Joleen Stroyek, CFO 970-774-7119 jstroyek@haxtunhealth.org
Gunnison Valley Health Gunnison, Colorado	Audit, Tax, Reimbursement, and Consulting Services	Mr. Mark VanderVeer, CFO 970-642-4760 mvanderveer@gvh-colorado.org
Estes Park Health Estes Park, Colorado	Audit, Tax, and Consulting Services	Ms. Laura Etling, Controller 970-577-4442 letling@eph.org
Booker Hospital District Booker, Texas	Audit and Reimbursement Services	Mr. Shawn Hoover, CEO 806-658-9786 shoover@ptsi.net
C.C. Young Memorial Home Dallas, Texas	Audit, Tax, and Consulting Services (including 1 HUD Project)	Mr. Russell Crews, CEO 214-827-8080 rcrews@ccyoung.org



3. Client Management Practices

A. Engagement Team

An experienced engagement team has been aligned to provide the most value to your organization. The team members have performed numerous engagements of this nature and will commit the resources necessary to provide top quality service throughout the engagement. **Following are our proposed engagement team members; with the team being staffed primarily from our Dallas, Texas and Denver, Colorado offices:**



The most important resource any business has is people — *the right people.*

Engagement Team	Office	Title	Role	Years' Experience
Michael Siegel, CPA	Dallas, TX	Principal	Relationship Principal	18+
James Mann, CPA	Denver, CO	Principal	Client Service Principal	15+
Darryn McGarvey, CPA	Minneapolis, MN	Principal	Principal in Charge-Hospitals and Health Systems	20+
Randy Romes	Minneapolis, MN	Principal	IT Principal	20+
David Hooper	Dallas, TX	Senior	Engagement Senior	7
Jake Wilson	Denver, CO	Senior	Engagement Senior	6
Irena Zaneva	Denver, CO	Director	Regulatory Reimbursement	12

None of the above engagement team has had any complaints with the state board of accountancy or other regulatory authorities.

Detailed biographies are available in the Appendix of this proposal.



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B. Engagement Management

Our project management methodology results in a client service plan that provides for regular, formal communication with the entire management team and allows us to be responsive to your needs. The schedule allows for input from your personnel to make certain that the services are completed based on your requirements. The plan also may be amended during the year based on input from the management and governance.

Our preliminary first-year transition plan (timing to be mutually agreed-upon)

Activities	Jan	Feb	Mar	Apr	May	Jun
Auditor appointment/transition						
Execute audit engagement letter						
Utilize shared document portal, if desired						
Hold planning meetings with management and confirm risk areas, significant accounting policies, audit plan, scoping, timeline and expectations for the year-end process						
Finalize planning and scoping						
Review predecessor auditor working papers for all audits						
Review consistency of accounting policies						
Develop customized audit approach						
Co-develop key dates, including walk- through testing, interim and year-end testing, and financial reporting						
Introduce identified specialists to management and begin to familiarize our team to specialists' areas						
Conduct monthly audit transition meeting with management						
Meet with personnel regarding operating, accounting and reporting matters (throughout the year)						



Our preliminary first-year audit plan (timing to be mutually agreed-upon)

Activities	Jan	Feb	Mar	Apr	May	Jun
Internal control and interim testing						
Develop detailed internal control testing strategy, including controls to be tested and leverage model						
Walk-through and test IT general controls						
Walk-through remaining significant processes						
Review internal audit testing and discuss results						
Perform interim substantive procedures for significant estimate accounts						
Status meetings with management and IT personnel						
Provide status update to those charged with governance, if desired						
Year-end						
Perform year-end substantive procedures						
Hold year-end update meetings with management						
Review draft consolidated financial statements and related disclosures						
Closing meeting with management						
Report audit results to management and those charged with governance						
Issue audit opinion on financial statements						

CLA will work with the following timeline (to be adjusted as desired)

- January 15, 2022 – Engage CLA for Audit
- January 15, 2022 – Engagement Letters and Client Assistance Letters to MRMC
- February 1, 2022 – Begin Audit Fieldwork
- March 31, 2022 – Hold Audit Exit with Management
- May 31, 2022 – Medicare Cost Report Due
- TBD – Final Draft Deliverables to Management
- TBD – Deliverables available to be mailed
- TBD – Board Meeting

We will work with management to refine the above timelines and put forth a more detailed plan that meets everyone's objectives and deadlines.



Client Assistance Requests

To make working with CLA a seamless experience, our team utilizes a secure web-based application to request and obtain documents necessary to complete client engagements. This application allows CLA and our clients to view a “live” client assistance letter clients, which provides detailed information, including due dates for all of the open items CLA is requesting. Additionally, clients have the ability to attach electronic files and add commentary related to the document requests directly on the application. The following is a link to our brief tutorial on Assurance Information Exchange.

<https://www.youtube.com/watch?v=obcoLvjHaw>

Below are some examples of the Assurance Information Exchange software:



The screenshot displays two tables from the Assurance Information Exchange software. The top table, titled 'Two Dimensional Filter Statistics: SOMN Test', is a grid showing the count of items in various stages: OPEN, REOPENED, CLIENT, and SUBMITTED. The bottom table, titled 'Assigned to Me', is a list of client tasks assigned to the user, showing details like Client Name, Status, Stage, and Summary.

Stage	OPEN	REOPENED	CLIENT	SUBMITTED	T:
Planning	6	0	4	0	10
Interim	42	0	0	1	43
Final Fieldwork	4	1	14	2	21

Assigned to Me				
Client Name	P ↓	Status	Stage	Summary
SOMN Test Company	↑	CLIENT	Planning	Org chart
SOMN Test Company	↑	CLIENT	Planning	Internal audit plan
SOMN Test Company	↑	CLIENT	Planning	Regulatory example & response
SOMN Test Company	↑	CLIENT	Planning	Mgmt letter response
SOMN Test Company	↑	OPEN	Planning	Lease agreements
SOMN Test Company	↑	OPEN	Interim	Loan and Deposit sheets

Management Comments

CLA serves at the pleasure of the Audit Committee, and ultimately the Board of Directors as governance. Should there be any matters identified during the audit engagement that would require communication with governance, CLA requests a clear line of communication to governance as part of the audit process. CLA also commits that any matters would be discussed in “real time,” rather than waiting until the conclusion of the engagement.

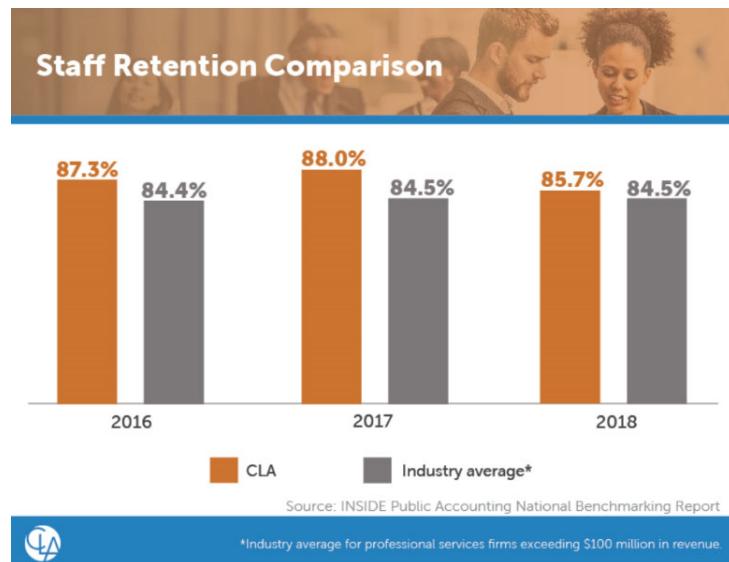
The Statements of Auditing standards requires the auditor to evaluate observations into the categories of Material Weaknesses, Significant Deficiencies and Other Observations. Only those matters identified as Material Weaknesses and Significant Deficiencies are required to be communicated to governance. CLA’s practice is that prior to sharing any comments to governance, we will meet with key management stakeholders to go over our observations. This process allows us to ensure we fully understand the information we have gathered and allows management and to understanding next steps to mitigate our observations.

Because CLA works with numerous hospital and health systems across the country, we also feel it is our responsibility to share best practices and observations as well. These items would also be shared with management during our meeting with key management stakeholders.

C. Staff Continuity

We are committed to providing continuity throughout this engagement. It is our policy to maintain the same staff throughout an engagement, providing maximum efficiency and keeping the learning curve low. We are also flexible in exploring alternative strategies to non-mandatory rotation policies.

CLA is committed to maintaining high staff retention rates, which we believe are a strong indicator of service quality. Continuity results in increased efficiency and quality because staff assigned to the engagement will not have to go through a “learning curve” with annual engagements or each new project. Client staff spends less time orienting the engagement team, and more time working toward goals. With a solid, steady engagement team, each year brings the additional benefits of trust and familiarity. High retention rates also indicate that our staff members have the resources they need to perform their tasks and maintain a positive work/life balance.



4. Professional Fees

Our professional fees are based on the timely delivery of services provided, the experience of personnel assigned to the engagement, and our commitment to meeting your deadlines.

CLA understands the importance of providing our clients with value-added strategies. **We propose to provide routine, proactive meetings (3 per year) — as part of our fee — that will allow us to review and discuss with you the impact of new accounting issues, as well as any other business issues you are facing and how they should be handled.** This level and frequency of interaction will no doubt enable CLA to help you tackle challenges as they come up and take full advantage of every opportunity that presents itself.

Professional Services	2020	2021	2022	2023
Financial Statement Audit (Balance Sheet Only)	\$15,000	N/A	N/A	N/A
Financial Statement Audit	N/A	\$18,000	\$18,500	\$19,000
Single Audit under Uniform Grant Guidance including Data Collection Form Submission*	N/A	\$9,000	TBD	TBD
Direct Expenses (Capped at 10% of Professional Fee)	N/A	\$1,800	\$1,850	\$1,900
Coordination of Information with Cost Report Preparer	No Charge	No Charge	No Charge	No Charge
Transition Costs	No Charge	No Charge	No Charge	No Charge
Board Meeting	No Charge	No Charge	No Charge	No Charge
Availability for routine advice and guidance on accounting and reporting issues throughout the year	No Charge	No Charge	No Charge	No Charge
Technology Fee (Capped at 5% of Professional Fee)	<u>\$750</u>	<u>\$1,350</u>	<u>\$925</u>	<u>\$950</u>
Sub-total	<u>\$15,750</u>	<u>\$30,150</u>	<u>\$21,275</u>	<u>\$21,850</u>

*Based on current knowledge we anticipate having to perform a single audit over the HHS Provider Relief Funds for fiscal year 2021. In future years we don't anticipate having to do a single audit unless federal expenditures exceed \$750,000. If it is determined that MRMC needs a single audit in future years we will work with management to determine the major programs and determine the cost.

Notes:

- (1) *The fees listed above reflect the current scope of work.*
- (2) *We will work collaboratively with you to avoid any out-of-scope billings, so that the amount you are billed for our work is the same as the fees you are quoted in this proposal. If we need to incur time beyond the scope of the audit, we will discuss options with you before we incur any time.*
- (3) *The following are our current hourly rates by level (discounted from standard rates) for agreed-upon services beyond the scope of the audit: Principals \$375-\$500; Directors and Senior Consultants \$220-\$380; Managers \$225-\$350; Seniors \$140-\$180; Staff \$100-\$140; Client Service Assistants \$90-\$130.*

We do not want fees to be a barrier to our selection as your next audit firm. While we are fairly confident that our fee estimate is reasonable, we would welcome the opportunity of having further discussion with you if you consider that the proposed audit fees are not in line with your expectation.

Our clients don't like fee surprises. Neither do we! We commit to you, as we do to all of our clients, that:

- We will be available for brief routine questions at no additional charge, a welcome investment in an on-going relationship.
- Any additional charges not discussed in this proposal will be agreed upon up front.
- We will always be candid and fair in our fee discussions, and we will avoid surprises.

Fee considerations

The fee proposal is based on the following assumptions, which we believe are realistic following our discussions with you:

- MRMC personnel will provide assistance periodically throughout the year and during the assurance fieldwork with regard to account analysis and provision of year-end account reconciliation work papers and schedules.
- The assurance reports will be delivered in accordance with MRMC's deadlines.
- Satisfactory completion of our firm's normal client acceptance procedures.
- Professional standards and regulations currently in effect. We will discuss the impact on our proposed fees if professional standards or regulations change for any engagement period. As new accounting pronouncements become effective or scope change occur, we will mutually agree upon any scope change as a result.
- No significant changes in the operations of MRMC subsequent to the date of this proposal.

Billing for phone calls and questions

It is not our policy or practice to bill our clients every time we receive a phone call. In the course of providing our services to you, we will regularly consult with you regarding accounting, financial reporting, and significant business issues. If a specific issue is complex or requires significant time or resources, we will discuss the scope of the project and its fee with you first to make sure there are no surprises. While it is difficult to establish an exact policy for billing in these situations, we commit to discussing the request with you in advance of performing our services if we believe the time requirement to provide you the desired assistance is other than routine. We will discuss the scope of the project and our estimate to complete it prior to commencing work.

Our last word on fees — we are committed to serving you. Therefore, if fees are a deciding factor in your selection of an accounting firm, we would appreciate the opportunity to discuss our scope of services.

At CLA, it's more than just getting the job done.



5. Why CLA?

A. Why should MRMC choose CLA?

With CLA by your side, you can find everything you need in one firm. We know your industry, and we want to know you.

- Need help getting started? We can provide resources.
- Want to improve your performance and results? We assemble the right team for you.
- Planning for an ownership or leadership transition? CLA has the tools you need.

B. Understanding your needs

We understand your most important needs are:

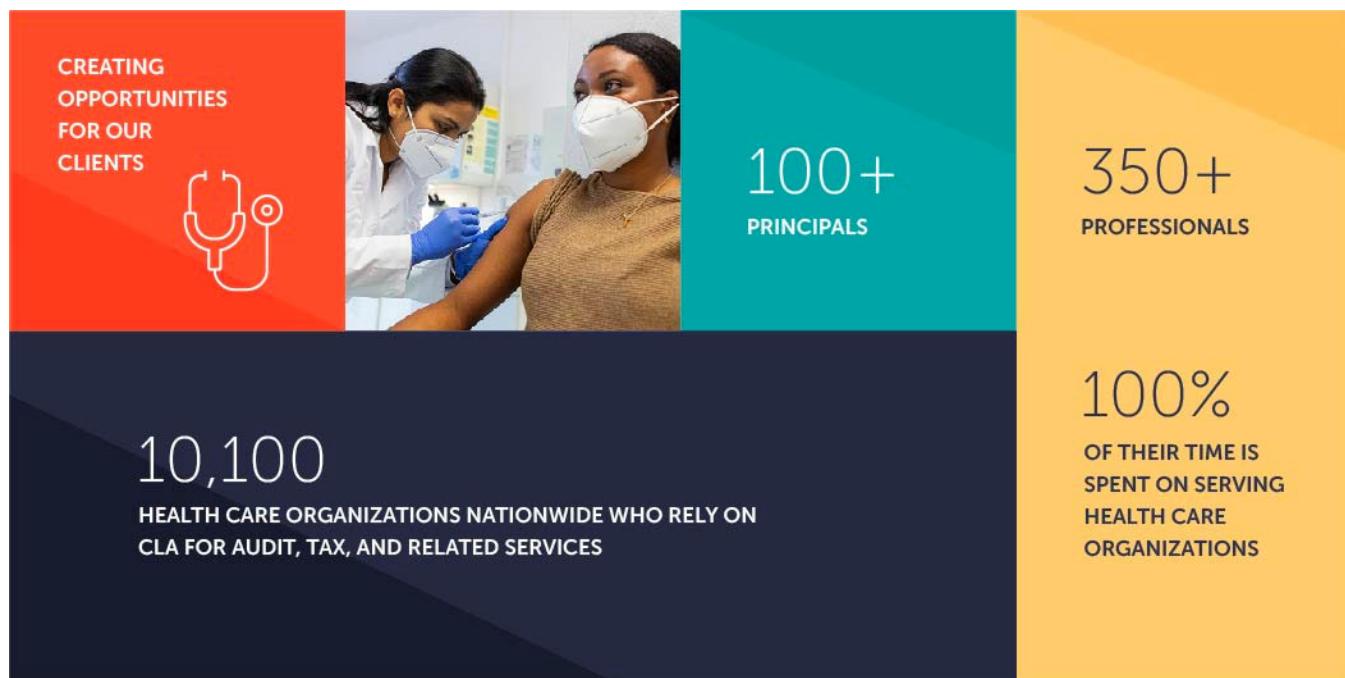
- **A proposed team of professionals carefully selected for compatibility with MRMC's needs and circumstances** — Your service team understands the strategic, operational, and regulatory issues impacting your organization. These professionals dedicate a substantial percentage of their time assisting Hospitals and Health Systems with financial, regulatory, and information security matters.
- **Diversity, equity, and inclusion** — We are dedicated to building a diverse and inclusive culture that thrives on different beliefs and perspectives. Our diversity, equity, and inclusion council identify strategies that foster and support the many dimensions of diversity within the firm. When we embrace an inclusive culture, we can truly know and help each other and our clients — that's how we create opportunities together.
- **Commitment to the community** — CLA family members bring meaningful social impact through volunteer efforts, charitable contributions, service on boards, and a focus on sustainable practices. Our community engagement team is bolstered by the diversity and inclusion council and the CLA Foundation — a philanthropic organization that has awarded more than \$3.5 million through 200 grants (to 158 unique organizations) funded solely by the CLA family.
- **Efficiency** — Our goal is to provide exceptional client service at the lowest possible cost. A well-planned and well-executed engagement by an experienced service team will minimize disruption to your staff and enable timely completion of all deliverables.
- **Experience and continuity** — Each engagement team member has in-depth experience Hospital and Health Systems, auditing, and reimbursement matters. We will commit the necessary resources to provide quality client service and timely report delivery. We have an extensive local and national health care practice from which to draw resources.
- **Fresh perspective** — MRMC will benefit from a fresh look at your business, systems, and processes. You will be served by an engagement team with enthusiasm and a desire to develop a strong relationship that will help us exceed your expectations. We are confident that our industry experience will reveal new ideas, approaches, and opportunities.



6. Understanding Your Industry

A. Health care experience

CLA has developed one of the nation's largest health care practices. Our team includes CPAs and a diverse range of experienced professionals with backgrounds and skill sets ranging from CEOs and CFOs to RNs, certified coders, and certified medical practice executives. Represented by team members possessing up to 30 years of dedicated experience to the health care field, we develop innovative responses and creative strategies for clients who demand specialized consultation and advice, as well as providers who require traditional CPA services. Our consulting and advisory services focus on finance, strategy, capital planning, internal audit, operations and performance improvement, and facilities. Our independent and objective professionals are guided by your strategic vision and your unique environment.



To break it down further, we serve:

- 900+ hospitals and health systems, including approximately 80 critical access hospitals
- 3,200+ senior living providers including nursing facilities, CCRCs, assisted living facilities, HUD housing, etc.
- 200+ home care, hospice, and other community-based providers
- 5,800+ physicians, dentists, and medical practices

B. Hospital and Health System experience

Health care professionals from the proposed engagement team have been leaders in developing the Hospital and Health System assurance, tax, reimbursement, and consulting capabilities on a national basis and have been involved with providing value added services to these clients. We believe our role in serving Hospital and Health Systems, especially rural health care, across the nation and our in-depth knowledge of what drives success in Hospital and Health Systems positions CLA to not only prepare annual audits more efficiently and effectively, but also to provide greater value to MRMC. CLA has a group of individuals that serve Hospitals and Health Systems. Through this cohesive group we can draw on the wide range of experiences CLA has in serving Hospitals and Health Systems on a national level.

C. Industry participation

CLA actively supports industry education as a thought leader and industry speaker. Our firm focuses on supporting the educational needs of the industry through nationally sponsored trade events. Our team of health care professionals is sought after, both as educators and as experienced speakers who are invited to speak and teach at major professional events by leading trade associations.

- Healthcare Financial Management Association (HFMA)
- National Association of Community Health Centers (NAMRMC)
- National Association of Home Care & Hospice (NAHC)
- American Health Care Association/National Center for Assisted Living (AHCA/NCAL)
- ElevatingHOME/VNA (Visiting Nurses Associations of America)
- Health Care Compliance Association (HCCA)
- Medical Group Management Association (MGMA)
- National Rural Health Association (NRHA)

D. Create opportunities

CLA exists to create opportunities for our clients, our people, and our communities through industry-focused wealth advisory, outsourcing, audit, tax, and consulting services.



We promise to know you and help you

With CLA by your side, you can find everything you need in one firm. Professionally or personally, big or small, we can help you discover opportunities and achieve more than you believed possible.



Create Opportunities

7. Peer Review

When performing an audit, we are sensitive to and understanding of the fact that we report to those charged with governance. We maintain objectivity and independence in order to be able to issue our audit opinions. We will act within our philosophy of total client service, maintain the professional relationship refined with management, and fulfill our responsibilities with the utmost professionalism.

In the most recent peer review report, we received a rating of *pass*, which is the most positive report a firm can receive. We are proud of this accomplishment and its strong evidence of our commitment to technical excellence and quality service. The full report is provided on the following page.

In addition to an external peer review, we have implemented an intensive internal quality control system to provide reasonable assurance that the firm and our personnel comply with professional standards and applicable legal and regulatory requirements. Our quality control system includes the following:

- A quality control document that dictates the quality control policies of our firm. In many cases, these policies exceed the requirements of standard setters and regulatory bodies. Firm leadership promotes and demonstrates a culture of quality that is pervasive throughout the firm's operations. To monitor our adherence to our policies and procedures, and to foster quality and accuracy in our services, internal inspections are performed annually.
- Quality control standards as prescribed by the AICPA. The engagement principal is involved in the planning, fieldwork, and post-fieldwork review. In addition, an appropriately experienced professional performs a risk-based second review of the engagement prior to issuance of the reports.
- Hiring decisions and professional development programs designed so personnel possess the competence, capabilities, and commitment to ethical principles, including independence, integrity, and objectivity, to perform our services with due professional care.
- An annual internal inspection program to monitor compliance with CLA's quality control policies. Workpapers from a representative sample of engagements are reviewed and improvements to our practices and processes are made, if necessary, based on the results of the internal inspection.
- Strict adherence to the AICPA's rules of professional conduct, which specifically require maintaining the confidentiality of client records and information. Privacy and trust are implicit in the accounting profession, and CLA strives to act in a way that will honor the public trust.
- A requirement that all single audit engagements be reviewed by a designated single audit reviewer, thereby confirming we are in compliance with the standards set forth in Uniform Guidance.



Report on the Firm's System of Quality Control

November 21, 2019

To the Principals of CliftonLarsonAllen LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of CliftonLarsonAllen LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2019. 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 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 a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with 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 in conformity with 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 the system of quality control and the firm's compliance therewith 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; audits of broker-dealers; 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 CliftonLarsonAllen LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2019, 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*. CliftonLarsonAllen LLP has received a peer review rating of *pass*.

Cherry Bekaert LLP

Cherry Bekaert LLP



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Appendix

Engagement team biographies



Michael J. Siegel, CPA

CLA (CliftonLarsonAllen LLP)

Principal
Dallas, Texas

972-383-5741
michael.siegel@CLAconnect.com



Profile

Mike has 18 years of experience in public accounting, concentrating exclusively in the health care industry. His background includes advisory services in the areas of financing audit, nonprofit tax, reimbursement consulting, transaction consulting, strategic planning, as well as other consulting services for health care organizations. Mike serves clients ranging in size from small start-up nonprofit organizations to entities with revenues approaching \$2 billion.

He has a depth of general health care industry knowledge and experience in the areas risk assessment; internal control documentation and improvement; and reimbursement from governmental and commercial payers for health care clients throughout the country.

Technical experience

- Hospitals and health systems
- Physician and Medical Groups
- Skilled nursing facilities
- Continuing care retirement communities
- Home health and hospice agencies
- Institutional pharmacies
- Durable medical equipment companies
- Captive insurance companies
- Other health care organizations

Education and professional involvement

- Bachelor of science in accounting from University of Wisconsin, River Falls
- American Institute of Certified Public Accountants
- Certified Public Accountant (Licensed in Texas, Pennsylvania, and Minnesota)
- Pennsylvania Institute of Certified Public Accountants
- Texas Society of Certified Public Accountants
- Leading Age
- Health Care Financial Management Association (HFMA)

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International



James L. Mann, CPA

CLA (CliftonLarsonAllen LLP)

Principal
Broomfield, Colorado

303-439-6028
james.mann@CLAconnect.com



Profile

James is a principal in the CLA health care group. He specializes in serving providers in the hospital/health system and physician group sub-industries, providing audit, reimbursement, and other consulting services.

James has more than 15 years of experience in public finance, starting out with delivering audit, cost report, and tax return services to health care clients across the continuum of care. Over the years, James moved into manager and principal positions with responsibility for planning, executing, and supervising the completion of these services. James has also specifically focused his entire career in the health care industry, with clients ranging from community health centers to multi-billion dollar national health systems.

In addition to the above, James is also responsible for identifying opportunities throughout the work performed for organizations to improve their processes and procedures and developed written reports outlining those recommendations. He has also presented those reports to executives and board of directors for the clients he served.

Technical experience

- Hospitals and Health Systems
- Skilled nursing facilities, CCRCs, and other senior living organizations
- Federally Qualified Health Centers
- Physician Groups

Education and professional involvement

- Bachelor of accounting, University of North Dakota, Grand Forks, North Dakota
- Certified Public Accountant
- Healthcare Financial Management Association (HFMA), Colorado Chapter
- Wyoming Healthcare Financial Management Association, Past-President
- Colorado Society of Certified Public Accountants
- Minnesota Society of Certified Public Accountants
- American Institute of Certified Public Accountants

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International



Darryn M. McGarvey, CPA, CMPE

CLA (CliftonLarsonAllen LLP)

Segment Leader – Hospitals and Health Systems
Minneapolis, Minnesota

612-376-4624

darryn.mcgarvey@CLAconnect.com



Profile

Darryn McGarvey is a principal with the health care group of CLA, and serves as the national industry segment leader for CLA's Hospital/Health System practice. Darryn also serves as the healthcare group leader for the Minneapolis office.

Professionally, Darryn leads assurance services consisting of audit, tax, and reimbursement for hospitals and health systems across the country. He provides strategic, operational, finance and compliance related services to academic medical centers, health systems, community hospitals, and critical access hospitals.

Darryn has more than 20 years of experience in public accounting, entirely devoted to the health care industry. He routinely manages engagements of health care facilities including health systems, hospitals, academic medical centers, medical group practices, long-term care organizations, and home health agencies. His background includes consulting and auditing services for health care facilities, focusing mainly on hospitals, health systems, and academic medical centers.

Technical experience

- Considerable knowledge concerning the health care industry
 - Hospital and health system assurance and consulting services
- Assessing risks, redesigning internal control structures to properly assess, monitor, and manage risks
- Trained staff in the delivery of audit and reimbursement services to health care entities
- Development of financial models, forecasts, budget preparation, reimbursement analyses, and operational and process improvements
- Led strategic planning engagements for hospitals/health systems

Education and professional involvement

- Bachelors of Arts in Accounting and Healthcare Financial Management and Minor in English writing -- Concordia College, Moorhead, MN
- American Institute of Certified Public Accountants
- Certified Public Accountant
- Minnesota Society of Certified Public Accountants
- Health Care Financial Management Association, member



Create Opportunities



David Hooper

CLA (CliftonLarsonAllen LLP)

Senior, Healthcare
Dallas, Texas

972-383-5795
david.hooper@CLAconnect.com



Profile

For more than seven years in public accounting, David serves as a senior with the firm's health care group. Focusing on assurance practices, he performs numerous services including audits, compliance audits under Governmental Accounting Standards, and Uniform Grant Guidance, as well as agreed-upon procedures.

Technical experience

- Healthcare
- Nonprofit
- Governmental
- Housing and Urban Development

Education and professional involvement

- Bachelor's of science in business administration with a concentration in accounting from Oklahoma State University, Stillwater, Oklahoma

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Irena Zaneva

CLA (CliftonLarsonAllen LLP)

Director
Broomfield, Colorado

303-439-6039
irena.zaneva@CLAconnect.com



Profile

Irena is a reimbursement director in CLA's health care group. She has more than 13 years of health care reimbursement experience, both as a consultant, as well as leading the reimbursement department of a nine-hospital health system based in Colorado. Presently, Irena conducts and coordinates financial and compliance risk reimbursement related functions for health care clients. She oversees the preparation and audits related to various regulatory filings on behalf of our health care clients. In her former position, she directed all financial management functions related to the reimbursement department, including the month-end close processes, financial forecasts and budgeting. Similar to her current responsibilities, she provided reimbursement compliance reporting and advisory services to system office leadership as well as care sites CFOs.

Technical experience

- Medicare/Medicaid Cost Reports
- Wage Index
- Occupational Mix Surveys
- Medicaid DSH Surveys/Data Aggregations
- Reimbursement Optimization Strategies
- Interim Rate Reviews
- Medicare Bad Debts
- Medicare DSH/Uncompensated Care
- S-10 reviews and audits
- Geographic Reclassifications
- Low Volume Adjustments

Education and professional involvement

- Master of accountancy from Millsaps College in Jackson, Mississippi
- Bachelor of business administration in accounting from Millsaps College in Jackson, Mississippi
- Healthcare Financial Management Association – Colorado Chapter



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