

December 10, 2024

Board of Directors and Management
Mangum Regional Medical Center
1 Wickersham Dr.
Mangum, Oklahoma 73554

Dear Board of Directors and Management:

You have requested that we audit the Schedule of Expenditures of Federal Awards (the Schedule) of Mangum Regional Medical Center (the Hospital) for the year ended December 31, 2021, and the related notes to the Schedule. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

The objectives of our audit are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with *Government Auditing Standards*, will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedule.

AUDITOR RESPONSIBILITIES

We will conduct our audit in accordance with GAAS and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America; the audit requirements of Title 2 Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). As part of an audit in accordance with these standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the Schedule that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule, including the disclosures, and whether the Schedule represents the underlying transactions and events in a manner that achieves fair presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and in accordance with *Government Auditing Standards*.

AUDIT OF MAJOR PROGRAM COMPLIANCE

Our audit of the Hospital's major federal award program(s) compliance will be conducted in accordance with the requirements of the Single Audit Act, as amended; and the provisions of the Uniform Guidance; and will include tests of accounting records, a determination of major programs in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such an opinion on major federal award program compliance and to render the required reports. We cannot provide assurance that an unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether material noncompliance with applicable laws and regulations, the provisions of contracts and grant agreements applicable to major federal award programs, and the applicable compliance requirements occurred, whether due to fraud or error, and express an opinion on the entity's compliance based on the audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of the federal programs as a whole.

As part of a compliance audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit. We also

identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks.

Our procedures will consist of determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of the Hospital's major programs and performing such other procedures as we consider necessary in the circumstances. The purpose of those procedures will be to express an opinion on the Hospital's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Also, as required by the Uniform Guidance, we will obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design and perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the Hospital's major federal award programs. Our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report. However, we will communicate to you, regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we have identified during the audit.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the Hospital's major federal award programs and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

MANAGEMENT RESPONSIBILITIES

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance, acknowledge and understand that they have responsibility:

- For the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).
- For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to error fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.
- To provide us with:
 - Access to all information of which management is aware that is relevant to the preparation and fair presentation of the Schedule, such as records, documentation, and other matters;
 - Additional information that we may request from management for the purpose of the audit; and

- Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
- For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities.
- For adjusting the Schedule to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current period under audit are immaterial, both individually and in the aggregate, to the Schedule as a whole.
- For acceptance of non-attest services, including identifying the proper party to oversee non-attest work.
- For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets.
- For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on the Schedule.
- For the accuracy and completeness of all information provided.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

We understand that your employees will prepare all confirmations we request and will locate any documents or support for any other transactions we select for testing.

If you intend to publish or otherwise reproduce the Schedule and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

NONATTEST SERVICES

With respect to any nonattest services we perform, we agree to perform the following:

- Prepare or assist with preparing the Schedule in conformity with the basis of accounting based on information provided by you.

We will not assume management responsibilities on behalf of the Hospital. The Hospital's management understands and agrees that any advice or recommendation we may provide in connection with our audit engagement are solely to assist management in performing its responsibilities.

The Hospital's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Our responsibilities and limitations of the nonattest services are as follows:

- We will perform the services in accordance with applicable professional standards.
- The nonattest services are limited to the services previously outlined above. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities.

REPORTING

We will issue a written report upon completion of our audit of the Hospital's Schedule. Our report will be addressed to the board of trustees of the Hospital. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s) to our auditor's report, or if necessary, withdraw from the engagement. If our opinion on the Schedule is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

OTHER

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications. Additionally, we may request you to transmit confidential information to us through a third-party secure portal in order to facilitate delivering our services to you. We have obtained confidentiality agreements with all our service providers to maintain the confidentiality of your information, and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of confidential information to others. By your signature below, you consent to having confidential information transmitted through the secure portal. Please feel free to inquire if you would like additional information regarding the transmission of confidential information.

Matt Stuart is the engagement principal for the audit services specified in this letter. His responsibilities include supervising PYA, P.C.'s (PYA) services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our professional fees will be billed at our standard hourly rates ranging from \$145 to \$600 per hour and is estimated to total between \$18,000 to \$22,000 for the audit of the Schedule as of and for the twelve-month period ending December 31, 2021. Out-of-pocket expenses will be billed as incurred. The fee estimated is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. The quality, timeliness, and accuracy of the audit documentation that your staff prepares and the number and complexity of accounting and reporting issues and/or adjustments required directly affect our fee estimates. If significant additional time is necessary, we will keep you informed of any problems we encounter, and our fees will be adjusted accordingly.

Regarding the electronic dissemination of the audited Schedule, including published electronically on your website or elsewhere, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Although we will make every reasonable effort to comply with any filing deadlines you may have, there can be no guarantee that our audit will be completed within any specific timeframe. We will keep you informed of any difficulties in obtaining information during our audit, but the issuance of our auditor's report is contingent upon our conclusion that appropriate audit evidence has been obtained. Delays in providing requested information could significantly delay the completion of the audit.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records, and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

The audit documentation for this engagement is the property of PYA and constitutes confidential information. However, we may be requested to make certain audit documentation available to outside parties, including regulators, pursuant to authority provided by law or regulation or applicable professional standards. If requested, access to such audit documentation will be provided under the supervision of PYA's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the outside party, who may intend, or decide, to distribute the copies of information contained therein to others, including governmental agencies. We will be compensated for any time and expenses, including time and expenses of legal counsel, we may incur in making such audit documentation available or in conducting or responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings as a result of our Firm's performance of these services. You and your attorney will receive, if lawful, a copy of every subpoena we are asked to respond to on your behalf and will have the ability to control the extent of the discovery process to control the costs you may incur.

The Hospital will represent the information provided to PYA is accurate. Except to the extent eventually determined to have resulted from PYA fraudulent behavior or willful misconduct, should the Hospital (or its duly authorized representatives) knowingly misrepresent the accuracy

of completeness of the information, PYA's maximum liability to the Hospital shall be limited to actual damages.

You agree to share all facts that may affect your Schedule, even if you first become aware of those facts after the date of the auditor's report but before the date your Schedule is issued.

At the conclusion of our audit engagement, we will communicate to management, and if appropriate, the board of trustees, the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices.
- Significant difficulties, if any, encountered during the audit.
- Uncorrected misstatements, other than those we believe are trivial, if any.
- Disagreements with management, if any.
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process.
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.
- Representations we requested from management.
- Management's consultations with other accountants, if any.
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

This engagement letter reflects the entire agreement between the Hospital and PYA relating to the services covered by this letter. It replaces and supersedes any previous proposals, correspondence, and understandings, whether written or oral. The agreements of the Hospital and PYA contained in this engagement letter shall survive the completion or termination of this engagement.

Any controversy or claim arising out of or relating to the services covered by this letter or hereafter provided by us to the Hospital shall be submitted first to voluntary mediation, and if mediation is not successful, then to binding arbitration. Judgement on any arbitration award may be entered in any court having proper jurisdiction.

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Board of Directors and Management
Mangum Regional Medical Center
December 10, 2024
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Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the Schedule including our respective responsibilities.

We appreciate the opportunity to be your certified public accountants and look forward to working with you and your staff.

Sincerely,

PYA, P.C.

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of Mangum Regional Medical Center by:

Signature: _____

Name: _____

Title: _____

Date: _____

DRAFT

Report on the Firm's System of Quality Control

To the Partners of
PYA, P.C.
and the Peer Review Committee of the Tennessee Society of CPA's

We have reviewed the system of quality control for the accounting and auditing practice of PYA, P.C. (the "firm"), in effect for the year ended May 31, 2023. 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; an audit performed under FDICIA; and an examination of a service organization (SOC 2 engagement).

As 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 PYA, P.C., in effect for the year ended May 31, 2023, 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*. PYA, P.C. has received a peer review rating of *pass*.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 28, 2023