



**Bill Fraher, CPA**

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**WEST SUBURBAN HEALTH GROUP**

MANAGEMENT LETTER

June 30, 2018



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The Board of Directors  
West Suburban Health Group

Dear Steering Committee Members:

In planning and performing my audit of the financial statements of the West Suburban Health Group for the year ended June 30, 2018, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, during my audit, I noted certain matters involving the internal control structure and other operational matters that I am presenting for your consideration.

My consideration of the internal control structure was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that would be considered reportable conditions under standards established by the American Institute of Certified Public Accountants. In addition, because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected by such control structure.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of West Suburban Health Group's financial statements will not be prevented or detected and corrected on a timely basis. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses. However, as discussed in the following report, I identified a deficiency in internal control that I consider to be a significant deficiency

Other matters involving the internal control structure and other operational matters are presented in the following report. These matters were considered in determining the nature, timing and extent of the audit tests applied in my audit of the financial statements, and this report does not affect my report on those financial statements dated February 20, 2019. I have not considered the internal control structure since the date of my report.

This report is intended solely for the use of the Board of Directors and is not intended and should not be used by anyone other than these specified parties.

Bill Fraher, CPA  
February 20, 2019

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**Control Deficiencies**

Under auditing standards, there are three categories of internal control deficiencies and other matters that can be identified during an audit. These three categories are material weaknesses, significant deficiencies and control deficiencies. Any items that are identified as material weaknesses or significant deficiencies require modification of the auditor's report on internal control and compliance (which is presented in the report on the financial statements).

***A. Material Weaknesses***

There were no material weaknesses noted during this year's audit.

***B. Significant Deficiencies***

***B-1. Accounting and Financial Reporting Controls – Significant Deficiency***

Consistent with how Massachusetts joint purchase groups typically operate, the Group has placed significant control over the accounting and financial reporting functions in the hands of the Group Treasurer. The Treasurer performs or supervises all functions and controls that initiate, record and process accounting transactions and financial reporting. These functions include posting cash transactions, controlling unused checks, processing cash receipts and cash disbursements, preparing financial reports and reconciling monthly bank statements.

The Group has instituted mitigating controls including a review of group financial statements by the Steering Committee and reports and hiring an Assistant Treasurer to perform certain functions.

Despite these mitigating controls, the potential internal control risks have not been reduced to an appropriate level. Thus, the combination of duties assigned to the Treasurer constitutes a significant deficiency. I understand the Group has considered these aspects of its internal control and currently feels there is an acceptable level of risk which would not warrant additional expenditures at this time. The Group will continue to monitor and evaluate these aspects of its internal control annually as part of its risk assessment program.

***C. Significant Deficiencies***

***C-1. Investment Account***

The Group's investment account has a government bond from Puerto Rico that was purchased in 2013 for \$150,000. The investment statement detail still shows this with a value of \$59,250, despite the fact that the investment matured on 5/1/16 and is listed as defaulted. The Group's Treasurer was not aware of this investment and the loss thereon. The Group's investment company representative stated that the listed market value at June 30, 2018 was obtained from a third-party valuation company.

The Group should verify the market value of this item. The Group should determine if it wishes to allow any government investments outside of the fifty US states.

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***C-2. Monthly Warrant***

A monthly warrant is prepared for the Group. These warrants do not list the weekly wire payments to insurers. These payments make up the vast majority of Group expenses (in terms of dollar amounts).

In order for the warrant to capture all items, it is recommended that the warrant list the prior month weekly invoices. The Group may also wish to implement a written approval process by the Steering Committee for the warrants which could include, at a minimum, approval in the minutes.

***C-3. Written Policies and Procedures/Risk Assessment***

The Group does not have a documented set of policies and procedures relating to the financial operations.

A set of policies and procedures, addressing all key aspects of the Group's financial operations, should be developed. This process should include a risk assessment process to identify areas of risk to the Group, which can then be used to develop appropriate policies and procedures.

***C-4. Group Bank Account***

The Group has a bank account that earned, in FY 18, 0.2% interest. This account had an average balance in FY 18 that was over \$5,000,000. At the same time, while earning minimal interest, the Group paid over \$1,000 in wire transfer fees. The Group also has no on-line access to canceled checks and is required to pay a fee for any canceled check copies.

The Group should examine its bank account structure to ensure that interest income is maximized, and fees are kept at a minimum.

***C-5. COBRA Tracking***

The current system to track COBRA payments does not provide ongoing balances by person. This means if someone prepays and decides to opt out of COBRA early, the amount due back has to be researched through transaction history.

The Group should implement a system where individual COBRA balances are tracked on an ongoing basis.