



## FINANCIAL STATEMENT CERTIFICATION LETTER FOR HEALTH INSTITUTIONS

### [Institution's Name] Certification Letter

Insert Date

Dr. Scott C. Kelley  
Executive Vice Chancellor for Business Affairs  
The University of Texas System Administration  
210 W 7<sup>th</sup> Street  
Austin, Texas 78701

The following representations are presented in connection with the preparation of [INSERT NAME OF INSTITUTION]'s financial statements and footnote information for the period ended August 31, 2018. If needed, please attach a statement further clarifying any item.

#### Management Representations Related to UTS 142.1: Policy on the Annual Financial Report

I have reviewed UTS 142.1, *Policy on the Annual Financial Report* and I certify [INSERT NAME OF INSTITUTION] has complied with UTS 142.1 including, but not limited to, financial reporting requirements and duties related to those responsible for financial reporting; the approval of accounting records and responsibilities for establishing internal controls to ensure that funds are expended and recorded appropriately; monitoring plan requirements and responsibilities; and certification of the data presented in the financial statements.

#### Management Representations Related to Financial Statements

I have reviewed the financial statements of [INSERT NAME OF INSTITUTION] and I confirm, to the best of my knowledge and belief, the following representations made to you relating to the preparation of [INSERT NAME OF INSTITUTION]'s financial statements and footnote information provided to the U. T. System Office of the Controller.

1. Management acknowledges its responsibility for the fair presentation in the financial statements of the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows, in conformity with generally accepted accounting principles. Management believes that the financial statements and footnote information provided to you are fairly presented in conformity with generally accepted accounting principles except where the State Comptroller's reporting requirements have instructed us to deviate. In addition:
  - 1.1 We have provided information to you for all component units as well as joint ventures with an equity interest, and properly disclosed all other joint ventures and other related organizations.
  - 1.2 Net position components (net investment in capital assets; restricted expendable and non-expendable; and unrestricted) are properly classified and, if applicable, approved.



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- 1.3 Expenses have been appropriately classified in or allocated to functions and programs in the statement of revenues, expenses, and changes in net position, and allocations have been made on a reasonable basis.
- 1.4 Revenues are appropriately classified in the statement of revenues, expenses, and changes in net position.
- 1.5 Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
- 1.6 Institutionally held investments are properly valued.
- 1.7 Receivables recorded in the financial statements represent valid claims for charges arising on or before the financial statement date and have been appropriately reduced to their estimated net realizable value.
- 1.8 Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 1.9 Applicable laws and regulations are followed in adopting, approving, and amending budgets.
- 1.10 Costs to federal awards have been charged in accordance with applicable cost principles.
- 1.11 Deposits and investment securities are properly classified in the category of custodial credit risk.
- 1.12 Significant assumptions used by us in making accounting estimates are reasonable.
- 1.13 Internal control over the receipt and recording of contributions is adequate.
- 1.14 All assets and liabilities under the institution's control are included in the financial statements.
- 1.15 We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
- 1.16 Our basis for allocating functional expenses is based on the activity of the related account.
- 1.17 We believe any reclassification between net asset classes is correct.
- 1.18 The institution has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
- 1.19 The Institution has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except as follows:  
[List, or indicate NONE]



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- 1.20 No department or college of the Institution has reported a material instance of noncompliance to us.
- 1.21 All impaired loans receivables have been properly recorded and disclosed in the financial statements.
- 1.22 Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of the Institution and do not include any items consigned to it or any items billed to customers.
- 1.23 We believe that all expenditures that have been deferred to future periods are properly recorded.
- 1.24 Provision has been made for any loss to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.
2. Management has taken corrective action on prior auditor finding related to audits of financial statements and federal awards.
3. Regarding related parties:
  - 3.1 We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
  - 3.2 To the extent applicable, related parties and all the related party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.
4. We have provided the auditors with access and all relevant information when requested including:
  - 4.1 Financial data and related data for all financial transactions of the institution and for all funds administered by the institution. The records, books, and accounts, as provided to the auditors, record the financial and fiscal operations of all funds administered by the institution and provide the audit trail to be used in a review of accountability. Information presented in the financial reports is supported by the books and records from which the financial statements have been prepared.
  - 4.2 Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
  - 4.3 The results of management's risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - 4.4 All laws and regulations that have a direct and material effect on the determination of financial statement amounts.



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5. In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
  - 5.1 It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statement will change in the near term due to one or more future confirming events.
  - 5.2 The effect of the change would be material to the financial statement.
6. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.
7. All expenditures for which the institution received reimbursement from PUF bond proceeds including LERR, STARS, and any similarly funded programs, complied with Article VII, Section 18(b) and (d) of the *Texas Constitution* and were used solely for the purpose of: acquiring land, with or without permanent improvements; constructing and equipping buildings or other permanent improvements; major repair and rehabilitation of buildings and other permanent improvements; acquiring capital equipment; and acquiring library books and library materials. No proceeds of the bonds or notes were used for the purpose of constructing, equipping, repairing, or rehabilitating buildings or other permanent improvements used for student housing, intercollegiate athletics, or auxiliary enterprises.
8. University management is responsible for compliance with local, state, and federal laws, rules and regulations, provisions of contracts and grants, donor restrictions, the State Comptroller's reporting requirements, and The University of Texas System reporting guidelines communicated by the U. T. System Office of the Controller.
9. There have been no internal or external investigations relating to compliance with applicable laws and regulations, including investigations in progress that would have an effect on the amounts reported in the financial statements.
10. University management is responsible for establishing and maintaining effective internal controls over financial reporting. Internal Control is a process, effected by the Board of Regents, administration and management, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations. We are responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.



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11. University management is responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on the University's federal programs.
12. To the best of my knowledge, all significant deficiencies in the design or operation of internal controls over financial reporting which could adversely affect the **[INSERT NAME OF INSTITUTION]**'s ability to record, process, summarize, and report financial data and any material weaknesses in internal controls that have been identified for the **[INSERT NAME OF INSTITUTION]** have been appropriately reported and addressed.
13. The Segregation of Duties and Account Reconciliations Monitoring Plan, prepared/updated by the Financial Reporting Officer for the fiscal year, has been executed.
14. To the best of my knowledge, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices other than those reported in writing to the U. T. System Office of the Controller (if any).
15. To the best of my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
16. To the best of my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of **[INSERT NAME OF INSTITUTION]** as of, and for, the periods presented in this report (Materiality is defined as a  $\pm 5\%$  or greater error on revenues, expenses, assets, liabilities, or net assets).
17. Management believes that the effects of any uncorrected financial statement misstatements and omitted disclosures are immaterial, both individually and in the aggregate, to the financial statements provided to you. A summary of uncorrected adjustments in excess of \$5,000,000 is attached.
18. To the best of my knowledge, there are no unasserted claims or assessments that either our lawyer (or legal officer if appropriate) or the Office of General Counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*, other than those reported in writing to the U. T. System Office of the Controller (if any).



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19. University management is responsible for the design, implementation, and maintenance of programs and controls to prevent and detect fraud, including fraud related to federal programs.
  20. To the best of my knowledge, there has been no fraud, or suspected fraud –  
  
Whether or not material, involving management or employees who have significant roles in internal control over financial reporting, that has not been appropriately reported and addressed; or  
  
Involving others that could have a material effect on the financial statements other than those reported in writing to the U. T. System Office of the Controller (if any).
  21. We have no knowledge of any allegations of fraud or suspected fraud affecting the University received in communications from employees, former employees, analysts, regulators, or others.
  22. To the best of my knowledge, from August 31, 2018 through the date of this letter, there have been no subsequent events that have had or may have a material effect on the financial position or the revenues, expenses, and other changes in net assets as shown in the aforementioned financial statements.
  23. There are no violation or possible violation of laws or regulations; no known actual or possible litigation and claims; and no other liabilities or gain or loss contingencies whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency [other than the following].
  24. University management has considered any potential unrelated business income tax item and has complied with *UTS 103 - Unrelated Business Income Tax*.
  25. There are no operational divisions that should be classified as held for sale or recorded in discontinued operations during the year ended August 31, 2018. No events have occurred subsequent to the balance sheet date through the date of this letter that would require a hospital to be classified as held for sale or recorded through discontinued operations.
  26. Billings to third-party payors comply with applicable coding principles and laws and regulations (including those dealing with Medicare and Medicaid antifraud and abuse), and only reflect charges for goods and services that were medically necessary, properly approved by regulatory bodies (for example, the Food and Drug Administration), if required, and properly documented.
  27. With respect to third-party cost reports:
    - 27.1 All required Medicare, Medicaid, and similar reports have been properly filed.
    - 27.2 Management is responsible for the accuracy and propriety of all cost reports filed.
    - 27.3 All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payors.



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- 27.4 The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.
- 27.5 Adequate consideration has been given to, and appropriate provision made for, audit adjustments by intermediaries, third-party payors, or other regulatory agencies.
- 27.6 All items required to be disclosed including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.
- 27.7 Recorded third-party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the System is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.
28. There are no violations or possible violation of laws or regulations, such as those related to the Medicare and Medicaid antifraud and abuse statutes, including but not limited to the Anti-Kickback Act, Limitation on Certain Physician referrals (commonly referred to as the "Stark law"), and the False Claims Act, in any jurisdiction, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the financial statements.
29. In determining the allowance for accounts receivable, adequate consideration has been given to, and adequate provision made for, estimated adjustment to revenue, such as for denied claims and changes to home health resource group (HHRG), resource utilization group (RUG), ambulatory payment classification (APC), and diagnosis-related group (DRG) assignments.
30. The recorded valuation allowances for accounts receivable and settlements with third parties are necessary, appropriate, and properly supported. Provision has been made for estimated retroactive adjustments by third-party payers under reimbursement agreements.



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_____ (Signature)	_____ (Title of Chief Administrative Officer)	_____ (Date)
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_____ (Signature)	_____ (Title of Chief Financial Officer)	_____ (Date)
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\*Financial Reporting Officer signature required if different than Chief Financial Officer

_____ (Signature)	_____ Financial Reporting Officer (Title)	_____ (Date)
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