



2013 Presentation to the NSHE Board of Regents - Integrated Clinical Services, Inc.

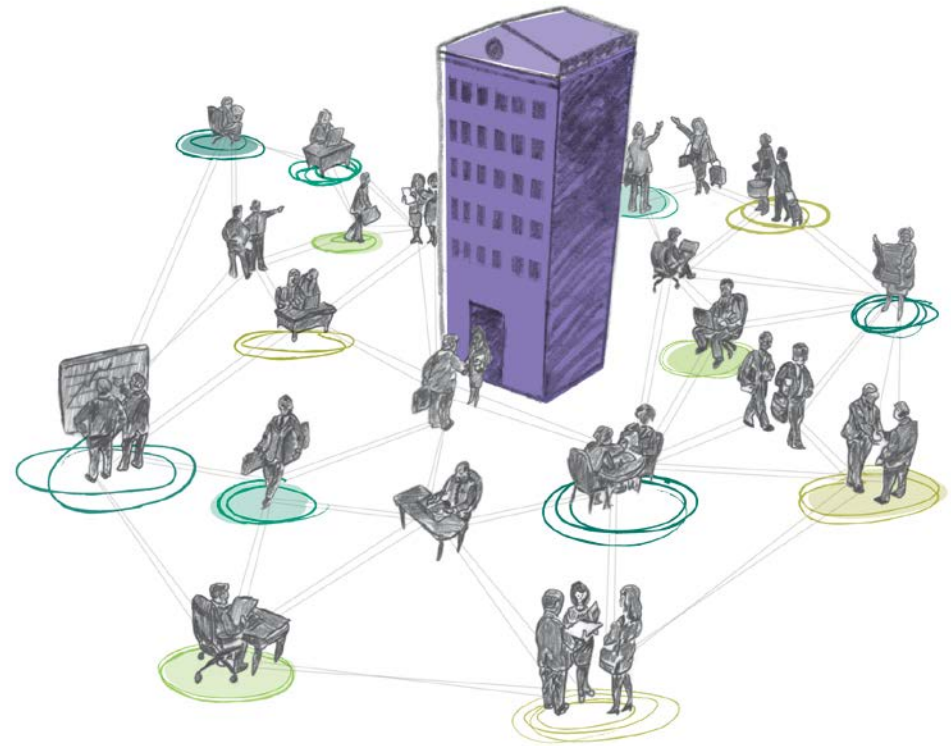


Our values are CLEARR

To achieve our global vision, we capitalize on our strengths by embracing the following values:

- Unite through global **Collaboration**
- Demonstrate **Leadership** in all we do
- Promote a consistent culture of **Excellence**
- Act with **Agility**
- Ensure deep **Respect** for people
- Take **Responsibility** for our actions

Our values serve as the foundation of each step we take toward achieving our vision. They guide our decision-making and provide a framework for our people to make correct and appropriate choices.



Responsibilities



Our responsibilities

We are responsible for:

- **Performing an audit under US GAAS (and generally accepted government auditing standards) of the financial statements prepared by management, with your oversight**
- **Forming and expressing an opinion about whether the financial statements prepared by management, with your oversight:**
 - are materially correct
 - are fairly presented
 - conform with US GAAP
- **Forming and expressing an opinion about whether certain supplementary information is fairly stated in relation to the financial statements as a whole**
- **Reading other information and considering whether it is materially inconsistent with the financial statements**
- **Forming opinions over compliance with the associated major federal program.**
- **Communicating specific matters to you on a timely basis.**

An audit provides reasonable, not absolute, assurance that the financial statements do not contain material misstatements due to fraud or error. It does not relieve you or management of your responsibilities. Our respective responsibilities are described further in our engagement letter.

Those Charged with Governance and Management responsibilities

Those Charged with Governance

Those charged with governance are responsible for:

- Overseeing the financial reporting process
- Overseeing the federal award compliance process
- Setting a positive tone at the top and challenging the Combined Organization's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud, including its views about fraud risks
- Informing us about other matters that are relevant to our audit, such as:
 - Objectives and strategies and related business risks that may result in material misstatement
 - Matters warranting particular audit attention
 - Significant communications with regulators
 - Matters related to the effectiveness of internal control and your related oversight responsibilities
 - Your views regarding our current communications and your actions regarding previous communications

Management

Management is responsible for:

- Preparing and fairly presenting the financial statements in accordance with US GAAP
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting
- Communicating significant accounting and internal control matters to those charged with governance
- Providing us with unrestricted access to all persons and all information relevant to our audit
- Informing us about fraud, illegal acts, significant deficiencies, and material weaknesses
- Adjusting the financial statements, including disclosures, to correct material misstatements
- Informing us of subsequent events
- Providing us with certain written representations
- Complying with federal laws and regulations with respect to Federal awards
- Designing, implementing, evaluating and maintaining effective internal control over Federal award compliance.

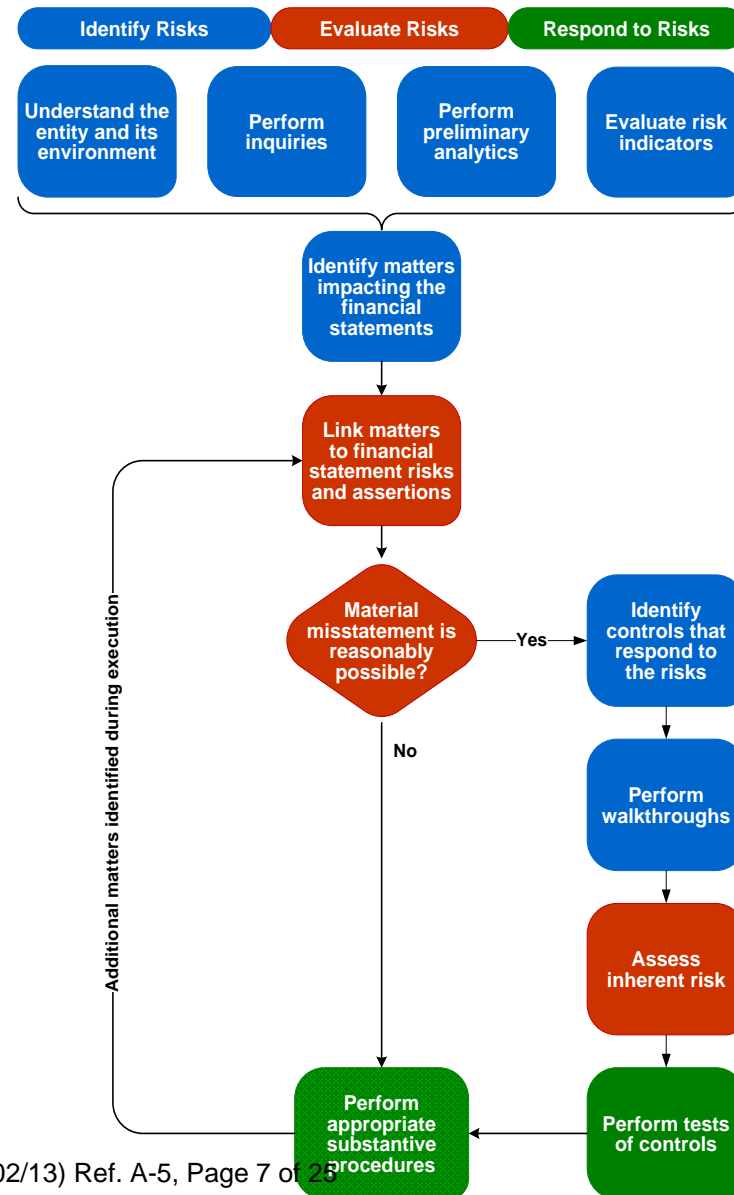
Audit scope and results



Horizon audit methodology

We approach our audits by:

- Understanding the company's business, including the environment it operates in
- Using that knowledge and understanding to analyze the company's financial statements
- Determining materiality
- Identifying areas more likely to be materially misstated
- Focusing audit attention and effort on those areas



Audit timeline

May 2013	Client Acceptance/ Planning
May 2013	Preliminary risk assessment procedures
June/July 2013	Interim fieldwork
August – October 2013	Final fieldwork and deliverables

Materiality

Essentially, materiality is the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. It is based on a relevant financial statement benchmark.

- **We believe that net revenue is the appropriate benchmark for the Combined Organizations.**

Financial statement items greater than materiality are in scope. Other areas less than materiality may be in scope if qualitative factors are present (for example, related party relationships or transactions and fraud risk).



Significant risks

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	Results
Revenue recognition; allowance estimates for contractual adjustments and doubtful accounts; collectability of accounts receivable; and valuation of investments.	During our audit we tested the validity of accounts receivable and revenue, adequacy of the allowances for contractual adjustments and doubtful accounts, and appropriateness of the investments valuation. There were no noted material misstatements as a result of our testing.

Summary of adjustments (\$000s)

Description	Increase (Decrease) to:			Change in Net Position
	Assets	Liabilities	Net Position	
Recorded adjustments				
All adjusting journal entries were proposed by Management and recorded on the books of MedSchool Associates.				
Unrecorded adjustments				
1 NFPRP - Reversal of Prior Year, 2012, PAJE #2	-	-	(37,565)	37,565
2 MSAN - To pass on reversing accrual for audit fees to net position.	-	(39,992)	39,992	-
3 MSAN - To pass on recording copier lease properly under capital lease accounting.	149,923	154,847	(190)	(4,734)
4 MSAS- To pass on adjusting deferred rent.	-	147,307	(145,472)	(1,835)
5 NFPRP - To pass on adjusting deferred rent.	-	34,962	(41,370)	6,408
6 MSAN - To pass on reclassing AP debit balances to AR (all companies).	29,598	29,598	-	-
7 MSAS - To pass on adjusting for projected AR variance for error found in GT's sample	(120,528)			(120,528)
	58,993	326,723	(184,605)	(83,124)

Management believes the unrecorded adjustments are immaterial to the financial statements. Unrecorded misstatements could be potentially material to future financial statements. As such, we request that these unrecorded adjustments be corrected.

Fraud and noncompliance with laws and regulations

Nature of events or conditions identified

During the current year, it was noted that a physician independently billed a hospital for the same service that was also billed by ICS. This was identified when the ICS's invoice for the contract was rejected by the hospital.

Management's response

Investigated physician's involvement to quantify exposure and to ensure no additional issues.

Possible effect on financial statements and adequacy of related disclosures

Management wrote off the associated billing.

Procedures and effect on our report

We reviewed management's investigation and did not need to further expand our procedures.

OMB Circular A-133 Compliance Audit

Major programs subject to procedures

- Research and Development Cluster: \$924,000 of grants and contracts

Compliance and Control findings

See Schedule of Findings and Questions Costs for details of compliance and control findings to be reported in connection with our A-133 audit of ICS.

Internal control matters

Compliance and internal control deficiencies associated with the major federal program are summarized in the Schedule of Findings and Questioned Costs in the OMB A-133 reporting package.

Control deficiencies that are of a lesser magnitude than a significant deficiency were communicated to management. We provided you with a copy of that communication dated October 24, 2013.

Other required communications

Disagreements with management

None noted.

Management's consultations with other accountants

We are not aware of any consultations made between management and other accountants related to accounting matters.

Significant issues discussed with management

Relationship of the 3 entities operating under the ICS umbrella.

Other required communications (continued)

Significant difficulties encountered during the audit

None noted.

Related parties and related party transactions

The Entity regularly enters into various transactions with University of Nevada School of Medicine (UNSOM). A summary of which is as follows:

- Reimburses UNSOM for physician salaries
- Pays UNSOM Dean's tax/department chair tax
- Covered under UNSOM's Medical malpractice insurance
- Reimburses UNSOM for general and administrative expenses
- Sub-leases clinical space from UNSOM

Other information in documents containing audited financial statements

No material inconsistencies or misstatements of fact were noted.

Quality of accounting practices and alternative treatments



Quality of accounting practices and alternative treatments

Accounting policies

We noted ICS utilized consistent and appropriate accounting policies. No new accounting policies were noted.

Accounting estimates

Significant estimates are involved in patient services revenue recognition, the allowance for contractual adjustments, the allowance for doubtful accounts, and in the valuation of investments

Disclosures

Financial statements and related disclosures appear clear, complete, neutral and consistent.

Other matters



Deliverables

Deliverables

Report on the financial statements of Integrated Clinical Services, Inc. for the year ended June 30, 2013

Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by Government Auditing Standards for the year ended June 30, 2013

Report on Compliance for Each Major Program and On Internal Control Over Compliance as required by OMB Circular A-133 for the year ended June 30, 2013

Schedule of Findings and Questioned Costs

Provide timely and appropriate communication with management and the Audit Committee regarding technical audit, accounting and internal control matters.

Issue written communications to management and the audit committee describing significant deficiencies and/or material weaknesses, if any, noted during our audit.

Data Collection Form to be submitted to Single Audit Clearinghouse (review and approval of form completed by System Management).

Commitment to promote ethical and professional excellence

We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and Internet-based hotline system.

The Ethics Hotline (1.866.739.4134) provides individuals a means to call and report ethical concerns.

The EthicsPoint URL link

- Can be found on our internal Web site
- Can be accessed from our external Web site
(https://secure.ethicspoint.com/domain/en/report_customer.asp?clientid=15191)

Disclaimer: EthicsPoint is not meant to act as a substitute for a Combined Organization's "whistleblower" obligations.

Technical updates



Governmental Accounting Standards Board Statement 65 – Items Previously Reported as Assets and Liabilities

Summary	Potential Impact
<ul style="list-style-type: none">• Issued in March 2013, effective for the first annual reporting period beginning after December 15, 2013.• Establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.• Items to be reclassified include debt issuance costs and loan origination costs and fees.	<p>The Organization will need to determine the effect of this statement on their financial statements.</p>

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This communication is intended solely for the information and use of management of Integrated Clinical Services, Inc. and the Board of Regents and is not intended to be and should not be used by anyone other than these specified parties.



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