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October 24, 2013

To the Board of Directors of the
University of Nevada School of Medicine
Multispecialty Group Practice North, Inc.,
Multispecialty Group Practice South, Inc.,
and Nevada Family Practice Residency
Program, Inc. (Integrated Clinical Services, Inc.), and
the Board of Regents of the Nevada System
of Higher Education

Ladies and Gentlemen:

In connection with our audit of the University of Nevada School of Medicine Multispecialty Group Practice North, Inc. (MSAN); the Multispecialty Group Practice South, Inc. (MSAS) and the Nevada Family Practice Residency Program, Inc. (NFPRP) (collectively referred to as "Integrated Clinical Services, Inc." or the "Organization") combined financial statements as of June 30, 2013 and for the year then ended, auditing standards generally accepted in the United States of America ("US GAAS") established by the American Institute of Certified Public Accountants require that we advise management and the board of directors (hereinafter referred to as "those charged with governance") of the following internal control matters identified during our audit.

Our responsibilities

Our responsibility, as prescribed by US GAAS, is to plan and perform our audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement, whether caused by error or fraud. An audit includes consideration of internal control over financial reporting (hereinafter referred to as "internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of identifying deficiencies in internal control or expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion on internal control effectiveness.

Identified deficiencies in internal control

We identified the following internal control matters as of the date of this letter that are of sufficient importance to merit your attention.

Control deficiencies

A deficiency in internal control ("control deficiency") 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 and correct misstatements on a timely basis.

We identified the following control deficiencies.

Accounts receivable

During our testing, it was determined that MSAS accounts receivable included invalid balances as of year end. In one instance, the insurance write off from the EOB was not recorded to the account receivable balance due to oversight by the personnel entering the information into the billing system, which overstated the balance at year end. In another instance, a code that had already been paid by an insurance company was included in a re-keyed visit for services that were incorrectly excluded from the visit's original invoice. This caused a duplicate billing to be included in accounts receivable at year end that had already been paid. Internal control policies and procedures should be implemented to ensure accuracy of posting billings and payments into MISYS, the billing system.

Financial statement preparation

During our testing, we noted errors in the Schedule of Expenditures of Federal Awards (SEFA), financial statement supplementary schedule, that were not prevented by the Organization's current process and internal controls. The issue resulted from inaccurate reporting of federal expenditures related to a contract that included both federal and state funding. The Organization should strengthen their processes and internal controls to ensure the information included in the SEFA is accurate and properly supported.

Computer applications

Audit and activity logs

Audit and activity logs are available, however, are not regularly reviewed. Management should establish an effective protocol to robustly monitor activity within the network devices (Cisco, SonicWall), Windows and applications (i.e. a centralized syslog tool across all practice plans). Without a tool or enforced standard to detect such activity and due to the limited resources available, any security breach would not be discovered or fixed timely causing IT to shut down the network, resulting in a loss of money and compromise to patient and personnel data.

Passwords

During our testing, we noted that the Misyis system is not configured for password complexity or password expiration. We recommend that management continually evaluate its IT application needs and upgrade to applications with complex password parameter capability when feasible.

User access

Although the Organization change controls policy strictly prohibits users from promoting their own programming changes to the production (live) environment, we noted a single user has logical access to make programming changes to the SoftLinks application, NFPRP's billing system and promote those changes into the production environment. Program and configuration changes can be made to the SoftLinks production environment without supervision or authorization.

Instead of delegating the responsibility of SoftLinks program changes to a single individual, management should consider using one of the network administrators to segregate the responsibilities of program development and the migration of developed programs into the production environment. This individual could then review all changes made to SoftLinks on a periodic basis and validate whether unauthorized changes were made to the production environment.

* * *

This communication is intended solely for the information and use of management, those charged with governance, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Grant Thornton LLP

University of Nevada
School of Medicine

Jean Regan, M.B.A.
Senior Associate Dean - Finance

To: Sandra Cardinal, Assistant Vice Chancellor, Nevada System of Higher Education

Through: Thomas Judy, Associate Vice President, Business and Finance, University of Nevada, Reno

From: Kimberli H. Quinn, Controller and Jean T. Regan, Senior Associate Dean of Budget and Finance, University of Nevada School of Medicine

CC: Thomas L. Schwenk, MD, Dean, University of Nevada School of Medicine

Date: October 24, 2013

Re: Grant Thornton Management Responses

The University of Nevada School of Medicine (UNSoM) provides the following Management Responses to the internal control deficiencies and recommendations in the audit of the financial statements for the fiscal year ended June 30, 2013, as they pertain to the Multispecialty Group Practice North, Inc. (MSAN), the Multispecialty Group Practice South, Inc.(MSAS) and the Nevada Family Practice Residency Program (NFPRP) known as a whole as Integrated Clinical Services Inc.

The Controller for the UNSoM, the Chief Business Officer at NFPRP and the IT personnel will be responsible for the implementation of the recommendations, with oversight for completion by the UNSoM Senior Associate Dean - Finance and Director of IT.

Identified deficiencies in internal control

Control deficiencies

A deficiency in internal control ("control deficiency") 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 and correct misstatements on a timely basis

We identified the following control deficiencies that are of a lesser magnitude than a significant deficiency.

Recommendation 1: *Accounts receivable*

During our testing, it was determined that MSAS accounts receivable included invalid balances as of year-end. In one instance the insurance write off from the EOB was not recorded to the accounts receivable balance due to oversight by the personnel entering the information into the billing system, which overstated the balance at year-end. In another instance, a code that had already been paid by an insurance company was included in a re-keyed visit for services that were incorrectly excluded from the visit's original invoice. This caused a duplicate billing to be included in accounts receivable

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at year-end that had already been paid. Internal control policies and procedures should be implemented to ensure accuracy of posting billings and payments into MISYS, the billing system.

Response: Management agrees with this recommendation. Internal control policies and procedures will be implemented to ensure accuracy of posting billings and payments into MISYS, and CB, the billing System(s). The completion of implementing the internal control policies and procedures will be completed by November 30, 2013.

Recommendation 2: *Financial statement preparation*

During our testing, we noted errors in the Schedule of Expenditures of Federal Awards (SEFA), financial statement supplementary schedule, that were not prevented by the Organization's current process and internal controls. The issue resulted from inaccurate reporting of federal expenditures related to a contract that included both federal and state funding. The Organization should strength their processes and internal controls to ensure the information included in the SEFA is accurate and properly supported.

Response: Management agrees with this recommendation. The Organization will strengthen their processes and internal controls to ensure the information included in the SEFA is accurate and properly supported. The training of those personnel responsible for the R&D programs in cash management requirements will be completed by November 30, 2013.

Computer applications

***Recommendation* 3:** *Audit and activity logs*

Audit and activity logs are available, however, are not regularly reviewed. Management should establish an effective protocol to robustly monitor activity within the network devices (Cisco, SonicWall), Windows and applications (i.e. a centralized syslog tool across all practice plans). Without a tool or enforced standard to detect such activity and due to the limited resources available, any security breach would not be discovered or fixed timely causing IT to shut down the network, resulting in a loss of money and compromise to patient and personnel data.

Response: System logs are currently collected by a central enterprise-grade SIEM system and limited alerting and reporting is already in place. IT will expand the use of the automated alerting and reporting features of the SIEM and update existing procedures to include consistent documentation of the steps taken in response to alerts. Estimated completion: 2 months.

***Recommendation* 4:** *Passwords*

During our testing, we noted that the MISYS system is not configured for password complexity or password expiration. We recommend that management continually evaluate its IT application needs and upgrade to applications with complex password parameter capability when feasible.

Response: The School of Medicine has selected new practice management and electronic medical record systems to replace the legacy Misys system. Clinics are in the process of being migrated to the new systems, and Misys will be decommissioned soon afterward. Estimated completion: 9-12 months. Therefore we will insure that proper password standards are incorporated in the new systems.

***Recommendation* 5:** *User Access*

Although the Organization change controls policy strictly prohibits users from promoting their own programming changes to the production (live) environment, we noted a single user has logical access access to make programming changes to the SoftLinks application, NFPRP's billing system, and promote those changes into the production environment. Program and configuration changes can be made to the SoftLinks production environment without supervision or authorization. Program and configuration changes made to the production environment can result in an impact to the integrity of system data.

Instead of delegating the responsibility of SoftLinks program changes to a single individual, management should consider using one of the network administrators to segregate the responsibilities of program development and the migration of developed programs into the production environment. This individual could then review all changes made to SoftLinks on a periodic basis and validate whether unauthorized changes were made to the production environment.

Response: The Softlinks developer's account privileges will be adjusted to prevent him from deploying any code changes to production or otherwise modify production data. Select IT staff will be delegated responsibility to deploy code to production. Estimated completion: 2 months.