

# **CoOpportunity Health**

Compliance Report Related to the  
Audit of Federal Awards  
December 31, 2013

## Contents

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 – 2
Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 (Includes Reporting on Schedule of Expenditures of Federal Awards)	3 – 4
Schedule of Expenditures of Federal Awards	5
Notes to Schedule of Expenditures of Federal Awards	6
Summary Schedule of Prior Audit Findings	7
Schedule of Findings and Questioned Costs	8 – 9

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**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

**Independent Auditor's Report**

To the Board of Directors  
CoOpportunity Health  
West Des Moines, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statutory basis financial statements of CoOpportunity Health (the CO-OP), which comprise the statutory basis statement of admitted assets, liabilities, capital and surplus as of December 31, 2013, and the related statutory basis statements of revenue and expenses, capital and surplus, and cash flows for the year then ended and the related notes to the statutory basis financial statements, and have issued our report thereon dated April 28, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the statutory basis financial statements, we considered the CO-OP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the statutory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CO-OP's internal control. Accordingly, we do not express an opinion on the effectiveness of the CO-OP's internal control.

*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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the CO-OP's statutory basis financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the CO-OP's statutory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the CO-OP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CO-OP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "McGladrey LLP". The signature is written in black ink and is positioned above the typed name and date.

Des Moines, Iowa  
April 28, 2014



**Report on Compliance for Each Major Federal Program;  
Report on Internal Control over Compliance; and Report on  
Schedule of Expenditures of Federal Awards Required by OMB Circular A-133  
(Includes Reporting on Schedule of Expenditures of Federal Awards)**

**Independent Auditor's Report**

To the Board of Directors  
CoOpportunity Health  
West Des Moines, Iowa

**Report on Compliance for Each Major Federal Program**

We have audited CoOpportunity Health's (the CO-OP) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the CO-OP's major federal program for the year ended December 31, 2013. The CO-OP's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the CO-OP's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the CO-OP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the CO-OP's compliance.

**Opinion on Major Federal Program**

In our opinion, the CO-OP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

## **Report on Internal Control Over Compliance**

Management of the CO-OP is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the CO-OP's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the CO-OP's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the statutory basis financial statements of the CO-OP as of and for the year ended December 31, 2013, and have issued our report thereon dated April 28, 2014, which contained an unmodified opinion on those statutory basis financial statements. Our audit was conducted for the purpose of forming an opinion on the statutory basis financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the statutory basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory basis financial statements or to the statutory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the statutory basis financial statements as a whole.



Des Moines, Iowa  
April 28, 2014

**CoOpportunity Health**

**Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
<u>U.S. Department of Health and Human Services</u>			
Consumer Operated and Oriented Plan [CO-OP] Program	93.545	N/A	<u>\$ 44,125,387 (M)</u>
<b>Total expenditures of federal awards</b>			<u><u>\$ 44,125,387</u></u>

**(M)** - Denotes Major Program

See Notes to Schedule of Expenditures of Federal Awards.

## CoOpportunity Health

### Notes to Schedule of Expenditures of Federal Awards

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#### Note 1. Basis of Presentation

The accompany schedule of expenditures of federal awards has been prepared from the CO-OP's accounting records and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic statutory basis financial statements.

#### Note 2. Noncash Assistance

There was no noncash assistance received by the CO-OP related to federal awards during the year ended December 31, 2013.

#### Note 3. Amounts of Insurance and Loans Outstanding

The Consumer Operated and Oriented Plan Program of CoOpportunity Health had the following loan balance outstanding at December 31, 2013. These loan programs are also included in the federal expenditures presented in the Schedule of Expenditures of Federal Awards.

<b>Cluster/Program Title Outstanding</b>	<b>Federal CFDA Number</b>	<b>Amount</b>
Series A - CO-OP Start-up Loan	93.545	\$ 14,700,000
Series B - CO-OP Solvency Loan	93.545	29,425,387
<b>Total expenditures of federal awards</b>		<u>44,125,387</u>
Subsequent Series B Loan Draw	93.545	14,568,155
		<u><b>\$ 58,693,542</b></u>

On December 30, 2013, the CO-OP requested an additional draw on its Series B solvency loan in the amount of \$14,568,155. With approval in December 2013 by the CO-OP's domiciliary commissioner, the subsequent receipt of the funds on February 14, 2014 meets the definition a Type I subsequent event and has been reflected in our statutory basis financial statements as an increase to cash and surplus notes.

#### Note 4. Insurance

The CO-OP maintains property and liability insurance which management believes is sufficient to meet its needs.

**CoOpportunity Health**

**Summary Schedule of Prior Audit Findings  
December 31, 2013**

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**I. Financial Statement Findings**

None identified.

**II. Findings and Questioned Costs for Federal Awards**

None identified.

**CoOpportunity Health**

**Schedule of Findings and Questioned Costs  
Year Ended December 31, 2013**

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**I. Summary of Independent Auditor's Results**

**Financial Statements**

Type of Auditor's Report Issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u>          </u> Yes	<u>      X      </u> No
Significant deficiency(ies) identified?	<u>          </u> Yes	<u>      X      </u> None reported

Noncompliance material to financial statements noted?	<u>          </u> Yes	<u>      X      </u> No
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**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?	<u>          </u> Yes	<u>      X      </u> No
Significant deficiency(ies) identified?	<u>          </u> Yes	<u>      X      </u> None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u>          </u> Yes	<u>      X      </u> No
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.545	Consumer Operated and Oriented Plan [CO-OP] Program

Dollar threshold used to distinguish between type A and type B programs.	\$1,760,806
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Auditee qualified as low-risk auditee?	<u>          </u> Yes	<u>      X      </u> No
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**CoOpportunity Health**

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2013**

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**II. Financial Statement Findings**

None identified.

**III. Findings and Questioned Costs for Federal Awards**

None identified.