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| --- | --- | --- | --- |
| Entity | Friendly Children’s Hospital | Workpaper ref. | **X.01** |
| Subsidiary or division | N/A | Prepared by | Purvesh |
| Financial statement date | 3/31/2021 | Reviewed by | Smita |

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| Significant class of transactions/disclosure process name: | Estimate Contractual Allowances |

**Section 1: Preparation to perform the walkthrough**

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| Is the documentation of our understanding of the SCOT or SDP being carried forward from the prior year? | No |
| If yes, what year was the documentation originally prepared? | N/A |
| Has the process changed? | No |
| Have systems changed? | No |
| Have process owners changed? | No |

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| Who performed the walkthrough | **Statutory Auditor** / Internal Auditor / Others |
| If the walkthrough was performed by Internal Auditors or others1, we document how we supervised and reviewed their work, including the method used to select the transaction(s) to walkthrough if we did not make the selection ourselves. | N/A |

**Section 2: The transaction(s) selected for our walkthrough**

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| --- | --- |
| ***Transaction information*** | |
| Current period transaction(s) selected for walkthrough | Patient #: 3001514209  DOS: 4/2/2020  Payment: Rs.55,106/-  Contractual Adjustment: Rs.16,394/- |
| Individual(s) with whom we confirmed our understanding of the SCOT (name(s) and title(s)) | Mohan Mishra, Asst. Manager - TCP |

**Section 3: Determine if we are required to walk through controls**

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| --- | --- |
| ***Requirements to walk through controls relevant to our audit*** | |
| 1) Have we identified a fraud or other significant risk within this SCOT or SDP? | Yes |
| 2) Is this a highly automated SCOT? | Yes |
| If any of the above were answered “yes”, then we perform a walkthrough of the related controls and complete [WT](http://gaait-aa.ey.net/Document.aspx?gotoString=U124&ProductId=111&IsTreeForTesting=False) Form | |

**Section 4:**  **The procedures we performed for the walkthrough to confirm our understanding and documentation of the SCOT or SDP, and document our walkthrough of controls (if applicable)**

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| --- | --- |
| ***Confirming our understanding of the SCOT and/or SDP*** | |
| **Document the procedures performed to walk through the critical path and related controls (if applicable) below:** | |
| **Initiated**  *The point where the transaction first enters the entity’s process and is prepared and submitted for recording.* | AUDITOR notes that Contractual Allowances fall within the Uncompensated Care Process. Areas within scope for the Uncompensated Care process include: charity discounts, service recovery discounts, employee discounts, cash and time of service discounts, bad debts, and contractual allowances.  Uncompensated care components are recorded within EPIC and recorded to the financial statements on a daily basis. It is the responsibility of the medical practice to determine how patient charges and unpaid patient charges should be classified at the time of service. |
| **Recorded**  *The point where the transaction is first recorded in the books and records of the entity.* | **Contractual Adjustment**  Contractual adjustments are posted by Transaction Entry Representatives when payments are posted. Accountant writes off amounts to contractual deductions for the difference between total charges and the reimbursement rates agreed upon in a contractual agreement between various Payors.  The contractual adjustments are recorded when the Explanation of Benefits (EOB) is received from the Payors. The Transaction Entry Representatives post the payment amount and the allowable amount into the system; this calculates the contractual discount or allowance amount, which is also posted at this time.  *AUDITOR notes through that the patient selected for our walkthrough had both an insurance payment and contractual adjustment posted on 5/2/2020*  *AUDITOR obtained an EPIC screenshot of the patient’s account, noting that a contractual adjustment of 16,394/- was also posted at the time of payment.**As this payment was an Automated Clearing House (ACH) payment, AUDITOR obtained the Electronic Remittance Advice**and agreed it to the contractual adjustments per the EPIC screenshot w/o/e.* |
| **Processed**  *Any changes, manipulation or transfers of the data in the books and records of the entity.* | See recorded section above. |
| **Reported in the general ledger (or basis for disclosure)**  *The point where the transaction is reported (i.e., posted) in the general ledger or disclosure is made in the financial statements.* | For contractual adjustments, the activity within the EPIC system is loaded in the GL system daily.  The following controls apply to this process but are walked through as part of different processes. See below.  **FSC: Financial statements & supporting footnotes are reviewed by Audit Committee and approved.** |

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| Was anything identified during our procedures that would indicate the potential for management override of controls or other risks of material misstatement due to fraud in the SCOTs or SDPs? | No |
| If we answered “Yes” to the question above: | |
| Provide additional details about the information identified. | N/A |
| Does the potential for management override of controls represent a deficiency in the design of controls that is not sufficiently mitigated by management actions or controls that are identified and tested?3 | N/A |
| If we answered “Yes” to both of the above questions, provide or reference to further documentation, including the summary of control deficiencies, and conclusions about the related effect on our audit strategy. | N/A |

**Section 5: Conclusions on the results of our walkthrough**

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| ***Confirming the completeness of our walkthrough*** | | |
| ***Question*** | ***Answer*** | ***Additional information*** |
| Have the walkthrough procedures confirmed our documented understanding of the SCOT or SDP? | Yes | *If no, identify or reference the audit evidence in the workpapers where we have satisfied this requirement.* |
| Does the walkthrough documentation include all areas where data is captured, transferred or modified, including where information is transferred between IT applications? | Yes | *If no, identify or reference the audit evidence in the workpapers where we have satisfied this requirement.* |
| Did we identify unique, significant types of transactions or significant variations within the SCOT or SDP? | No | *If yes, we perform additional walkthrough procedures (and identify additional WCGWs) or document our conclusion of why this isn’t necessary.* |
| Did our walkthrough procedures confirm that the identified WCGWs represent the points within the SCOT and/or SDP where material misstatements could occur? | Yes | *If no, identify or reference the audit evidence in the workpapers where we have satisfied this requirement.* |