



SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS AND SCHEDULE OF STATE  
FINANCIAL ASSISTANCE PROJECTS AND  
RELATED AUDIT REPORTS

Sacred Heart Health System, Inc. and Subsidiaries —  
Member of Ascension Health  
Year Ended June 30, 2010

Ernst & Young LLP

Sacred Heart Health System, Inc. and Subsidiaries  
 Schedule of Expenditures of Federal Awards  
 and Schedule of State Financial Assistance Projects and Related Audit Reports  
 Year Ended June 30, 2010

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Sacred Heart Health System, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass-Through Contract Number</b>	<b>Expenditures</b>
<b>U.S. Department of Education passed through the Florida Department of Health:</b>			
Special Education — Grants for Infants and Families	84.181	COQ-JP	\$ 1,098,290
Special Education — Grants for Infants and Families, Recovery Act (ARRA)	84.393	COQ-JP	259,334
<b>U.S. Department of Health and Human Services passed through the Florida Department of Health:</b>			
Temporary Assistance for Needy Families	93.558	COQ-JP	297,800
<b>U.S. Department of Health and Human Services passed through as sub-recipient from Lutheran Services Florida, Inc. Northwest:</b>			
HIV Care Formula Grants	93.917	HV003	111,688
Total federal expenditures			<u>\$ 1,767,112</u>

*See accompanying notes.*

Sacred Heart Health System, Inc. and Subsidiaries

Schedule of State Financial Assistance Projects

Year Ended June 30, 2010

State Agency and Project Title	State CSFA Number	State Contract/ Grant Number	State Expenditures
<b>Department of Health:</b>			
Area Health Education Center (AHEC) Network	64.009	FATO6	\$ 850,456
Rural Hospital Capital Improvement	64.002	679BA	33,359
Trauma Center Financial Support	64.075	TRA15	87,461
Total state expenditures			<u>971,275</u>

*See accompanying notes.*

# Sacred Heart Health System, Inc. and Subsidiaries

## Notes to Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance Projects

Year Ended June 30, 2010

### 1. Summary of Significant Accounting Policies

The accounting policies and presentation of the schedule of expenditures of federal awards and schedule of state financial assistance projects of Sacred Heart Health System, Inc. and subsidiaries (the Health System) have been designed to conform to accounting principles generally accepted in the United States, including the reporting and compliance requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 215.97, *Florida Statutes*, and Chapter 10.650, *Rules of the Auditor General*.

#### Reporting Entity

OMB Circular A-133 sets forth the audit and reporting requirements for federal financial assistance. Section 215.97, *Florida Statutes*, and Chapter 10.650, *Rules of the Auditor General*, set forth the audit and reporting requirements for state financial assistance. The schedule of expenditures of federal awards and schedule of state financial assistance projects include all federal and state financial assistance expended by the Health System.

#### Basis of Accounting

The schedule of expenditures of federal awards and schedule of state financial assistance projects have been prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues when they are earned and expenditures when the related liability is incurred.

### 2. Contingencies

Grant monies received and disbursed by the Health System are for specific purposes and are subject to audit by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based on prior experience, the Health System does not believe that such disallowances, if any, would have a material effect on the financial position of the Health System.

Report of Independent Certified Public Accountants 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*

The Board of Directors  
Sacred Heart Health System, Inc. and Subsidiaries

We have audited the consolidated financial statements of Sacred Heart Health System, Inc. and subsidiaries (the Health System) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Health System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Health System's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Health System's financial statements are free of 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*.

This report is intended solely for the information and use of the Audit Committee, Board of Directors, management, federal and state awarding agencies and pass-through entities, the Florida Auditor General, and the state of Florida and is not intended to be, and should not be, used by anyone other than these specified parties.

*Ernst + Young LLP*

September 17, 2010

Report of Independent Certified Public Accountants on Compliance With Requirements Applicable to Each Major Federal Awards Program and State Financial Assistance Project and on Internal Control Over Compliance in Accordance With OMB Circular A-133, Section 215.97, *Florida Statutes*, and Chapter 10.650, *Rules of the Auditor General*, and on Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance Projects

The Board of Directors  
Sacred Heart Health System, Inc. and Subsidiaries

### Compliance

We have audited the compliance of Sacred Heart Health System, Inc. and subsidiaries (the Health System) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement that are applicable to each of its major federal programs and state financial assistance projects for the year ended June 30, 2010. The Health System's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state financial assistance projects is the responsibility of the Health System's management. Our responsibility is to express an opinion on the Health System's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; Section 215.97, *Florida Statutes*; and Chapter 10.650, *Rules of the Auditor General*. Those standards, OMB Circular A-133, Section 215.97, *Florida Statutes*, and Chapter 10.650, *Rules of the Auditor General*, 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 or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Health System'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. Our audit does not provide a legal determination on the Health System's compliance with those requirements.



In our opinion, the Health System complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state financial assistance projects for the year ended June 30, 2010.

### **Internal Control Over Compliance**

The management of the Health System is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Health System's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, Section 215.97, *Florida Statutes*, and Chapter 10.650, *Rules of the Auditor General*, 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 Health System'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 or state project 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 or state project will not be prevented, or detected and corrected, on a timely basis.

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 that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## Schedules of Expenditures of Federal and State Financial Assistance Projects

We have audited the basic consolidated financial statements of the Health System as of and for the year ended June 30, 2010, and have issued our report thereon dated September 17, 2010. Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and schedule of state financial assistance projects are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 215.97, *Florida Statutes*, and Chapter 10.650, *Rules of the Auditor General*, and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

This report is intended solely for the information and use of the Audit Committee, Board of Directors, management, federal and state awarding agencies and pass-through entities, the Florida Auditor General and the state of Florida and is not intended to be, and should not be, used by anyone other than these specified parties.

*Ernst + Young LLP*

September 17, 2010

Sacred Heart Health System, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part I – Summary of Auditor’s Results

Financial Statements Section

Type of auditor’s report issued (unqualified, qualified, adverse, or disclaimer):

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

Federal Awards and State Financial Assistance Projects Section

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Type of auditor’s report issued on compliance for major programs (unqualified, qualified, adverse, or disclaimer):

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133 and with Section 215.97, *Florida Statutes* and Chapter 10.650, *Rules of the Auditor General*, State of Florida?

\_\_\_\_\_ Yes      X   No

Sacred Heart Health System, Inc. and Subsidiaries  
 Schedule of Findings and Questioned Costs (continued)

**Part I – Summary of Auditors’ Results (continued)**

Identification of major programs:

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
CFDA 84.181	Special Education – Grants for Infants and Families
CFDA 84.393	Special Education – Grants for Infants and Families Recovery Act (ARRA)
CFDA 93.558	Temporary Assistance for Needy Families (TANF)
<b>CSFA Number(s)</b>	<b>Name of State Financial Assistance</b>
CSFA 64.009	Area Health Education Center (AHEC) Network

Dollar threshold used to determine Type A federal programs \_\_\_\_\_ \$300,000 \_\_\_\_\_

Dollar threshold used to determine Type A programs for state financial assistance projects \_\_\_\_\_ \$300,000 \_\_\_\_\_

Auditee qualified as low-risk auditee for federal purposes?   X   Yes           No

## Sacred Heart Health System, Inc. and Subsidiaries

### Schedule of Findings and Questioned Costs (continued)

#### **Part II — Financial Statements Findings Section**

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the consolidated financial statements for which *Government Auditing Standards* require reporting in a Circular A-133, Section 215.97, *Florida Statutes*, and Chapter 10.650, *Rules of the Auditor General*.

No matters were reported.

#### **Part III — Federal Award Programs and State Financial Assistance Projects Findings and Questioned Costs Section**

This section identifies the audit findings required to be reported by Circular A-133 section .510(a), Section 215.97, *Florida Statutes*, and Chapter 10.650, *Rules of the Auditor General* (for example, significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program. Where practical, findings should be organized by federal agency or pass-through entity.

No findings were noted.