

June 15, 2018

Management and Board of Directors
Nassau Health Care Corporation
East Meadow, NY

GRANT THORNTON LLP

757 Third Ave., 9th Floor
New York, NY 10017-2013

D +1 212 599 0100

F +1 212 370 4520

S [linkd.in/grantthorntonus](https://www.linkedin.com/company/grantthorntonus)

twitter.com/grantthorntonus

To Management and Board of Directors:

In connection with our audit of Nassau Health Care Corporation (“NHCC” or the “Company”) financial statements as of December 31, 2017 and for the year then ended, auditing standards generally accepted in the United States of America (“US GAAS”) 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 financial statements are free of material misstatement, whether due to fraud or error. 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company’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 that are of sufficient importance to merit your attention. The matters discussed herein are those that we noted as of the date of our auditor’s report on the financial statements (May 31, 2018), and we did not update our procedures regarding these matters since that date to the current date.

Significant deficiencies

Our consideration of internal control was not designed to identify all deficiencies in internal control that, individually or in combination, might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. 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 Company's 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.

We consider the following identified control deficiencies to be significant deficiencies.

Credit balances in patient accounts receivable

At December 31, 2017, credit balances in patient accounts receivable totaled approximately \$22 million, which represents an increase of \$4 million over the prior year. An analysis of the credits has not been performed.

We recommend that management analyze the nature of the credits and record adjustments in the accounting records to reflect their proper disposition. In addition, management should determine the root cause for the credit balances in order to ensure that new credits are not generated as the older ones are cleared.

Management's Response

Management agrees with this recommendation and is currently working to resolve this matter before year-end.

Control deficiencies

We identified the following control deficiencies.

Journal Entry Approval

The controller has the ability to both prepare journal entries and approve those same entries. Although certain mitigating controls are currently in place, we recommend that the preparation of journal entries should be segregated from the approval process.

Management's Response

Management agrees with this recommendation and will establish a further segregation of duties in this area prior to year-end.

Company response

The Company's written response to the internal control matters identified herein has not been subjected to our audit procedures and, accordingly, we express no opinion on it.

* * *

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

Very truly yours,

GRANT THORNTON LLP

