

**THE METROHEALTH SYSTEM
AUDIT COMMITTEE
BOARD OF TRUSTEES
AUDIT COMMITTEE MEETING MINUTES**

DATE: Tuesday, December 15, 2015

TIME: 12:00 to 1:30 p.m.

PLACE: MetroHealth Medical Center
Business Services Building
Board Room K-107

COMMITTEE TRUSTEES: Mr. McDonald, Mr. Monnolly and Dr. Silvers

ADDITIONAL TRUSTEES: Ms. Dee

STAFF: M. Bechtle, K. Botros, A. Boutros, M.D., FACHE, A. Connors, M.D., J. Dickinson, G. Himes, S. Huggins, W. Jones, M. Legerski, D. Lewis, M. Phillips, D. Reichert, C. Richmond, M. Stern

GUESTS: L. Kalic, J. Peters, L. Abernathy (via phone) (RSM, formerly McGladrey), K. Williams (Catholic Charities Services)

Dr. Silvers called the meeting of the Audit Committee to order at 12:09 p.m. Please note that minutes are written to conform to the printed agenda and are not necessarily in the order of discussion.

- I. Minutes of the regular Audit Committee meeting held on September 21, 2015 were approved as written.

II. INFORMATION ITEMS

Craig Richmond, Chief Financial Officer introduced Lori Kalic, Audit Partner, from RSM (formerly McGladrey) who would be discussing the scope of services for the 2015 financial statement audit. Mr. Richmond mentioned in addition to our annual financial statement audit that RSM was recently awarded the non-audit work for the construction cost review services specific to the System's Campus Transformation project. RSM mentioned these non-audit services do not impact their independence for Government Auditing Standards (GAS) audit purposes, and MetroHealth assumes all management responsibilities.

Ms. Kalic, continued the discussion by introducing the RSM audit engagement team. Ms. Kalic provided an overview of the scope of services MetroHealth can expect to be carried out for the 2015 financial statement audit. Ms. Kalic highlighted the audit and attestation services, audit responsibilities under US Generally Accepted Auditing Standards and audit approach and plan. A timeline of the audit engagement and anticipated completion dates of all audit procedures was reviewed with the Committee.

Via conference call, Linda Abernethy, Government Industry Partner & Report Quality Control Reviewer at RSM, led discussion around GASB Statement No. 68 – Accounting and Financial Reporting for Pensions, and that the System is required to implement the provisions of this

Statement for the year ending December 31, 2015. Ms. Abernethy also discussed GASB No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment to GASB No. 68, GASB No. 72 – Fair Value Measurement and Application, GASB No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provision of GASB Statements 67 and 68; GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

Geoff Himes, Vice President of Finance further discussed the GASB Statement No. 68 – Accounting and Financial Reporting for Pensions and the estimated impact to MetroHealth. This accounting change results in governmental employers recognizing the unfunded portion of the pension liability in their financial statements. MetroHealth will recognize the liability based upon our proportionate share of the total OPERS net pension liability. GASB Statement No. 68 is strictly a change in accounting and has no cash impact.

Simpson Huggins, Director of Internal Audit, reviewed with the Committee the 2015 Internal Audit Plan for the fourth quarter. Mr. Huggins discussed the fieldwork in progress noting those audits completed, deferred and the audits in varying stages commenting on objectives, approach, observations and management action plan, if required. The Committee discussed several of the audits that were deferred in 2015 which was the result of the area's readiness (e.g. new operation) and special project requests. Mr. Huggins then reviewed the audits completed in the third and fourth quarter of 2015 as highlighted in the Report to the Audit Committee. Mr. Huggins then discussed the progress of the Financial Reporting Controls (FRC) review noting the status of the four phases.

Mr. Huggins referenced the Comparison of Enterprise Perspective on Health System Risks and MHS Audit Plan which was discussed at the last Audit Committee meeting. He updated the Committee on those risks that have been previously assessed by the Internal Audit and those risks assessed by other departments within the System. Mr. Richmond then mentioned at the last Audit Committee meeting Jim Mylen, Managing Director from KPMG, and Mr. Huggins discussed the emerging risks for healthcare providers. The document referenced above by Mr. Huggins highlights different types of enterprise risk, and various groups/departments (internal audit, compliance and management) within the System have a role in managing overall enterprise risk.

Mary Legerski, Chief Compliance Officer, and Joe Dickinson, Privacy and Security Officer, were introduced for their respective updates.

At this point in the meeting a motion was made, seconded and passed to move the Committee into Executive Session to discuss trade secrets and litigation matters. The Committee returned to regular session at 1:40 p.m.

Ms. Legerski discussed the Compliance Program and the measurement of employee's understanding of the Compliance Department. A survey was conducted and response was high with the majority of the staff being familiar with the Compliance Program, many knew where the MetroHealth's Code of Ethical Conduct could be found as well as how to contact the Chief Compliance Officer. Over 90% of respondents felt their management team supports Compliance objectives and 89% were comfortable with reporting their concerns. Ms. Legerski also discussed the 2016 OIG Work Plan and examples of proposed audits.

III. NON-CONSENT /ACTION ITEMS

A. No items at this time

IV. CONSENT ITEMS

A. No items at this time

There being no further business to come before the Committee, the meeting was adjourned at 1:50 p.m.

Respectfully submitted,

A handwritten signature in black ink, consisting of a large, stylized 'C' followed by a horizontal line that ends in a loop.

Craig Richmond
Chief Financial Officer