



Audit & Compliance Committee Meeting

The MetroHealth System

MetroHealth Board Room K107 - 2500 MetroHealth Dr., Cleveland, OH 44109

2026-03-25 11:30 - 13:00 EDT

Table of Contents

| | |
|---|-----------|
| I. Agenda..... | 2 |
| II. Approval of Minutes..... | 3 |
| III. Information Items | |
| A. Presentation of Annual Audit of 2025 System Financial Statements..... | 9 |
| 1. Resolution to Accept the 2025 Audit Opinion for The MetroHealth System's Annual Financial Statements..... | 21 |
| B. Ethics and Compliance Update..... | 23 |
| C. Internal Audit Update..... | 31 |
| IV. Executive Session | |
| V. Recommendations / Resolution Approvals | |
| A. Approval of MetroHealth System 2026 Compliance Work Plan | |
| B. Approval of MetroHealth System 2026 Internal Audit Plan | |
| C. Approval of Internal Audit Function’s 3-Year Strategic Plan | |

The MetroHealth System Board of Trustees

AUDIT & COMPLIANCE COMMITTEE

DATE: Wednesday, March 25, 2026
TIME: 11:30am – 1:00pm
PLACE: MetroHealth Main Campus, Building K, Board Room (K107) or via YouTube Stream: <https://www.youtube.com/@metrohealthCLE/streams>

AGENDA

- I. **Approval of Minutes**
Approval of Committee Meeting Minutes from November 12, 2025

- II. **Information Items**
 - A. Presentation of Annual Audit of 2025 System Financial Statements – Plante Moran (O. Jurkovic / M. Warren / J. Hamilton)
 - B. Ethics and Compliance Update – S. Partington
 - C. Internal Audit Update – R. Barre

- III. **Executive Session**

- IV. **Return to Open Meeting**

- V. **Recommendations / Approvals**
 - A. Resolution to Accept the 2025 Audit Opinion for The MetroHealth System’s Annual Financial Statements
 - B. Approval of MetroHealth System 2026 Compliance Work Plan
 - C. Approval of MetroHealth System 2026 Internal Audit Plan
 - D. Approval of Internal Audit Function’s 3-Year Strategic Plan

The MetroHealth System Board of Trustees

AUDIT AND COMPLIANCE COMMITTEE

Wednesday, November 12, 2025

2:00 pm – 4:00 pm

MetroHealth Board Room K-107 and Virtual

Meeting Minutes

Committee Members Present: Sharon Dumas-I, Artis Arnold-I, John Moss-I

Other Trustees Present: E. Harry Walker, M.D.-R

Staff Present: Christine Alexander-Rager, M.D.-I, Robin Barre-I, Robert (Doug) Bruce, M.D.-I, David Fiser-R, Sarah Partington-I, Amanda Roe-I, Jeff Rooney-I, Tamiyka Rose-I, Deborah Southerington-I, David Stepnick, M.D.-I, James Wellons-I, Patrick Woods-I

Invited Guests: Jessica Hamilton (Plante Moran)-I, Jordan Pace (Plante Moran)-I, Hayley Oakes (Grant Thornton)-R, Megan Warren (Plante Moran)-I

Other Guests: Guests not invited by the Board of Trustees are not listed as they are considered members of the audience, and some were not appropriately identified.

Ms. Dumas called the meeting to order at 2:00 pm, in accordance with Section 339.02(K) of the Ohio Revised Code with a quorum present.

(The minutes are written in a format conforming to the printed meeting agenda for the convenience of correlation, recognizing that some of the items were discussed out of sequence.)

I. **Approval of Minutes**

The minutes of the September 10, 2025 Committee meeting were approved as submitted by unanimous vote.

II. **Information Items**

A. **2025 External Financial Statement Audit Plan – J. Rooney, P. Woods, Plante Moran**

Ms. Dumas introduced Mr. Rooney and Mr. Woods to the Committee who then provided an update that Plante Moran, the external financial statement auditors for The MetroHealth System, has begun their interim audit activities, with their



The MetroHealth System Board of Trustees

onsite work planned to occur in January through March 2026. Upon completion, Plante Moran will present its results to the Board towards the end of March. Mr. Woods then introduced representatives from Plante Moran to provide an overview of the 2025 external financial statement audit plan.

Jordan Pace, audit partner with Plante Moran, introduced himself and expressed appreciation for the ongoing relationship between the firm and MetroHealth. Mr. Pace began by outlining the initial stages of the 2025 audit cycle and explained that part of the firm's responsibility under auditing standards is to maintain structured communication with the governing body overseeing the audit.

Mr. Pace described the audit team structure, identifying Mr. Oliver Drugov as the engagement partner, alongside team members Ms. Megan Warren and Ms. Jessica Hamilton. The audit team composition remained consistent with prior year. Mr. Pace emphasized the importance of independence and affirmed that Plante Moran meets independence requirements as mandated by professional standards.

The auditors then reviewed the responsibilities and standards guiding their work, including requirements under Generally Accepted Auditing Standards (GAAS) and Governmental Auditing Standards (GAGAS). They noted that MetroHealth must comply with governmental audit standards due to its level of federally funded program expenditures, which exceed thresholds requiring a single audit. They summarized the scope of the auditors' responsibilities, including evaluating significant accounting policies, estimates, financial reporting principles, and any adoption of new standards. They clarified that audit work necessarily involves materiality and risk-based sampling due to the magnitude of system-wide transactions.

The Committee was informed that the auditors would assess areas requiring significant management judgment or those involving complex or sensitive estimates, as these areas present the greatest risk of material misstatement. Any issues identified, ranging from audit adjustments to internal control deficiencies or unusual transactions, would be communicated to the Committee during or after the audit. Additionally, management would provide necessary documentation such as the engagement letter and a letter or representation to close out the audit.

Ms. Megan Warren then continued the presentation with a discussion of the financial statement audit engagement timeline. Interim procedures were already



The MetroHealth System Board of Trustees

being conducted onsite, focusing on planning and risk assessment, including walkthroughs of processes and initial sampling. February and March 2026 would be dedicated to final audit testing, review of balances, and financial statement evaluation. After completion, auditors will return to present their final findings in March.

Ms. Warren also addressed the timeline and requirements of the single audit, which runs concurrently with the financial statement audit. Because MetroHealth expends more than the federal threshold for grant funds, it must undergo an annual single audit. This audit evaluates compliance with federal grant requirements and assesses how the organization manages and reports federally funded program expenditures. Audit results and required documentation would be uploaded to the Federal Audit Clearinghouse by early April 2026.

Next, Ms. Warren outlined the engagement scope for the financial statement audit and the single audit, reiterating that the primary objective of the financial statement audit is to express an opinion on whether the statements are free from material misstatement. Key required communications include the identification of control deficiencies, instances of noncompliance, and any noted abuse under Government Auditing Standards. Ms. Warren also described the peer review process required for all accounting firms every three years, noting that Plante Moran's most recent peer review report, issued in 2022, resulted in the highest available rating. A new peer review report was expected before the end of December 2025 and will be shared with the Committee.

Ms. Jessica Hamilton proceeded with an overview of significant risks identified for the financial statement audit, explaining that four areas constituted significant risk:

- Management override of controls
- Improper revenue recognition and net realizable value of patient accounts receivable
- Pension and OPEB-related obligations
- Medical malpractice obligations

Ms. Hamilton explained that although these were identified as the highest-risk areas, the financial statement audit would still examine other areas of estimation, judgment, and operational significance. Ms. Hamilton also addressed GASB 102, a

The MetroHealth System Board of Trustees

new disclosure requirement requiring organizations to document risks related to concentrations or vulnerabilities. Ms. Hamilton clarified that the GASB 102 standard would not change the financial figures themselves but would result in additional disclosures, if applicable.

Ms. Hamilton further described the financial statement audit approach at year-end, including various testing of transactions and evaluation of management's estimates, and assumptions used in those estimates, to ensure reasonableness and if they are in line with applicable accounting standards. Lastly, Ms. Hamilton summarized the primary risks for the single audit, with particular focus on the classification and allowability of grant expenditures and management override of controls. The audit team planned to test selected grant expenditures for compliance with federal rules and to evaluate controls in managing federal programs.

The auditors concluded their presentation by reviewing required communications to the Committee, emphasizing the importance of effective two-way communication during the engagement. They outlined upcoming communications planned for the postaudit phase, including a summary of the auditor's views about significant accounting practices, any difficulties encountered during the audits, any uncorrected misstatements, any disagreements with management, any material audit adjustments, representations requested from management, any consultations by management with other accountants, and any significant issues arising from the audits that were discussed with management.

B. Ethics and Compliance Update – S. Partington

Next, Ms. Dumas introduced Ms. Sarah Partington, Interim SVP Chief Ethics and Compliance Officer, to provide the Ethics and Compliance update. Ms. Partington began by highlighting events from the recent observance of Compliance Week on November 2, 2025 – November 8, 2025. Activities included a system-wide e-card thanking employees for maintaining an ethical culture, as well as a pop-up event at the Glick Center, where the compliance team interacted with staff, provided resources, and distributed small, branded giveaways and candy. The week concluded with a "holiday edition" of *Conversations with Compliance*, focusing on rules surrounding the giving and receiving of gifts among employees, patients, and vendors, an especially relevant topic during the holiday season. Ms. Partington then discussed planning underway for 2026, noting Ethics and Compliance Department

The MetroHealth System Board of Trustees

will be pursuing new engagement activities under the theme “Get Your Ethical Fix in 2026,” with updates to be shared in future committee meetings. Next, Ms. Partington provided an overview of the annual risk assessment process. Ethics and Compliance and Internal Audit collaborate annually to conduct a coordinated risk assessment that informs development of the upcoming year’s workplan. Activities related to the assessment will unfold over the next several months, with results and recommendations to be presented to the Committee in March.

Ms. Partington also reviewed current performance metrics, including work plan completion status through September, policy management updates, MetroHealth Ethics Line (MEL) activity, and training statistics. Ms. Partington described trends in hotline reporting, highlighting comparative data for allegations versus inquiries and open versus closed cases. Importantly, Ms. Partington highlighted that MetroHealth’s average case closure time remained significantly below the national benchmark. While the national average time to close hotline cases is approximately 45 days, MetroHealth averaged 28 days. Ms. Partington also highlighted a key metric: the duration required to resolve anonymously submitted reports. These cases generally take about ten additional days to close because investigators cannot engage directly with reporters and must rely on the hotline’s anonymous communication mechanism to request updates or clarification. Ms. Partington emphasized the importance of encouraging employees who submit anonymous reports to log back into the MEL system periodically to respond to follow-up questions, even if they wish to remain unidentified. The Ethics and Compliance update concluded with reference to additional materials contained in the appendix of the presentation, including specific details about work plan goals, policy counts, and training results.

III. Executive Session

Ms. Dumas asked for a motion to move into executive session to discuss hospital trade secrets as defined by ORC 1333.61. Mr. Moss made the motion and Mr. Arnold seconded. Upon unanimous roll call vote, the Committee went into executive session to discuss such matters stated by Ms. Dumas. Members of the public were excused, and the Committee went into executive session to discuss the identified matters at 2:23 pm.

Following the executive session, the meeting reconvened in open session at approximately 3:47 pm and welcomed back the public virtually and those members of the public who remained in-person.



The MetroHealth System Board of Trustees

IV. Recommendations / Approvals

A. Approval of the Internal Audit Department Charter and Mandate

Based on the update from Ms. Barre of the Internal Audit Department Charter, Ms. Dumas called for a voice vote for the Approval of the Internal Audit Department Charter and Mandate, which was given, seconded, and unanimously approved.

There being no other business to bring before the Committee, the meeting was adjourned at approximately 3:48pm.

THE METROHEALTH SYSTEM

John Moss
Interim Chairperson, Audit & Compliance
Committee





The MetroHealth System

Audit Report to the Audit and Compliance Committee

December 31, 2025



plante moran

Audit. Tax. Consulting.
Wealth Management.

100 years



Your Plante Moran Team



Oliver Jurkovic

616.643.4046

Oliver.Jurkovic@plantemoran.com

Partner



Megan Warren

614.222.9094

Megan.Warren@plantemoran.com

Senior Manager



Jessica Hamilton

614.222.9115

Jessica.Hamilton@plantemoran.com

Manager



Agenda

- Audit status
- Audit scope
- Required communications



Audit Status

Status

- Financial statements are in draft form
- Substantially all audit procedures have been completed
- Pending approval of Committee, receipt of signed representation letter and finalization of subsequent event audit procedures through opinion date
- Anticipated opinion date of March 25, 2026



Audit Scope and Required Communications



Audit Scope

Scope of work

- Audit of the financial statements for the MetroHealth System as of and for the year ended Dec. 31, 2025
- Discretely presented component units: The MetroHealth Foundation, Inc. and CCH Development Corporation
- Audit of Federal Awards

Financial reporting framework

U.S. Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) reporting

Auditing standards

We perform our audit in accordance with:

- Auditing standards generally accepted in the United States of America as issued by the Auditing Standards Board of the American Institute of Certified Public Accountants (U.S. GAAS)
- Government Auditing Standards issued by the Comptroller of the United States

Independence

We are independent of the organization based on the requirements of the AICPA Code of Professional Conduct.

Other work performed by Plante Moran

Select Assurance Captive, LLC (separate engagement team)



Required communications

Our responsibility under General Accepted Auditing Standards

- Express an opinion on whether the financial statements are fairly presented in conformity with U.S. GAAP.
- Plan and perform the audit to obtain reasonable, not absolute, assurance that the financial statements are free of material misstatement.
- Planning our audit includes obtaining an understanding of internal controls over financial reporting.
- The extent, timing, and nature of our procedures is determined based on risk assessments and our understanding of control and inherent risks to enable us to express an opinion on the financial statements.
- Communicate significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process.
- We conducted our audits 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

Management's responsibilities

- Financial statements
- Selection and use of appropriate accounting policies
- Adopting and maintaining sound internal controls
- Evaluation of whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued

Opinion

- Unmodified
-



Required communications

Significant accounting policies

- Note 1 to the financial statements
- No significant or unusual transactions
- Adoption of GASB 102, *Certain Risk disclosures*
- Adoption of these standards did not have a material impact on the financial statements

Significant accounting estimates and balances

- Sensitive accounting estimates and significant balances included in the consolidated financial statements:
 - Net realizable value of accounts receivable and revenue
 - State of Ohio HAP and Franchise Fee program
 - Reserve for medical malpractice claims - Use of Actuary
 - Balances recorded related to pension and OPEB
 - Cash and investments
 - Debt
 - Leases and SBITA's
- No significant changes in methodology
- We evaluated key factors and assumptions used
- Estimates are reasonable

Significant disclosures

- None
-



Required communications

Disagreements or difficulties with management

- None

Corrected and uncorrected misstatements

- Significant audit adjustments – None
- Passed adjustments and disclosures – None

Other matters

- No significant issues discussed with management prior to or during our audit
 - Management to provide a signed management representation letter upon approval of audit report by Committee
 - No consultation with other accountants
-



Financial statement internal control matters

Definitions

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.

Material weakness

A deficiency, or a 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.

Significant deficiency

A deficiency, or 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.

Material weaknesses (MW)

- None

Significant deficiencies (SD)

- None
-



Audit of Federal Awards

Significant areas of focus for our audit

- SEFA completeness
- Classification and allowability of grand expenditures
- Management override of controls

Major Program Determination

- 1) ALN #66.616, Environmental and Climate Justice Community Change
- 2) ALN #10.557, WIC
- 3) ALN #93.870, Maternal Infant and Early Childhood Home Visiting Grant Program

Audit Findings

- Section III Financial Statement audit findings
- Material weakness:
 - While the System had controls over accumulating the data for inputs into the portal, they did not have an adequate control in place to ensure transactions subject to FFATA reporting were reviewed for completeness and accuracy upon submission.
 - No material noncompliance
 - No questioned costs



Thank you!

**RECOMMENDATION TO THE BOARD OF TRUSTEES OF
THE METROHEALTH SYSTEM TO ACCEPT THE
2025 AUDIT OPINION FOR THE SYSTEM'S ANNUAL FINANCIAL STATEMENTS**

Recommendation

The Audit and Compliance Committee and Chief Financial Officer recommend that the Board of Trustees ("Board") of The MetroHealth System ("System") accept the audit opinion for the System's annual financial statements for the year ended December 31, 2025, as presented by Plante & Moran, PLLC ("Plante Moran").

Background

Pursuant to Chapter 339 of the Ohio Revised Code, the Board is required to provide for an annual audit of the System's financial statements. Pursuant to Chapter 117 of the Ohio Revised Code, the System and the Auditor of State have engaged Plante Moran to conduct such an audit. Plante Moran's audit is conducted in accordance with Generally Accepted Auditing Standards (GAAS), Government Auditing Standards (GAS), the Uniform Guidance, the U.S. Office of Management and Budget's (OMB) Compliance Supplement, and guidance provided in the audit guide titled State and Local Governments issued by American Institute of Certified Public Accountants. The Plante Moran audit team conducted an audit conference with members of the Board of Trustees, discussed Plante Moran's independence, the scope of services performed in connection with the audit, and presented any findings resulting from the audit to the Audit and Compliance Committee.

Acceptance of the 2025 Audit Opinion for the System's Annual Financial Statements

RESOLUTION _____

WHEREAS, the Board of Trustees ("Board") of The MetroHealth System ("System")'s independent auditors, Plante & Moran, PLLC ("Plante Moran") have prepared an opinion regarding the audited financial statements prepared by MetroHealth for the year ended December 31, 2025 (the "Audit Opinion");

WHEREAS, Plante Moran conducted an audit conference with the members of the Board and discussed the conduct and scope of the audit, including the work with the System's management team, and presented any audit findings to the Audit and Compliance Committee; and

WHEREAS, the Audit and Compliance Committee and Chief Financial Officer recommend that the Board accept the Audit Opinion regarding the System's annual financial statements as prepared by MetroHealth and reviewed by Plante Moran.

NOW, THEREFORE, BE IT RESOLVED, the Board hereby accepts Plante Moran's Audit Opinion for the System's annual financial statements for the year ended December 31, 2025.

AYES:

NAYS:

ABSENT:

ABSTAINED:

DATE:



MetroHealth
Devoted to Hope, Health, and Humanity

Ethics and Compliance Program Activities

Audit and Compliance Committee of the Board of Trustees

March 25, 2026

2025 Year in Review

Hosted **Ethics and Compliance Week**



Implemented new **Exclusion Check** software



Executed implementation of **1557 Nondiscrimination** requirements

Launched RFPs for conflicts of interest and hotline vendors

Created and populated departmental policies on **Policy Enterprise Management System**

Conducted over 155 individual provider audits and re-audits

Investigated **694 MEL reports** and addressed **170 inquiries**

Updated **Third-Party Risk Management** Assessment intake form and process

Achieved a **99%** conflicts of interest form completion rate

Completed **243** third-party risk assessments

Prepared System and staff for the Part 2 updates

Created and facilitated **189** education sessions

Conducted **91** Physical Security walkthroughs throughout MetroHealth

Introduced **Billing Audit Services** Dashboard to spotlight Compliance activities

Published new "Compliance Guidebook"/retired old toolkits and documents



Released updated, targeted, and comprehensive **EMTALA** training released



Ethics and Compliance – By The Numbers

WORK PLAN*

Completion rate of planned Compliance projects based on targets due by the end of 2025.

74% YTD

METROHEALTH ETHICS LINE (MEL)

Inquiries: Reports that do not allege wrongdoing; seeks guidance
 Allegations: Reports that involves an accusation of wrongdoing.

Q4 (YTD)

| | | | |
|--------------|-----------|-------------|----------|
| Cases opened | 132 (664) | Inquiries | 40 (176) |
| Cases closed | 117 (702) | Allegations | 77 (509) |

POLICIES

MHS: % MHS policies updated annually (as of December 2025)

EC: % EC policies updated annually (as of December 2025)

MHS: 70% YTD

EC: 86% YTD

TRAININGS

Targeted New Hire: Compliance training beyond general orientation

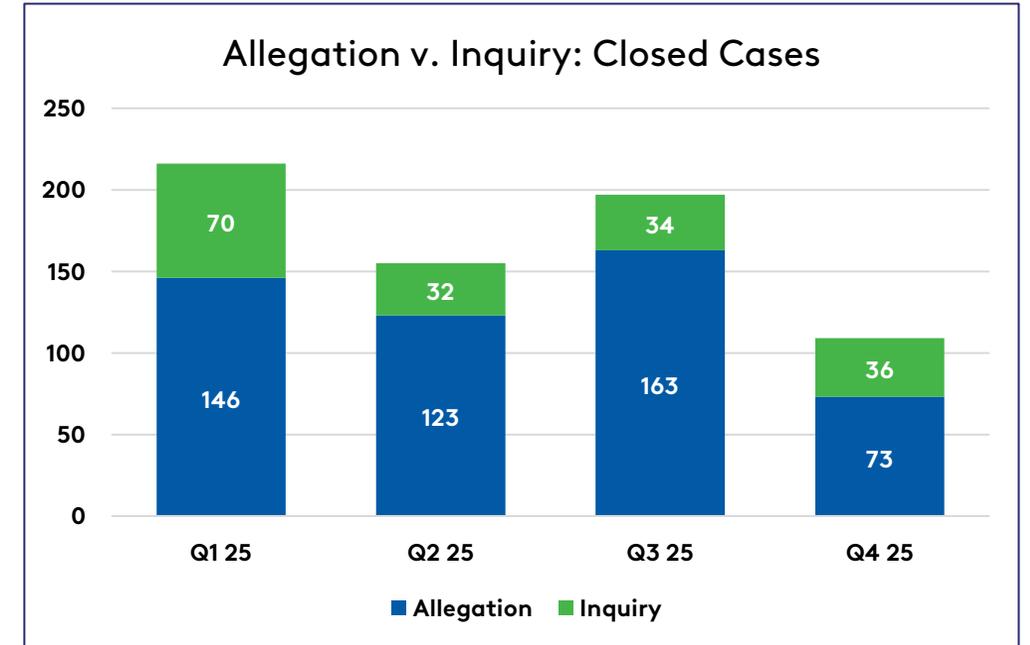
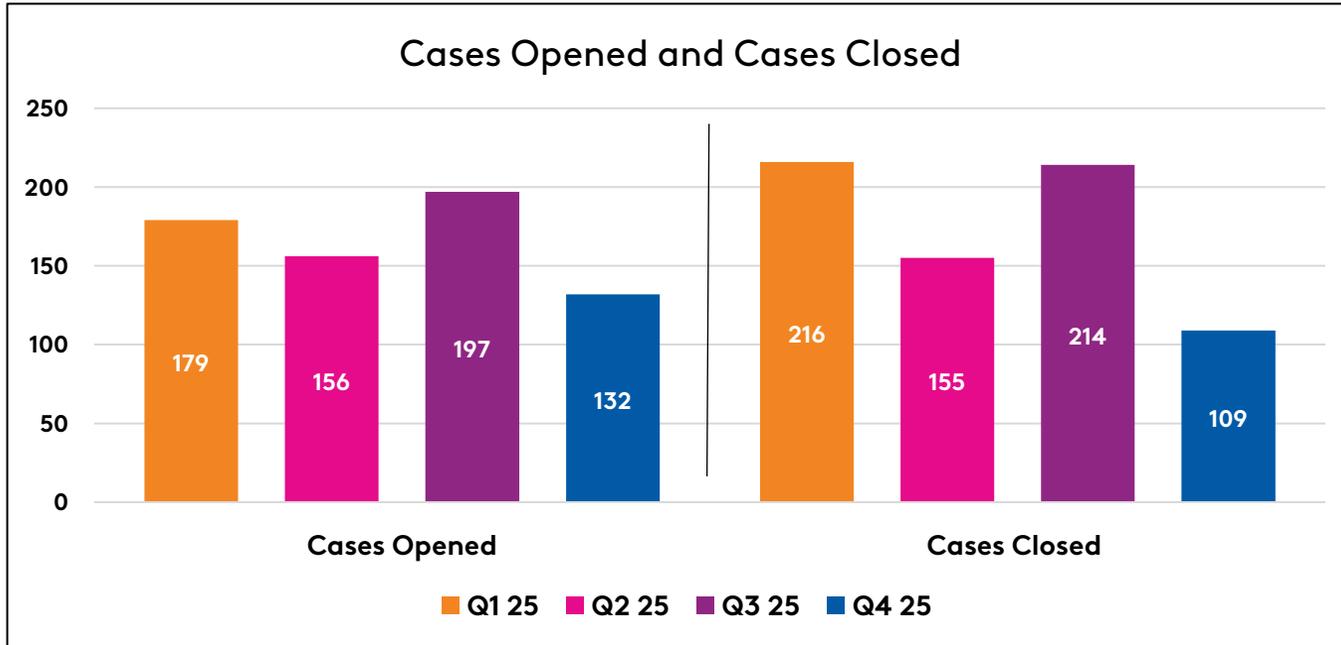
Specialized: trainings on specific topics (new regulations, billing and coding issues, etc.)

Q4 (YTD)

| | |
|-------------------|---------|
| Targeted New Hire | 104 YTD |
| Specialized | 85 YTD |

* See Appendix for additional information

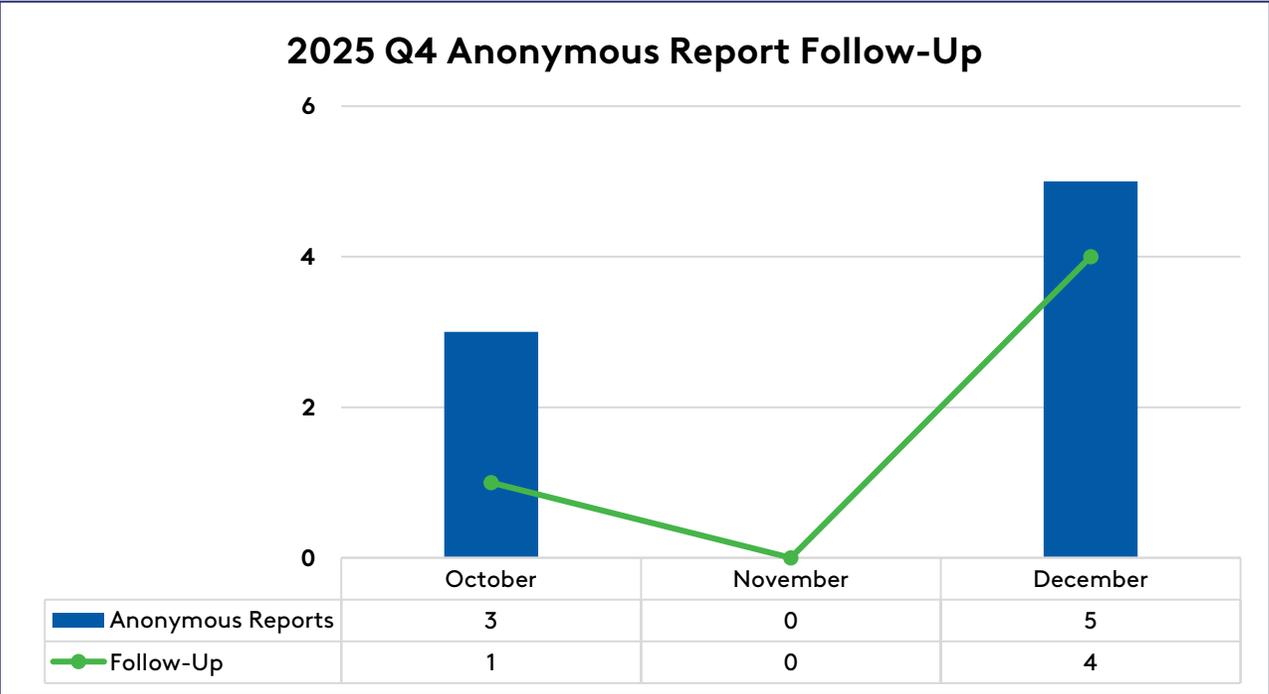
2025 Q4 MEL Review



Key Takeaways

- Annual average open to close time was 22 days, compared to the national benchmark of 45 days

2025 Q4 MEL Review, cont.



Key Takeaways

- Follow-up rate for anonymous reporters: 63%
- Non-Anonymous report avg case closure time: 23 days
- Anonymous report average case closure: 29 days

Appendix

Ethics and Compliance 2025 Goals



Foster the integration of an ethical culture

- Hosted 2025 Compliance Week
- Updated the Code of Conduct
- Updated TPRM policy and procedure



Provide continuous monitoring of regulatory changes and assess their impact on MetroHealth

- Prepared for revised Part 2 (Substance Use Disorder) regulations
- Add Regulators data
- Distributed of final Medicare prospective payment rules



Ensure safeguarding of information during campus transformation 2.0

- Participating in system-wide workgroups managing the move
- Expanded physical security walkthroughs to high-risk and non-clinical spaces



Maximize the effective use of data, technology, and external resources

- Implemented new exclusion check software
- Launched RFPs for conflicts of interest and hotline vendors

The 2025 Ethics and Compliance Work Plan consists of 127 focus areas and is 74% complete (through December).

| | | |
|---|--------------------------------------|--|
| 340B/Pharmacy  | 11 focus areas / 9% of Work Plan |  79% |
| Oversight  | 50 focus areas / 39% of Work Plan |  67% |
| Documentation & Coding  | 13 focus areas / 10% of Work Plan |  87% |
| Financial Incentives  | 17 focus area / 13% of Work Plan |  84% |
| Regulatory Compliance  | 15 focus areas / 12% of Work Plan |  74% |
| Privacy and Security  | 16 focus areas / 13% of Work Plan |  66% |
| Research Compliance  | 5 focus areas / 4% of Work Plan |  85% |



MetroHealth
Devoted to Hope, Health, and Humanity

Internal Audit Program Activities

Audit & Compliance Committee of the Board of Trustees

March 25, 2026

Domain III: Governing the Internal Audit Function – Ensuring oversight through “Essential Conditions.”

This domain requires the Internal Audit leader to engage with the Board to discuss the responsibilities and “essential conditions” of the Institute of Internal Auditors (IIA) Global Internal Audit Standards and how the parties can collaborate to establish and maintain an effective Internal Audit function.

- *Principle 6 – Authorized by the Board*
The Board establishes, approves, and supports the mandate of the Internal Audit function
- *Principle 7 – Positioned Independently*
The Board establishes and protects the Internal Audit function’s independence and qualifications
- *Principle 8 – Overseen by the Board*
The Board oversees the Internal Audit function to ensure the function’s effectiveness



Governing the Internal Audit Function

Principle 6: Authorized by the Board

The Board establishes, approves, and supports the mandate of the Internal Audit function

What we need from the Audit & Compliance Committee to meet the “Essential Condition”

- Approve and support Internal Audit’s authority, role, and responsibilities (Internal Audit Mandate)
- Review and approve the Internal Audit Charter, which includes the Internal Audit Mandate, the scope and types of internal audit services, and other topics that enable an effective function
- Enable Internal Audit’s unrestricted access to information necessary to fulfill the Internal Audit Mandate
- Support the Internal Audit leader through regular, direct communications
- Demonstrate support:
 - ❖ Specify to whom the Internal Audit leader reports, allowing for mandate fulfillment
 - ❖ Approve the Internal Audit Plan and the function’s budget and resources
 - ❖ Review any constraints that may impact Internal Audit’s ability to carry out its responsibilities effectively
 - ❖ Meet periodically with the Internal Audit leader in sessions alone without management present

Note: Slide summarizes content from the Institute of Internal Auditors (IIA) Standards. Full language is available upon request.

Governing the Internal Audit Function (cont.)

Principle 7: Positioned Independently

The Board establishes and protects the Internal Audit function's independence and qualifications

What we need from the Audit & Compliance Committee to meet the "Essential Condition"

- Maintain a direct reporting relationship with the Internal Audit leader and function
- Authorize the appointment or removal of the Internal Audit leader, in coordination with senior management
- Provide input on the Internal Audit leader's performance evaluation and remuneration
- Meet with the Internal Audit leader alone, without management present, to discuss significant or sensitive matters
- Ensure the Internal Audit leader is positioned in the organization at a level that enables authority to bring matters to senior management, escalating to the Board when necessary
- Identify any actual or potential impairments to the Internal Audit function's independence when approving the Internal Audit leader's roles or responsibilities beyond the scope of internal auditing
- Establish appropriate safeguards if the Internal Audit leader's roles and responsibilities impair the function's independence
- Review and approve the Internal Audit leader's roles and responsibilities and identify necessary qualifications, experience, and competencies needed to fulfill role
- Engage with senior management to ensure Internal Audit is free from interference

Note: Slide summarizes content from the Institute of Internal Auditors (IIA) Standards. Full language is available upon request.

Governing the Internal Audit Function (cont.)

Principle 8: Overseen by the Board

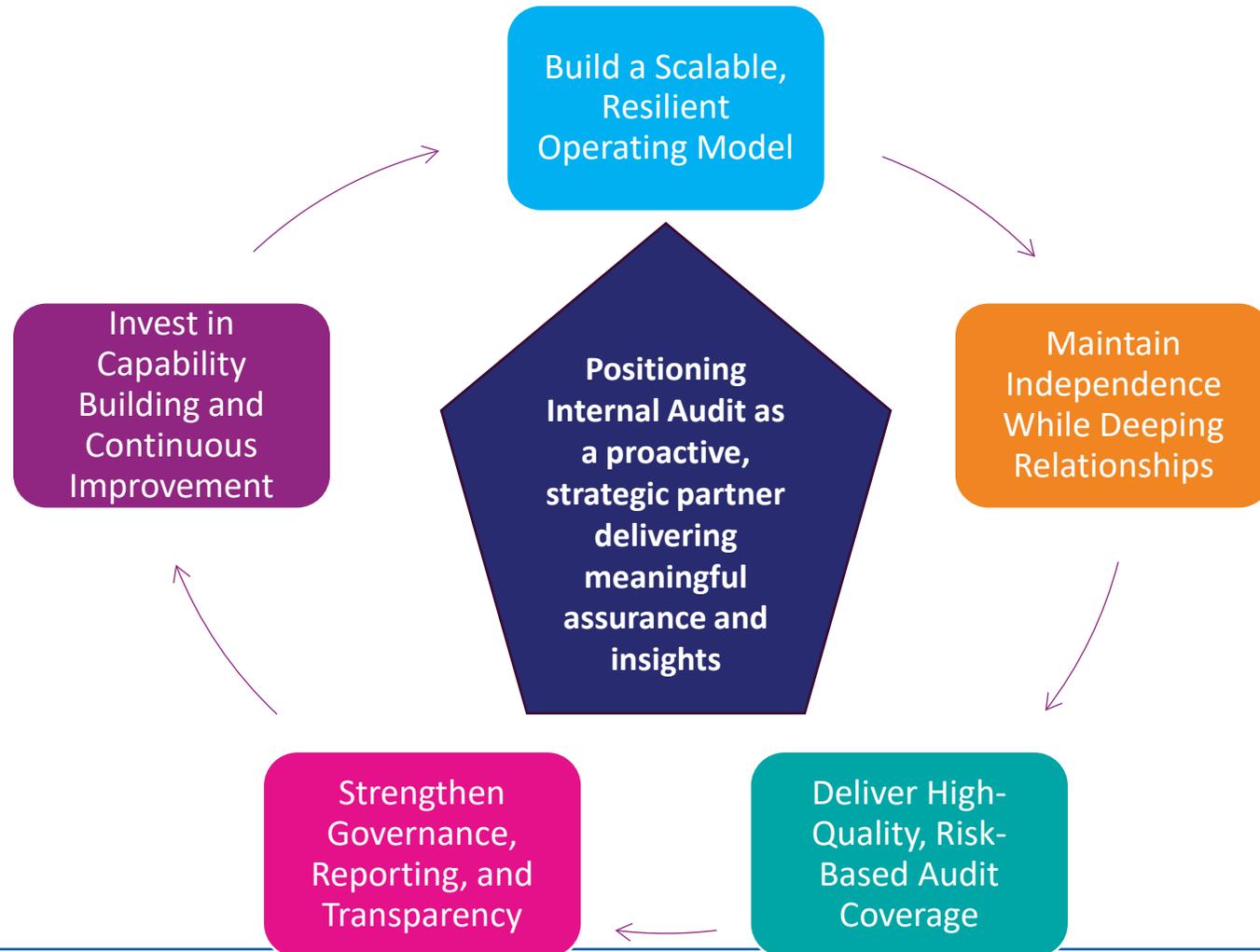
The Board oversees the Internal Audit function to ensure the function's effectiveness

What we need from the Audit & Compliance Committee to meet the "Essential Condition"

- Provide strategic direction by communicating the Board's view on strategy and risks to help shape the function's priorities
- Set expectations with the Internal Audit leader for Board-level communications, including frequency, escalation criteria, and escalation process
- Monitor the effectiveness of the organization's governance, risk, and control insights through the function's engagement results and discussions with senior management
- Discuss with the Internal Audit leader any disagreements with senior management or other stakeholders
- Assess whether the function has sufficient resources and partner with the Internal Audit leader and management to resolve gaps
- Oversee the function's performance by approving annual performance objectives and reviewing progress against the Internal Audit Plan, conformance with the IIA Standards, and the quality assessment and improvement program results
- Oversee the external quality assessment by approving scope, assessor qualifications, and receiving results directly
- Monitor the function's improvement by reviewing and approving action plans to address deficiencies and opportunities for improvement and tracking remediation progress

Note: Slide summarizes content from the Institute of Internal Auditors (IIA) Standards. Full language is available upon request.

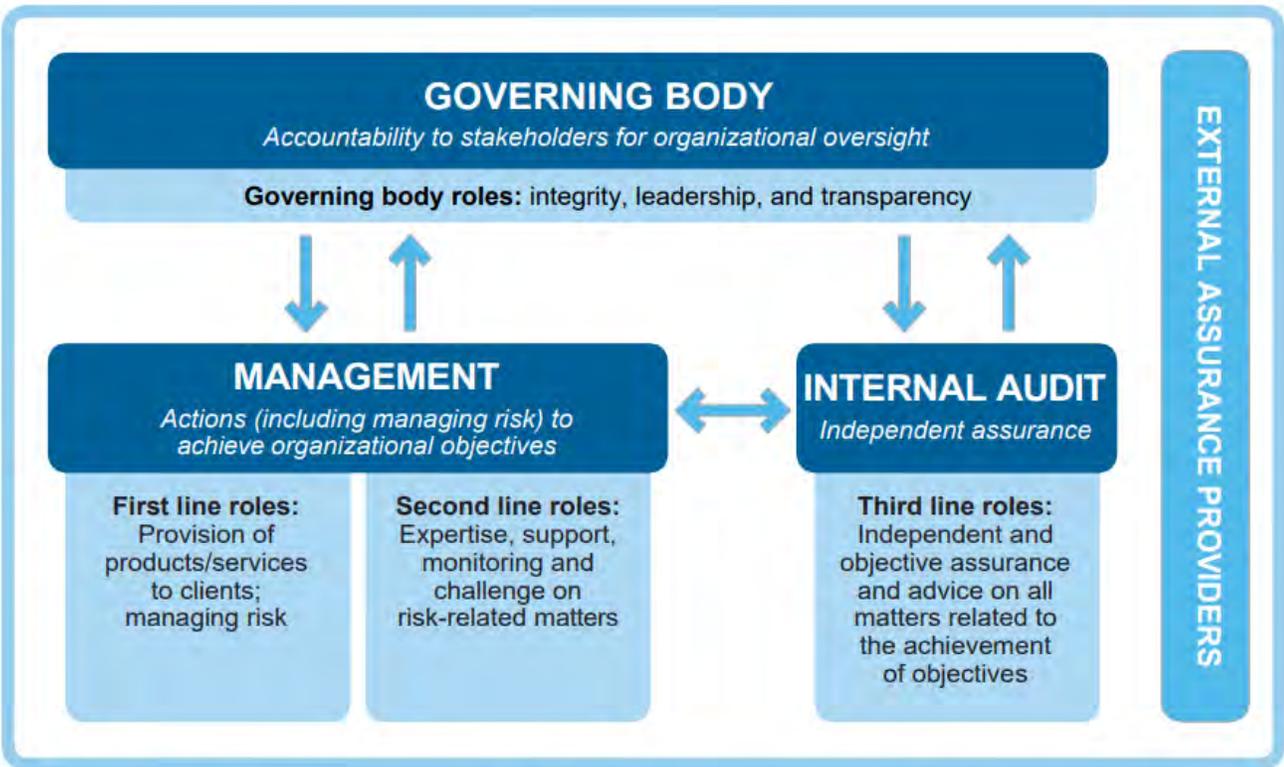
Advancing Internal Audit's 3-year strategy through 2026 department goals.



Appendix

The Institute of Internal Auditors' Three Lines of Defense Model

The Institute of Internal Auditors (The IIA) provides an integrated view of risk management in which information and services move fluidly across the “three lines of defense,” allowing for better risk coverage, more efficient use of resources, transparency in reporting, and alignment on the highest risks.



KEY: ↑ Accountability, reporting ↓ Delegation, direction, resources, oversight ↔ Alignment, communication coordination, collaboration

- Management (first and/or second line) is responsible for managing risk and control environment ownership within their respective scopes.
- Internal Audit (third line) should coordinate and collaborate with management, however, should remain completely independent from management and functionally report to the governing body (MetroHealth Audit & Compliance Committee of the Board of Trustees).
- The governing body is the sole authority to provide delegation, direction, and oversight to Internal Audit.
- Internal Audit’s independence from the responsibilities of management is critical to its objectivity, authority, and credibility. It is established through accountability to the governing body; unfettered access to people, resources, and data needed to complete its work; and freedom from bias or interference in the planning and delivery of audit services.



MetroHealth
Devoted to Hope, Health, and Humanity

