

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

DATE: Tuesday, September 26, 2016

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

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

COMMITTEE TRUSTEES: Mr. Monnolly and Dr. Silvers

ADDITIONAL TRUSTEES: Ms. Dee and Mr. Spain

STAFF: A. Boutros, M.D., FACHE, G. Himes, M. Legerski, M. Phillips,
C. Richmond

GUESTS: D. Keeling, J. Mylen (KPMG), J. Croy, L. Kalic, D. Potak, L. Abernethy (via phone)
(RSM)

Dr. Silvers called the meeting of the Audit Committee to order at 12:07 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 June 21, 2016 were approved as written.

II. INFORMATION ITEMS

Dr. Silvers introduced Lori Kalic, Lead Audit Partner from RSM who would be discussing the scope of services for the 2016 financial statement audit. 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 2016 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. 72 – Fair Value Measurement and Application and that the System is required to implement the provisions of this Statement for reporting periods beginning after June 15, 2015. Ms. Abernethy also discussed GASB No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, GASB No. 77 - Tax Abatement Disclosures, 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 Provisions of GASB Statements 67 and 68 and GASB Statement No. 80 – Blending Requirements for Certain Component Units, GASB Statement No. 81 – Irrevocable Split-Interest Agreements, GASB Statement No. 82 – Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73 and GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Dr. Silvers introduced John Croy, Senior Director, RSM and Dave Potak, Manager, RSM who provided an update on the construction cost review services currently being performed by RSM. Mr. Croy and Mr. Potak discussed the first initiative that was focused on reviewing the adequacy and effectiveness of internal controls of the Department of Construction Management and to make sure they had policies and procedures in effect for the Campus Transformation project. This also included an assessment to determine if the Department's program is meeting industry standards and includes best practices. The final report was issued and Mr. Croy commented that overall there were adequate controls in place. In instances where opportunities for improvement were identified, recommendations were made to update policies and procedures and incorporate additional controls. Mr. Croy stated that overall the Department of Construction Management has strong processes and controls in place that meet or exceed industry standards. Craig Richmond, SVP, Chief Financial Officer, mentioned that RSM will be assisting the Department of Construction Management with workflow improvement and updates to their policies and procedures.

The second review being conducted by RSM is focused on the construction spend associated with the Critical Care Pavilion expansion project. Mr. Croy stated that this review has been substantially completed with the exception of two pending observations awaiting final resolution. A close-out review is still to be conducted and that will validate the final accounting for the Project. An update will be provided at the next Audit Committee meeting.

Jim Mylen, Partner, Advisory Services KPMG and Dan Keeling, Director, Advisory Services, KPMG, LLP, provided an update regarding the 2016 Internal Audit Plan. Mr. Mylen and Mr. Keeling provided an overview and status of the third quarter report issued and discussed updates to the 2016 internal audits, progress in the third quarter and planning for the fourth quarter internal audits. In addition, Mr. Mylen shared updates to the internal audit processes including report format changes, updates and communication with business process owners and executive management. Lastly, Mr. Mylen discussed the internal audit charter which was reviewed for approval.

Mary Legerski, Chief Compliance Officer was introduced for her 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 1:49 pm.

III. NON-CONSENT /ACTION ITEMS

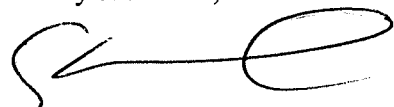
A. No items at this time

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,



Craig Richmond
Senior Vice President and
Chief Financial Officer