

**THE METROHEALTH SYSTEM
BOARD OF TRUSTEES
AUDIT AND COMPLIANCE COMMITTEE
REGULAR MEETING MINUTES**

DATE: Wednesday, September 12, 2018

TIME: 2:00 to 4:00 p.m.

PLACE: MetroHealth Medical Center
K107, Business Services Building

COMMITTEE TRUSTEES: Dr. Silvers

ADDITIONAL TRUSTEES: Ms. Dee, Ms. Whiting

STAFF: A. Boutros, MD, D. Fiser, G. Himes, M. Phillips, C. Richmond, C. Forino Wahl

GUESTS: R. Barre, J. Mylen (KPMG), K. Allen, L. Kalic, J. Croy, (RSM), L. Abernethy & S. Draxler (via phone RSM)

Dr. Silvers called the meeting of the Audit and Compliance Committee to order at 2:05 p.m. Please note that minutes are written to conform to the printed agenda and are not necessarily in the order of discussion.

- I. The minutes of the regular Audit and Compliance Committee meeting held on June 13, 2018 were approved as presented.

II. INFORMATION ITEMS

Dr. Silvers introduced Lori Kalic, RSM's Lead Audit Partner who opened the meeting by introducing the audit engagement team. Ms. Kalic and Katy Allen, Audit Manager, provided an overview of the scope of audit services and highlighted the audit and attestation services, which included what MetroHealth can expect in the 2018 financial statement audit, the MetroHealth Foundation financial statements' and the Select Assurance Captive, LLC financial statements. Ms. Kalic summarized the auditor's responsibilities under US Generally Accepted Auditing Standards, the risk-based audit approach and the risk assessment process. Ms. Armul, presented the timeline of the audit engagement and the anticipated completion dates of all audit procedures were reviewed with the Committee. Ms. Armul led discussion around internal controls over financial reporting.

Linda Abernethy, RSM's Government Industry Partner & Report Quality Control Reviewer, participated by phone and led the discussion around GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions which will be implemented in 2018. Management is currently assessing the impact from GASB 75, which is like GASB 68, in that it is recorded only at year-end and has no cash impact to the system. Ms. Abernethy also presented GASB Statement No. 87 – Leases and GASB Statement No. 89 – Accounting for Interest Costs Incurred before the End of a Construction Period. Both pronouncements will be implemented in Fiscal year 2020 and could have a significant impact on the System's financial statements.

Craig Richmond, Executive Vice President, Chief Financial Officer introduced John Croy, RSM Senior Director and National Leader of Construction Advisory Services, who provided an update

on the construction cost review services currently being performed by RSM. Mr. Croy indicated that the Critical Care Pavilion project close out review was conducted with no exceptions. In addition, the Transformation Project construction cost review activities continue to include monthly reviews of the third parties participating in the project. Mr. Croy's procedures include reviewing the initial Guaranteed Maximum Price (GMP) contract to validate the GMP has adequate supporting documentation and costs are consistent with the agreement. Regarding the parking garage project, RSM was obtaining additional documentation from the contractors based on their review and will begin planning the close-out review. Also, a prepared document describing RSM's involvement in reviewing change orders and contingencies will be documented within e-builder and included in the appropriate procedures.

Cheryl Forino Wahl, Senior Vice President, Chief Ethics and Compliance Officer provided an update on the 2018 compliance program activities and shared that forty-five percent of the annual work plan has been completed. Ms. Wahl shared that the new Code of Conduct, *This is Who We Are*, has been published and distributed to all employees through live training. There are two hundred training sessions scheduled at all of the MetroHealth locations which will be completed by the end of October. The Board of Trustees will also complete compliance training which will cover the Board's responsibilities regarding oversight of the compliance program, and overview of the MetroHealth Compliance Program and review of the Code of Conduct key points. Ms. Wahl also mentioned the Ethics and Compliance Department's oversight of the conflict of interest (COI) disclosure process has expanded to include full management throughout the organization as well as the review and management of identified conflicts. A new Board policy on COI was reviewed by the Legal and Government Relations Committee and will be considered by the full board for approval. Ms. Wahl also reviewed the 2018 Ethics and Compliance goals which covers four main areas: building an ethical culture through the new Code and corresponding training, updating the Conflict of Interest disclosure progress across the system, improving privacy awareness and accountability, and optimizing 340B program oversight.

Jim Mylen, Partner with KPMG Advisory Services, serves as MetroHealth's Director of Internal Audit. Mr. Mylen introduced Robin Barre KPMG, Director, who is part of the Internal Audit team. Mr. Mylen and Ms. Barre provided an update of the 2018 Internal Audit Plan and an overview of the accomplishments and goals for the third quarter. Mr. Mylen stated the goals established at the beginning of 2018 which included: continuous auditing and analytics, integrated assurance, partner with management to manage risk, standardize documentation, and communication. Ms. Barre stated internal audit recently launched their function home page on the MetroHealth Information Village (MIV) which includes team member contact information, charter, internal audit process and relevant information about the function. Mr. Mylen discussed that there were eleven audits in process and internal audit will conduct the remaining audits by year-end based on the internal audit plan. In addition, Mr. Mylen stated the control testing of the financial reporting processes were accelerated and will be completed by October 31 in advance of the external audit interim procedures planned for November. Lastly, Mr. Mylen discussed the planning process for the 2019 Internal Audit program has started, risk assessment interviews will be performed in the fourth quarter and a preliminary internal audit plan will be developed and presented in December.

Mr. Richmond introduced David Fiser, Vice President, Chief Information Officer, who provided a Cyber Security Program update focused on the on-going importance of a cyber security program and culture. Mr. Fiser stated the most recent email phishing tests show a decrease in the number of failed users. The prior test had a seventeen percent failure, but the most recent tests had a two percent failure percent rate. Migration will be taking place in the fourth quarter of 2018 to a new phishing solution called Phishme. The Phishme solution will provide for monthly testing of all employees, automate the reporting by employees of suspicious emails, and provide additional training videos to provide greater awareness. Mr. Fiser discussed that MetroHealth continues to

conduct third party penetration testing and other security assessments, various tests are scheduled for October/November of 2018. In addition, Mr. Fiser shared that KPMG was engaged to perform a HIPAA Risk and Cyber Program Risk Assessment with the objective to further identify and mitigate risks and continue to strengthen the control environment. Lastly, Mr. Fiser also provided an IT update on Business Continuity and Disaster Recovery Operations. Business continuity testing was successfully completed on the Epic Enterprise application fail over testing in August. MetroHealth is currently evaluating locations and capacity requirements for a new Disaster Recovery site, as it will need to vacate its current site by December of 2019.

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 4:04 p.m.

III. NON-CONSENT /ACTION ITEMS

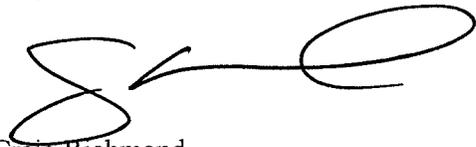
A. No items at this time

IV. CONSENT ITEMS

A. No items at this time

There being no further business to bring before the Committee, the meeting was adjourned at 4:05 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Craig Richmond', with a large, stylized flourish at the end.

Craig Richmond
Executive Vice President and
Chief Financial Officer