

Minutes of the meeting of the Audit and Compliance Committee of the Board of Directors of the Cook County Health and Hospitals System held Friday, January 22, 2010 at the hour of 9:30 A.M., at John H. Stroger, Jr. Hospital of Cook County, 1901 W. Harrison Street, in the fifth floor conference room, Chicago, Illinois.

I. Attendance/Call to Order

Chairman Muñoz called the meeting to order at 9:40 A.M.

Present: Chairman Luis Muñoz, MD, MPH and Directors Benn Greenspan, PhD, MPH, FACHE and Heather O'Donnell, JD, LLM (3)

Board Chairman Warren L. Batts (Ex-Officio)

Absent: None (0)

Additional attendees and/or presenters were:

Michael Ayres
Cathy Bodnar
Christina Eng-Tran

Tim Heinrich
Randolph Johnston
Pat Kitchen

Elizabeth Reidy
Deborah Santana
Thomas Schroeder

II. Public Speakers

Chairman Muñoz asked the Secretary to call upon the registered speakers.

The Secretary called upon the following registered speaker:

1. George Blakemore Concerned Citizen

III. Report from System Corporate Compliance Officer

Cathy Bodnar, System Corporate Compliance Officer, presented her report (Attachment #1) that included information on the development of a compliance program. The Committee reviewed and discussed the information.

During the discussion regarding training and education, Director O'Donnell inquired whether all employees understand the applicable laws and regulations. Ms. Bodnar responded in the negative; she stated that the goal is to set the foundation, so employees know who to turn to if they have any questions that need answers.

On the subject of training, Ms. Bodnar stated that in addition to new employee compliance training, existing employees will need to receive annual training. Chairman Muñoz noted that the intent is to require mandatory annual compliance training; there would be repercussions for non-compliance.

Ms. Bodnar stated that she plans to roll-out annual compliance training in the week of May 3rd, which is "National Compliance and Ethics Week".

Director Greenspan inquired regarding software and educational tools. Ms. Bodnar responded that they are in the process of evaluating products; electronic tools will need to be adaptable for non-electronic users.

III. Report from System Corporate Compliance Officer (continued)

Ms. Bodnar noted that although the infrastructure is still being built, concerns are being responded to and investigated, using a team approach with other operational areas. She stated that she will soon begin reporting to the Committee regarding these activities, once she has the tracking tool. Chairman Muñoz stated that at the next meeting, the Committee should begin to receive reports on specific concerns; this information will presumably be provided in closed session, if there is an appropriate exception to the Open Meetings Act that allows for the information to be reported in closed session.

On the subject of closed session discussions, Board Chairman Batts noted that in the for-profit world, audit committees of corporations are required (under regulations set by governing bodies such as the U.S. Securities and Exchange Commission) to have executive sessions with management, accountants, and internal auditors, to review the financial statements. He requested that Elizabeth Reidy, General Counsel for the Cook County Health and Hospitals System, review whether the Illinois Open Meetings Act precludes the Audit and Compliance Committee from this type of activity.

IV. Report from System Director of Internal Audit

A. Status Report

B. Internal Audit Strategic Plan review

Thomas Schroeder, System Director of Internal Audit, presented an Internal Audit Status Report (Attachment #2) and Internal Audit Strategic Plan Review (Attachment #3). The Committee reviewed and discussed the information.

During the discussion, Mr. Schroeder noted that as a result of meetings held earlier this month between the System and senior leaders from Hektoen, there was a consensus from both parties that a written affiliation agreement is imperative, to spell out the relationship between the two entities going forward. He stated that Ms. Reidy will begin the process of drafting this document.

During the discussion of the internal audit strategic plan review, Director Greenspan noted that when the subject of deliverables arises, thought should be given to the idea of how to share metrics with the Audit and Compliance Committee.

V. Recommendations, Discussion/Information Items

A. Minutes of the Audit and Compliance Committee Meeting, December 11, 2009

Director Greenspan, seconded by Director O'Donnell, moved to accept the minutes of the Audit and Compliance Committee Meeting of December 11, 2009. THE MOTION CARRIED UNANIMOUSLY.

B. Proposed 2010 meeting dates for the Audit and Compliance Committee

Director O'Donnell, seconded by Director Greenspan, moved to approve the proposed 2010 meeting dates for the Audit and Compliance Committee (Attachment #4). THE MOTION CARRIED UNANIMOUSLY.

V. Recommendations, Discussion/Information Items (continued)

C. Proposed charter for Audit and Compliance Committee of the CCHHS Board of Directors

During the discussion of this item, Director Greenspan referenced the section containing the provision that one of the Committee members shall be “deemed a financial expert”. The Committee discussed the subject; Chairman Muñoz stated that he will discuss the subject with Gerald Bauman, who is an ex-officio, non-Director member of the Committee, and who is also a certified public accountant.

Director Greenspan, seconded by Director O’Donnell, moved to approve the proposed charter for the Audit and Compliance Committee of the CCHHS Board of Directors (Attachment #5). THE MOTION CARRIED UNANIMOUSLY.

D. Proposed System Corporate Compliance Program’s mission and vision statement

During the discussion of this item, Director O’Donnell suggested that the following amendment be made to the proposed vision statement: “To ensure safeguards are in place for our patients, staff, and the public at large....”.

Director Greenspan, seconded by Director O’Donnell, moved to approve the proposed System Corporate Compliance Program’s mission and vision statement, as amended (Attachment #6). THE MOTION CARRIED UNANIMOUSLY.

E. Proposed Charter for Internal Audit

The Committee reviewed and discussed the proposed charter. Mr. Schroeder asked the Committee to forward any suggestions for revisions to him after they further review it; he stated that he will be bringing it back to the Committee at the next meeting.

F. Update from RSM McGladrey on status of internal audits

Tim Heinrich, of RSM McGladrey, presented an update on the status of the internal audits (Attachment #7). The Committee reviewed and discussed the information.

Mr. Heinrich stated that he expects the draft information technology report to be delivered by February 5; the final report should be delivered by mid-February.

With regard to the internal audit on grants, Mr. Heinrich stated that it is 20-30% complete. Chairman Muñoz stated that when that report is completed, he would like to see, as a part of the report, a listing of all grants and what they’re funding.

VI. Action Items

A. Any items listed under Section V

VII. Adjourn

As the agenda was exhausted, Chairman Muñoz declared that the meeting was adjourned.

Respectfully submitted,
Audit and Compliance Committee of the
Board of Directors of the
Cook County Health and Hospitals System

XXXXXXXXXXXXXXXXXXXXXXXXXXXX
Luis Muñoz, MD, MPH, Chairman

Attest:

XXXXXXXXXXXXXXXXXXXXXXXXXXXX
Deborah Santana, Secretary

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ATTACHMENT #1

Corporate Compliance Report

Presented To

**Cook County Health & Hospitals System
Audit & Compliance Committee**

Cathy Bodnar, MS, RN, CHC

Chief Compliance Officer

January 22, 2010

Objectives

- ❑ To recognize CCHHS continues to re-invigorate and develop a compliance program built upon governmental guidance and national trends
- ❑ To provide a status report of compliance program activity

Health Care Compliance Programs

- ❑ Developed in Response to Occurrences of Health Care Fraud, Abuse and Waste
- ❑ The Government Provides Guidance for Hospitals to Prevent, Detect and Correct Fraud, Abuse and Waste
- ❑ Failure to Comply with Applicable Laws and Regulations Could Threaten Continuing Participation in the Government's Health Care Programs

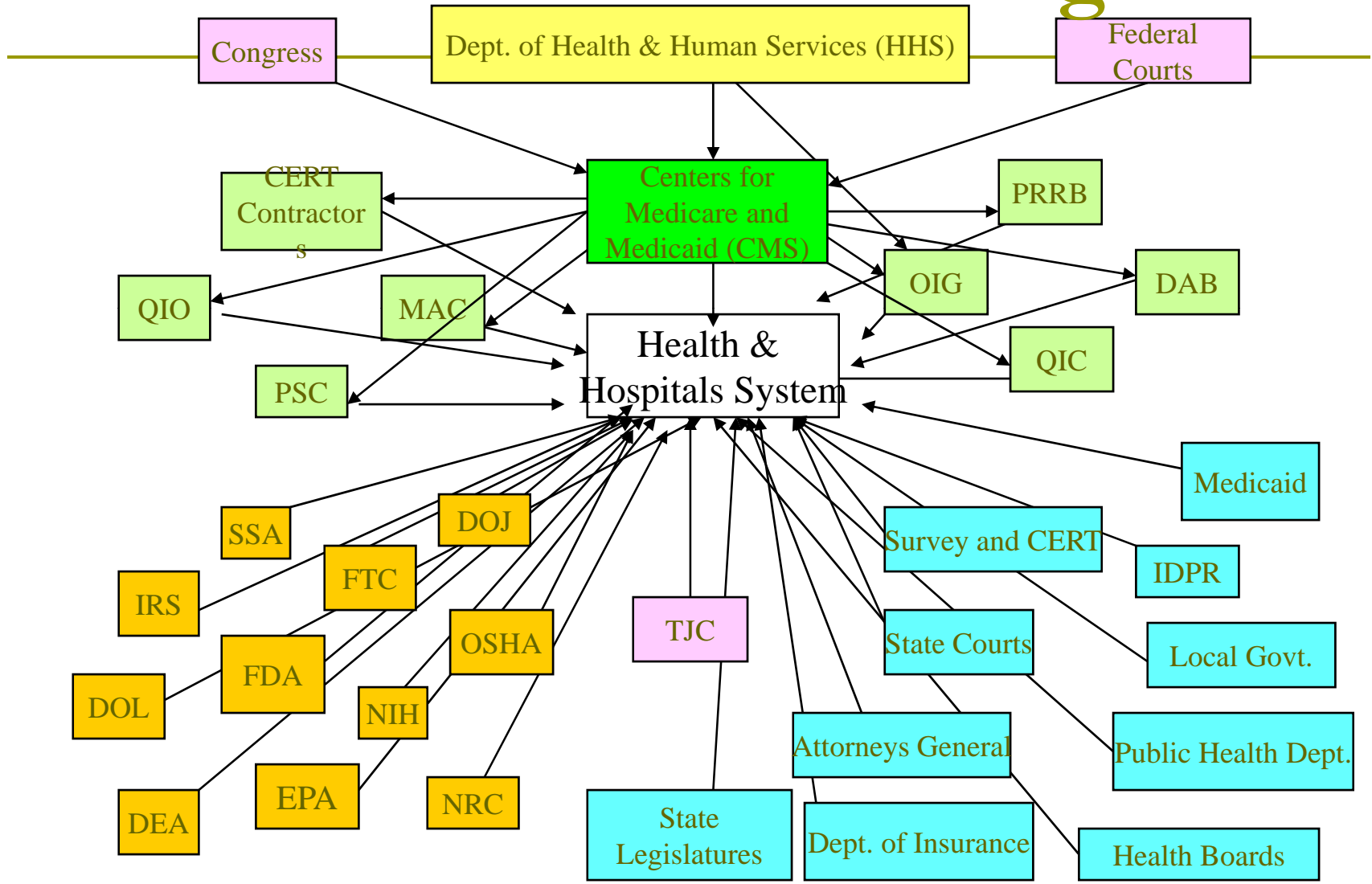
The OIG identifies 8 main areas that are “particularly relevant” to hospitals in the supplemental compliance program guidance.

They are,

1. Submission of Accurate Claims and Information
2. The Referral Statutes: The Physician Self Referral Law (the “Stark” Law) and The Federal Anti-Kickback Statute
3. Payments to Reduce or Limit Services
4. EMTALA
5. Substandard Care
6. Relationships with Federal Health Care Beneficiaries
7. HIPAA Privacy and Security Rules
8. Billing Medicare or Medicaid Substantially in Excess of Usual Charges

Plus...

There is a whole lot more guidance



In the News

The New York Times

Modern Healthcare



The United States Attorney's Office
District of Massachusetts



AP Associated Press

“Former UCLA employee pleads guilty to records breach”

“Kaiser Permanente says a computer drive containing thousands of patient records was stolen from an employee's car.”

“Anesthesiologist charged with falsifying research”

“Relationships between physicians and medical device vendors (and pharmaceutical manufacturers) in question”

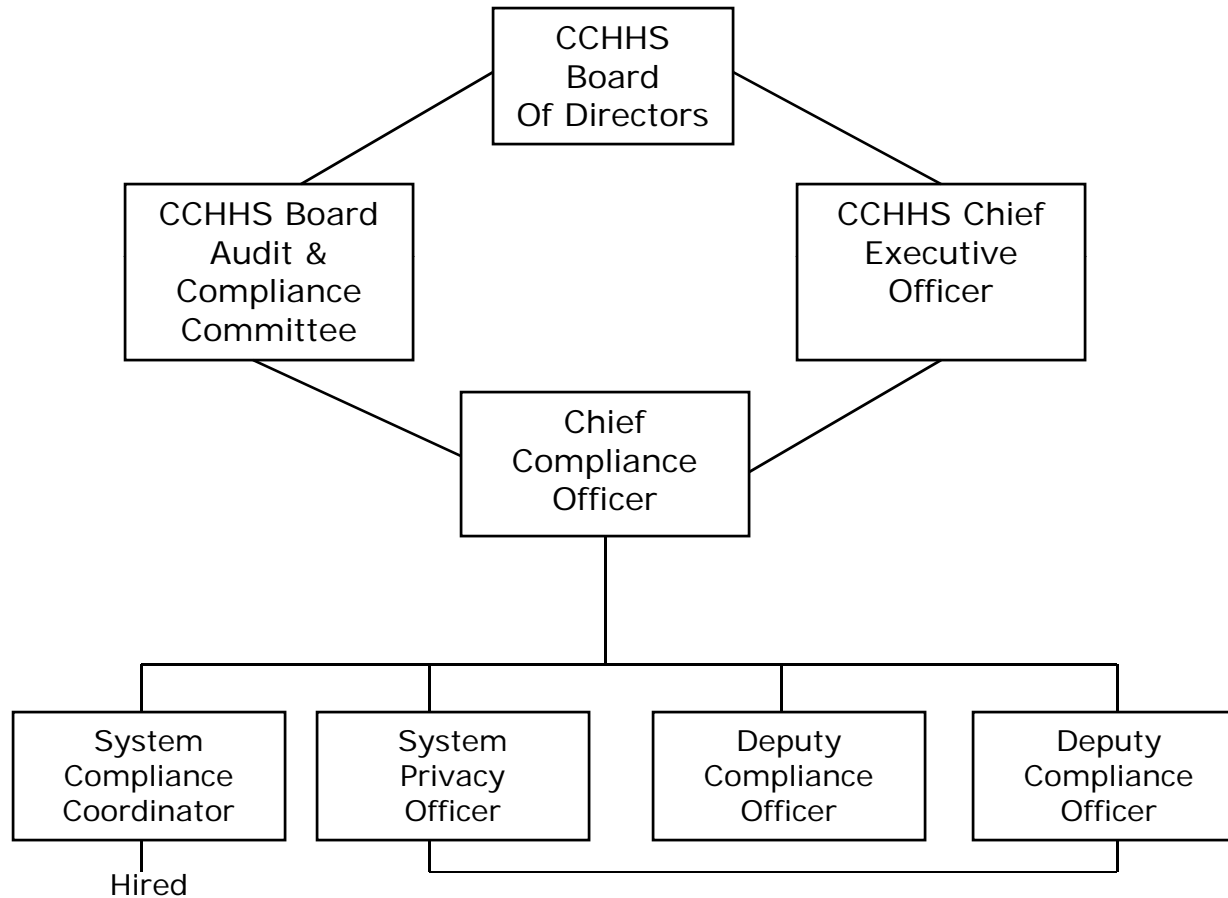
The good news...

CCHHS is listening,
acting, and
reacting

Building an Organizational Structure

- To sustain and enhance the program
 - Internally
 - Engaging organizational leadership (staff and Board)
 - Developing a compliance team
 - Budgeting, cautiously and in a fiscally responsible way
 - Externally
 - Accessing external content experts
(consultants/ vendors and compliance colleagues)

System Compliance Program FY 2010 Organizational Chart

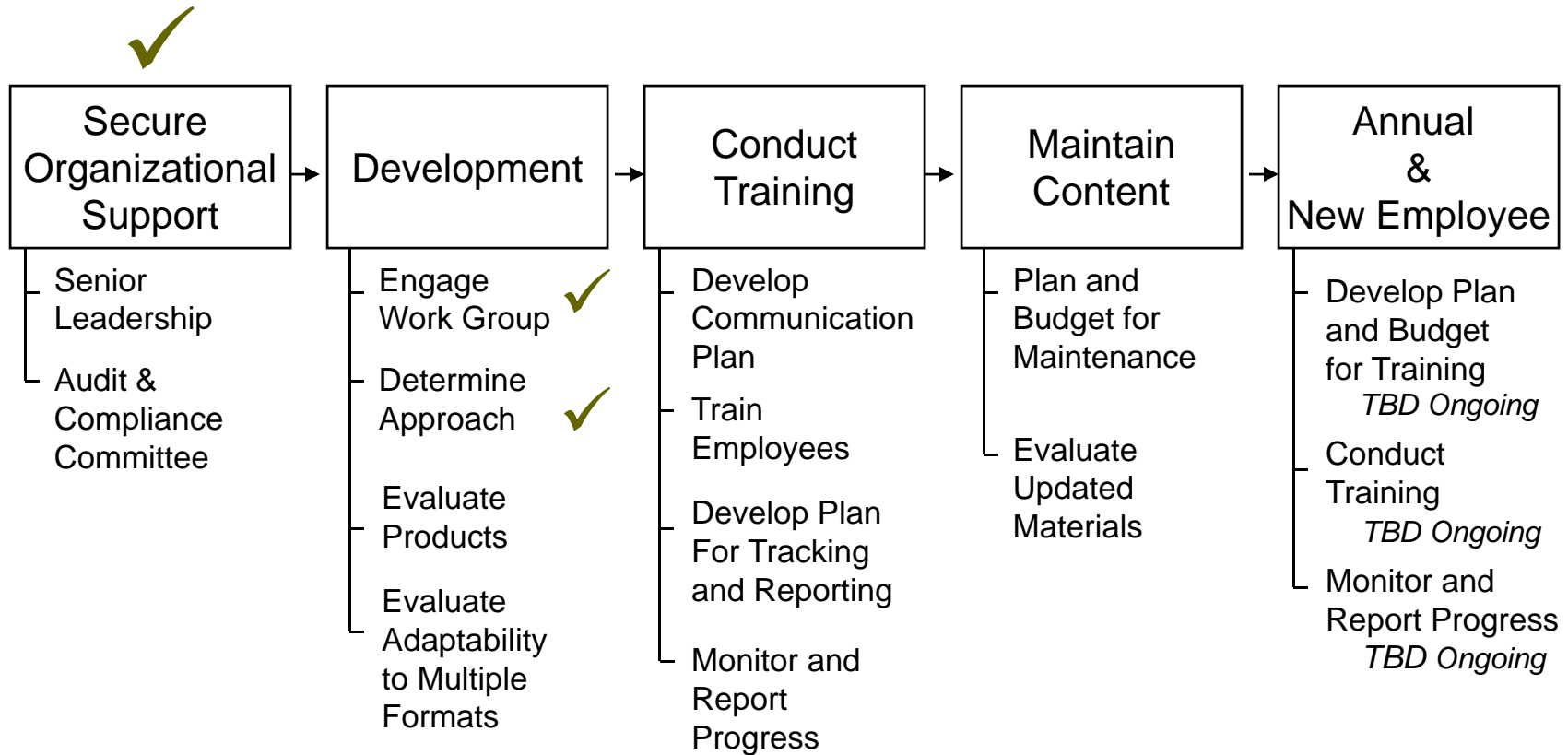


New Job Descriptions Developed
Following Approval Process

Setting Standards through Written Policies & Procedures

- In process through internal & external resources
(15% complete)
 - Update System Compliance Program policies
 - Initiate and develop a system policy committee
 - Facilitate the development of system HIPAA policies

Communicating Standards through Compliance Education & Training



Providing a Mechanism for Reporting Potential Violations

- Identified EthicsPoint (*telephonic and web hotline*)
 - Finalizing contract language
 - Customize content
 - Policies to support this functionality – in process (50% complete)
 - Develop a strategy to communicate the updated mechanisms (5% complete)

Responding to and Investigating Concerns

Ongoing, current “reactive” issues,

- Privacy, confidentiality, and electronic security (HIPAA)
 - Patient concerns
 - Staff guidance
 - Record retention
- Human Resources
- Revenue Cycle

While still building the infrastructure

- ✓ Tracking tool procured, orientation in process
- Policies to support this functionality – in process (10% complete)

Additional Compliance Program Elements

- Enforcing standards and disciplining actions that are non-compliant
 - Initiated incrementally

- Utilizing a proactive approach through monitoring and auditing activities to decrease problems
 - Dependant upon staffing – projection 4Q 2010

Status Report

FY 2010 Compliance Work Plan

	4Q09	1Q10	2Q10	3Q10	4Q10	2011	2012
Reinvigorating & maintaining an organizational structure							→
- Engage audit & compliance committee	X						
- Redefine role of ad hoc compliance work group	X	X					
- Develop system compliance program team	X	X	X				
Assess each compliance program element	X						
- Set standards through policies & procedures	X	X	X	X	X		
Communicate standards through education	X	X	X	X			
Provide a formal mechanism for reporting	X	X					
Responding to and investigating concerns	X						→
- Develop standard reporting	X						
Enforcing standards		X					→
Develop proactive monitoring and auditing					X		

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ATTACHMENT #2

Internal Audit Status Report

	Dec	Jan	Feb	Mar	Apr	May	Jun
Stakeholder Expectations		X					
IA Mission/Vision		X					
Audit Committee Charter		X					
Internal Audit Charter			X				
Electronic Work Papers		X					
Reporting		X	X	X	X	X	→
Internal Audit Strategic Plan			X				
Internal Audit Resource Plan			X				
Online Resources			X				
Professional Associations			X				
Internal Audit Methodology				X			
Internal Audit Policies and Procedures				X			
Refresh Risk Assessment				X			
Internal Audit Metrics and Scorecard							X



Complete or on schedule.



Behind schedule but not a risk to plan completion.



Behind schedule and a risk to plan completion.



To be started.



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ATTACHMENT #3

Internal Audit Strategic Plan

Tom Schroeder
Director of Internal Audit



What Is Internal Audit ?

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Internal Audit helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.



Definitions

Independence – the freedom from conditions that threaten objectivity or the appearance of objectivity.

Objectivity – an unbiased attitude allowing an internal auditors to believe that their work product quality is not compromised.

Assurance – an objective examination of evidence for purposes of providing an assessment.

Risk – the possibility of an event occurring that will have an impact on the achievement of objectives; measured in terms of impact and likelihood.

Risk Management – a process to identify, assess, manage, and control potential events to provide a reasonable level of confidence regarding the achievement of an organization's objectives.

Control – an action taken by Management, the Board, or other parties to manage risk and increase the likelihood that objectives and goals will be achieved.

Governance – a combination of processes and structures implemented by Management and the Board to inform, direct, manage, and monitor the activities of the organization towards achievement of its objectives.

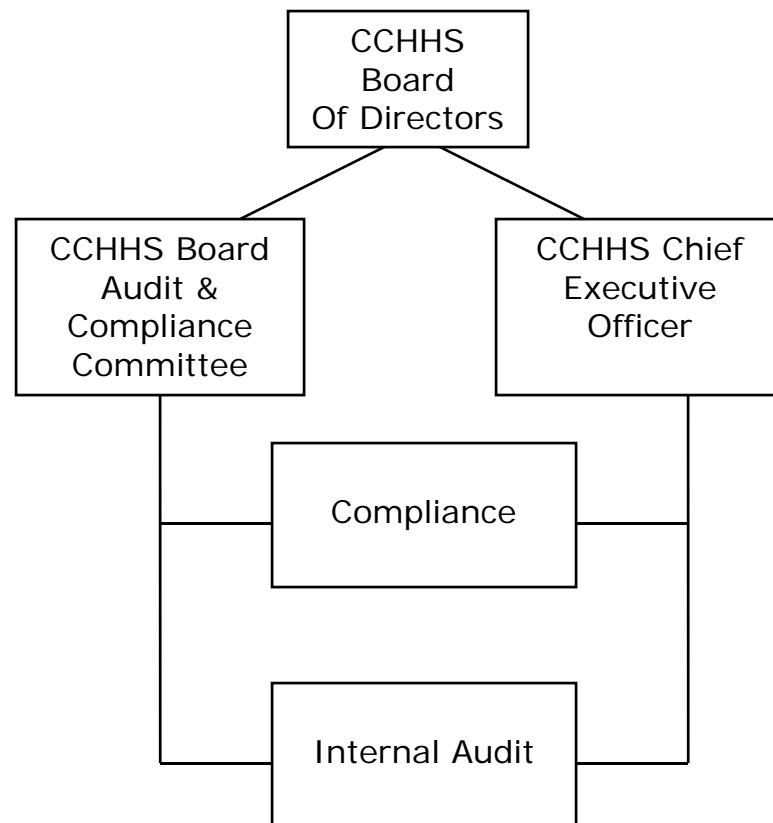


Why Is Internal Audit Here ?

- ❑ The Board and Senior Leadership recognize the importance of establishing an effective governance function.
- ❑ The Board established an Audit and Compliance Committee.
- ❑ The primary role of the Audit and Compliance Committee is to advise the Board in matters relating to:
 - the integrity of CCHHS financial reporting
 - the effectiveness of CCHHS internal control over financial reporting
 - the performance and effectiveness of CCHHS internal audit and corporate compliance programs and the independent public accountants
 - the implementation of standards and processes to ensure professional responsibility and honest behavior
 - compliance with regulatory requirements
 - risk management
- ❑ Internal Audit assists Senior Leadership and the Audit and Compliance Committee in fulfilling their roles.



Internal Audit Organizational Reporting Lines



Traditional Internal Audit Objectives

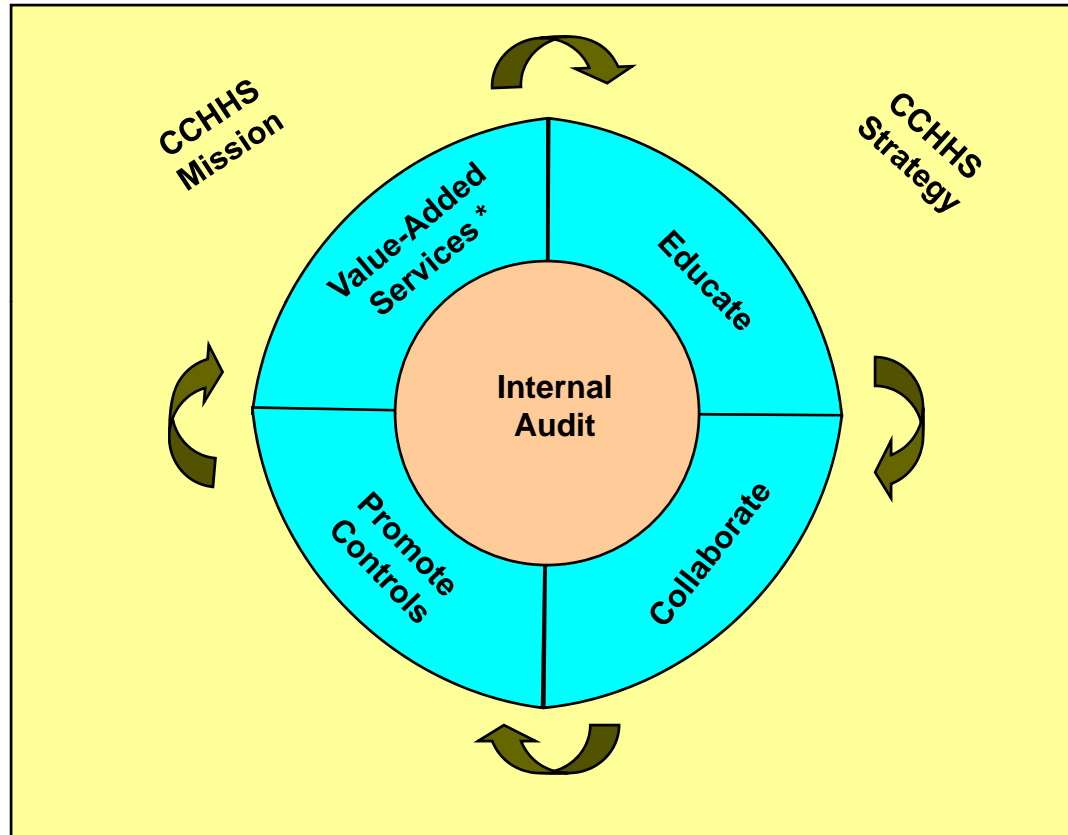
Internal Audit's objective is to evaluate and to help improve the effectiveness of risk management, control, and governance processes of an organization.

The achievement of this objective involves:

- ❑ Determining the **reliability and integrity of information** produced by and used within the organization.
- ❑ Reviewing and appraising the soundness, adequacy and application of controls (both existing and proposed) to promote **effective and efficient internal control** at reasonable cost.
- ❑ Determining the level of **compliance** with established policies, plans, policies, procedures, laws, and regulations.
- ❑ Determining the effectiveness with which **assets are accounted for and safeguarded** from loss.
- ❑ **Reviewing operations** or programs for consistency with management's goals and objectives.
- ❑ Determining the effectiveness and efficiency of **resource utilization**.
- ❑ Conducting **analysis, investigations, and appraisals** as requested by stakeholders.



Enhanced Internal Audit Objectives - Stakeholder Feedback



* Value Added Services include analysis, special projects, and investigations.



Internal Audit Mission

- Internal Audit serves as a trusted advisor to the Board of Directors and its Audit and Compliance Committee and to the Senior Leadership team and operating management of CCHHS. (These are Internal Audit's key "stakeholders".)



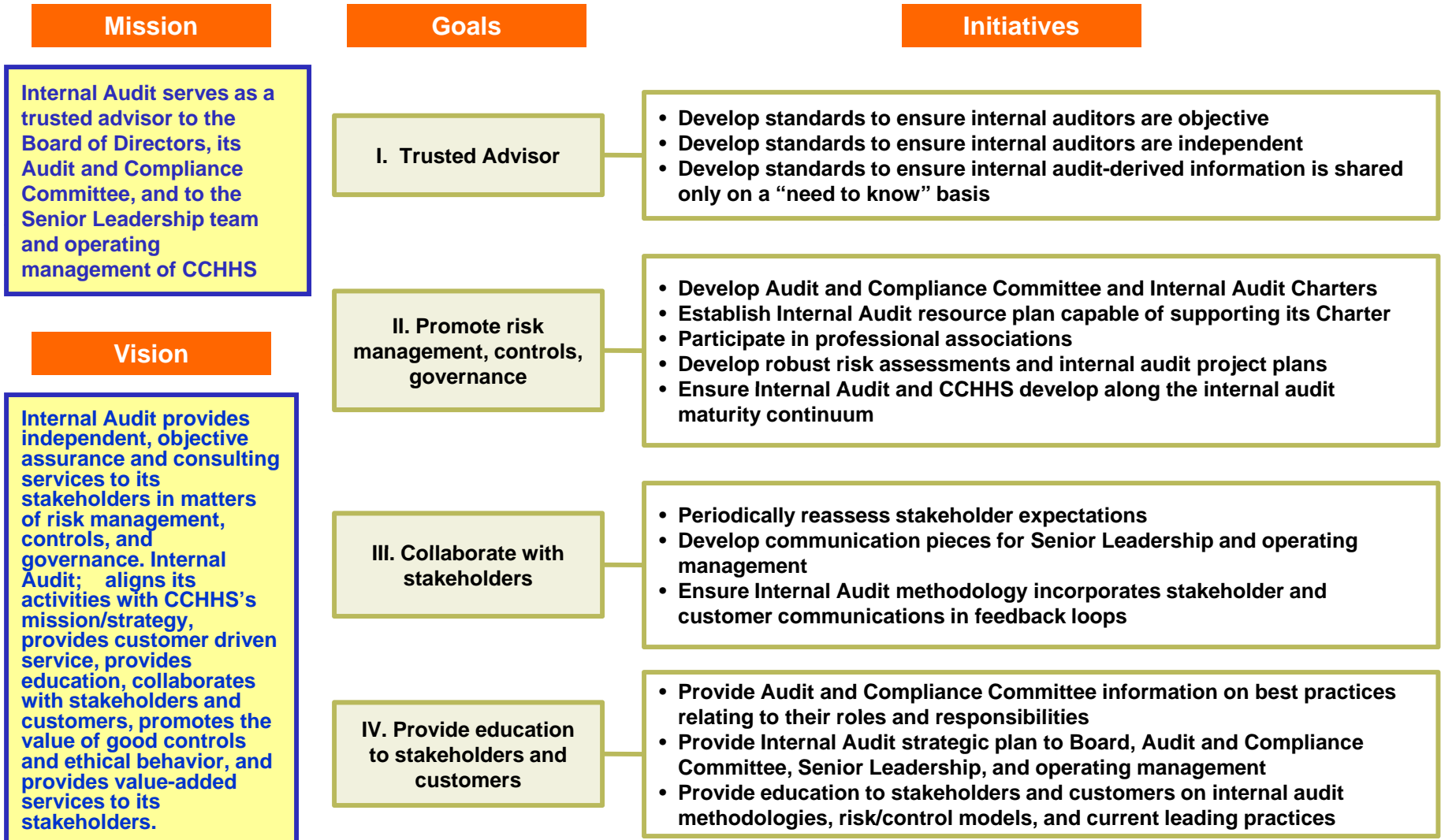
Internal Audit Vision

Internal Audit provides independent, objective assurance and consulting services to its stakeholders in matters of risk management, controls, and governance. In doing so, Internal Audit will:

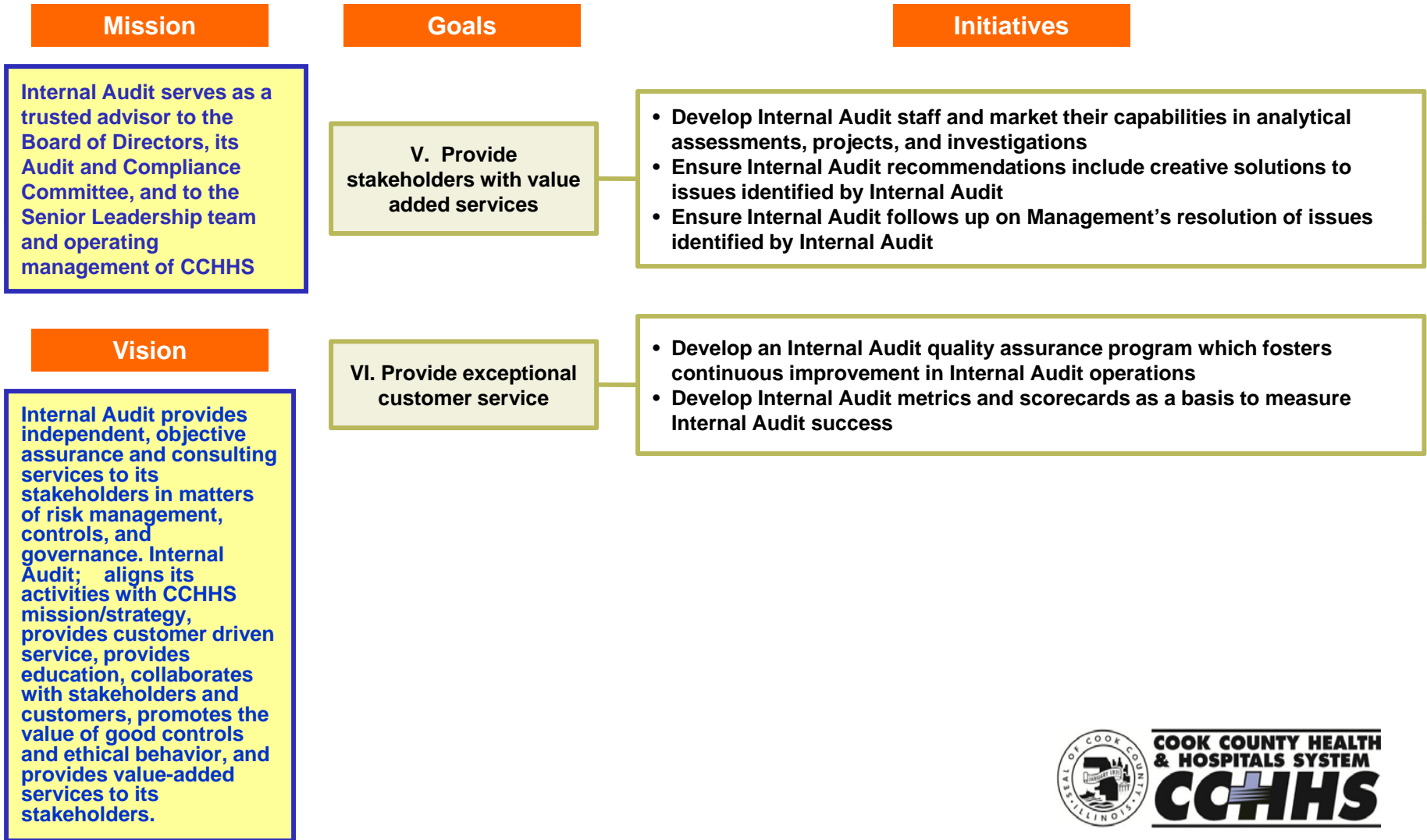
- Align its activities with CCHHS's mission and strategy.
- Provide its stakeholders with a customer service-driven approach.
- Serve as an educational resource to its stakeholders.
- Work collaboratively with its stakeholders.
- Promote the value of good controls and ethical behavior.
- Provide value-added services to stakeholders. Value-added services include analytical assessments, special projects, and investigations. Internal Audit will also strive to direct its work to minimize "surprise" events.



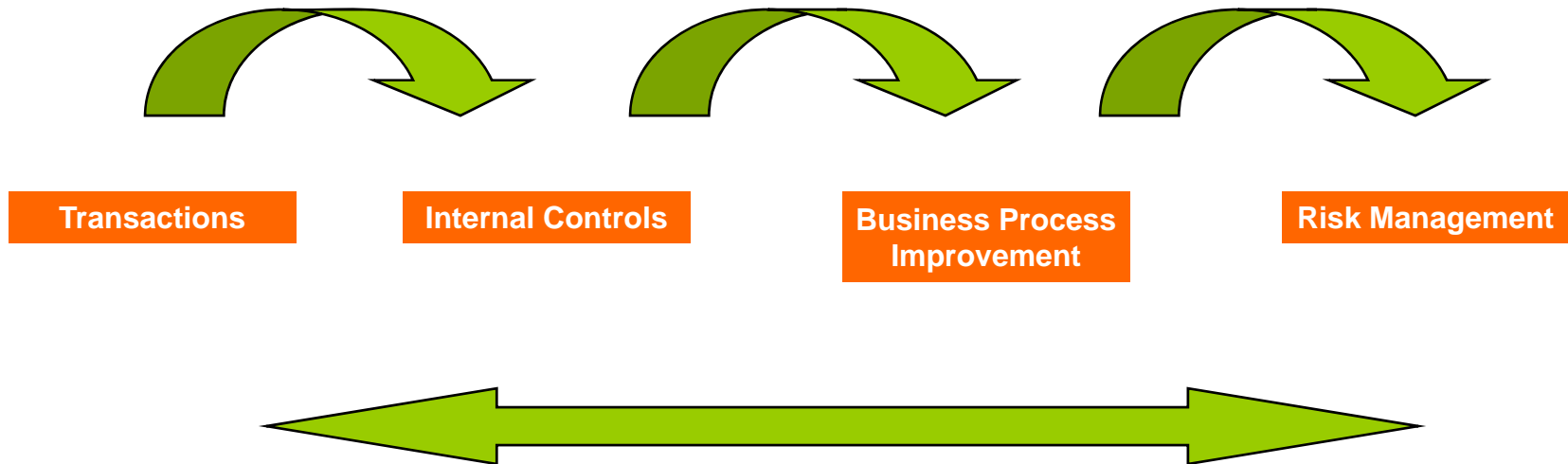
Internal Audit Strategic Plan



Internal Audit Strategic Plan, continued



Internal Audit Maturity Continuum



Internal Audit Deliverables

Near Term (2010)

- Stakeholder expectations defined
- Internal Audit mission/vision statement
- Audit and Compliance Committee charter
- Internal Audit charter
- Electronic work papers
- Internal Audit strategic plan
- Internal Audit resource plan (e.g. staffing)
- Internal Audit learning resources
- Internal audit professional association memberships
- Internal Audit methodology
- Internal Audit policies and procedures
- Risk assessment and Internal Audit plan
- Internal Audit metrics and scorecard
- Internal Audit quality assurance program
- Issue management (e.g. internal and external issue follow-ups)
- Stakeholder education

Strategic

- Grow the Internal Audit function and assist CCHHS to move outward on the Internal Audit maturity continuum
- External quality assessment of Internal Audit



Internal Audit Strategic Timeline

	1Q10	2Q10	3Q10	4Q10	2011	2012	2013
Stakeholder Expectations	X	→					
IA Mission/Vision	X						
Audit and Compliance Committee Charter	X						
Internal Audit Charter	X						
Electronic Work Papers	X						
Reporting	X						
Internal Audit Strategic Plan	X						
Internal Audit Resource Plan	X						
Online Resources	X						
Professional Associations	X						
Internal Audit Methodology	X						
Internal Audit Policies and Procedures	X						
Refresh Risk Assessment	X	→					
Internal Audit Metrics and Scorecard		X					
In-house Staffing		X					
Quality Assurance Program		X					
Issue Management		X					
Stakeholder Education	X	→					
Internal Audit Maturity Continuum			X	→			
External Quality Assurance Review of Internal Audit						X	

2009/2010 Internal Audit Plan

Internal Audit Project

Payroll

Grants

Contract Management

IT Security

Procurement

Third Party Settlement

Revenue

IT System Integration

Corporate Compliance

Financial Statements



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ATTACHMENT #4

Proposed 2010 Meeting Dates
CCHHS Audit and Compliance Committee

Meeting Time: 9:30 A.M. (unless otherwise indicated)

Tuesday, March 2, 2010

Friday, April 16, 2010

Tuesday, June 1, 2010

Friday, July 16, 2010

Tuesday, September 7, 2010

Tuesday, October 19, 2010

Friday, December 10, 2010 @ 11:00 A.M.

Audit and Compliance Committee Meeting
Item V(B)

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ATTACHMENT #5



		Category: Charter Policy	
Subject: Charters for the Board of Directors		Page: 1 of 4	
Title: Audit & Compliance Committee of the Board of Directors Charter		Revision of: New	Effective Date:

This document sets forth the duties, responsibilities, and governs the operations of the Audit & Compliance Committee of the Board of Directors of Cook County Health & Hospitals System (CCHHS), a comprehensive, integrated system of healthcare throughout Chicago and suburban Cook County through its hospitals, ambulatory and community health network clinics, public health department, correctional healthcare facility, and outpatient infectious disease center.

I. PURPOSE

CCHHS Chief Executive Officer (the “CEO”) and the Board of Directors (the “Board”) are committed to the proper oversight of our Audit and Compliance programs. In furtherance of this objective, the Board initiated an Audit and Compliance Committee¹ composed of independent directors.

The purpose of the Committee is to provide oversight to the CCHHS internal audit and corporate compliance programs and monitor that systems are in place to ensure the quality of information used by the Board of CCHHS or by external agencies to evaluate the fiscal affairs and regulatory compliance. [Additionally, the Audit and Compliance Committee will provide oversight to ensure the Board of Directors and management of CCHHS establishes a culture based on honesty and integrity.](#)

The Committee shall advise the Board in matters relating to

- (1) the integrity of CCHHS financial reporting,
- (2) the effectiveness of CCHHS internal control over financial reporting,
- (3) the performance and effectiveness of CCHHS internal audit and corporate compliance programs and the independent public accountants,
- [\(4\) the implementation of standards and processes to ensure professional responsibility and honest behavior,](#)
- (4) the compliance with regulatory requirements, as they relate to and impact the operational areas above, and
- (5) risk management, as it relates to internal audit and corporate compliance.

II. POLICY

1. The Board has established a Committee charged with the responsibility of providing oversight to the internal audit and corporate compliance programs of the organization and ensuring the

¹ Since the 1940s, this has been preferred method to provide financial oversight within their companies. For the last decade, the Office of Inspector General (OIG) in their compliance guidance has also promoted the same approach in ensuring compliance with all applicable laws and regulations. The OIG believes that creation of Board leadership “as a first step, a good faith and meaningful commitment on the part of the ... administration, especially the governing body and the CEO, will substantially contribute to a program’s successful implementation.” They also see that effective Board oversight of compliance as one of their critical fiduciary responsibilities.

Title: Audit & Compliance Committee Charter	Page 2 of 4	Policy #: <<TBD>>
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organization has adopted and implemented policies and procedures that will ensure compliance with all applicable laws, regulations, and policies.

2. The primary goals of the Committee are to
 - (a) assist the Board in fulfilling its fiduciary responsibilities relating to the regulatory and financial compliance with applicable laws, regulatory requirements, industry guidelines, and policies;
 - (b) ensure the organization has adopted and implemented policies and procedures which will require CCHHS to act in compliance with applicable laws, regulations, and policies. This includes but is not limited to the quality and integrity of accounting, auditing, and compliance reporting methodologies and financial reporting that reflects the condition of the organization in all material respects;
 - (c) review and approve annual internal audit and corporate compliance program plans and monitor the ongoing progress of said plans;
 - (d) address and review matters concerning or related to the internal audit and corporate compliance programs; and
 - (e) provide a vehicle for communication between the Board, CCHHS management, and the independent auditors concerning the internal audit and corporate compliance programs.

III. DEFINITIONS:

1. "Counsel" refers to CCHHS Office of General Counsel or outside counsel as designated.
2. "Chief Compliance Officer" means the System Chief Compliance Officer or his/her staff as designated by the Chief Compliance Officer.
3. "Director of Internal Audit" means the System Director of Internal Audit or his/her staff as designated by the Director of Internal Audit.

IV. PROCEDURES

The Committee shall:

1. Be comprised of **three to five** Board members with working knowledge of a health system, none of whom is an officer or employee of the organization, its subsidiaries or affiliates with one of which shall be deemed a financial expert.
2. Be independent of management and free of any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a committee member.
3. Have the authority to engage independent counsel and other advisors, as it determines necessary to carry out its duties.
4. Provide independent oversight of CCHHS internal audit and corporate compliance programs, financial reporting processes, internal controls and independent auditors.

Title: Audit & Compliance Committee Charter	Page 3 of 4	Policy #: <<TBD>>
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5. Meet in advance of meetings of the Board, at least four times annually and more frequently, as necessary and shall make recommendations to the Board annually, after consultation with the Chief Executive Officer, on those findings and matters within the scope of their responsibility.
6. Maintain minutes of all its meetings to document its activities and recommendations.
7. Meet periodically with the Chief Compliance Officer, Director of Internal Audit, and the independent auditors to be kept informed on their independent evaluation of compliance with legal, regulatory, financial, accounting and auditing practices.
8. Committee has the right to hold executive closed sessions pursuant to 5 ILCS 120/2 (the Illinois Open Meetings Act) as needed to review and discuss matters as they relate to the Committee.
9. Review policies and procedures relating to the integrity of financial information of the organization and those other related entities for the purpose of assuring adequacy of the internal controls and financial operations.
10. Review and approve annual internal audit and corporate compliance program plans and monitor the ongoing progress of said plans and ensure any related work is coordinated with the independent auditors
11. Meet with the independent auditors and financial management to review the scope of the proposed audit for the current year and the audit procedures to be utilized and at the conclusion thereof review such audit, including any comments or recommendations of the independent auditors.
12. Review changes in the accounting standards and applicable policies and procedures with the independent auditors. Make appropriate recommendations to management and the Board on the findings included in the independent auditors' management letter.
13. Review the financial statements contained in the annual report with management to ensure that they are timely and free from material errors and that all appropriate disclosures are made. Determine that the independent auditors are satisfied with the disclosure and content of the financial statements.
14. Provide oversight to the implementation of the corporate compliance program, and ensure adherence to the Standards of Conduct and Governmental Rules and Regulations and recommend any revisions thereto, as appropriate.
15. Provide oversight to the corporate compliance program relating to the conduct of business that will ensure that high ethical and conduct standards are met. Ensure the mission, values, and Standards of Conduct are properly communicated to all employees on an annual basis.
16. Review matters relating to education, training and communication in connection with the Standards of Conduct to ensure that the policies and procedures on compliance are properly disseminated, understood and followed.

Title: Audit & Compliance Committee Charter	Page 4 of 4	Policy #: <<TBD>>
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17. Present to the Board, as appropriate, such measures and recommend such actions as may be necessary or desirable to assist CCHHS in conducting its activities in compliance with applicable regulations, policies, and the Standards of Conduct. This includes the results of individual audits, related findings and management's response to said findings.

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ATTACHMENT #6

Proposed Compliance Mission Statement

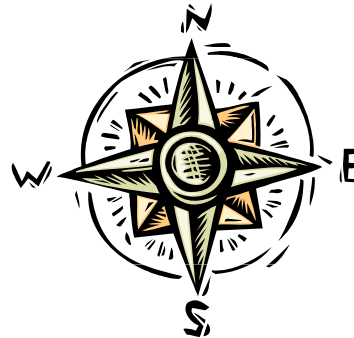
The Corporate Compliance Program upholds the mission, vision, and core goals of Cook County Health & Hospitals System by establishing and supporting a system-wide culture of honesty and respect to guide everyone's actions by

- ❑ Developing standards
- ❑ Increasing awareness
- ❑ Promoting honest behavior and professional responsibility

through education, awareness, and shared accountability that promotes compliance with applicable laws, regulations, and system policies.

Proposed Compliance Vision Statement

To ensure safeguards are in place for our patients, staff, and the public at large, the Corporate Compliance Program will be a resource to everyone affiliated¹ with Cook County Health & Hospitals System.



- ¹ For the purposes of this statement, “affiliated” is defined as all employees, medical staff, house staff, Board members, volunteers, students, patients, partners, consultants, agency personnel, and vendors.

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ATTACHMENT #7

**COOK COUNTY HEALTH & HOSPITALS SYSTEM
PROJECT STATUS REPORT**

REPORTING PERIOD COVERED: JANUARY 1 – JANUARY 31, 2010

RSM MCGLADREY TEAM MANAGEMENT:

- PAT KITCHEN, MANAGING DIRECTOR
- HUSSAIN HASAN, MANAGING DIRECTOR
- SCOTT ESGAR, DIRECTOR
- TIM HEINRICH, DIRECTOR
- CHRISTINA NG-TRAN, MANAGER
- LOWELL SMITH, MANAGER

INTERNAL AUDIT TIMELINE:

- THE 2009-2011 INTERNAL AUDIT TIMELINE IS ATTACHED

MILESTONE STATUS:

PROCESSES	STATUS		Comments
	% Complete	Estimated Completion Date	
1. IT – System Access and Security	90%	February 2010	Fieldwork has been completed. RSM McGladrey is communicating and finalizing audit findings with auditee (IT Department). Final report is expected to be issued in February and presented at the March Audit Committee meeting.
2. Grants	20%	April 2010	<p>We are currently in the Audit Planning phase with Fieldwork scheduled to commence during the last week of January.</p> <ul style="list-style-type: none"> • Completed fact finding interviews of 10+ individuals in CCHHS to gain a high-level understanding of their role in administering grants, their knowledge of the relationship between Hektoen and CCHHS, and who administers grants for which facilities. • Reviewed all documents received from the fact finding interviews, including Cook County's A-133 audit report for 2007 and 2008; policies, procedures, and reports pertaining to reallocation of salaries; memo and reports from CCHHS's Special Counsel regarding Hektoen; Hektoen's 2008 A-133 audit report; and other miscellaneous documents. • Created the information request list and process understanding questionnaire and distributed to the CCHHS grant process owners to complete. Documents are due back to us by January 22. • Developed an initial listing of risks that we believe exist relating to grants administration. • Developed a listing of key CCHHS personnel to conduct detail process walkthroughs.

PROCESSES	STATUS		Comments
	% Complete	Estimated Completion Date	
3. Human Resources and Payroll	5%	May 2010	<p>Initial Audit Planning occurred in August, 2009. Due to the reorganization within the Human Resources Department and the hiring of the new Human Resources Director, management requested that the audit be pushed back 6 - 8 months.</p> <p>This audit will be divided into 2 segments (Payroll and Human Resources). Audit Planning for Payroll will resume in February, 2010, with Fieldwork scheduled to begin in March. Audit Planning for Human Resources will resume in March, 2010, with Fieldwork schedule for April.</p> <p>To date we have completed the following for the Payroll segment:</p> <ul style="list-style-type: none"> • Created the information request list, • Developed the process understanding questionnaire, and • Identified key risks pertaining to the Payroll function.
4. Contract Management	10%	June 2010	Currently in the Audit Planning phase. A listing of requested information has been received from the auditee (Supply Chain Management Department). RSM McGladrey is reviewing the documents and will complete the Audit Planning in February, 2010 and on-site Fieldwork in April.
5. Procurement	2%	July 2010	Many of the initial documents we received from Supply Chain Management for the Contract Management audit pertain to procurement, including policies and procedures and organization structure/chart. Although we have not performed formal Audit Planning for the Procurement audit, we will begin reviewing the information received to familiarize ourselves with the area and current processes.
6. IT – System Integration	0%	September 2010	
7. Third Party Settlement Accounts	0%	October 2010	
8. Corporate Compliance	0%	November 2010	
9. Revenue	0%	March 2011	
10. Financial Statement Preparation	0%	March 2011	

Audit	2010												2011								
	August	September	October	November	December	January	February	March	April	May	June	July	August	September	October	November	December	January	February	March	
Grants	Fact Finding																				
HR/Payroll	Planning																				
IT - System Access and Security			Planning																		
Contract Management																					
Procurement																					
Third Party Settlement Accounts																					
Corporate Compliance																					
Revenue																					
IT - System Integration																					
Financial Statement Preparation																					

General Note:

The Planning Phase consists of all planning activities that take place prior to on-site visit. Activities include, but are not limited to reviewing the applicable sections of the 2009 CCHHS Risk Assessment, relevant committee meeting minutes in the CCHHS website and any background information we have on file, creating a process understanding questionnaire, creating a document request list, identifying risks we believe exist/applicable to the area, coordinating the timing for the audit and have the interviews lined up; reviewing the documents/information provided by the auditee in response to the information request list, etc.

The Fieldwork Phase consists of conducting process walkthroughs, obtaining detailed understanding of the process/area, documenting our understanding, timing risks and identifying controls in place to mitigate the risks identified, performing control gap analysis, developing and executing the audit program with specific focus on testing key controls, documenting test results, and reporting/discussing audit results with auditee.

The Reporting Phase consists of finalizing audit result with auditee and reporting audit results to executive management and audit committee, etc.

Excerpt from the 2009 CCHHS Risk Assessment

Internal Audit Priorities

In order to address the higher risk activities and other areas of concern identified during the risk assessment process, the following internal audit activities should occur in the near future. These audits are not in any specific order, but RSM McLaughrey recommends that these projects be the first 10 internal audits completed by CCHHS.

- Grants audit with focus on the Hektoen Institute entity.
- Human Resources and Payroll audit for Stroger Hospital.
- Audit of Third Party Settlement Accounts.
- Revenue audit of Stroger Hospital with emphasis on Medicare/Medicaid revenue.
- IT audit of System Access and Security.
- IT audit of System Integration.
- Contracts Management audit for all of CCHHS.
- Procurement audit for all of CCHHS with focus on Inventory.
- Corporate Compliance audit with emphasis Medical Coding.
- Audit of monthly Financial Statement Preparation process.

These internal audits can be performed in any order that the Audit Committee deems proper, or can be changed at any time the Audit Committee receives additional information on risks to CCHHS.