

LEE MEMORIAL HEALTH SYSTEM BOARD OF DIRECTORS

POLICY MANUAL

no. 20.11E

supersedes no. 20.11D

category: Financial Operations
title: Evaluation of Auditing Firm

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PURPOSE:

To ensure the performance of Lee Memorial Health System's auditing firm is critically examined every year, and to enhance controls following Section 203 requirements of the Sarbanes-Oxley Act.

POLICY:

The Lee Memorial Health System Finance Management will evaluate the System's auditing firm every year and will bring the evaluation and any recommendations to the Board for approval.

The criteria used for the evaluation is listed below.

The Board will also require that the lead or on-site manager will not serve for a period greater than five (5) consecutive years and the lead partner will not serve for a period greater than seven (7) consecutive years.

EVALUATION OF AUDIT SERVICES

Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied
1	2	3	4	5

A. Audit Personnel

How satisfied is management:

- | | | | | | |
|---|-------|-------|-------|-------|-------|
| 1) with the knowledge, skills and abilities of the staff assigned to do the audit work? | _____ | _____ | _____ | _____ | _____ |
| 2) with the audit staffs ability to review the high risk areas such as investments, bonds, self funded insurance, third party settlements | _____ | _____ | _____ | _____ | _____ |
| 3) with the engagement leadership assigned including the partner, manager, and fieldwork leaders and their involvement in the audit? | _____ | _____ | _____ | _____ | _____ |
| 4) that the audit staff has sufficient knowledge of the most recent generally accepted government auditing standards as well as AICPA auditing standards? | _____ | _____ | _____ | _____ | _____ |
| 5) that there is sufficient rotation of the audit staff to ensure that the audit staff remains independent of LMHS? | _____ | _____ | _____ | _____ | _____ |

B. Annual audit and interim fieldwork

How satisfied is management:

- | | | | | | |
|---|-------|-------|-------|-------|-------|
| 1) with the scope, nature, extent and timing of the testing performed by the auditors? | _____ | _____ | _____ | _____ | _____ |
| 2) with the coordination of audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources? | _____ | _____ | _____ | _____ | _____ |
| 3) that the audit for the key areas of greatest financial risk have been completed timely and by staff that have the expert knowledge in these areas? | _____ | _____ | _____ | _____ | _____ |
| 4) with the constructive observations, implications, and recommendations of areas needing improvement, particularly with respect to LMHS' operations and internal controls provided by the auditors? | _____ | _____ | _____ | _____ | _____ |
| 5) with the timing of each phase of the audit, especially the high risk areas and that they have met these critical deadlines? | _____ | _____ | _____ | _____ | _____ |
| 6) with the need to have all audit reviews, questions and final draft financial statements delivered to LMHS before the final week of December so that final audit reports can be mailed to the Board members prior to the January finance committee meeting? | _____ | _____ | _____ | _____ | _____ |
| 7) that the auditors address issues of "tone at the top", and antifraud programs and controls with the Board and senior management? | _____ | _____ | _____ | _____ | _____ |

C. Timely updates on emerging audit and accounting issues

How satisfied is management:

- | | | | | | |
|--|-------|-------|-------|-------|-------|
| 1) that the auditors adequately discussed issues regarding changes in financial reporting including the applicability of new and significant accounting principles that could have a material effect on the system's financial statements? | _____ | _____ | _____ | _____ | _____ |
| 2) with the research and education resources the auditors provided to LMHS staff? | _____ | _____ | _____ | _____ | _____ |
| 3) with the overall fees charged for the audit? | _____ | _____ | _____ | _____ | _____ |