



**CITY OF COLORADO SPRINGS
OFFICE OF THE CITY AUDITOR**

**10-14 MEMORIAL HEALTH SYSTEM –
FINANCIAL REPORTING**

PUBLIC REPORT

JULY 22, 2010

Denny Nester, MBA CPA CIA CGFM CFE CGAP
Interim City Auditor

Jacqueline Rowland, CPA
Interim Assistant City Auditor





Office of the City Auditor

Public Report

Date: July 22, 2010

To: Honorable Mayor and Members of City Council
Members of the Memorial Health System's Audit Committee
Members of the Memorial Health System's Board of Trustees

Re: 10-14 – Memorial Health System – Financial Reporting

We performed an audit of Memorial Health System's (Memorial) financial reporting process. The audit period covered September 2008 through September 2009.

The purpose of this audit was to ensure the accuracy of Memorial's periodic external reporting throughout the year, to verify mathematical accuracy and reliability of the source information. The audit also examined the efficiency of the processes used to produce the financial information. Periodic external reporting reviewed during the audit includes the GASB Financial Dashboard and limited statements provided to Memorial's Finance Committee and the Key Indicators presented to City Council.

We conclude that overall Memorial's periodic external financial reports were accurate and reliable. The processes used to produce financial information were efficient.

As always, feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Denny Nester".

Denny Nester
Interim City Auditor

cc: Dr. Larry McEvoy II, Chief Executive Officer
Mike Scialdone, Chief Financial Officer
Tracy Narvet, Controller
John Wyckoff, Compliance Officer

CITY AUDITOR DENNY NESTER, MBA CPA CIA CGFM CFE CGAP

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Opportunities for Improvement

10-14 – MEMORIAL HEALTH SYSTEM FINANCIAL REPORTING AUDIT

PUBLIC REPORT

	Page
Introduction	
Authorization	2
Organizational Placement	2
Scope and Methodology	2
Background	2
Overall Opinion	3

Abbreviations and Acronyms used in the Report

Memorial	Memorial Health System
OCA	City of Colorado Springs, Office of the City Auditor

Introduction

AUTHORIZATION

We performed an audit of Memorial Health System's (Memorial) financial reporting process. The audit period covered the period June 2008 through September 2009. We conducted this audit under the authority of Chapter 1, Article 2, Part 7 of the Colorado Springs City Code, and more specifically Part 703, and Chapter 13, Article 1, Part 103 which state:

1.2.703: ENSURE PUBLIC ACCOUNTABILITY:

The City Auditor shall ensure that administrative officials are held publicly accountable for their use of public funds and the other resources at their disposal. The City Auditor shall investigate whether or not laws are being administered in the public interest, determine if there have been abuses of discretion, arbitrary actions or errors of judgment, and shall encourage diligence on the part of administrative officials.

13.1.103: ENTERPRISE STATUS; FUNDS; CITY ATTORNEY; CITY AUDITOR:

- A. In accord with the provisions of chapter 1 of this Code, the City Auditor shall have those duties and responsibilities imposed by City Council to ensure the public accountability of Memorial Hospital.

ORGANIZATIONAL PLACEMENT

The Office of the City Auditor is structured in a manner to provide organizational independence from the entities it audits. This independence is accomplished by the City Auditor being appointed by and reporting directly to the City Council. The audited entity in this audit, Memorial, is an enterprise of the City of Colorado Springs under the direction of its Chief Executive Officer. The Chief Executive Officer reports to the Memorial Board of Trustees, who are appointed by the City Council.

SCOPE AND METHODOLOGY

The purpose of this audit was to ensure the accuracy of Memorial's periodic external reporting throughout the year, to verify mathematical accuracy and reliability of the source information. The audit also examined the efficiency of the processes used to produce the financial information. Periodic external reporting reviewed during the audit includes the GASB Financial Dashboard and limited statements provided to Memorial's Finance Committee and the Key Indicators presented to City Council.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors. The audit included interviews with appropriate personnel and included such tests of records and other supporting documentation as deemed necessary in the circumstances. We reviewed the

Introduction

internal control structure and compliance tests were performed. Sufficient competent evidential matter was gathered to support our conclusions.

BACKGROUND

The Finance department is responsible for the processing, reconciling and reporting of routine financial transactions as well as preparing long-range financial transactions, budgeting (to include both Annual Operating and Capital Budgets), financial analysis, and routine monitoring and reporting of financial results.

This is the first review of Memorial's financial reporting process conducted by the City of Colorado Springs, Office of the City Auditor (OCA).

OVERALL OPINION

We conclude that Memorial's periodic external financial reports were accurate and reliable. The processes used to produce financial information were efficient.