



HSHS
St. John's
Hospital

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**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

February 2, 2015

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield IL 62761

Re: Project Completion Documentation
St. John's Hospital
Springfield, Illinois
CON # 10-042

Dear Ms. Avery,

We submitted our Project Completion, Final Realized Cost, and Cost Overrun documentation dated January 13, 2015 in accordance with 77 IL Administrative Code Section 1130.770. This material was received by the IHFSRB on January 15, 2015.

Subsequent to our submission, a certified letter over your signature dated January 21, 2015 indicated the independently prepared "audit" of the project costs prepared by our external firm, CHAN, would not be accepted because they were viewed as "internal auditors". In order to clarify CHAN's audit process, procedures, and relationship, we requested a response to your letter. This response is attached for your records.

In our judgment, the independent work product developed by CHAN, in support of our final realized project costs, does meet Section 1130.770 requirements and respectfully request your acceptance of the work.

Because our 1130.770 submission was close to the final completion documentation filing deadline, we have also requested a Permit Renewal to avoid any potential compliance issues. The renewal request will be withdrawn if the clarification material attached to this letter is acceptable and meets current Section 1130.770 "audit" requirements.

If you need additional information or have any questions, I can be contacted at 217-757-6256.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Olejniczak". The signature is fluid and cursive, with a large initial "D" and "O".

Dave Olejniczak, FACHE
Chief Operating Officer

Attachment: CHAN Audit response letter

January 27, 2015

Dave Olejniczak
Chief Operating Officer
HSHS St. John's Hospital
800 East Carpenter Street
Springfield, IL 62769

Re: St. John's Hospital – Springfield, IL
CON #10-042

Dear Mr. Olejniczak,

In response to the HFSRB's letter dated January 21, 2015, regarding the Project Completion and Final Realized Cost Report for Permit #10-042 (St. John's Hospital, Springfield, Patient Tower), we respectfully present the following.

HFSRB regulation 77 IAC 1130.770 (d) (6) states that: *"for permits with a project cost equal to or greater than three times the capital expenditure minimum in place at the time of permit approval, an audited financial report of all project costs and sources of funds."* While we do not dispute the HFSRB letter, the current regulation in effect requires "an audited financial report of all project costs and sources of funds." To this requirement, we submit the following additional information regarding our audit:

- **Audit Independence and Objectivity**

CHAN Healthcare is a subsidiary of public accounting firm Crowe Horwath, LLP, and is a contracted vendor of Hospital Sisters Health System (HSHS). CHAN Associates are not employed by HSHS or St. John's Hospital. CHAN is engaged by the HSHS Audit and Integrity Committee to provide their internal audit services. The internal audit team reports to an Internal Audit Director who reports directly to the HSHS Audit and Integrity Committee and administratively to the HSHS President and CEO. This reporting relationship makes the internal audit team independent of St. John's Management and the construction project team.

In addition, CHAN Healthcare has adopted the standards of independence and objectivity promulgated by the Institute of Internal Auditors (IIA), the international professional association of the industry.

- **Audit Team**

The members of the CHAN internal audit team assigned to this project included two Certified Public Accountants (CPA), and one Certified Internal Auditor (CIA); additionally, the CPA who performed the fieldwork is also a Certified Construction Auditor (CCA). All CHAN internal audit staff are required to be licensed professionals and competent to perform in their respective engagements.

- **Audit Scope**

As indicated in the audit report, CHAN reviewed and tested the project completion report (CON report) to establish that the project cost information was accurate for the final submission.

- **Audit Fieldwork**

CHAN conducted this audit in accordance with the IIA Standards. This included testing the project's records as follows:

1. Vouched the sources of funds to Treasury records establishing that sources were consistent with the CON application;
2. On a sample basis, tested cost records (invoices) to determine that project accounting records captured and accumulated project costs for CON reporting purposes; and
3. Reconciled costs submitted on the final CON report back to the project accounting records.

- **Audit Timing**

CHAN began testing project process controls in June of 2014 and completed the reconciliation of final costs in December 2014.

- **Audit Conclusion**

CHAN's testing of project costs, as described above and contained in the St. John's Patient Tower CON report submission to the State Board, established that the information is presented accurately and supported by project accounting.

Very Truly Yours,



Michael Sowinski, CPA
CHAN Internal Audit Director