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## AUDIT COMMITTEE REPORT AND EXECUTIVE SUMMARY

### April 2, 2008

#### **Board Members:**

Bradford W. Hildebrandt, Chair  
Robert J. Del Tufo, Esq.  
John A. Hoffman, Esq.  
Mary Ann Christopher, RN, MSN, FAAN  
Anita V. Spivey, Esq.  
Harold T. Shapiro, PhD (via conference call)  
Oliver B. Quinn, Esq. (via conference call)  
Kevin M. Covert, Esq. (via conference call)

#### **Staff:**

William F. Owen, Jr., MD, President  
Denise V. Rodgers, MD, Executive Vice President for Academic & Clinical Affairs  
Denise Mulkern, Senior Vice President for Finance  
Lester Aron, Esq., Senior Vice President & General Counsel of UMDNJ  
James J. Rowan, Jr., Vice President for Internal Audit  
Francis X. Colford, Vice President for Finance and Treasurer  
Neil Schorr, Interim Vice President, Office of Ethics and Compliance  
Denise Romano, Interim Vice President for Information Services and Technology  
Theodore I. Brown, Esq., Director for Compliance Activities  
Darlene L. Cox, MS, RN, President and CEO - UH  
Christopher O. Kosseff, President & CEO - UBHC and Interim Sr. VP for Administration  
Alan Weinkrantz, Chief Financial Officer - UBHC  
Robin Wittenstein, Chief Operating Officer - UH  
Wilhelmina C. Curtis, JD, Director Corporate Compliance Operations (via conference call)  
John W. Ras, Director for Healthcare Auditing  
Ray Braeunig, Compliance Officer - SOM  
Kathy Van Camp, Senior Compliance Officer - NJMS  
Dara Quinn, Senior Compliance Officer - UH  
Bruce Blakeslee, Director, Information Services, UBHC

AGENDA	DISCUSSION	ACTION/RESOLUTIONS	EVALUATION / FOLLOW-UP
<p><b>Approval of the Minutes</b></p> <p><b>Internal Audit</b></p> <ul style="list-style-type: none"> <li>• <b>Presentation</b></li> <li>• <b>New Staff</b></li> <li>• <b>PWC</b></li> <li>• <b>Budget</b></li> <li>• <b>Audit Plan</b></li> </ul>	<p>The March 5, 2008 Audit Committee Executive Summary was presented and there were no changes.</p> <p>An Internal Audit (IA) staffing update, minutes of a planning meeting held with PWC, and updates on the FY08 workplan and departmental budget were presented to the Committee.</p> <p>A joint presentation was given by IA and OEC to the IT Leadership Group. A copy of the presentation was included in the Audit Committee package.</p> <p>Mr. Rowan advised the Committee that two additional staff started this past Monday, a financial and operational auditor who will be based in New Brunswick and an IT auditor in Newark. In response to a question from Mr. Hoffman regarding the status of filling the open Director position, Mr. Rowan advised the Committee that four candidates were interviewed but they will not be given further consideration. An alternative plan is being considered that would turn this position into a Senior Audit Manager who would handle Quality Assessments as well as other duties supporting the Director.</p> <p>In response to a question from Ms. Spivey regarding staffing, Mr. Rowan advised that Internal Audit is reaching out to all professional organizations to help recruit candidates.</p> <p>Mr. Hildebrandt asked if there are any specific concerns that need to be addressed based on Internal Audit's meeting with PWC. Mr. Rowan advised there were none.</p> <p>Mr. Hildebrandt requested that consulting fees be reflected on separate lines in the budget.</p> <p>Mr. Hildebrandt requested that Internal Audit continue to update the committee on the progress of the audit plan as year-end approaches.</p>	<p>IA will report consulting fees in future updates on a separate line.</p> <p>IA will update the committee on the audit plan.</p>	
<ul style="list-style-type: none"> <li>• <b>Risk Assessment</b></li> </ul>	<p>Mr. Rowan advised that the terminology used in the risk assessment</p>		

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<ul style="list-style-type: none"> <li>• <b>UBHC IT Change Audit Report</b></li>   <li>• <b>Accounts Receivable Valuation</b></li> </ul>	<p>process will be further defined for the FY2009 plan.</p> <p>An audit report on University Behavioral HealthCare IT Change Controls was presented to the committee. Mr. Rowan advised the committee that Change Controls are a University-wide issue that are being evaluated by IS&amp;T and that Internal Audit will reflect the progress of IS&amp;T in addressing issues in their audits when possible. Mr. Hildebrandt asked Bruce Blakeslee, Director, Information Services, UBHC, if the timetables to address the audit recommendations would be met. Mr. Blakeslee felt they would be. In response to a question from Ms. Spivey regarding privacy risks identified in the report, Mr. Blakeslee felt that these would be resolved through implementation of the recommendation. Ms. Spivey had an additional question regarding the availability of software to sanitize data in Access. Mr. Blakeslee responded he has not found any product yet that could do this.</p> <p>Ms. Christopher asked about the status of the Accounts Receivable valuation review and along with Mr. Hoffman requested an update at the May meeting.</p>	<p>Parente Randolph will attend the May meeting to provide an update.</p>	
<p><b>Office of Ethics &amp; Compliance</b></p> <ul style="list-style-type: none"> <li>• <b>Reports</b></li> </ul>	<p>An Ethics &amp; Compliance department staffing update, updated work plans and information regarding continuing training efforts across the University by OEC were provided to the Committee.</p> <p>Mr. Schorr also advised that six reports are presented for review:</p> <ul style="list-style-type: none"> <li>- University Hospital (UH) EMTALA Review (revised)</li> <li>- UH MS-DRG February 2008 Pre-billing review</li> <li>- UH Post Acute Care Transfer DRGs and Discharge Planning Review</li> <li>- New Jersey Medical School (NJMS) and UH Stent Review</li> <li>- NJMS Department of Endocrinology Physician Review</li> <li>- School of Osteopathic Medicine Department of Orthopedics Physician review</li> </ul>		
	<p>Three of the six reports include an executive summary. Mr. Schorr also</p>		

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<ul style="list-style-type: none"> <li>• <b>Physician Coding &amp; Billing Reviews/ Training</b></li> <li>• <b>UH MS-DRG Review</b></li> <li>• <b>Post Acute Care</b></li> <li>• <b>UH One-Day Stay/Stent Review</b></li> </ul>	<p>noted that the EMTALA report is a reissue to clarify findings that related to State versus Federal requirements. In response to a question from Mr. Hildebrandt, Ms. Dara Quinn advised that she is comfortable that UH is in compliance with regulations.</p> <p>Mr. Hildebrandt advised that management’s responses with completion dates must be in all reports presented to the committee.</p> <p>The committee discussed the Physician Coding and Billing reviews. In response to a question raised by Ms. Spivey regarding physician training and the issue of training appearing to be decentralized, Dr. Rodgers advised that education is looked at continuously, therefore; Academic and Clinical Affairs will mandate that each unit develop their own unique training. In response to a question by Mr. Quinn, Ms. Curtis advised that OEC is rolling out a pilot training program for UPA/NJMS. Additionally, the results of the coding and billing records are discussed with the respective physician.</p> <p>The committee discussed the UH MS-DRG review. Mr. Hildebrandt questioned the At Standard opinion given the number of errors identified. Ms. Curtis advised that all cases were corrected prior to billing.</p> <p>The committee discussed the Post Acute Care transfer audit. Mr. Hildebrandt advised that Below Standard opinions are not acceptable for UH and requested follow-up to determine who was responsible for disabling an edit that identifies home health patients.</p> <p>Mr. Hildebrandt requested an update on the UH One-Day Stay issues as well as the Stent review at the May meeting.</p>	<p>OEC will include the completion date in their audit reports.</p> <p>OEC will work with UH and IS&amp;T to try to make this determination.</p>	
<i>JH Cohn</i>	The committee discussed status of JH Cohn’s Physician Compensation review and requested follow-up.	Senior Compliance Officer, NJMS and NJMS will update the committee at the May meeting.	
<i>Internal Control</i>	The Committee on Internal Control Processes submitted the minutes of		

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<i>Processes Committee</i>	its meetings held on March 7 and March 19, 2008.		
<i>Follow-Up Audit</i>	Ms. Mulkern provided an update on previously issued audits of T&E, IDT's and the Foundation. In response to a question raised by Mr. Hildebrandt regarding the recent audit of the UMDNJ Foundation, Dr. Owen advised that there has been progress and a retreat is being organized to further align the relationship.		
<i>IS&amp;T Presentation</i>	Ms. Romano gave a presentation on the Information Services & Technology Structure.		
<i>Executive Session</i>	At this point, the Committee went into executive session with Trustees only.		