

UNIVERSITY OF MEDICINE AND DENTISTRY OF NEW JERSEY  
DRAFT AUDIT COMMITTEE REPORT AND EXECUTIVE SUMMARY  
June 4, 2008

- Board Members:      Bradford Hildebrandt, Chairman  
                         Robert J. Del Tufo, Esq.  
                         John A. Hoffman, Esq.  
                         Mary Ann Christopher, RN, MSN, FAAN  
                         Harold T. Shapiro, PhD. (via conference call)  
                         Anita V. Spivey, Esq.  
                         Oliver B. Quinn, Esq.
- 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, Vice President for Internal Audit  
                         Tom Kenyon, Vice President, Supply Chain  
                         Francis X. Colford, Vice President for Finance and Treasurer  
                         Neil Schorr, Interim Vice President, Office of Ethics and Compliance  
                         Theodore A. Brown, Esq., Director for Compliance Activities  
                         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  
                         John W. Ras, Director for Healthcare Auditing  
                         Dara Quinn, Senior Compliance Officer – UH  
                         Dan Young, Contract Management  
                         Doug Dennis, Purchasing Services  
                         Suzanne Atkins, MD, Medical Director  
                         Jeff Freda, MD Medical Director of Perioperative Services  
                         Bob McLaughlin, Controller  
                         Carolyn Ricks, Director, UH
- Guests:                      James J. Maguire – PricewaterhouseCoopers, LLP (“PwC”)  
                         Karen Kassir – PricewaterhouseCoopers, LLP  
                         Mike Brennan, Parente Randolph  
                         David Naser, Parente Randolph  
                         Lawrence Victor, Parente Randolph

- A.      The May 7, 2008 Audit Committee Report and Executive Summary was presented and accepted with no changes.
  
- B.      PricewaterhouseCoopers, LLP (“PwC”) provided an additional update on their FY2008 Service Plan. Mr. Hildebrandt advised the committee he is more comfortable with PWC’s plan after a recent meeting was held with PWC, Finance and Internal Audit to further discuss the increased fees and hours in detail. Mr. Maguire provided additional information and noted that much of the increase in fees is attributable to the University’s high risk designation for A-133 as well as

the state of internal controls, which although improved are not yet fully implemented. Mr. Hildebrandt advised the committee that PWC is going to come back in November 2008 to present their 2009 plan.

Ms. Mulkern updated the committee regarding PWC's involvement in the upcoming refinancing, which will result in fees based upon an agreed upon procedures letter with the underwriters.

The Committee approved the revised proposed audit fees for FY2008.

- C. Parente Randolph provided an update on their review of The University Hospital Accounts Receivable. Mr. Brennan noted that there have been challenges due to the turnover in UH financial management as well as obtaining the correct information from the Healthquest system, but the review will be completed for presentation at the July Audit Committee meeting. Ms. Spivey requested that the final report include recommendations that opine on the following variables: processes, skill sets and training. Mr. Brennan indicated this will be provided.

Ms. Wittenstein advised that an offer has been made to fill the vacant CFO position at UH, and that one of this individual's first area of focus will be to develop policies and standards over valuing accounts receivable. Discussion focused on the hospital's discount policy. In response to a question from Mr. Hildebrandt on who would have to approve such a policy Ms. Mulkern advised that it would be a subset of the UMDNJ Finance policy and would be presented to the Finance Committee.

An Internal Audit (IA) update was provided by Mr. Rowan. Mr. Rowan advised the committee of the latest addition to the staff effective this week, and that an offer was made to another individual, both of whom are CPA's. Mr. Rowan also advised that staff is being reassigned prior to the new fiscal year to ensure appropriate coverage. In response to a question from Mr. Hoffman on Internal Audit staffing levels and the budget, Mr. Rowan advised that there is continuing reassessment of the department resources as well as ongoing communications with Mr. Hildebrandt on the department.

A risk rating model has been developed for the purposes of coming up with the FY09 Annual Work Plan. The draft plan will be presented to the President's cabinet and Senior Management over the next two weeks and brought to the July Audit Committee meeting. Quarterly follow-up on previously identified audit issues has also been included in the package for the committee's review and consideration.

Mr. Hildebrandt moved to the audit report on the Review of Overpaid Purchase Orders and Open Purchase Orders. Mr. Hildebrandt commented on the basic lack of internal controls identified in the report and asked for reassurance that the control weaknesses have been addressed. Ms. Mulkern and Mr. Colford advised that based on coordination with Supply Chain Management and changes to the Banner system the issues should be addressed going forward. In response to a question from Mr. Hoffman, Mr. Kenyon said the open purchase orders do not represent a liability. Mr. Kenyon added that evaluation of open purchase orders is ongoing. Mr. Hoffman inquired about the status of the Mediclick implementation and asked to see progress in time for the next follow-up in September.

- D. Mr. Schorr provided an Ethics & Compliance department update. Four reports are included for the committees review:
- University Hospital follow up on History and Physicals
  - University Hospital MS-DRG and coding audits – March and April 2008
  - Robert Wood Johnson Medical School Psychiatry report
  - RWJMS Obstetrics-Gynecology

Ms. Wittenstein discussed that results for the History and Physical audit and referred to the management action plans provided in the report. Discussions focused on the need for better accuracy and accountability. Mr. Hoffman requested, and Mr. Schorr agreed, that OEC include responses below Management's initial responses as to their sufficiency and reasonableness.

In response to the RWJMS Psychiatry report, Dr. Rodgers stated that credentialing of clinicians are typically completed by their affiliated hospital. In this case, the Dept. of Psychiatry does not have the hospital affiliation, and thus the proper credentialing check did not occur. Mr. Schorr advised the Committee that the issue of why the employment termination of one of the subjects of this audit had not been completed would be referred to Internal Audit for consideration under an audit in progress. Mr. Hildebrandt asked Dr. Rodgers for updates on credentialing over the course of the next few months.

Mr. Hoffman asked about the amount of money that would need to be paid by RWJMS, as a result of the findings of the Obstetric-Gynecology audit. Mr. Schorr responded that this was a prospective audit, and that all coding errors were corrected before submission to the payor.

Ms. Wittenstein provided an update on One-day-stays and noted that billing's review has been completed. Further updates will be provided if necessary.

- E. Ms. Mulkern provided an update on Interdepartmental transfers and noted that recommendations to change the overall process should be completed by August 2008. The status was also noted in Internal Audit's quarterly follow-up document.
- F. The Committee on Internal Control Processes submitted the minutes of its meetings held on May 22, 2008.
- G. Mr. Kenyon gave a presentation on Supply Chain Management.
- H. At this point the Committee went into executive session.