

UNIVERSITY OF MEDICINE AND DENTISTRY OF NEW JERSEY
DRAFT AUDIT COMMITTEE REPORT AND EXECUTIVE SUMMARY
May 7, 2008

Board Members: Robert J. Del Tufo, Esq.
John A. Hoffman, Esq.
Mary Ann Christopher, RN, MSN, FAAN
Harold T. Shapiro, PhD
Anita V. Spivey, 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 I. Brown, Esq., Director for Compliance Activities
Darlene L. Cox, MS, RN, President and CEO – UH
Christopher O. Kosseff, President & CEO – UBHC
and Interim Senior 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
Kathy Van Camp - Senior Compliance Officer - NJMS
Dara Quinn, Senior Compliance Officer – UH
Bruce Blakeslee, Director, Information Services, UBHC
Joanne Cheung, Interim Director, Ethics Program
Dan Young, Contract Management
Doug Dennis, Purchasing Services
Maria Soto-Greene MD, Vice Dean of NJMS
William C. Gause, PhD, Senior Associate Dean for Research

Guests: James J. Maguire – PricewaterhouseCoopers, LLP (“PwC”)
Michael MacBryde – PricewaterhouseCoopers, LLP
Karen Kassar – PricewaterhouseCoopers, LLP
Mike Brennan, Parente Randolph
Darryl Neier, Sobel & Co.
Charles Doyle, Sobel & Co.
Thomas Jobes, Sobel & Co.

- A. The April 2, 2008 Audit Committee Executive Summary was presented. Dr. Shapiro asked if there had been any follow-up on a previously identified issue regarding a disabled edit in the Healthquest system. Mr. Schorr advised the Audit Committee that this appears to be a programming error. At this point the minutes were accepted with no changes.

- B. PricewaterhouseCoopers, LLP (“PwC”) presented their FY2008 Service Plan. Mr. Maguire presented a high level overview of the plan. Ms. Kassar discussed areas of audit emphasis, one of which was the University Hospital accounts receivable collectability model. Discussion followed on this issue, and in response to a question from Mr. Hoffman regarding coordination with Parente Randolph and their current review of the UH AR Mr. Maguire replied that while PWC needs to perform independent testing they will consider Parente Randolph’s assessment. Additional areas of focus will be the IS&T control environment as well as investments. Dr. Owen requested that PWC consider performing additional work on Foundation funds received by the University to ensure they are used in accordance with the donor’s intent.

The Committee had questions about the increased audit fee for the 2008 audit. Mr. Maguire explained that the level of detailed testing has increased, particularly given the changes in finance at University Hospital. Mr. Hoffman and Dr. Shapiro requested that a detailed analysis be provided to the Audit Committee Chair Mr. Hildebrandt. Mr. Maguire agreed to analyze all line items and total hours and follow up with Mr. Hildebrandt. The Committee also requested that management provide a letter to Mr. Hildebrandt indicating that they had analyzed the PWC fee proposal and that they were satisfied with the proposal.

Mr. MacBryde provided a review of GASB 45, “Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions” and the potential impact on the University.

- C. An Internal Audit (IA) update was provided by Mr. Rowan. Mr. Rowan advised that an offer was made to an individual who is a CPA and that IA continues to search to fill open positions. Mr. Hoffman asked that new employees are highlighted in the organizational chart. Mr. Rowan also advised that three (3) audit reports were in the package:
- Axium System Implementation RFP and Contract Review
 - Review of Accounts Receivable Reserve Methodology – University Hospital
 - Follow-up report on the Laundry and Linen Services provided to University Hospital

In response to a question from Dr. Shapiro regarding outsourced audits Mr. Rowan advised that we will attempt to handle things with internal staff and outsource if necessary. Mr. Rowan also added there is a focus on building up the skill sets and talents of the staff, in particular in the grants and contracts area. Dr. Shapiro asked if there is a growing backlog of audits and can consideration be given to outsourcing the backlog work while internal staff works on the current year workplan.

Issues identified in the Axium audit report were discussed. Dr. Shapiro requested that Legal and Purchasing Services follow-up on the issues to determine the contract status.

- D. Mr. Schorr provided an Ethics & Compliance department staffing update, updated work plans and discussed the status of the Records Management Policy noting that the shredding ban has not been lifted yet. Mr. Aron advised that a letter was sent to the U.S. Attorney’s Office, seeking their approval to begin shredding non-records. An audit

program documenting the approach to determine evidence of public records was presented. The objective is to confirm that documents intended for shredding are in fact non-records, as defined by state law and UMDNJ policy. Mr. Schorr ensured the Committee that the ban would not be lifted until all units are made aware of the auditing program, and the U.S. Attorney provides his approval.

Ms. Wittenstein provided an update on One-day-stays noting that the Chief Medical Officer of UH reviewed every Medicare patient. Ms. Wittenstein also noted that this issue is not limited to UH and that plans are in place to provide education to physicians.

Ms. Wittenstein also provided an update to a previous audit on Stents and advised that measures are being put in place to address the issues identified in the audit. These measures include establishing a committee, providing training to faculty and researchers and developing systems to monitor the use of devices.

Dr. Maria Soto-Greene provided an update on the Physician Compensation audit performed by JH Cohn. Dr. Greene noted that team meetings to review Fair Market Value issues are ongoing and education sessions are planned.

- E. Mike Brennan from Parent Randolph provided an update on their review of University Hospital Accounts Receivable. The review is on target to be completed and presented at the June 2008 Audit Committee.
- F. The Committee on Internal Control Processes submitted the minutes of its meetings held on April 3 and April 17, 2008.
- G. Charles Doyle from Sobel and Co. presented the results of their report on Purchasing Services. Dr. Shapiro noted that although substantial improvements have been made much more is needed. Mr. Hoffman asked if there was an analysis performed of the \$20 million paid prior to issuance of a purchase order in order to determine departments who violated policy. Ms. Mulkern advised that a report was developed for this purpose.
- H. Dr. Shapiro requested that Mr. Kenyon give his presentation on Supply Chain Management at the June meeting.
- I. At this point the Committee went into executive session.