

UNIVERSITY OF MEDICINE AND DENTISTRY OF NEW JERSEY
AUDIT COMMITTEE REPORT AND EXECUTIVE SUMMARY
December 3, 2008

Trustees: Bradford Hildebrandt, Chairman
John A. Hoffman, Esq.
Harold T. Shapiro, PhD.
Maryann Christopher
Anita Spivey, Esq. (via conference call)
Robert Del Tufo, Esq.

Management: William F. Owen, Jr., MD, President
Denise V. Rodgers, MD, Executive Vice President, Academic & Clinical Affairs
Denise Mulkern, Senior Vice President, Finance
Lester Aron, Esq., Senior Vice President & General Counsel of UMDNJ
James J. Rowan, Chief of Staff (Vice President, Internal Audit & Investigations)
Neil Schorr, Former Interim Vice President, Office of Ethics and Compliance
Denise Romano, Vice President, IS&T
Wilhelmina C. Curtis, JD, Director, Corporate Compliance Operations
John W. Ras, Director, Healthcare Internal Audit
Francis X. Colford, Vice President of Finance and Treasurer
Tom Kenyon, VP, Supply Chain Management (via conference call)
Robin Wittenstein, Acting President & COO UH
Tom Daly, CFO, UH
Fred Cantz, Acting Director Financial and Operational Internal Audit
Kathy Scotto, PhD, Dean, Graduate School of Biomedical Sciences
Judith Neubauer, PhD, Associate VP for Research & Regulatory Affairs, Office of Research
Jerry Garcia, Acting Vice President, Human Resources
Rich Tunnell, Director, HST
Alice Lustig, COO & CFO, RWJMS-UMG
Nancy Deluca, Director of Finance and Budgeting, RWJMS-UMG
Ted Brown, Esq. Director for Compliance Activities
Kathy VanCamp, Senior Compliance Officer - NJMS
John Huertas, Director, Public Safety

Staff: Senh Thai, Senior Audit Manager
Adejoke Sanusi, Senior Audit Manager
Terry Shoback, Senior Audit Manager
Yiya Yuan, Senior Audit Manager

Guests: James J. Maguire, PricewaterhouseCoopers, LLP
Mike MacBryde, PricewaterhouseCoopers, LLP
Karen Kassar, PricewaterhouseCoopers, LLP

- A. The November 5, 2008 Audit Committee Report and Executive Summary was presented and accepted with no changes.

- B. Mr. Maguire from PricewaterhouseCoopers ("PwC") presented the Internal Control observations and recommendations with Management's Response resulting from the Audit of the Financial Statements for the Year Ended June 30, 2008 with updates to comments issued for the year ended June 30, 2007. Current year comments are on five areas: Information Technology Environment, Patient Accounts Receivable – University Hospital; Patient Accounts Receivable – University Medical Group; Inventory Valuation and Treasury.

The Information Services and Technology environment is not an area of significant deficiency as was the case in FY07 as improvements were noted in the overall structure and controls. However, General Computer controls were identified as a Significant Deficiency based on PwC's assessment of financially significant applications in the aggregate as there was no one deficiency which constituted a significant deficiency on its own. Many IT findings with applications in 2007 continue to be applicable in 2008. In response to a question from Mr. Hoffman regarding a "Right to Audit clause" in the GE Healthcare contract with UMG, Ms. Lustig replied that management is working with the vendor to resolve this issue by June 2009. Mr. Hoffman requested an update in March or April 2009 on this.

Mr. MacBryde presented the issues related to UH volume statistics and revenue analytics and noted that the new financial and senior management team at UH is enhancing the reserve model and other significant policies and procedures at the hospital. The implementation of an inventory management system should address issues with inventory valuation going forward. Mr. Hildebrandt requested Mr. Rowan provide a follow-up status report on all the management letter comments by June 30, 2009.

- C. Ms. Romano gave a presentation on Information Services and Technology to highlight efforts over the past year to improve the IS&T control environment, as was evidenced by the findings of PwC. Some of the key areas of focus were completing inventories of hardware and software, conducting leadership meetings, the development of the Project Management Office, collaboration with Internal Audit and adopting a change management policy. In response to a question by Mr. Hildebrandt, Ms. Romano identified the major challenge in FY09 to be the ability to implement the 12 major projects on the plan. Dr. Owen requested the proposed structure and reporting relationship of the Information Security Office and the CIO be re-visited in the future and referenced an article in the Chronicles of Higher Education.
- D. Mr. Rowan provided an update on the structure of the Office of Internal Audit. Effective December 1, 2008 the department will be structured to better align itself with the missions of the University. Mr. Fred Cantz has assumed the role of Acting Director, Financial and Operational Auditing while John Ras will lead the Healthcare and IT Audit group. In response to a question by Mr. Hoffman on Internal Audit resources and whether a cost benefit analysis will be done at some point, Mr. Rowan advised that resources are continually looked at and when the control environment improves the resources dedicated to the activity can be evaluated further.

Mr. Rowan advised there are five audit reports in the package: Evaluation of Payroll

and Timekeeping processes; FY2008 Physical Inventory observation; Review of Cost Transfers; University Medical Group GE healthcare pre-implementation review and an application controls review of the HealthQuest System. The Committee discussed issues identified in the payroll report and asked that management quickly identify a solution to address the lack of a Time and Attendance System. Mr. Hildebrandt requested that a task force be developed to address the issue of payments to terminated employees and an update be provided at the January meeting.

The committee discussed the Inventory report. University Hospital leadership will report back in January on their plans to conduct the FY09 year-end inventory. Ms. Christopher requested that the purchase of equipment to ensure the health and safety of employees be fast tracked. Mr. Rowan advised he will follow up on progress and report back. Mr. Rowan presented the opportunities for improvement identified in the Cost Transfers Audit. Dr. Neubauer advised the committee on actions taking place to address these issues, including but not limited to training and providing the tools for Principal Investigators and business administrators to manage grants effectively and in compliance with requirements. Mr. Hildebrandt and Dr. Owen requested that Dr. Neubauer and Ms. Mulkern provide the committee with a joint presentation in March that demonstrates the partnership between research and Grants and Contracts.

Mr. Rowan presented the results of the GE Healthcare pre-implementation audit at UMG and advised the committee that a financial review will occur in the near future. Mr. Hoffman asked that the open issue regarding the SAS70 be resolved so it's not a recurring issue. Mr. Rowan reviewed the results of the HealthQuest application audit presented in Executive Summary. The committee requested that the responsible parties and action plans be included in reports in the future. Ms. Christopher requested that the issue of monitoring and auditing access to PHI data be fast tracked and resolved.

The Committee discussed the follow-up process and resolution of audit issues and asked for improvement on implementation of corrective action plans to close up older audit issues. The Committee also discussed the Audit workplan and discussions ensued on the space allocation review as well as credentialing.

- E. Due to time constraints, Mr. Hildebrandt requested that the presentation on Stark and Anti-kickback regulations be done in January.
- F. At this point the Committee went into Executive Session.