

AGENDA
ECU Board of Trustees
Audit Committee Meeting
February 23, 2012

- | | Action |
|---|---------------|
| I. Approval of December 1, 2011 Minutes | |
| II. Internal Audit Report – Ms. Stacie Tronto | |
| A. Dashboard | Information |
| B. Internal Control Manual | Information |
| C. Audit Planning Process | Information |
| D. Staffing | Information |
| E. Reporting of Material Reportable Conditions
to UNC GA BOG Audit Committee | Information |
| III. Enterprise Risk Management Report – Mr. Tim Wiseman | Information |
| IV. BSOM Compliance Office Report – Ms. Micki Jernigan | Information |
| V. Litigation Update – Ms. Donna Payne/Ms. Jody Cook | Information |
| VI. Closed Session | |
| VII. Other Business | |

**Minutes from ECU BOT Audit Committee
December 1, 2011
Mendenhall Student Center**

Committee members present: Ken Chalk (Chair), Carol Mabe, Joel Butler, Deborah Davis, and Steve Jones

Others present: Steve Ballard, Phyllis Horns, Rick Niswander, Philip Rogers, Nick Benson, Brian Jowers, Donna Payne, John Chinn, John McGough, Micki Jernigan, Tim Wiseman, and Stacie Tronto

Ken Chalk, Chair of the Audit Committee, convened the meeting at 3:35 p.m. and read the conflict of interest provisions as required by the State Government Ethics Act. Mr. Chalk asked if anyone would like to declare a conflict of interest. Hearing none, he asked for the approval of the minutes for the September 22, 2011 committee meeting. The minutes of the September 22, 2011 were approved with no changes noted.

Dr. Nick Benson, Vice Dean of the Brody School of Medicine, introduced the next two topics on the agenda, which were Meaningful Use Requirements and ICD-10. Per Dr. Benson, both of these federal programs have the potential to impact the Brody School of Medicine and ECU Physicians in significant ways. Dr. Benson gave an overview of Meaningful Use Requirements and provided an update on the Brody School of Medicine's implementation of Meaningful Use Requirements. A Meaningful Use Tactical Team (MUTT) has been established, which is comprised of about fifteen people to include Clinical Chairs, Clinical Directors, CADAs, Clinical Finance, Nursing Leaders, ECU Physicians Admin, Compliance, and ITCS. MUTT meets monthly and provides reports to the ECU Physicians Board on how to optimize the payments coming to ECU Physicians. Dr. Benson stated this is an extremely complex program and a full-time project manager is needed but they are going to start with a consultant with the anticipation of hiring a permanent employee. Dr. Benson further explained the issues that are being reviewed and the basic resources required.

Brian Jowers, Executive Director of ECU Physicians, provided the Audit Committee an overview of ICD-10 and Version 5010 Codes Sets requirements along with a status update of the Brody School of Medicine's implementation. With regard to 5010 Code Sets, test files have been created and submitted to ECU Physicians' claims clearing house vendor. The plan is to go-live with one large payer by December 9, 2011 and bring on all other payers by January 1, 2012. As for ICD-10, training is being planned for professional coders, physicians, nurses, etc. Currently, several training scenarios are being evaluated and a proposal will be submitted to ECU Physicians Board. Mr. Jowers stated, they are working with Human Resources to determine requirements and a time-frame for mandated ICD-10 certification. The deadline for a training methodology and certification timeline is February 1, 2012.

Mr. Chalk stated that he knows the ECU BOT Health Sciences Committee is engaged with regard to Meaningful Use Requirements and ICD-10; however, the Audit Committee is interested from a risk perspective as patient revenue is a big component and there is a significant risk to the University when there is a change in infrastructure. Mr. Chalk asked if anyone from Internal Audit was included as part of the two working committees. Deborah Davis, Audit Committee Member, stated that although Internal Audit probably wouldn't have much of a role this early in the process, having a seat on the working committee could provide invaluable training to Internal Audit. Dr. Benson and Mr. Jowers stated that they would include Internal Audit on the working committees.

Micki Jernigan, BSOM Chief Compliance Officer and University HIPAA Privacy Officer, presented the FY 2012 Proposed Compliance Work Plan. Ms. Jernigan stated that the BSOM Corporate Compliance Committee had approved the plan to be brought before the Audit Committee. Numerous items on the plan were discussed and Ms. Davis suggested that risk level assigned to ICD-10 implementation be changed from medium to high. Ms. Jernigan agreed with the change. The ECU BOT Audit Committee approved the FY 2012 Compliance Work Plan. Next, Ms. Jernigan updated the committee on vacant positions in the BSOM Compliance Office. She is still recruiting for a coder/reviewer and the Healthcare Compliance Specialist job description and requirements have been re-written and re-advertised.

Mr. Tim Wiseman, Chief Risk Officer, updated the Committee on the recent ERM in Higher Ed eSymposium that was sponsored by the University. Mr. Wiseman stated this was the first eSymposium held and there was a very good turnout and good representation from the universities in the UNC System. Mr. Chalk wanted to know how ECU compared to other universities with regard to enterprise risk management. Mr. Wiseman stated that within the UNC System, ECU appears to have a robust program in place; however, there are other universities outside of the UNC System that have a much more robust program. Mr. Wiseman stated that the challenge is for the University to decide where we want to go with enterprise risk management.

Stacie Tronto, Director of Internal Audit, provided the Committee with an update of pertinent benchmarks that reflects Internal Audit's productivity. As of November 10, 2011, Internal Audit had completed 16% of the audit plan with an additional 39% of the audit plan in process. The staff utilization for direct audit hours was 79% with 70% being the goal. Next, Ms. Tronto discussed the results of the fiscal year-end 2011 financial audit conducted by the North Carolina State Auditor's Office. There were no findings and also there were no prior period adjustments. (Note: Dr. Rick Niswander, Vice Chancellor for Administration and Finance, provided a hard copy of the financial statement audit to all members of the ECU Board of Trustees.)

Under other business, Ms. Donna Payne, University Attorney, asked the ECU Audit Committee to approve giving the Chancellor blanket approval to transition all policies approved by the Board of Trustees into the University Policy Manual and to allow the University Attorney to make non-substantive edits to those respective policies. After some discussion, the request was approved and this request will be taken to the full Board for approval.

At 5:00pm the ECU BOT Audit Committee went into closed session and returned to open session at 5:15pm. With there being no further business, the Audit Committee meeting was adjourned at 5:15 p.m.

Respectfully submitted by Stacie Tronto

Internal Audit Dashboard				
Completion of Audit Plan: Completed vs. Planned Audits				
Status of Audit Plan	Number of Audits	Percent of Total Plan		
Completed	22	42%		
In Process	24	46%		
Pending	6	12%		
Total	52	100%		
Staff Utilization: Direct vs. Indirect Hours				
Direct Hours	75%			
Indirect Hours	25%			
Management's Corrective Actions				
	Completed	Outstanding	% Complete	% Outstanding
Observations by Division:				
Academic Affairs	1	0	100%	0%
Administration and Finance	2	0	100%	0%
Athletics	1	0	100%	0%
Chancellor	2	0	100%	0%
Health Sciences	5	0	100%	0%
Research and Graduate Studies	4	0	100%	0%
Student Life	1	0	100%	0%
University Advancement	1	0	100%	0%
Total Observations	17	0		
Total Percentages	100%	0%		

As of: 01/28/12

Internal Control Manual

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Appendices

- A. [Segregation of Duties Matrix](#)
- B. [Segregation of Duties in a Small Office](#)

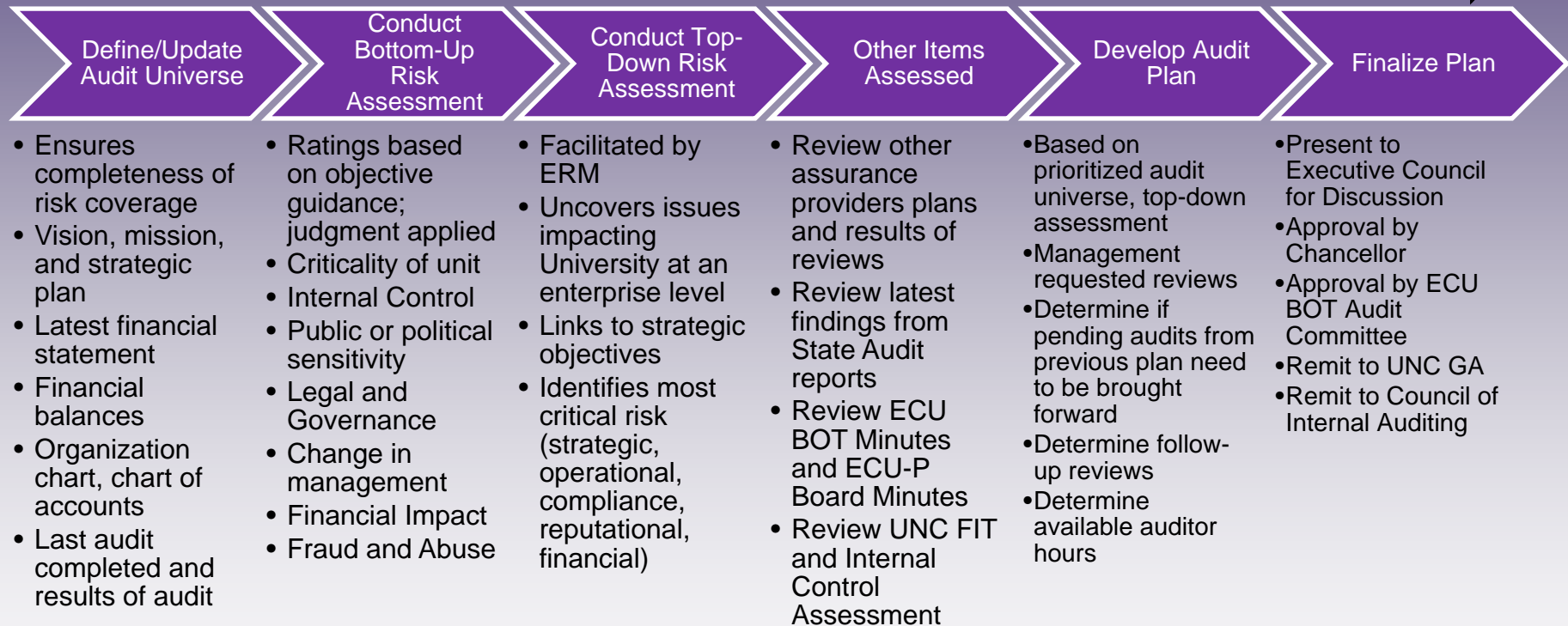
Risk Based Audit Plan - Objectives

- Compliance with IIA Standard 2010 – Planning
- Identify the priorities of Internal Audit based on the assessment of risk and potential exposures that may affect ECU's ability to accomplish its objectives
- To share and coordinate activities w/other internal and external providers of relevant assurance services to ensure proper coverage and minimize duplication of efforts.
- To present the Internal Audit plan and resource requirements to the Audit Committee and Chancellor for review and approval.

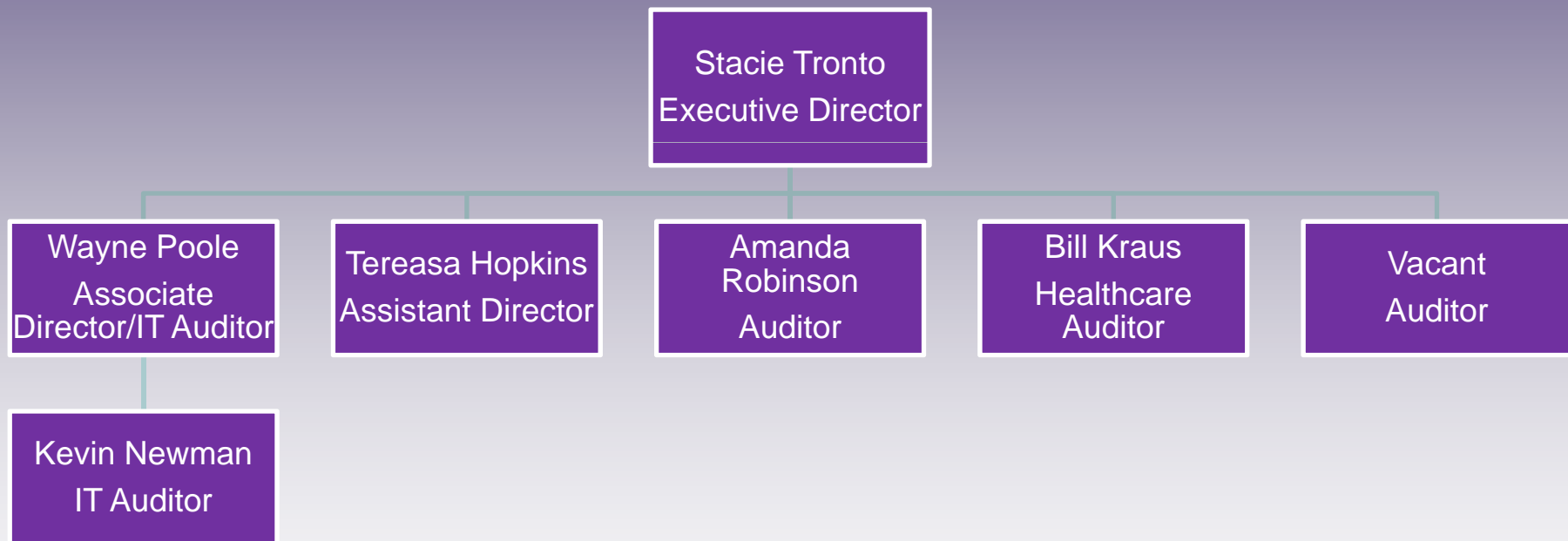


Audit Planning Process

Continuously Assess and Monitor Risk/Update Audit Plan Accordingly



Organization Chart



2/03/2012

INFORMATION PAPER

SUBJECT: Enterprise Risk Management (ERM) Update for the BOT-A Committee

1. Purpose. To advise BOT-A committee members of significant ERM and Chief Risk Officer (CRO) activities from the past three months and those planned or anticipated for the next three months.

2. Facts.

a. Significant ERM/CRO Activities from the Past Three Months:

- Annual Chief Risk Officer Office Calls/Interviews w/ Exec Council Members, Deans, and ERMC Members (Risk Sensing Sessions) & Annual Risk Survey
- Post- Penn State University Scandal Issues Review
- ERM Committee Quarterly Meeting – Threat Assessment Team & Media Relations Training Focus
- Risk Consultations and Inquiries/ Process Reviews
 - Controls of In-Kind Donations
 - Community Service Learning Centers (Dental)
 - Athletic Compliance Office Staffing Changes
 - Setoff Debt Collection Act Hearing Officer Procedures
- ERM Workshop – Brody School of Medicine Finance Team
- Advanced Threat Assessment Team Training

b. Significant ERM/CRO Activities Next Three Months:

- Format, Finalize and Publish 1st ERM Annual Activity Report ('11-'12)
- Complete Prioritization of Annual Top Risk Survey Results
- Draft New ERM Regulation
- Institute Top Risk Review Model and Format
- Refresh Long Range ERMC Meeting Calendar and ERM Milestones



ACTION OFFICER:
Tim Wiseman
Assistant Vice Chancellor for ERM/Chief Risk Officer
252-737-2803
Spilman Bldg, Room 207B

**ECU BOARD OF TRUSTEES
AUDIT COMMITTEE**

February 23, 2012

CLOSED SESSION MOTION

I move that we go into Closed Session:

- 1. to prevent the disclosure of privileged information under N.C. General Statutes §126-22 to §126-30 (personnel information) and the federal Family Educational Rights and Privacy Act;**
- 2. to consider the qualifications, competence, performance, character, fitness, or conditions of appointment of one or more prospective and/or current employees and/or to hear or investigate a complaint, charge, or grievance by or against one or more individual employees;**
- 3. to establish or instruct regarding the amount of compensation and/or other material terms of an employment contract or proposed employment contract;**
- 4. to prevent the premature disclosure of honorary degrees and/or awards;
and**
- 5. to consult with an attorney to preserve the attorney-client privilege between the attorney and the Committee.**