AGENDA
ECU Board of Trustees
Audit Committee Meeting
November 29, 2012

I. Approval of September 20, 2012 Minutes
   Action

II. BSOM Compliance Office Report – Ms. Micki Jernigan
   a. BSOM Compliance Update
      Information
   b. HIPAA Privacy Update
      Information
   c. BSOM Compliance CY 2013 Work Plan
      Action
   d. HIPAA CY 2013 Work Plan
      Action
   e. HHS DOJ Health Association Letter
      Information

III. Enterprise Risk Management Report – Mr. Tim Wiseman
    Information

IV. Internal Audit Report – Ms. Stacie Tronto
    a. 2011-2012 Financial Audit
       Information
    b. Foundation Audits
       Information
    c. Dashboard
       Information

V. Other Business
Minutes from ECU BOT Audit Committee
September 20, 2012
Mendenhall Student Center Great Room #3

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

Others present: John Chinn, John McGough, Nick Benson, Micki Jernigan, Tim Wiseman, Donna Payne, Kathryn Kennedy, Stacie Tronto, and Wayne Poole

Ken Chalk, Chair of the Audit Committee, convened the meeting at 3:16PM. Mr. Chalk 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 July 19, 2012 committee meeting. The minutes of the July 19, 2012 meeting were approved with no changes noted.

John Chinn, Director of the Office of Research Compliance and Administration (ORCA), presented an update on the activities of his office.

- Mr. Chinn stated that the Assistant Director of Research Compliance position is now posted and applicant review will begin around 9/25/12. The projected hire date is late October or early November.
- The University met the Aug 24 deadline for the new federal conflict of interest reporting requirements. Approximately 250 personnel were trained; 20% reported a potential COI; approximately two (2) of the reported conflicts may be potentially significant and require a management plan.
- ECU’s internal COI reporting process is in progress; Mr. Chinn anticipates finishing the report to the Chancellor in late October. There are still some personnel who have not responded to the requests for COI reports.

Micki Jernigan, BSOM Chief Compliance Officer and University HIPAA Privacy Officer, updated the committee on the BSOM Compliance Office.

- As requested by the Audit Committee, Ms. Jernigan has drafted the corrective action language for providers who do not pass a billing compliance review on three attempts. She is also working with the Office of the University Attorney and reviewing other policies to determine all locations where it might be appropriate to include the language. Ms. Jernigan stated that the primary goal is to achieve a level of education and training so that no providers actually reach the point of three failures.
- BSOM Compliance Office Staffing:
  - Ms. Jernigan is currently screening the applicants for a HIPAA analyst for research-related data
  - The Billing and Coding Manager position is vacant and being advertised; the previous employee departed ECU last month.
  - HR’s salary study for coder positions is complete – Ms. Jernigan is in the process of reviewing the results. She hopes that ECU will be able to offer salaries that are more competitive with the market rate for these positions.
- ECU received 50 RAC review requests at the end of August – there is nothing that appears significant at this point; these appear to be mostly data mining requests.
- Ms. Jernigan presented the Compliance Work Plan and HIPAA Privacy Work Plan updates. Nine of ten high-risk and multi-year projects are complete or in progress on the Compliance Work Plan. The new online HIPAA and Compliance training has been implemented; Ms. Jernigan’s staff is currently monitoring training completion. Six of eight high-risk and multi-year projects are complete or in progress on the HIPAA Privacy Work Plan. Clinic site audits are being postponed until 2013 due to a number of new clinic sites. The on-demand health information exchange for patients within Epic is now live.
- Mr. Chalk discussed the need to develop and nurture a “culture of compliance”. He referred to the presentation earlier in the day by Jamie Johnson (Athletics Compliance), and suggested that Ms. Jernigan and Mr. Johnson collaborate on ideas that may be useful across their respective areas of operations. Ms. Jernigan agreed to collaborate with Mr. Johnson, and stated that they have worked together on several initiatives in the recent past.
Tim Wiseman, Assistant VC for Enterprise Risk Management, provided the **ERM update**.

- Mr. Wiseman presented a list of activities for the previous three months and the next three months; specific items that were discussed follow.
- ECU is close to finalization of the “Top 10 Risks” facing the University. The next step is presenting the management plans to the Executive Council, which will occur in September and October. Each risk will be linked to an Exec Council “risk owner”, and Mr. Wiseman will be briefing the risk owners over the next month.
  - Mr. Chalk asked Mr. Wiseman to share a summary of the discussions with risk owners/Executive Council with the Audit Committee at the next meeting.
- For the first time, the new Deans, Chairs, and Directors received an ERM briefing at their orientation.
- ERM continues work on consultative work with various departments and managers.
- Ms. Davis asked whether or not there was anything revealed during the risk surveys or discussions that was a surprise to the ERM office or to management. Mr. Wiseman’s response did not indicate that there were any significant surprises.
- Ms. Mabe asked Ms. Wiseman how he would assess the University’s “culture” in relation to ERM. Mr. Wiseman used the terms “improved” and “making progress” to describe the current culture. Ms. Tronto added that she has seen the culture change significantly since she started at the University 25 years ago. She stated that the Chancellor has made everyone more aware of management’s responsibility to manage risk and that the word “risk” is used in the context of decision-making on a regular basis.

Stacie Tronto, Director of Internal Audit, provided the **Internal Audit update**.

- Ms. Tronto stated that for now, the UNC-GA Shared Services Initiative will have no effect on ECU. The smaller schools in the system are projected to move towards a model of consolidation, though UNC-GA has slowed down the timeline. However, Ms. Tronto stressed that ECU needs to continue to monitor this situation for potential long-term impact, as a future step may include pulling even the large institutions’ audit shops under the GA umbrella and out of the reporting lines to the audit committee and chancellor. The committee members discussed the negative impact that this would have on rapport and openness between employees, management, and auditors, as the internal auditors would then be seen as “outsiders”. This could have an impact on management's willingness to seek consultative advice and self-report potential problems.
- Ms. Tronto shared via the handout materials the listing of UNC System audit findings and the audit plans for all institutions. She noted that there is still a significant amount of inconsistency among institutions as to how items are reported and that some institutions did not follow the directions and properly complete the reports. Ms. Tronto stated that ECU appears to be one of the most productive and also most transparent institutions in terms of reporting its significant findings.
- The Internal Audit final “dashboard” for FY 2012-13 (as of 8/31/12) was presented.
  - 1 audit completed to date; 15 in progress
  - 76% direct audit hours (target = 70%)
  - Consultations account for 28% of the hours to date – a significant amount of time and effort has been spent on assisting the Office for Equity and Diversity (OED) and on other “special reviews”
- Ms. Tronto stated that IA hopes to be able to shift resources back to focusing on the audit plan very soon. Mr. Chalk agreed that this is necessary and appropriate. Ms. Payne stated that the resources IA has expended on the special reviews and on assisting OED were necessary and critical in order to address some significant legal risks that the University had been facing. Ms. Tronto stated that she projects IA to still meet the FY 2012-13 audit plan targets established by the audit committee.
- Ms. Tronto stated that the Internal Audit Annual Report for FY 2012 is pending
Other Business
No other business was noted.

The Audit Committee meeting was adjourned at 4:05PM.

-----Respectfully submitted by Wayne Poole
High Risk Projects:

1. ECU Billing Quick Reference Card  COMPLETED
2. RAC Response Initiative  COMPLETED
3. Internet Role-Based Training  COMPLETED
4. Exclusion/Debarment Checks  COMPLETED
5. Joint Venture  COMPLETED
6. ECU Documentation Standards  Deferred to CY2013
7. Incident-To Services  Deferred to CY2013 for redetermination of risk

Multi-Year Projects:

1. Meaningful Use  In Progress
2. ICD-10 Implementation  In Progress
3. Policy Updates/Revisions  In Progress
East Carolina University

ECU HIPAA Privacy Office

FY 2012 Work Plan Update

High Risk Projects:

1. Health Care Component Designations  COMPLETED
2. Internet Role-Based Annual Training  COMPLETED
3. NPP Revisions  COMPLETED – HIE changes only
4. Telework Policy  Pending final University PRR
5. Guidelines for Email Communications with Patients  Discussed by ECU Physicians Board, tabled
6. Clinic Site Audits  Deferred to CY 2013

Multi-Year Projects:

1. Health Information Exchange  COMPLETED - Live September 17, 2012
2. Policy Updates/Revisions  PRR’s by 12/2014
### CY 2013 Work Plan

<table>
<thead>
<tr>
<th>Description</th>
<th>Action</th>
<th>Risk Level</th>
<th>Status</th>
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<tr>
<td><strong>CY 2013 Projects:</strong></td>
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<td>RAC Responses</td>
<td>Research, Respond, and Educate</td>
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<td>Plan and Implement</td>
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<tr>
<td>ICD-10 Implementation</td>
<td>Plan and Educate</td>
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<td>EMR Cloning/Cut&amp;Paste</td>
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<td>Develop Audit Plan</td>
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<td>Place of Service Errors</td>
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<tr>
<td>Internet Role-based Annual Training</td>
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<tr>
<td>Policies and Procedures</td>
<td>Review and Revise</td>
<td>MED</td>
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<td>Code of Conduct</td>
<td>Review and Revise</td>
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<td>External Reviews</td>
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<tr>
<td>Special Projects</td>
<td>Review and Recommend</td>
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**East Carolina University**  
**HIPAA Privacy Office**  
**CY 2013 Work Plan**

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<td><strong>CY 2013 Projects:</strong></td>
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<tr>
<td>Telework Policy for ECU Physicians</td>
<td>Implement and Educate</td>
<td><strong>HIGH</strong></td>
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<tr>
<td>Clinic Site Audits</td>
<td>Develop Audit Plan</td>
<td><strong>HIGH</strong></td>
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<tr>
<td>Guidelines for Email Communications w/Patients</td>
<td>Implement and Educate</td>
<td><strong>HIGH</strong></td>
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<tr>
<td>NPP Revisions (Waiting on revisions from HITECH ACT)</td>
<td>Review and Revise</td>
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<tr>
<td>Internet Role-based Annual Training</td>
<td>Assign and Monitor</td>
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<td>Policies and Procedures</td>
<td>Review and Revise</td>
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<tr>
<td><strong>As Necessary</strong></td>
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<tr>
<td>HIPAA Privacy Investigations</td>
<td>Review, Respond, Educate</td>
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<tr>
<td>External Reviews</td>
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<td><strong>HIGH</strong></td>
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<tr>
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<td>Review and Recommend</td>
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September 24, 2012

American Hospital Association
Richard Umbdenstock
President and Chief Executive Officer
325 Seventh Street, N.W.
Washington, DC 20004

Federation of American Hospitals
Charles N. Kahn, III
President and Chief Executive Officer
750 9th Street, NW, Suite 600
Washington, DC 20001-4524

Association of Academic Health Centers
Steve Wartman
President and Chief Executive Officer
1400 Sixteenth Street, NW, Suite 720
Washington, DC 20036

Association of American Medical Colleges
Darrell G. Kirch, M.D.
President and Chief Executive Officer
2450 N Street, NW
Washington, DC 20037-1126

National Association of Public Hospitals and Health Systems
Bruce Siegel, MD, MPH
President and Chief Executive Officer
1301 Pennsylvania Avenue, NW
Suite 950
Washington DC 20004

Dear Chief Executive Officers:

As leaders in the health care system, our nation’s hospitals have been at the forefront of adopting electronic health records for use in coordinating care, improving quality, reducing paperwork, and eliminating duplicative tests. Over 55 percent of hospitals have already qualified for incentive payments authorized by Congress to encourage health care providers to adopt and meaningfully use this technology. Used appropriately, electronic health records have the potential to save money and save lives.

However, there are troubling indications that some providers are using this technology to game the system, possibly to obtain payments to which they are not entitled. False documentation of care is not just bad patient care; it’s illegal. These indications include potential “cloning” of medical records in order to inflate what providers get paid. There are also reports that some hospitals may be using electronic health records to facilitate “upcoding” of the intensity of care
or severity of patients’ condition as a means to profit with no commensurate improvement in the quality of care.

This letter underscores our resolve to ensure payment accuracy and to prevent and prosecute health care fraud. A patient’s care information must be verified individually to ensure accuracy: it cannot be cut and pasted from a different record of the patient, which risks medical errors as well as overpayments. The Centers for Medicare and Medicaid Services (CMS) is specifically reviewing billing through audits to identify and prevent improperly billing. Additionally, CMS is initiating more extensive medical reviews to ensure that providers are coding evaluation and management services accurately. This includes comparative billing reports that identify outlier facilities. CMS has the authority to address inappropriate increases in coding intensity in its payment rules, and CMS will consider future payment reductions as warranted.

We will not tolerate health care fraud. The President initiated in 2009 an unprecedented Cabinet-level effort to combat health care fraud and protect the Medicare trust fund, and we take those responsibilities very seriously.

Law enforcement will take appropriate steps to pursue health care providers who misuse electronic health records to bill for services never provided. The Department of Justice, Department of Health and Human Services, the FBI, and other law enforcement agencies are monitoring these trends, and will take action where warranted. New tools provided by the health care law authorize CMS to stop Medicare payments upon suspicion of fraud and to mine data to detect it in the first place. These efforts have contributed to record-high collections and prosecutions. Prosecutions in 2011 were 75 percent higher than in 2008. That said, we will continue to escalate our efforts to prevent fraud and pursue it aggressively when it has occurred.

The nation’s hospitals share our goal of a health system that offers high quality, affordable care. We thank you for your relentless work toward this goal which can be better achieved once all Americans have privacy-protected electronic health records. The health information technology incentive program promotes electronic health records that go beyond documentation and billing and towards meaningful use as a foundation for new payment and delivery models. The Affordable Care Act has accelerated the spread of such models like Accountable Care Organizations, patient-centered homes, and value-based purchasing which shift the incentives away from volume and towards value. As we phase-in electronic health records, though, we ask for your help in ensuring that these tools are not misused or abused.

Sincerely,

Kathleen Sebelius
Secretary
U.S. Department of Health & Human Services

Eric H. Holder, Jr.
Attorney General
U.S. Department of Justice
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. Action Recapitulation:
   
a. Significant ERM/CRO Activities from the Past Three Months:
      
      • Risk Committee Risk Management Plans Refinement & Risk Committee Review
      • Re-Admissions Risk Case Reviews and University Behavioral Concerns Team Actions
      • Baldrige Operations Committee and Process Improvement Initiatives Work (w/IPAR)
      • Quarterly ERM Committee Meeting (Oct) and Related Actions/Activities
      • Pool/Natatorium Safety Procedure Review
      • ERM Consultations and Inquiries – Various Departments
      • Federal/Governmental ERM Summit - Attended
      • Athletics Internal Controls Review Advisory Task Force
      • Annual Chief Risk Officer One-on-One Sessions with ERMC Members, Executive Council Members & Select Deans and Directors (50% Completed)
      • Practical Approach to Institutional Risk Mgmt Webinar Series (Ed Advisory Board)
      • Research and Graduate Studies Division Executive/Staff Meeting ERM Presentation

   b. Significant ERM/CRO Activities Next Three Months:
      
      • 2012-2013 Annual ERM Survey – Distribute
      • Annual Chief Risk Officer One-on-One Sessions with ERMC Members, Executive Council Members & Select Deans and Directors – Ongoing Oct-Jan
      • Quarterly ERMC Meeting (Feb 2013)
      • Top Risks Review with Executive Council (Nov 26th)
      • Continued Development of ERM Metrics/Measurements
      • ERM Consultations/Research/Inquiries – Various Departments
      • Training Management and Recordkeeping Systems Evaluation Working Group

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

(As of 10/15/2012 – Subject to Change)

<table>
<thead>
<tr>
<th>ERMC</th>
<th>Date</th>
<th>Guest Speaker/Lead</th>
<th>Theme</th>
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<tr>
<td>2012</td>
<td>4th Qtr</td>
<td>Oct 17</td>
<td>Compliance</td>
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<td>1st Qtr</td>
<td>Feb 27</td>
<td>Strategic/Operational</td>
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<td>2nd Qtr</td>
<td>Apr 24</td>
<td>Compliance</td>
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<tr>
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<td>3rd Qtr</td>
<td>July 24</td>
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<td>4th Qtr</td>
<td>Oct 16</td>
<td>Legal Hot Topics/Compliance</td>
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| 2013 | 4th Qtr| Oct 17              | DSS                           | Compliance                   |
|      | 1st Qtr| Feb 27              | Guest Speaker/Risk Workshop   | Strategic/Operational         |
|      | 2nd Qtr| Apr 24              | Compliance Officer & EDCR Panel | Compliance                   |
|      | 3rd Qtr| July 24             | Dir of Emergency Svcs         | Operational                  |
|      | 4th Qtr| Oct 16              | Attorney-Legal Services       | Legal Hot Topics/Compliance   |

### Risk Categories:
- Strategic
- Operational
- Financial
- Compliance
- Reputational
November 6, 2012

Dr. Steven C. Ballard, Chancellor
East Carolina University
Greenville, North Carolina COURIER #01-42-08

Dear Dr. Ballard:

We have completed our financial statement audit at East Carolina University for the year ended June 30, 2012. The results of our tests disclosed no deficiencies in internal control that we consider to be material weaknesses in relation to our audit scope at the University or any instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. These audit results were discussed with David Price, Financial Director, and Stacie Tronto, Director of Internal Audits, on October 31, 2012 and will be reported in a report for the University.

We express our appreciation to you and your staff for the cooperation extended to us during our audit. Please contact me if you have any questions or concerns about the audit. This letter is considered part of our confidential audit documentation until the release of the audit report, at which time it may be made available to interested parties upon request.

Sincerely,

BETH A. WOOD, CPA
STATE AUDITOR

Joyce D. Boni, CPA
Audit Manager

BAW/JDB:ae

cc: Rick Niswander, Vice Chancellor of Administration and Finance
    Anne W. Jenkins, Associate Vice Chancellor of Administration and Finance
    David J. Price, Financial Director
    Stacie Tronto, Director of Internal Audits
    Robert V. Lucas, Chairman, Board of Trustees
    W. Kendall Chalk, Chairman, Board of Trustees Audit Committee
    Jeff Henderson, Associate Vice President for Finance, UNC Office of the President
# Internal Audit Dashboard

## Completion of Audit Plan: Completed vs. Planned Audits

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<th>Status of Audit Plan</th>
<th>Number of Audits</th>
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<td>In Process</td>
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## Staff Utilization: Direct vs. Indirect Hours

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<td>Indirect Hours</td>
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## Consultations

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<td>Site Visit - Pembroke/ECSU</td>
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<tr>
<td>Site Visit - NCCU</td>
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11/9/2012