



## NUVANCE HEALTH INTERNAL AUDIT CHARTER<sup>1</sup>

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### **I. Purpose and Mission**

The purpose of Nuvance Health’s internal audit activity is to provide independent, objective assurance and consulting services designed to add value and improve Nuvance Health’s operations.<sup>2</sup>

Assurance services involve the internal auditor’s objective assessment of evidence to provide opinions or conclusions regarding Nuvance Health’s operations, functions, processes, systems, or other subject matters.<sup>3</sup> Assurance services are an objective examination of evidence for the purpose of providing an independent assessment on

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<sup>1</sup> The *Nuvance Health Internal Audit Charter* was developed, in pertinent part, from the Institute of Internal Auditor’s (“IIA”) International Professional Practices Framework (IPPF), Supplemental Guidance - “Model Internal Audit Activity Charter” (March 2017).

<sup>2</sup> See IIA, Definition of Internal Auditing: “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process”.

<sup>3</sup> See IIA, International Standards for the Professional Practice of Internal Auditing (Standards), Introduction to the Standards, p. 2 (January 2017)



governance, risk management, and control process for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.

Consulting services are advisory in nature and are generally performed at the specific request of an engagement client.<sup>3</sup> Consulting services are advisory and related client service activities, the nature and scope of which agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.<sup>4</sup> The internal audit activity helps Nuvance Health accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

## **II. Standards for the Professional Practice of Internal Auditing**

The internal audit activity will govern itself by adherence to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing.<sup>5</sup> The CAE ("CAE") will report periodically to the Chief Executive Officer and the Nuvance Health Audit and Compliance Committee of the Board of Directors regarding the internal audit activity's conformance to the Code of Ethics and the *Standards*.

## **III. Authority**

### **A. Reporting Relationships**

The CAE (whose position is served by the Nuvance Health Chief Compliance, Audit and Privacy Officer ("CCAPO")) will report functionally to the Nuvance Health Audit and Compliance Committee of the Board of Directors and administratively (i.e., day-to-day operations) to the Chief Executive Officer.<sup>6</sup>

<sup>4</sup> See IIA, International Professional Practices Framework (IPPF), Mission of Internal Audit

<sup>5</sup> See IIA, Implementation Guides for the IIA's Code of Ethics and the International Standards for the Professional Practice of Internal Auditing, Implementation Guide for Standard 1010 – Recognizing Mandatory Guidance in the Internal Audit Charter, p. 7 (December 2016)

<sup>6</sup> See IIA, Implementation Guides for the IIA's Code of Ethics and the International Standards for the Professional Practice of Internal Auditing, Implementation Guide for Standard 1100 – Independence and Objectivity, p.29 (November 2016)



B. Responsibilities of the Audit and Compliance and Executive Compensation Committees of the Nuvance Health Board of Directors

To establish, maintain, and assure that Nuvance Health's internal audit activity has sufficient authority to fulfill its duties, the Nuvance Health Board of Directors, through its Audit and Compliance Committee and Executive Compensation Committee, will do the following, respectively:

- i. The Nuvance Health Audit and Compliance Committee of the Board of Directors will:
  - Approve the internal audit activity's charter;
  - Approve the risk-based internal audit plan;
  - Approve the internal audit activity's budget and resource plan;
  - Receive communications from the CAE on the internal audit activity's performance relative to its plan and other matters;
  - Approve decisions regarding the appointment and removal of the CAE; and
  - Make appropriate inquiries of management and the CAE to determine whether there is inappropriate scope or resource limitations.
- ii. The Nuvance Health Executive Compensation Committee of the Board of Directors, in consultation with the Chair of the Nuvance Health Audit and Compliance Committee of the Board of Directors, will approve the remuneration of the CAE.



C. Access to the Nuvance Health Audit and Compliance Committee of the Board of Directors

The CAE will have unrestricted access to, and communicate and interact directly with, the Nuvance Health Audit and Compliance Committee of the Board of Directors, including in private meetings without management present.<sup>7</sup>

D. Authorization Given to the Internal Audit Activity

The Nuvance Health Audit and Compliance Committee of the Board of Directors authorizes the internal audit activity to:

- i. Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information;
- ii. Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports; and
- iii. Obtain assistance from the necessary personnel of Nuvance Health, as well as other specialized services from within or outside Nuvance Health, in order to complete the engagement.

#### **IV. Independence and Objectivity**

A. Responsibilities of the CAE

The CAE will:

- i. Ensure that the internal audit activity remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the CAE determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties;<sup>8</sup>

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<sup>7</sup> See IIA, Implementation Guides for the IIA's Code of Ethics and the International Standards for the Professional Practice of Internal Auditing, Implementation Guide for Standard 1111 – Direct Interaction with the Board, p.36 (November 2016)

<sup>8</sup> See IIA, International Standards for the Professional Practice of Internal Auditing (Standards), Standard 1130 – Impairment of Independence or Objectivity, p. 5 (January 2017)



- ii. Confirm to the Nuvance Health Audit and Compliance Committee of the Board of Directors, at least annually, the organizational independence of the internal audit activity;<sup>9</sup> and
- iii. Disclose to the Nuvance Health Audit and Compliance Committee of the Board of Directors any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.<sup>10</sup>

B. Responsibilities of Internal Auditors

Internal auditors will:<sup>11</sup>

- i. Maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others;
- ii. Have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:
  - Assessing specific operations for which they had responsibility within the previous year;<sup>12</sup>
  - Performing any operational duties for Nuvance Health or its affiliates;
  - Initiating or approving transactions external to the internal audit activity; and

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<sup>9</sup> See, IIA, International Standards for the Professional Practice of Internal Auditing (Standards), Standard 1320 – Reporting on the Quality Assurance and Improvement Program, p. 9 (January 2017)

<sup>10</sup> See IIA, International Standards for the Professional Practice of Internal Auditing (Standards), Standard 1110.A1 – Organizational Independence, p.4 (January 2017)

<sup>11</sup> See IIA, Implementation Guides for the IIA's Code of Ethics and the International Standards for the Professional Practice of Internal Auditing, Implementation Guide for Standard 1120 – Individual Objectivity, p.42 (November 2016)

<sup>12</sup> See, IIA, International Standards for the Professional Practice of Internal Auditing (Standards), Standard 1130.A1 – Impairment of Independence or Objectivity, p. 5 (January 2017)



- Directing the activities of any Nuvance Health employee not employed by the internal audit activity, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.
- iii. Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties;
- iv. Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined;
- v. Make balanced assessments of all available and relevant facts and circumstances; and
- vi. Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

C. CAE Roles Beyond Internal Auditing

CAE, in his/her role as CCAPO, may assume responsibilities and roles outside of the internal audit department such as, for example, serving as chief compliance and privacy officer, or the performance of activities related to enterprise-wide risk management, provided that: (i) safeguards are established to limit any impairments to the organizational independence of the Nuvance Health internal audit activity or objectivity of the CAE; (ii) such duties shall not interfere with the CCAPO's ability to perform the duties of the compliance officer outlined in the Health Quest CIA<sup>13</sup>; and (iii) any such additional roles shall report administratively to the CEO and functionally to the Nuvance Health Audit and Compliance Committee of the Board of Directors.

Conformance with this requirement may be demonstrated through the following:<sup>14</sup>

- CAE's roles and responsibilities as agreed with the Chief Executive Officer and the Nuvance Health Audit and Compliance Committee of the Board of Directors;

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<sup>13</sup> As used in this Charter, the "Health Quest CIA" shall mean the Corporate Integrity Agreement ("CIA") between the United States Department of Health and Human Services Office of Inspector General and Health Quest Systems, Inc. ("HQSI"), Health Quest Medical Practice, P.C. ("HQMP"), Health Quest Urgent Medical Care Practice, P.C. ("HQUMCP"), and Health Quest Home Health Care, Inc. ("HQHHC") (collectively "Health Quest")("Health Quest CIA")

<sup>14</sup> See IIA, Implementation Guides for the IIA's Code of Ethics and the International Standards for the Professional Practice of Internal Auditing, Implementation Guide for Standard 1112– Chief Audit Executive Roles Beyond Internal Auditing, p.42 (January 2017)



- Periodic revisions of the internal audit charter, which reflect the internal audit activity's changing roles and responsibilities;
- Minutes of the Nuvance Health Audit and Compliance Committee of the Board of Directors meetings during which the CAE discloses any potential impairment to his/her independence or objectivity, and proposed safeguards to mitigate the risk of impairment to acceptable levels.

## **V. Scope of Internal Audit Activities**

### **A. Internal Audit Activities**

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Nuvance Health Audit and Compliance Committee of the Board of Directors, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for Nuvance Health. Internal audit assessments include evaluating whether:

- i. Risks relating to the achievement of Nuvance Health's strategic objectives are appropriately identified and managed;
- ii. The actions of Nuvance Health's officers, directors, employees, and contractors are in compliance with Nuvance Health's policies, procedures, and applicable laws, regulations, and governance standards;
- iii. The results of operations or programs are consistent with established goals and objectives;
- iv. Operations or programs are being carried out effectively and efficiently;
- v. Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Nuvance Health;
- vi. Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity; and
- vii. Resources and assets are acquired economically, used efficiently, and protected adequately.



B. Reporting Internal Audit Activities

The CAE will report periodically, but in no case less than quarterly<sup>15</sup>, to the Chief Executive Officer and the Nuvance Health Audit and Compliance Committee of the Board of Directors regarding:<sup>16</sup>

- i. The internal audit activity's purpose, authority, and responsibility;
- ii. The internal audit activity's plan and performance relative to its plan;
- iii. The internal audit activity's conformance with the Institute of Internal Auditor's Code of Ethics and *Standards*, and action plans to address any significant conformance issues;
- iv. Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Nuvance Health Audit and Compliance Committee of the Board of Directors;
- v. Results of audit engagements or other activities;
- vi. Resource requirements<sup>17</sup>; and
- vii. Any response to risk by management that may be unacceptable to Nuvance Health.

C. Coordination and Reliance Upon Work of Other Internal and External Assurance and Consulting Service Providers

The CAE also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed.<sup>18</sup> The internal audit activity may perform advisory and related

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<sup>15</sup> See 18 NYCRR § 521-1-4 [b][1][iv].

<sup>16</sup> See IIA, International Standards for the Professional Practice of Internal Auditing (Standards), Standard 2060 – Reporting to Chief Executive Officer and the Board, p.11 (January 2017); see also 18 NYCRR 521-1.4 [g][1][iii] (providing that the “design, implementation, and results of any internal or external audits shall be documented, and the results shared with the [Executive Compliance Committee] and the [Audit and Compliance Committee of the Nuvance Health Board of Directors].”)

<sup>17</sup> See IIA, International Standards for the Professional Practice of Internal Auditing (Standards), Standard 2230 – Engagement Resource Allocation, p.16 (January 2017)

<sup>18</sup> See IIA, International Standards for the Professional Practice of Internal Auditing (Standards), Standard 2050 – Coordination and Reliance, p.11 (January 2017)





client service activities, the nature and scope of which will be agreed with the client, provided the internal audit activity does not assume management responsibility.

D. Opportunities for Improvement

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.<sup>19</sup>

**VI. Responsibility**

A. The CAE has the responsibility to:

- i. Submit, at least annually, to the Chief Executive Officer and the Nuvance Health Audit and Compliance Committee of the Board of Directors a risk-based internal audit plan for review and approval;<sup>20</sup> In developing the risk-based audit plan, the CAE shall, at the minimum, consider:<sup>21</sup>
  - High-level and specific organizational objectives and the strategies used to achieve them;
  - Internal sources of risk including but not limited to information provided by the Nuvance Health Executive Compliance Committee, disclosures made to the Compliance Office through the Hotline or other communication lines, exit interviews of Nuvance Health workforce members, and results of routine operational monitoring;
  - External sources of risk including but not limited to professional organization publications and seminars, OIG-issued guidance, consultants, competitors, or news media;

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<sup>19</sup> See IIA, International Standards for the Professional Practice of Internal Auditing (Standards), Standard 2100 – Nature of Work, p.12 (January 2017)

<sup>20</sup> See IIA, International Standards for the Professional Practice of Internal Auditing (Standards), Standard 2020 – Communication and Approval, p.10 (January 2017)

<sup>21</sup> For bullets ##1-8, see IIA, International Professional Practices Framework, Supplemental Guidance Practice Guide, *Developing a Risked-based Internal Audit Plan* (2020); for bullets ##9-12, see footnotes 22-25, *infra*, respectively.



- Input from key stakeholders using personal interviews and written surveys. For purposes here, key stakeholders are comprised of the Nuvance Health Audit and Compliance Committee of the Board of Directors and Senior Management;
- Opportunities that should be exploited or otherwise pursued to achieve organizational objectives;
- Information technology risks;
- Fraud risks;
- Environmental, social and governance risks;
- The following Federal healthcare program-related risk areas:<sup>22</sup>
  - Billing cycle (medical record documentation, coding, billings, claims preparation and submission, payments, claims reimbursement, patient collections, cost reporting);
  - Ordered services;
  - Medical necessity and quality of care;
  - Credentialling;
  - Mandatory reporting (including the self-disclosure and returning of overpayments);
  - Contractor, subcontractor, agent or independent contractor oversight; and
  - Other risk areas that are or should be identified by Nuvance Health by way of organizational experience.
- Risks related to compliance with the Stark Law and Anti-Kickback Statute that may stem from business and financial

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<sup>22</sup> See 18 NYCRR § 521-1.4 [g][1][i]; see also 18 NYCRR § 521-1.3 [d]



contracts, agreements or other arrangements that generate Federal healthcare program business.<sup>23</sup>

- The results of internal and external audits;<sup>24</sup> and
  - The results of audits conducted by State or Federal governmental agencies of Nuvance Health.<sup>25</sup>
- ii. Communicate to the Chief Executive Officer and the Nuvance Health Audit and Compliance Committee of the Board of Directors the impact of resource limitations on the internal audit plan;
  - iii. Review and adjust the internal audit plan, as necessary, in response to changes in Nuvance Health's business, risks, operations, programs, systems, and controls;<sup>26</sup>
  - iv. Communicate to the Chief Executive Officer and the Nuvance Health Audit and Compliance Committee of the Board of Directors any significant interim changes to the internal audit plan;
  - v. Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties;<sup>27</sup>
  - vi. Follow up on engagement findings and corrective actions, and report periodically to the Chief Executive Officer and the Nuvance Health Audit and Compliance Committee of the Board of Directors any corrective actions not effectively implemented;<sup>28</sup>
  - vii. Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld;

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<sup>23</sup> See 18 NYCRR § 521-1.3 [d][10]

<sup>24</sup> See 18 NYCRR § 521-1.4 [g][1][iii]

<sup>25</sup> See *id.*

<sup>26</sup> See IIA, International Standards for the Professional Practice of Internal Auditing (Standards), Standard 2010 – Planning, p.10 (January 2017)

<sup>27</sup> See IIA, International Standards for the Professional Practice of Internal Auditing (Standards), Standard 2230–engagement Resource Allocation, p.16 (January 2017)

<sup>28</sup> See IIA, International Standards for the Professional Practice of Internal Auditing (Standards), Standard 2500 – Monitoring Progress, p.20 (January 2017)



- viii. Ensure the internal audit activity collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter;<sup>29</sup>
- ix. Ensure trends and emerging issues that could impact Nuvance Health are considered and communicated to the Chief Executive Officer and the Nuvance Health Audit and Compliance Committee of the Board of Directors as appropriate;
- x. Ensure emerging trends and successful practices in internal auditing are considered;<sup>30</sup>
- xi. Establish and ensure adherence to policies and procedures designed to guide the internal audit activity;<sup>31</sup>
- xii. Ensure adherence to Nuvance Health's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to the Chief Executive Officer and the Nuvance Health Audit and Compliance Committee of the Board of Directors;
- xiii. Ensure conformance of the internal audit activity with the *Standards*, with the following qualifications:
  - If the internal audit activity is prohibited by law or regulation from conformance with certain parts of the *Standards*, the CAE will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.
  - If the *Standards* are used in conjunction with requirements issued by other authoritative bodies, the CAE will ensure that the internal audit activity conforms with the *Standards*, even if the internal audit activity also conforms with the more restrictive requirements of other authoritative bodies.

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<sup>29</sup> See IIA, International Standards for the Professional Practice of Internal Auditing (Standards), Standard 1210 – Proficiency, p.6 (January 2017). See also 18 NYCRR § 521-1.4 [g][1] (providing that all routine audits performed by internal or external auditors concerning Federal healthcare programs (*i.e.*, Medicaid, Medicare, Tricare) shall only be conducted by auditors who have expertise in [Federal healthcare programs], or expertise in the subject area of the audit”).

<sup>30</sup> See IIA, International Standards for the Professional Practice of Internal Auditing (Standards), Standard 2000 – Managing the Internal Audit Activity, p.10 (January 2017)

<sup>31</sup> See IIA, International Standards for the Professional Practice of Internal Auditing (Standards), Standard 2040 – Policies and Procedures, p.11 (January 2017)



- xiv. Consider recommending an appropriate framework to guide Senior Management in their pursuit of enhancing Nuvance Health's governance, risk management, and control processes, if an established framework has not been adopted; and<sup>32</sup>
- xv. Approve and maintain oversight over the work of all other internal and external assurance and consulting service providers.

## VII. Quality Assurance and Improvement Program

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the *Standards* and an evaluation of whether internal auditors apply the Institute of Internal Auditor's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.<sup>33</sup>

The CAE will communicate to the Chief Executive Officer and the Nuvance Health Audit and Compliance Committee of the Board of Directors on the internal audit activity's quality assurance and improvement program<sup>34</sup>, including results of internal assessments<sup>35</sup> (both ongoing and periodic) and external assessments<sup>36</sup> conducted at least once every five years by a qualified, independent assessor or assessment team from outside Nuvance Health.

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<sup>32</sup> See IIA, Implementation Guides for the IIA's Code of Ethics and the International Standards for the Professional Practice of Internal Auditing, *Implementation Guide for Standard 2100 – Nature of Work*, p.122 (December 2016)

<sup>33</sup> See IIA, International Standards for the Professional Practice of Internal Auditing (Standards), Standard 1300 – Quality Assurance and Improvement Program, p.7 (January 2017)

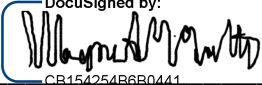
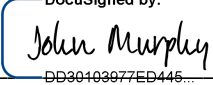
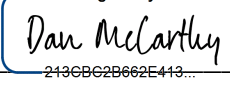
<sup>34</sup> See IIA, International Standards for the Professional Practice of Internal Auditing (Standards), Standard 1320 – Reporting on the Quality assurance and Improvement Program, p.9 (January 2017)

<sup>35</sup> See IIA, International Standards for Professional Practice of Internal Auditing (Standards), Standard 1311 – Internal Assessment, p.8 (January 2017)

<sup>36</sup> See IIA, International Standards for the Professional Practice of Internal Auditing (Standards), Standard 1312 – External Assessments, p.8 (January 2017)



**VIII. Approval/Signatures<sup>37</sup>**

<b><u>Approval</u></b>	<b><u>Date</u></b>
<p>DocuSigned by:  CB154254B6B0441...</p> <hr/> <p>Chief Audit Executive</p>	<p>8/29/2023</p> <hr/>
<p>DocuSigned by:  DD30103077ED446...</p> <hr/> <p>President &amp; Chief Executive Officer</p>	<p>8/29/2023</p> <hr/>
<p>DocuSigned by:  213CBG2B662E413...</p> <hr/> <p>Chair, Audit &amp; Compliance Committee of the Nuvance Health Board of Directors</p>	<p>8/29/2023</p> <hr/>

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<sup>37</sup> Note that, the Audit and Compliance Committee of the Nuvance Health Board of Directors (“Committee”) adopted, by unanimous vote, the *Nuvance Health Internal Audit Charter* at the Committee meeting held on June 26, 2023.