

## **Corrective Action Plan**

Cardinal Innovations is committed to addressing the concerns raised by OSA and DHHS OIA. We view the issues raised not as discreet audit findings but as connected symptoms of a culture at the leadership level that was not consistent with the values of an organization charged with serving members with significant needs.

Cardinal has a long and proud history of making significant contributions to improve the health and well-being of its members and regrets that decisions by its prior leadership have overshadowed these contributions. The specific actions listed below not only respond to the audits but also reflect a culture shift by the organization's current leadership.

Current leadership is committed to a culture that puts the best interest of our members and communities first, and understands the responsibility it has to the broader public good. We look forward to finalizing this plan and working with the newly-constituted Board of Directors and DHHS to focus on the important work of Cardinal.

<b><u>Issue</u></b>	<b><u>Cardinal Response</u></b>	<b><u>Status</u></b>
1. OSA recommended that "Cardinal should consult and collaborate with members of the General Assembly before taking any actions outside of its statutory boundaries."	Cardinal agrees with this recommendation and is committed to working collaboratively with both DHHS and the General Assembly as a general matter. Specifically, Cardinal will work with leaders of Joint Oversight Committees on Medicaid and Health and Human Services. In the immediate term, Cardinal and DHHS leadership have established weekly meetings to ensure continued alignment. Following transition of governance authority to the new Board of Directors, Cardinal and DHHS will continue to meet no less than monthly.  In addition, Cardinal has formally dissolved Cardinal Ally Inc.	Completed and ongoing.  Filing attached as Exhibit A
2. CEO salary was set above the range established by OSHR without prior approval.	On October 17, 2017, Cardinal's Board of Directors reduced the CEO's salary to the maximum allowed under the range established by OSHR. The current interim CEO's salary is within the range established by OSHR. Going forward, Cardinal not adjust the CEO salary outside the range set by OSHR without prior approval by OSHR. The Board will create a CEO compensation policy consistent with state law within 90 days .	Completed and ongoing.

3. Board retreats held at high-end venues.	To the extent that Cardinal decides to have a Board retreat in the future, it will hold any such retreat in North Carolina and at an appropriate location, paying specific attention to the cost of the venue and public perception. Cardinal management will work with the new Board of Directors to develop policy to provide guidance on this issue within 90 days.	Completed and ongoing.
4. Board meetings held at high-end venues.	Cardinal intends to hold its future Board meetings in its offices or at other appropriate locations in North Carolina, paying specific attention to the cost of the venue and public perception. Cardinal management will work with the new Board of Directors to develop policy to provide guidance on this issue within 90 days.	Completed and ongoing.
5. Holiday parties held at high-end venues.	To the extent that Cardinal decides to have any type of holiday social in the future, it will hold any such event in North Carolina and at an appropriate location, paying specific attention to the funding and cost of the event. No Cardinal funds will be used to purchase alcohol at such an event. Cardinal management will work with the new Board of Directors to develop policy to provide guidance on this issue within 90 days.	Completed and ongoing.
6. Use of charter flights.	Cardinal has revised its policies on business travel to expressly state that "Travel on a charter or private plane is not authorized under any circumstances and will not be reimbursed."	Completed. Policy attached as Exhibit B
7. CEO perquisites, including \$1,000/month car allowance, fuel on company credit card, and monthly auto detailing.	Because the prior CEO's employment was terminated, these benefits were also terminated. Going forward, Cardinal is committed to providing any future CEO with employment benefits that are consistent with those provided to other employees in the organization. Cardinal management will work with the new Board of Directors to develop policy regarding employee perquisites within 90 days.	Completed and ongoing.
8. Alcohol purchases by the organization.	Cardinal has revised its policies to expressly state that "Cardinal Innovations' funds may not be used for purchases of alcohol. Thus, any expenses incurred for alcoholic beverages will not be reimbursed and all such expenses should be excluded from the meal expenses being submitted for reimbursement."	Completed. Policy attached as Exhibit B

<p>9. Purchase of first-class airfare by the organization.</p>	<p>Cardinal has revised its policies to expressly state that “Employees must travel on the lowest-priced coach airfare available . . . Premium fares, such as fares for first-class or business-class travel, are not reimbursable by the Organization unless the employee obtains pre-approval from their manager due to an exceptional circumstance such as a documented health condition or no other space being available on a necessary flight. An employee may elect to upgrade to business-class or first-class travel if he/she personally pays the difference in the price for the upgrade at the time of purchase, or covers the cost of the upgrade through use of personal frequent flyer program benefits.” Cardinal and the Board will modify existing policy in accordance with these provisions within 90 days.</p>	<p>Completed.</p> <p>Current Policy attached as Exhibit B.</p>
<p>10. Use of high-end hotels for business travel.</p>	<p>Cardinal has revised its policies to expressly state that “Hotel reimbursement will be only for a single-person rate, only for the minimum duration required to conduct Cardinal Innovations official business, and only for the cost of standard accommodations in a reasonably priced hotel. Before booking a hotel, employees should undertake a price comparison of reasonably priced hotels near the business location, except in cases where the employee knows that he/she will be staying at the hotel hosting a conference or event. Employees should determine if a government rate is available at any suitable hotels, which rate should be utilized if a savings will result.”</p>	<p>Completed.</p> <p>Policy attached as Exhibit B.</p>
<p>11. Lack of sufficient documentation for credit card purchases reimbursed by the organization.</p>	<p>Cardinal’s policies already included a requirement for original receipts and substantiating documentation for business and travel expenses to be reimbursed; however, this policy was not consistently enforced. Cardinal has revised its policies to make clear that “itemized” receipts must be submitted for reimbursement. Cardinal will enforce the policy consistently.</p>	<p>Completed.</p> <p>Policy attached as Exhibit B</p>
<p>12. Employment agreements that included unusual terms, such as the ability of key employees to resign and receive severance if the CEO’s employment ended and severance amounts of up to 24 months base salary.</p>	<p>Going forward, Cardinal remains committed to recruiting and retaining highly qualified individuals to lead the organization and understands that it may need to enter employment agreements in the future to do so. However, Cardinal is committed to entering employment agreements that contain only usual and customary terms. Specifically, Cardinal’s severance payment policy will provide that severance can only be paid for a period of up to 12 months. Cardinal will not enter any new employment agreements with severance terms longer than</p>	<p>Completed and ongoing.</p>

	<p>12 months, nor will it enter any new employment agreements with “Change of Control” provisions. Cardinal will draft contract templates for Board approval. The Board will adopt a policy within 90 days regarding payment of severance. The Board will work with legal counsel to review and revise existing contracts.</p>	
13. Incentive Pay.	<p>Going forward, Cardinal remains committed to recruiting and retaining highly qualified individuals to lead and work within the organization. Employees who work for Cardinal are committed to excellent service. Cardinal has an incentive schedule in place that is part of their submission of information to OHSR each year regarding employee compensation. The Board will adopt a policy within 90 days regarding incentive plans for all Cardinal employees.</p>	Completed and ongoing.