MEMORANDUM

TO: The Audit and Compliance Committee:

Frank E. Genovese, Chair
L.D. Britt, M.D.
Allison Cryor DiNardo
Barbara J. Fried
William H. Goodwin Jr.
George Keith Martin, Ex Officio
Adelaide Wilcox King, Faculty Consulting Member

and

The Remaining Members of the Board

Frank B. Atkinson  Bobbie G. Kilberg
Frank M. Conner III  Stephen P. Long, M.D.
Helen E. Dragas  John G. Macfarlane III
Kevin J. Fay  Edward D. Miller, M.D.
John A. Griffin  John L. Nau III
Victoria D. Harker  Margaret N. Gould

FROM: Susan G. Harris

SUBJECT: Minutes of the Meeting of the Audit and Compliance Committee on March 24, 2015

The Audit and Compliance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 10:35 a.m., on Tuesday, March 24, 2015, in the Byrd Room of the Harrison Institute. Frank E. Genovese, Chair, presided.

Present were L.D. Britt, M.D., Barbara J. Fried, William H. Goodwin Jr., and Adelaide Wilcox King.

Present as well were the following vice presidents and staff who report to the president: Susan Carkeek, Patrick D. Hogan, Allison Landry, Richard P. Shannon, M.D., Colette Sheehy, Pamela M. Sutton-Wallace, and W. Thomas Leback.

Gary S. Nimax and Lori J. Strauss were the presenters.
Mr. Genovese opened the meeting noting that Ms. Carolyn Saint has been hired as the new Chief Audit Executive and that she will be introduced at tomorrow’s meeting of the full Board. He then turned the meeting over to Mr. Gary Nimax, who is serving as the interim Chief Audit Executive.

Corporate Compliance and Privacy Office Status Report for Fiscal Year 2014-2015

Ms. Strauss referenced the status report in the written materials. Of the 48 projects that are on the schedule for this fiscal year, 22 (46%) are complete and seven (15%) are in process. The office anticipates having all projects completed by the end of the June.

In accordance with federal guidelines, the Corporate Compliance and Privacy Office prepares compliance and privacy training modules and revises the mandatory annual compliance and privacy retraining content for all employees. Updates are based on trends from site visits, policy changes, questions from staff or management, and the office’s auditing and monitoring program.

This year’s training included the need to log off of unattended computers; double-checking papers containing protected health information before distribution to patients; electronic medical record accesses; using and storing health information on mobile devices; clarification about MyChart; safeguards for transporting documents; reporting compliance concerns; non-retaliation for good faith reporting of alleged misconduct; and conflicts of interest.

The office provided privacy training for the School of Nursing, Patient Relations Department, Language Services, Crossroads Family Practice, Infectious Disease Clinic, and Hematology/Oncology Clinic. The office ensured completion of privacy training for new employees throughout the University. The office also responded to employees and management who had questions about regulations, policies, and auditing, or reported a concern.

Report on Enterprise Risk Management

Mr. Nimax noted that in 2013 he began providing regular enterprise risk management (ERM) reports to the Committee and that at its November 2014 meeting the Committee decided to formally expand its charge to include enterprise risk management and to change its name to the Audit, Compliance, and Risk Committee. This revision was approved by the Board’s Executive Committee at its February 19, 2015 meeting and will be voted on by the Board at tomorrow’s meeting.

The enterprise risk management program is designed to identify and mitigate key institutional risks. The types of risks include:

- Strategic
- Operational
- Financial
- Reputational
- Legal and regulatory
It is considered a best practice for senior management to evaluate institutional risks based on:

- Likelihood: How likely is it that this risk will occur at the University?
- Impact: What would the impact be if this risk occurred at the University?

The senior leadership team has identified key institutional risks and has previously presented nine risk categories to the Board. These represent the most critical risks to the academic division. There are also other risks managed by schools and departments. For each identified risk, the administration documents:

- Risk owner
- Key stakeholders
- Current mitigation activities
- Action plans
- Due dates and responsible person (if applicable)

As an example, Mr. Nimax reviewed the documentation and mitigation strategies for the risk category of Managing Human Capital. This category has three mitigation strategies:

- Achieve competitive compensation
- Manage generational turnover in faculty
- Effective succession planning

The documentation lists the risk category, risk description, risk owner, key stakeholders, current migration activities, and action plans. The activities and plans include due dates and responsible individuals. The strategies were developed by reviewing the Cornerstone Plan and in consultation with the risk owners, which for this category include the Senior Vice Provost and the Vice President and Chief Human Resources Officer.

Mr. Nimax said the Committee will receive a report periodically on the progress made with the mitigation strategies and to discuss key risk issues. He also noted there are risk areas that will be discussed with other committees. Financial risks, for example, are discussed at Finance Committee meetings. The Audit and Compliance Committee will be made aware of these discussions.

During the discussion session, the Committee requested that goal reports at future meetings include data measuring progress including actual funding versus budgets. Interest was expressed in the progress made on competitive compensation and on generational faculty turnover and effective succession planning. It was also suggested that some items, such as succession planning, should be shared with the whole Board and that perhaps the Board and the Committee could meet once a
year. Mr. Hogan acknowledged the issues raised said the presentation at the June meeting will include a review of funding and resources.

Audit Department Status Report for Fiscal Year 2014-2015

Mr. Nimax referenced the status report in the written materials. As of December 31, 29% of the department’s projects were complete and 46% were in process. While the goal was to have 33% completed, the completion rate is in line with last year’s performance.

The department typically completes 90% of its scheduled audits by June 30th and has the same goal for this year. The department has had several vacancies and is reassessing its project load. Two projects will be deferred, one for the Office of Sponsored Programs and the other for the IT networks. With these adjustments, the remaining projects are expected to be completed on schedule.

Summary of Audit Findings

Mr. Nimax referenced the report in the written materials on remedial work that was to be completed in 2014 on 21 information technology findings from a previous audit. The follow-up audit indicated that all corrective actions had been taken with one exception. This was for the update of phone directory records. Corrective action had not been taken because of a delayed system implementation. Management agreed to the department’s recommendation that the alternate procedures continue for the interim period.

Executive Session

The following motion was read and approved, and the committee continued in closed session at approximately 11:00 a.m.:

That the Audit and Compliance Committee of the Board of Visitors go into closed session to discuss audit and compliance reports of specific departments involving specific personnel responsible for information system and electronic medical record security, student financial aid administration, and patient billing and privacy as permitted by Sections 2.2-3711 (A) (1) and (19) of the Code of Virginia and where, in the case of the Medical Center, disclosure at this time would adversely affect the Medical Center’s competitive position as permitted by Section 2.2-3711 (22) of the Code of Virginia.

At 11:25 a.m. the committee concluded closed session and approved the following motion:

That we vote on and record our certification that, to the best of each committee member’s knowledge, only public business matters lawfully exempted from open meeting requirements and which were
identified in the motion authorizing the closed session, were heard, discussed or considered in closed session.

On motion, the Committee approved the following resolution and recommended it for full Board approval:

SUMMARY OF COMPLIANCE AND PRIVACY FINDINGS AND SUMMARY OF INTERNAL AUDIT FINDINGS

RESOLVED, the Summary of Compliance Projects for the period July 1, 2014 through December 31, 2014, as presented by the Chief Corporate Compliance and Privacy Officer, and the Summary of Internal Audit Findings for the period October 16, 2014 through December 31, 2014, as presented by the Interim Chief Audit Executive, are approved.

On further motion, the committee adjourned at 11:28 a.m.

SGH:wtl
These minutes have been posted to the University of Virginia’s Board of Visitors website:  http://www.virginia.edu/bov/auditminutes.html