MEMORANDUM

TO: The Audit, Compliance, and Risk Committee:

Frank E. Genovese, Chair
Mark T. Bowles
L.D. Britt, M.D.
Frank M. Conner III
John G. Macfarlane III
Jeffrey C. Walker
William H. Goodwin Jr., Ex Officio
Adelaide Wilcox King, Faculty Consulting Member

and

The Remaining Members of the Board:

Frank B. Atkinson
Whittington W. Clement
Helen E. Dragas
Kevin J. Fay
Barbara J. Fried
John A. Griffin
Victoria D. Harker
Bobbie G. Kilberg
Tammy S. Murphy
James V. Reyes
Joe Garofalo, Faculty Member
Phoebe A. Willis, Student Member

FROM: Susan G. Harris

SUBJECT: Minutes of the Meeting of the Audit, Compliance, and Risk Committee on June 10, 2016

The Audit, Compliance, and Risk Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 1:20 p.m., on Friday, June 10, 2016, in the Auditorium of the Albert and Shirley Small Special Collections Library of the Harrison Institute. Frank E. Genovese, Chair, presided.

Present were William H. Goodwin Jr., Mark T. Bowles, L.D. Britt, M.D., Frank M. Conner III, John G. Macfarlane III, Jeffrey C. Walker, and Ms. Adelaide Wilcox King.

Frank B. Atkinson, Kevin J. Fay, Barbara J. Fried, John A. Griffin, Tammy S. Murphy, James V. Reyes, and Phoebe A. Willis were also present.

Presenters were Gary S. Nimax, James S. Matteo, Carolyn D. Saint, and Eric M. Sandridge.

Mr. Genovese opened the meeting and reviewed the agenda.

Consent Agenda: Corporate Compliance and Privacy Office Project Schedule for Fiscal Year 2017 (see Attachment for the Schedule)

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

CORPORATE COMPLIANCE AND PRIVACY OFFICE PROJECT SCHEDULE FOR FISCAL YEAR 2017

RESOLVED, the Corporate Compliance and Privacy Office Project Schedule for the Medical Center for fiscal year 2017 is approved as recommended by the Audit, Compliance, and Risk Committee.

Auditor of Public Accounts (APA) Audit Entrance Meeting for Fiscal Year 2016

Ms. Melody S. Bianchetto, Vice President for Finance, introduced Mr. Eric M. Sandridge, Director of Higher Education Programs for the Virginia Auditor of Public Accounts. Mr. Sandridge is in charge of the University’s audit. He explained that the audit, which will include the Academic Division and the Medical Center, will issue an opinion on the University’s financial statements. It will be completed in early November. There will be reports on internal control and compliance and on intercollegiate athletics. The latter will be issued in January 2017 and will be in accordance with NCAA procedures. In support of the University’s 10-year reaffirmation of accreditation, the audit will include a detailed review of compliance and control in the area of student financial aid. There will be a discussion of fraud and risk with the committee chair.

The audit team will not audit University foundations. The team will obtain assurances of the independence of their audits and their compliance with professional standards. The foundation audits will be reviewed to verify that they have clean opinions and to make sure that the financial information from foundations is properly incorporated into the University’s consolidated financial statements.

Audit Department Activities Report

Ms. Carolyn D. Saint, Chief Audit Executive, reported that the department’s efforts for the year focused on rebuilding the
department, enhancing the efficiency and effectiveness of the audit processes, and executing audits and advisory projects. The department has moved to risk based, strategically relevant audits and has launched an ambitious project to use data analytics in audits.

University Compliance: Medical Center Compliance and Privacy Office Staffing Report

Mr. Gary S. Nimax, Assistant Vice President for Compliance, reviewed the search schedule for a new Compliance and Privacy Officer for the Medical Center.

Enterprise Risk Management (ERM) Program Report

Mr. James S. Matteo, Associate Vice President and Treasurer, reviewed the status of the three near-term ERM priorities. The Repositioning of the ERM Program and the Enhanced Board Reporting priorities will be completed by September 1, 2016. The Onboarding of the Health System priority will be completed during fourth quarter of FY 2017. The ERM governance structure has been revised. The size of the Risk Management Council, which reports to the president and cabinet, has been reduced to six members to make it more effective. It will be supported by two risk management networks, one in the Academic Division and one in the Medical Center.

Committee discussion focused on the benefits of risk hotlines. President Sullivan suggested that the University’s hotline be rebranded as a risk hotline instead of a compliance hotline since the term risk might be more understandable. Mr. Hogan said that the University should enhance its risk communication efforts. Mr. Matteo said that a goal of the ERM program is to push risk ownership down to the department level.

Closed Session

The following motion was read and approved by unanimous voice vote, and the committee continued in closed session at approximately 1:45 p.m.:

Mr. Chair, I move that the committee go into closed session to evaluate the performance of specific personnel; to consult with legal counsel; to discuss security-related matters; and to discuss Medical Center operations, as provided for in Sections 2.2-3711(A)(1), (7), (19) and (22) of the Code of Virginia.

At 1:55 p.m. the committee concluded closed session and approved the following motion by unanimous voice vote:

Mr. Chair, I move that we vote on and record our certification that, to the best of each 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 adjourned at 1:55 p.m.

SGH:wt1

These minutes have been posted to the University of Virginia’s Board of Visitors website: [http://www.virginia.edu/bov/auditminutes.html](http://www.virginia.edu/bov/auditminutes.html)
Determination of Hours Available for 2016-2017

<table>
<thead>
<tr>
<th>Corporate Compliance and Privacy Projects</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year (FY) 2017</td>
<td></td>
</tr>
<tr>
<td>Total Hours Available</td>
<td>8,840</td>
</tr>
<tr>
<td>Less: Vacancies</td>
<td>2,080</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>6,760</td>
</tr>
<tr>
<td>Professional Development</td>
<td>325</td>
</tr>
<tr>
<td>Leave and Holidays</td>
<td>860</td>
</tr>
<tr>
<td>Other Activities: Office and Personnel Administration, Committee Meetings</td>
<td>320</td>
</tr>
<tr>
<td>Hours Available for Corporate Compliance and Privacy Projects</td>
<td>5,255</td>
</tr>
</tbody>
</table>

The schedule above outlines the available staff resources for the Corporate Compliance and Privacy Office (Office). The schedule is developed based on required work from federal, state, and other regulatory agencies, risk assessment models, requests from Medical Center management, and analyses of work performed in prior years. The hours available for Corporate Compliance and Privacy projects have been reduced (by 2,080 hours/1 FTE) due to the vacancy of the Chief Corporate Compliance and Privacy Officer. This schedule will be readjusted after that position has been filled on a permanent basis.

The Office staff consists of the following positions:

- Chief Corporate Compliance and Privacy Officer – currently vacant (0 hours)
- Interim Corporate Compliance and Privacy Officer / Program Coordinator (2080 hours)
- Compliance and Privacy Senior Analyst (2,080 hours)
- Compliance and Privacy Analyst (2,080 hours)
- Compliance and Privacy Specialist (25% of full time position – 520 hours)

The schedule includes hours allocated for professional development activities. During FY17, Office staff plan to attend the Society of Corporate Compliance and Ethics Basic Compliance and Ethics Academy, the Fairwarning Ready Certified Professionals Training Program, the Health Care Compliance...
Association Compliance Institute and the Enforcement Compliance Institute, and relevant webinars and/or other educational sessions for professional development. These professional development activities are vitally important and provide the Office an opportunity to network with other compliance and privacy professionals; obtain information on emerging issues; and gain knowledge on issues that compliance and privacy professionals encounter daily.

Hours for other activities related to the Office include serving on relevant committees throughout the Medical Center. The Interim Compliance and Privacy Officer will continue to attend such meetings to determine if the Office provides added value. These hours also include the time allotted to review the annual Office of the Inspector General (OIG) Work Plan and solicit feedback from Management regarding the risks identified by the OIG that apply to our setting. This document and related communications are used to determine the Office’s scheduled projects.

After removing hours for professional development, leave and holidays, and other activities, there are 5,255 hours remaining for Corporate Compliance and Privacy Office projects.

<table>
<thead>
<tr>
<th>Allocation of Hours Available for Corporate Compliance and Privacy Projects</th>
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<tbody>
<tr>
<td><strong>Fiscal Year 2017</strong></td>
</tr>
<tr>
<td>----------------------</td>
</tr>
<tr>
<td>Hours Available for Corporate Compliance and Privacy Projects</td>
</tr>
<tr>
<td>Consulting: Policy and Procedure Reviews, Guidance</td>
</tr>
<tr>
<td>Developing and Conducting Training: Department Specific Training, Website Documents, Communications</td>
</tr>
<tr>
<td>Unscheduled Compliance Projects: Federal or State Agency Investigations, Auditing and Monitoring, Management Requests, Industry Alerts, Investigations</td>
</tr>
<tr>
<td>Hours Available for Corporate Compliance and Privacy Scheduled Projects</td>
</tr>
</tbody>
</table>

The Office promptly responds to and investigates issues of suspected violations related to compliance and privacy. Inappropriate, but accidental, disclosures of protected health information comprise a large number of the privacy investigations. Each of these accidental disclosures is
assessed to determine if the incident is a reportable breach (i.e., when a patient is provided with another patient’s protected health information). The hours allocated to this function are included in unscheduled privacy projects.

The University of Virginia Health System's Notice of Privacy Practices was last reviewed and updated in 2013. This document will be reviewed this fiscal year and any applicable and relevant changes will be made. The hours allocated to this review are included in unscheduled privacy projects.

Developing and conducting training accounts for approximately 965 hours (18%) of the Office’s work hours. Special and unscheduled projects account for approximately 2,090 hours (40%) of the Office’s work hours.

<table>
<thead>
<tr>
<th>Corporate Compliance and Privacy Projects</th>
<th>HOURS</th>
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</thead>
<tbody>
<tr>
<td><strong>Scheduled Projects</strong></td>
<td></td>
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<tr>
<td>Fiscal Year 2017</td>
<td></td>
</tr>
<tr>
<td>Outpatient Clinic or Procedure Area Audits (e.g., coding, billing and/or documentation review related to medications, procedures, facility fees, or others)</td>
<td>600</td>
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<tr>
<td>Privacy Auditing and Monitoring: Monthly Site Visits and Medical Record Audits</td>
<td>400</td>
</tr>
<tr>
<td>Inpatient Medicare Severity Diagnosis Related Groups Audits (e.g., coding, billing and/or documentation review related to correct coding validation, medical necessity, hospital acquired conditions, or others)</td>
<td>800</td>
</tr>
<tr>
<td>Developing and Conducting Training: New Hire and Annual Compliance and Privacy Training, Hybrid Privacy Training</td>
<td>400</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,200</td>
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</table>

The hours allocated above for work related to privacy and training have not been reduced due to the staff vacancy because of the importance of these activities to the Medical Center. The Office provides content for compliance and privacy-related topics for the mandatory new hire and retraining modules each year. The content is based on trends observed through risk assessments, auditing and investigations; law and regulatory changes; and industry needs. In addition, the Office provides additional training as requested from departments. The Office regularly participates and presents at the Housestaff Orientation.

In order to avoid duplication of resources, and a desire to participate in a partnership across the continuum of compliance-
related departments, the Office meets regularly with the University's Chief Audit Executive and staff and the University Physicians Group Director for Audit and Compliance and staff, in order to coordinate and work together to assure that the Health System's risk are appropriately addressed. During these meetings, ongoing and anticipated projects are discussed.

The fully detailed project schedule has not yet been determined; however, there are two industry-specific high-risk areas that will be assessed:

- The 340B Pharmacy Drug Pricing Program continues to be a high risk area, due to the complexity of the requirements, regulatory scrutiny, and high dollar volume. The Medical Center Pharmacy staff has policies and procedures in place to ensure compliance with the Program. Our Office will review their policies and procedures and audit plan to assure that they are in compliance with the Program.

- The Centers for Medicare and Medicaid Services' Two-Midnight Rule continues to be a highly-audited billing rule. This Rule originated from the Recovery Audit program when CMS identified high rates of error for hospital services rendered in a medically-unnecessary setting (i.e., inpatient rather than outpatient.) The Office has conducted a thorough review within the past two years, and will continue to review the necessity of inpatient vs. observation status with each inpatient billing review the Office completes.

The Office will continue its seamless working relationship with Health Information Technology on some key emerging risk areas such as cybersecurity, the security and process of texting patient information, and cloud computing safe and secure initiatives. There is growing concern among the industry on the security and protection of the data stored on medical devices. This topic was contained in the 2015 OIG Work Plan where the OIG reported that computerized medical devices such as dialysis machines, radiology systems, and medication dispensing systems that are integrated with electronic medical records (EMRs) pose a growing threat to the security and privacy of personal health information. The OIG said they will determine whether hospitals' security controls over networked medical devices are sufficient to effectively protect associated electronically protected health information (ePHI) and ensure beneficiary safety. The Office will gather best practices and standards
from throughout the industry, and provide that information to Health Information Technology for their review.

Some additional Office-related activities that are planned for this fiscal year, and will require the need for significant resource hours, are the implementation and go-live of the MD Audit Compliance Software. This software will be used to support sampling, complete root cause analysis, and identify and reduce compliance billing risks. Additionally, the Office will pursue ways to reduce the use of paper in the Office in order to be in line with the University of Virginia’s Sustainability Plan; to be better stewards of the environment; and resolve the lack of space for filing of documents in the Office. The Office is investigating solutions that will allow for scanning documents in to a database and the electronic storage of older files.

Scheduled projects account for approximately 2,200 hours (42%) of the Office’s scheduled work hours.