

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
AUDIT & COMPLIANCE COMMITTEE
October 2, 2003**

AUDIT & COMPLIANCE COMMITTEE
(Open Session)

Thursday, October 2, 2003
11:00 a.m. - 12:30 p.m.
Board Room, The Rotunda

Committee Members:

Charles L. Glazer, Chair

Thomas J. Bliley, Jr.

Don R. Pippin

Terence P. Ross

Warren M. Thompson

Georgia M. Willis

Gordon F. Rainey, Jr. Ex Officio

AGENDA

PAGE

- INFORMATION REPORT (Ms. Deily)
 - A. Audit Schedule Accomplishment 1
 - B. Corporate Compliance Agreement (Ms. Deily 5
to introduce Mr. Ralph Traylor; Mr. Traylor
to report)

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: October 2, 2003

COMMITTEE: Audit & Compliance

AGENDA ITEM: A. Audit Schedule Accomplishment

BACKGROUND: Ms. Deily will inform the Board of the accomplishments of the Audit Department for the last Fiscal Year. This does not require formal action, but is information of which the Board should be made aware.

ACTION REQUIRED: None

University of Virginia
Audit Department

Status of Fiscal Year 2002-03 Audit projects
as of June 30, 2003

Scheduled Audit Projects

| | University | Health System | TOTAL |
|--------------------------|------------|---------------|-------|
| Scheduled* | 10 | 14 | 24 |
| Completed | 9 | 13 | 22 |
| % Completed | 90% | 93% | 92% |
| In Process | 1 | 1 | 2 |
| % In Process | 10% | 7% | 8% |
| % Complete or In Process | 100% | 100% | 100% |

*Comments: Three projects were deferred from the original schedule. We spent 1800 hours more on special projects than what was initially budgeted (2300 hours) for a total of 4100 hours on special projects. This could have justified a deferral of five projects but only three were deferred. Last year's accomplishment rate was 88%.

University of Virginia
Audit Department

Non-Audit Schedule Department Accomplishments

Hosted a two-day course "The Art of Profiling - Reading People Right the First Time," with national speaker Dan Korem, for several University departments. This was done so that the Audit Department staff and other University personnel would be better able to identify difficult individuals and have strategies to handle those persons.

Coordinated two one-day training sessions for the College and University Auditors of Virginia in order to fulfill continuing education requirements at a bargain price. Speakers included representatives from the Commonwealth's Department of Homeland Security, the State Police and the Auditor of Public Accounts as well as Professors from the Darden School and the University of Richmond.

Implemented a new software package for keeping track of hours for the Audit Department. The system that was being used was homegrown, fifteen plus years old and required much annual maintenance.

One of our Assistant Directors became an instructor for the Institute of Internal Auditors (IIA). She will teach courses once or twice a year, which fulfills her professional training requirements (at no cost to the department), as well as earning credits for others in the department to attend IIA training session without having to pay the course fee.

One of our department members passed the June 2003 exam to become a "Certified Information Systems Auditor." This increases our expertise in auditing computer systems.

One of our senior auditors completed a 12 week course on "Advanced Coding: Inpatient DRG Coding." This will improve our reviews of patient billing and help identify possible compliance and charge capture issues.

The Director put on a presentation for the Richmond chapter of the Information Systems Audit and Control Association. The presentation was on "Electronic Signatures - Models, Uses and Controls" and was well received.

University of Virginia
Audit Department

Estimated Opportunities for Cost Savings & Recoveries
Recommended During the Period August 2002 - July 2003

Quantifiable Cost Recommendations

| | |
|--|-----------|
| Late Charges - Interest Earnings | \$116,000 |
| Parking and Transportation - Overtime Use | \$ 75,000 |
| Psychiatric Services - Charge Processing | \$ 52,000 |
| School of Medicine - Travel Expenditures | \$ 47,700 |
| Medical Labs - Computer Development Costs | \$ 40,000 |
| Medical Labs - Unbilled Charges | \$ 29,000 |
| University Bookstore - Clerical Procedures | \$ 8,600 |
| Police Department - Event Billing | \$ 3,100 |
| Parking and Transportation - Time Abuse | \$ 2,800 |
| Pharmacy - Interest Earnings | \$ 2,500 |
| Admissions - Interest Earnings | \$ 370 |
| School of Medicine - Travel Reimbursement | \$ 200 |
| TOTAL | \$377,270 |

NOTE: We also identified a \$150,000 benefit of having Novation procure our medical supplies that had not been included in an analysis by Health System management.

University of Virginia
Audit Department

BOARD MEETING: October 2, 2003

COMMITTEE: Audit & Compliance

AGENDA ITEM: B. Corporate Compliance Agreement

BACKGROUND: Ms. Deily will introduce Mr. Ralph Traylor, Corporate Compliance Officer, who will present an update on the Corporate Compliance Agreement. This does not require formal action, but is information of which the Board should be made aware.

ACTION REQUIRED: None