UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
AUDIT AND COMPLIANCE
COMMITTEE
FEBRUARY 25, 2011
AUDIT AND COMPLIANCE COMMITTEE
(Open Session)

Friday, February 25, 2011
8:30 – 9:15 a.m.
Board Room, The Rotunda

Committee Members:
The Honorable Alan A. Diamonstein, Chair
Hunter E. Craig
Glynn D. Key
W. Heywood Fralin
Randal J. Kirk
Sheila C. Johnson
Vincent J. Mastracco Jr.
John O. Wynne, Ex-officio

AGENDA

I. INFORMATION REPORT (Ms. Deily)
   A. Auditor of Public Accounts (APA) Audit and Management Letter (Ms. Deily to introduce Mr. Walter Kucharski, Auditor of Public Accounts of the Commonwealth; Mr. Kucharski to report) 1
   B. Compliance Office Status Report for Fiscal Year 2010 – 2011 (Ms. Deily to introduce Ms. Lori Strauss, Ms. Strauss to report) 2
   C. Audit Department Status Report for Fiscal Year 2010 – 2011 5
   D. Summary of Audit Department and Compliance Office Findings 7

II. EXECUTIVE SESSION – LIST OF ITEMS

III. APPROVAL OF SUMMARY OF AUDIT FINDINGS (resolution) 12
UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 25, 2011

COMMITTEE: Audit and Compliance

AGENDA ITEM: I.A. Auditor of Public Accounts

ACTION REQUIRED: None

BACKGROUND: The Auditor of Public Accounts of the Commonwealth conducts an annual audit of the University and the Medical Center and reports to the Board on his findings. Ms. Deily will introduce the Auditor, Mr. Walter Kucharski, who will report. University management will respond to the Auditor’s Audit and Management letter.
UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 25, 2011

COMMITTEE: Audit and Compliance


ACTION REQUIRED: None

BACKGROUND: Ms. Strauss will inform the Board of the status of compliance projects of the Compliance Office for the current Fiscal Year. This report does not require formal action, but is information of which the Board should be made aware.
1. Corporate Compliance & Privacy Office Staffing:

Due to retirement, the administrative specialist position has been vacant since November 27, 2010; replacement hired to begin January 24, 2011.

2. Corporate Compliance & Privacy Office Professional Development:

The Corporate Compliance & Privacy Office Program Manager and Officer attended the Health Care Compliance Association Privacy Academy and obtained certification in October 2010.

3. Education:

The mandatory compliance, privacy and security training modules for new hires and the annual retraining module for current employees were reviewed and revised - 100% complete.

The Corporate Compliance & Privacy Office staff provided five privacy training presentations for staff.

4. Scheduled Projects:

Out of the eighteen scheduled projects, seven (39%) projects are complete and six (33%) projects are in process. We are on schedule to complete the project schedule for this fiscal year.

5. Special Projects:

Transplant - Coding Services requested assistance of the Corporate Compliance & Privacy Office to review transplant accounts on a monthly basis where a diagnosis-related group was submitted without a major complication or co-morbidity to assess if documentation supports otherwise. Eight accounts have been reviewed and were correct as submitted.
Notice of Privacy Practices – Due to changes in the Privacy Rule, the UVA Notice of Privacy Practices document required revisions. On-grounds assessment revealed many posters had been removed. Notice of Privacy Practices posters were made and posted with the revisions; new patient handouts were made with the revisions; the web version of the document was updated, and the document was translated and made available in Spanish.

6. Scheduled Projects:

Privacy Monitoring and Auditing – Site Audits: Twelve privacy site audits were conducted (five inpatient areas, five outpatient clinics, and two procedure areas). The site audits included random medical record access reviews of sixty-five patient records. No inappropriate accesses were found. Education during the site audits included reminding staff to better safeguard protected health information in paper charts in public areas.
UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 25, 2011

COMMITTEE: Audit and Compliance

AGENDA ITEM: I.C. Audit Department Status Report, 2010 – 2011

ACTION REQUIRED: None

BACKGROUND: Ms. Deily will inform the Board of the status of audit projects of the Audit Department for the current Fiscal Year. This report does not require formal action, but is information of which the Board should be made aware.
Status of Fiscal Year 2010-11 Audit Projects as of December 31, 2010

Scheduled Audit Projects

<table>
<thead>
<tr>
<th></th>
<th>University</th>
<th>Health System</th>
<th>IT</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheduled</td>
<td>10</td>
<td>11</td>
<td>5</td>
<td>26</td>
</tr>
<tr>
<td>Completed</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>% Completed</td>
<td>40%</td>
<td>36%</td>
<td>20%</td>
<td>35%</td>
</tr>
<tr>
<td>In Process</td>
<td>3</td>
<td>5</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>% In Process</td>
<td>30%</td>
<td>46%</td>
<td>20%</td>
<td>35%</td>
</tr>
<tr>
<td>% Complete or</td>
<td>70%</td>
<td>82%</td>
<td>40%</td>
<td>70%</td>
</tr>
<tr>
<td>In Process</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Non-Scheduled Projects

<table>
<thead>
<tr>
<th></th>
<th>University</th>
<th>Health System</th>
<th>IT</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carry-forward</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>New</td>
<td>10</td>
<td>2</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>4</td>
<td>13</td>
<td>31</td>
</tr>
<tr>
<td>Completed</td>
<td>5</td>
<td>4</td>
<td>9</td>
<td>18</td>
</tr>
<tr>
<td>% Completed</td>
<td>36%</td>
<td>100%</td>
<td>69%</td>
<td>58%</td>
</tr>
<tr>
<td>In Process</td>
<td>9</td>
<td>-0-</td>
<td>-0-</td>
<td>13</td>
</tr>
<tr>
<td>% In Process</td>
<td>64%</td>
<td>-0-</td>
<td>31%</td>
<td>42%</td>
</tr>
<tr>
<td>% Complete or</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>In Process</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 25, 2011

COMMITTEE: Audit and Compliance

AGENDA ITEM: I.D. Summary of Audit and Compliance Findings

ACTION REQUIRED: None

BACKGROUND: Ms. Deily will present a summary of audit department and compliance office findings on the following audit and compliance report: Outsourced Systems.
BACKGROUND

The University of Virginia and the UVA Health System both have outsourced parts of their IT operations to third parties. While this is common practice in the industry, the process does bring about different risks and challenges than are typically associated with a contractual agreement with the University or Health System. Risk assessments must be performed to evaluate the risks involved with this type of outsourcing, and then contract language should be developed to protect the interests of the University and Health System in these types of agreements. Consideration should be given to ensure the confidentiality, integrity and availability of the data or system that has been outsourced. It should be noted that this audit reviewed the security considered during procurement of outsourced systems which makes up only a part of a multilayer defense. Although other controls such as operating systems (e.g. Windows) and network security have been reviewed in the past and will be again, they were not reviewed during this audit.

AUDIT OBJECTIVES

The Audit Department has completed a review of outsourced systems at the University and Health System for fiscal year 2010. Audit objectives included review of the process of implementing an outsourced system contract, from identifying a business need and analyzing risk to vendor communication and negotiation. Another objective was to review contracts in place at the University and Health System in this area to evaluate for consistency and effectiveness.

OPINION ON AUDIT OBJECTIVES

The overall process for procuring an outsourced system required standardization in the process at both the University and Health System. In both cases, pieces of the process were being done effectively, but never consistently across various contracts.

CRITICAL AREAS NOTED FOR IMPROVEMENT

1) A formal process was needed for assessing risk to ensure the same level of diligence is applied to all outsourced systems at the University and Health System.

2) The process for negotiating an outsourced contract required improvement, with greater attention paid to information security at the University and the Health System.
MANAGEMENT’S RESPONSE

Management concurs and has agreed to correct the identified conditions.

FINANCIAL IMPACT

The impact of security considerations for outsourced contracts is always important in a university and hospital environment because of the following concerns:

- Public Relations Issues,
- HIPAA/FERPA/High Tech/PCI non-compliance, and
- Monetary loss as a result of system down time and staff hours spent in repair/recovery.