November 11, 2011

MEMORANDUM

TO: The Audit and Compliance Committee:

W. Heywood Fralin, Chair
Hunter E. Craig
The Hon. Alan A. Diamonstein
Glynn D. Key
Randal J. Kirk
George Keith Martin
Vincent J. Mastracco Jr.
Helen E. Dragas, Ex Officio

and

The Remaining Members of the Board:

A. Macdonald Caputo        Mark J. Kington
Allison Cryor DiNardo       John L. Nau III
Marvin W. Gilliam Jr.       Timothy B. Robertson
Robert D. Hardie           Jonathan B. Overdevest
Stephen P. Long, M.D.       Edward D. Miller, M.D., Ex Officio

FROM: Susan G. Harris

SUBJECT: Minutes of the Meeting of the Audit and Compliance Committee on November 11, 2011

The Audit and Compliance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 8:15 a.m., on Friday, November 11, 2011, in the Board Room of the Rotunda; W. Heywood Fralin, Chair, presided.

Present were Hunter E. Craig, The Hon. Alan A. Diamonstein, Ms. Glynn D. Key, George Keith Martin, Vincent J. Mastracco Jr., and Ms. Helen E. Dragas, Rector.

Also present were A. Macdonald Caputo, Ms. Allison Cryor DiNardo, Robert D. Hardie, Mark J. Kington, Stephen P. Long, M.D., John L Nau III, Timothy B. Robertson, Edward D. Miller, M.D., and Jonathan B. Overdevest.
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The Chair introduced Ms. Barbara J. Deily, Chief Audit Executive, to present the Audit Charter for approval.

The following resolution was adopted and recommended to the full Board for approval:

APPROVAL OF THE AUDIT CHARTER

RESOLVED, the attached Audit Charter, updated on November 11, 2011, is approved as recommended by the Audit and Compliance Committee.

Enterprise Risk Management

Ms. Deily said enterprise risk management (ERM) will become a regular reporting item. She introduced Michael Strine, Executive Vice President and Chief Operating Officer, to report.

Mr. Strine said several years ago an ERM initiative began. In Phase One, risk management was examined in six areas. Phase Two is now well along. Excluded are patient care areas, the College at Wise, and University-related foundations. Phase Two sorted risks into four categories: compliance, safety and security, operational, and strategic. The Vice Presidents reviewed and identified the most significant risks in their areas.

The top five institution-wide strategic risks were identified and the next step is to develop risk management approaches. The top five risks are: 1. The University may lack resources to maintain core programs and pursue strategic objectives; 2. The University’s process for allocating financial resources may not be consistent with the University’s strategic objectives; 3. Foundations, schools, and departments may utilize available funding to promote individual interests rather than align their goals with University goals; 4. Incidents (racial, sexual assault, etc.) may occur—student and visitor safety in general; and 5. Investments in academic programs may not yield the desired returns: large investments in sciences having lower return than small investments in humanities and social sciences. He said the University needs a coordinating body for compliance and risk management.
Medical Center Billings and Controls Coverage

Ms. Deily and Mr. Strine addressed Medical Center billings and control coverage. Mr. Strine explained that the Hospital and the University Physicians Group (UPG) are separate entities, but there are linkages in the areas of governance, data and systems, financial reserves, and internal controls. Ms. Deily explained the linkages in each area. She said there are opportunities for further coordination even with the ongoing collaboration with UPG. A more detailed report will be provided at the February meeting.

Dr. Miller said that at John Hopkins, departments and individuals are graded on billing, and the grades are published.

Mr. Fralin said he was concerned about self-referrals, and Ms. Deily said she would look into it.

Executive Session

The committee adopted the following motion and went into Executive Session at 8:40 a.m.:

That the Audit and Compliance Committee of the Board of Visitors go into Closed Session to discuss the audits of University and Medical Center operations as they concern the evaluation of performance of a specific University employee with regard to adherence to compliance certifications as permitted by Section 2.2-3711 (A)(1), and Medical Center operations processes relating to revenue charges and medical record documentation where 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.

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The committee resumed its meeting in Open Session at 8:45 a.m. and adopted the following resolution certifying that its discussions in Executive Session had been held in accordance with the exemptions permitted by the Virginia Freedom of Information Act:

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

The Chair asked for a motion to approve the Summary of Audit and Compliance Findings discussed in Executive Session. The following resolution was adopted and recommended to the full Board for approval:

APPROVAL OF THE SUMMARY OF AUDIT FINDINGS FOR THE PERIOD JULY 1, 2011 THROUGH AUGUST 31, 2011

RESOLVED, the Summary of Audit Findings for the period July 1, 2011 through August 31, 2011, as presented by the Chief Audit Executive, is approved as recommended by the Audit and Compliance Committee.

On further motion, the committee adjourned at 8:45 a.m.

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