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 February 24, 2012

The Audit and Compliance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 8:00 a.m., on Friday, February 24, 2012, 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, Marvin W. Gilliam Jr., Mark J. Kington, Stephen P. Long, M.D., Edward D. Miller, M.D., and Jonathan B. Overdevest.

Walter J. Kucharski, Andrew W. Powell, and Stephen Walker from the office of the Auditor of Public Accounts of the Commonwealth were also present.

The Chair introduced Ms. Barbara J. Deily, Chief Audit Executive, to begin the meeting. Ms. Deily gave an overview of the roles of those reporting to the committee. She said Mr. Walter Kucharski is the Commonwealth’s auditor of public accounts and his office expresses the opinion on the reliability of the University’s financial statements. The Audit Department under Ms. Deily is the internal audit department, which looks at departments in depth. Ms. Lori J. Strauss is the Chief Corporate Compliance and Privacy Officer, who oversees the compliance function of the Medical Center to ensure continued federal and state funding.

Corporate Compliance and Privacy Office Status Report

Ms. Deily introduced Ms. Strauss to give her report. Her office is on schedule to complete all of the 17 scheduled projects for this fiscal year, with seven completed and three in progress.

Ms. Strauss said the Corporate Compliance and Privacy Office is implementing a new product, FairWarning, an appliance based software solution used to monitor and protect patient privacy in electronic health records. FairWarning will provide enhanced monitoring capabilities to detect and alert the office of potential inappropriate activity regarding patient privacy. It will be a tool to investigate and respond to inappropriate use or disclosure of information, and will help with the effectiveness of the audit process.

Audit Department Status Report

Ms. Deily said the Audit Department completed 35% of their projects by December 31, slightly higher than their goal of 33% complete. The goal for completion by June 30th is 90%, with 70% of their projects in process as of December 31. Their office currently has one vacancy that is deliberately remaining open as the department adjusts to some organizational changes made a year ago.

She said that at the last Audit and Compliance Committee meeting she promised to update the committee on concerns over hospital billings. The Audit and Corporate Compliance Offices met with the internal auditor for the UVA Physicians Group (UPG). The corporate compliance offices of both the hospital and the UPG will review a joint sample of records and ensure that each entity has billed correctly for their portion of the charges. This project will start around July 1.
Ms. Deily asked Mr. Walter Kucharski, the Auditor of Public Accounts of the Commonwealth, to give his report. Ms. Deily also introduced Mr. Andrew Powell, project manager for the University of Virginia audit, and Stephen Walker.

Mr. Kucharski commented on the Auditor of Public Accounts’ (APA) opinion on the University’s financial statements for the year ended June 30, 2011. He said there was one minor finding on the NCAA audit. They did not find any illegal or fraudulent acts, and he said the APA had full cooperation from management on the audit.

Mr. Fralin asked Mr. Strine to comment from the University’s perspective. Mr. Strine said the timeliness of cash deposits was the issue in the NCAA audit, and they are working on improving the internal controls around cash. He thanked Mr. Kucharski for his professionalism in conducting the audit.

Mr. Fralin asked Mr. Kucharski what he thought was the greatest risk facing the University. Mr. Kucharski said the reduction in the federal budget was the greatest risk to the University and other state agencies.

Executive Session

The committee adopted the following motion and went into Executive Session at 8:10 a.m.:

That the Audit and Compliance Committee of the Board of Visitors go into Closed Session to discuss the audits and compliance reviews of University and Medical Center operations as they concern the evaluation of performance of specific University and Medical Center managers with regard to their adherence to responsible business practices and financial processes relating to revenue collections, the adequacy of patient record security and information access, and to confer with the Auditor of Public Accounts on the performance of University management as permitted by Section 2.2-3711 (A) (1) and (19), 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.

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The committee resumed its meeting in Open Session at 8:40 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:


RESOLVED, the Summary of Audit Findings for the period September 30, 2011 through December 31, 2011, as presented by the Chief Audit Executive, and the Summary of Compliance Projects for the period July 1, 2011 through December 31, 2011, as presented by the Chief Corporate Compliance and Privacy Officer, are approved.

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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