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. Mastracceo 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, M.D.
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 May 22, 2012

The Audit and Compliance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 9:00 a.m., on Tuesday, May 22, 2012, in the Board Room of the Rotunda; W. Heywood Fralin, Chair, presided.

Present were Ms. Glynn D. Key, George Keith Martin, and Ms. Helen E. Dragas, Rector.

Also present were A. Macdonald Caputo (via teleconference) Ms. Allison Cryor DiNardo, Marvin W. Gilliam Jr., Robert D. Hardie, Mark J. Kington, Stephen P. Long, M.D., Timothy B. Robertson, Edward D. Miller, M.D., and Jonathan B. Overdevest, M.D.

Ms. Barbara J. Deily and Ms. Lori J. Strauss were also in attendance as presenters.

### 2012-2013 Audit Schedule

The Chair introduced Ms. Barbara J. Deily, Chief Audit Executive, to explain the audit schedule for the upcoming fiscal year. Ms. Deily gave an overview of how the audit schedule is developed. The Audit Department assesses risk at the institution. Input from management and issues at other institutions may also point to risks that should be addressed. Some audits and projects are required by the state and some are contractual obligations, such as the review of football attendance. This year, in the academics area, the department will audit the Batten School of Leadership and Public Policy and the department of Molecular Physiology in the School of Medicine. In the research area, they will audit export controls and the pre-award process.

In the institutional governance category the Audit Department will work on ARMICS, a risk management initiative required by the Commonwealth. Because of executive turnover, they will look specifically at the office of the Chief Financial Officer. They will review the President’s travel and hosting expenses, which they do annually. A new audit will look at the University’s compliance with Clery Act regulations. Enterprise risk management will also be audited in cooperation with the Executive Vice President and Chief Operating Officer, and a report will be provided to the committee in September.

Under support services for the University, the Payroll department and agreements with the related foundations will be reviewed. With regard to the Health System schedule, which is coordinated with the Corporate Compliance Office and the auditors of the UVA Physicians’ Group, the focus will be on charge capture.

Information Technology audits are less flexible than in the past because they are now driven by requirements from the Virginia Information Technology Agency (VITA). Staff will look at how the University manages and protects information technology, data center controls, wireless vulnerabilities, and department risk assessments.

Ms. Deily said that in addition to the audit schedule, the Audit Department also investigates fraud, and when management has concerns, performs other special projects.
Michael Strine provided comments regarding the trajectory of enterprise risk management. He said a report will be given to the committee in September on the progress of the five highest identified risks. He explained that compliance and enterprise risk management are two separate but related matters: an administrative committee created and keeps current a matrix of people and responsibilities, making sure they have accurate information about who is responsible for each of the compliance risks. These individuals will be organized into groups that are aligned with the enterprise risk management plan. Each year a compliance and risk plan will be developed that reprioritizes the highest risks.

Ms. Deily said the audit staff also has all the usual administrative tasks of any department, and the productive hours are comparable to other operations with long term state employees. The audit staff is one of professionals, many of whom maintain certifications that demonstrate their expertise.

Corporate Compliance and Privacy Office Status Report

Ms. Deily turned the meeting over to Ms. Lori J. Strauss, Chief Corporate Compliance and Privacy Officer. Ms. Strauss presented the proposed Corporate Compliance Project Schedule for the 2012-2013 fiscal year. It was developed based on requirements of federal, state, and other regulatory agencies, risk assessment models, requests from Medical Center management, and analyses of work performed in prior years.

Auditing and monitoring are critical for an effective compliance program. The office also offers guidance on regulatory issues; educates staff on compliance and privacy topics; and conducts documentation, hospital billing, and privacy audits to assess the Medical Center's compliance with regulations, rules, laws, policies, and procedures.

A high priority in healthcare is the protection of patient health information. Monthly site audits of at least three different locations to assess the effectiveness of physical, administrative, and technical safeguards are performed. Reviews of access to patient electronic medical records are done, along with targeted reviews upon patient request or when a high-profile patient could invite unauthorized access.

Ms. Strauss said the department investigates all reported privacy violations, completes a risk assessment to determine if a reportable breach occurred, provides written breach notification to the individual(s), and reports all breaches of protected health information to the Department of Health and Human Services annually or as required by law. The number of privacy investigations is expected to increase this year due to the implementation of a proactive auditing software program that assesses for appropriate electronic medical record accesses.

Scheduled projects account for 57% of the Office's scheduled work hours. One project will assess the appropriateness of billing patterns for inpatient and short stay encounters by both the Medical Center and the University Physicians Group.
Special projects account for 18% of the Office’s scheduled work hours. Projects include billing compliance and privacy inquiries from governmental or regulatory agencies. Developing and conducting training accounts for 17% of work hours. This includes on-site departmental presentations as requested.

Consultation to management and staff on regulatory issues, clinical research, billing rules, contractual issues, new ventures, policy and procedure development, the electronic medical record, and representation on committees takes up 8% of the scheduled work hours.

Ms. Strauss stressed that educating our workforce and developing trusting relationships to enhance the culture of compliance are critical elements of the Medical Center’s compliance program.

The Chair asked for a motion to approve the Audit Schedule and the Corporate Compliance schedule for fiscal year 2012-2013. The following resolutions were adopted and recommended to the full Board for approval:

**APPROVAL OF THE AUDIT SCHEDULE FOR FISCAL YEAR 2012-2013**

RESOLVED, the Audit Schedule for fiscal year 2012-2013 is approved as recommended by the Audit and Compliance Committee.

**APPROVAL OF THE CORPORATE COMPLIANCE PROJECT SCHEDULE FOR FISCAL YEAR 2012-2013**

RESOLVED, the Corporate Compliance Project Schedule for fiscal year 2012-2013 is approved as recommended by the Audit and Compliance Committee.

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Mr. Fralin stated that although risk management and compliance were recently assigned to the Audit Committee, he sees them as very critical. He hopes in the future they will be a focus of the committee.

**Executive Session**

The committee adopted the following motion and went into Executive Session at 9:15 a.m.:

That the Audit and Compliance Committee of the Board of Visitors convene in Executive Session to discuss audits of University operations as they concern the performance of specific University managers and personnel who are responsible for information security, financial processes such as reconciliations and procurement, and compliance functions, as permitted by Section 2.2-3711(A) (1) of the Code of Virginia.
The committee resumed its meeting in Open Session at 9:20 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.

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Open Session

The Chair asked for a motion to approve the Summary of Audit 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 JANUARY 1, 2012 THROUGH APRIL 30, 2012

RESOLVED, the Summary of Audit Findings for the period January 1, 2012 through April 30, 2012, as presented by the Chief Audit Executive, is approved as recommended by the Audit and Compliance Committee.

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Mr. Fralin concluded the meeting by thanking Ms. Deily, Ms. Strauss, and their staff for their work.

On further motion, the committee adjourned at 9:20 a.m.

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