TO: The Audit and Compliance Committee:

George Keith Martin, Chair  
A. Macdonald Caputo, Vice Chair  
Frank B. Atkinson  
The Hon. Alan A. Diamonstein  
Victoria D. Harker  
Edward D. Miller, M.D.  
Adelaide Wilcox King, Faculty Consulting Member  
Helen E. Dragas, Ex Officio

and

The Remaining Members of the Board and Senior Advisor:

Hunter E. Craig  
Allison Cryor DiNardo  
Marvin W. Gilliam Jr.  
William H. Goodwin Jr.  
Bobbie G. Kilberg  
Stephen P. Long, M.D.

Vincent J. Mastracco Jr.  
John L. Nau III  
Timothy B. Robertson  
Linwood H. Rose  
Hillary A. Hurd  
Leonard W. Sandridge Jr.

FROM: Susan G. Harris

SUBJECT: Minutes of the Meeting of the Audit and Compliance Committee on May 21, 2013

The Audit and Compliance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 8:05 a.m., on Tuesday, May 21, 2013, in the Board Room of the Rotunda; George Keith Martin, Chair, presided.

Present were Frank B. Atkinson, A. Macdonald Caputo, and Helen E. Dragas.

Adelaide Wilcox King, Faculty Consulting Member, was present as well.


The Chair introduced Barbara J. Deily, Chief Audit Executive. Ms. Deily reviewed the audit schedule for the upcoming fiscal year.

Action Item: Audit Schedule, 2013-2014

Ms. Deily began by reminding the committee members that this audit schedule is developed based on several inputs. First is the Audit Department’s assessment of overall risk. The annual audit schedule is designed to address the three institutional missions of teaching, research, and public service, which includes patient care, as well as governance and support systems. The Audit Department also obtains input from management on areas of strategic importance that they are interested in having reviewed. Ms. Deily used the example of Mr. Hogan asking them to put time on their schedule to address questions that arise from his initiative on operational excellence. The Audit Department also stays aware of issues at other colleges and universities that could present problems here.

Ms. Deily said they also identify other projects through the course of their work that they believe should be reviewed further. There are some projects that are required by contract, such as the review of football attendance, and some projects that they do to assist the Auditor of Public Accounts, such as the annual inventories.

Ms. Deily stated this year, to address the teaching mission, they will be performing an audit of the School of Engineering and the University of Virginia’s College at Wise, which they review in depth once every three years. In order to review research, they will be looking at Microbiology and conducting a grant financial audit. To address governance, they will be looking at the new internal financial model and will continue to conduct “executive turnover” audits.

For the University division, in the area of support services, the Audit Department will be looking at the departments of Accounting and Finance, Parking and Transportation, and Financial Aid.

With regard to the Health System schedule, which has public service aspects as well as support and governance aspects of its own, the Audit Department will be focusing on the Health System’s
readiness to become an Accountable Care organization, the 340B Pharmacy self-audit process, and outpatient clinics charge capture.

In the area of information technology, their schedule is somewhat driven by requirements from the Virginia Information Technology Agency (VITA). Even though the University is not required to follow their program, we are expected to have a similar program in place, and so we have developed the audit efforts based on the ISO 27002 standard. The Audit IT staff will be looking at how the University tracks security incidents, how IT is utilized and controlled in human resources processes, such as allowing and terminating access in a sample of departments, and how the University secures Windows servers in various departments.

The Audit Department will also continue to do follow-up audits as required by their professional standards from the Institute of Internal Auditors.

Ms. Deily pointed out that the audit schedule is not all that they do. They also investigate frauds received directly or through the Commonwealth's "Fraud, Waste and Abuse Hotline", and they perform other special projects when management has concerns in a certain area. They consult on a number of committees such as the Policy Review Committee as well as providing advice on procedures on a day-to-day basis. This helps them to proactively address risks instead of having to address them after problems occur. The Audit Department provides assistance to other audit departments and the state auditors, and receives reciprocal cooperation when our institution has questions.

The Audit Department also has the usual administrative tasks that any department has to perform such as completing personnel evaluations, assisting on search committees, and receiving the training required by their profession to stay current with trends in their field.

Ms. Deily stated they continue to hold open a vacant auditor position to allow for greater budget flexibility. The hours for this position are not included in the graphical presentation of hours available for audits included in the materials. They intend to use some co-sourced audits in the healthcare area this year to evaluate how that process works with the possibility that they will be able to avoid the need to hire a full-time employee but still have access to expertise in healthcare.

**Action Item: Corporate Compliance Project Schedule, 2013-2014**

Ms. Strauss reviewed the proposed project schedule for fiscal year 2014. She said that auditing and monitoring are critical components of an effective compliance and privacy program, and the project schedule is derived from several sources that identify
potential financial or reputational risks to the Medical Center. In addition to auditing and monitoring, the Office provides guidance on regulatory issues; educates staff on compliance and privacy topics; and conducts documentation, billing, and privacy audits to assess the Medical Center’s compliance with regulations, rules, laws, and policies and procedures. She said the Office prepares an annual project schedule to coincide with potential risks of noncompliance with Federal or State law or other regulations as identified by the Office of the Inspector General’s work plan, by members of management, or in industry publications. In addition, time is allocated for unplanned projects such as state or federal billing compliance or privacy reviews, or time-sensitive compliance or privacy investigations.

Ms. Strauss said protecting patients’ health information continues to be a top priority in healthcare and for the federal Office for Civil Rights. The Medical Center has a robust privacy program that includes monthly site visits to various inpatient units, outpatient clinics, ancillary departments, and procedure areas to assess the effectiveness of physical, administrative, and technical safeguards for protected health information. In conjunction with the site audits, electronic medical record accesses are reviewed to determine whether all accesses to patient information were for work-related reasons or for other legally recognized purposes. Additionally, the Office conducts targeted reviews of electronic medical record accesses upon patient request or when the Office determines that the record of a high-profile patient could invite unauthorized access. The Office uses a program for ongoing monitoring of potential family member snooping in the electronic medical record, whereby the patient’s last name matches the user’s last name.

Ms. Strauss reported that scheduled projects account for approximately 57% of the Office’s scheduled work hours. To identify and coordinate projects, the University’s Chief Audit Executive, the University Physicians Group Director for Audit and Compliance, and the Chief Corporate Compliance and Privacy Officer meet regularly to discuss anticipated and current projects. Special projects account for approximately 18% of the Office’s scheduled work hours and include billing compliance and privacy inquiries from governmental or regulatory agencies such as the Department of Justice, the Office of the Inspector General, the Centers for Medicare and Medicaid Services, and the Office for Civil Rights. Developing and conducting training accounts for approximately 17% of the Office’s scheduled work hours. The Office prepares and delivers the mandatory compliance and privacy training programs for all employees and offers on-site departmental presentations as requested.
In addition, Ms. Strauss said the Office provides guidance to management and staff on regulatory issues, clinical research, billing rules, contractual issues, new ventures, policy and procedure development, and on the electronic medical record. The Office is represented on several committees such as the Grievance Committee, Ethics Committee, Health Information Management Subcommittee, Laboratory Compliance Committee, Joint Commission Steering Committee, and Operations Leadership Forum. These consulting services account for approximately 8% of the Office’s scheduled work hours.

Ms. Strauss also reported on a staff vacancy and said given the unlikely situation that the position will be filled by the start of the fiscal year, the vacancy will impact their ability to complete as many projects as they might have if they were fully staffed.

On motion, the committee approved the following resolutions and recommended them for full Board approval:

APPROVAL OF THE AUDIT SCHEDULE FOR FISCAL YEAR 2013-2014

RESOLVED, the Audit Schedule for fiscal year 2013-2014 is approved as recommended by the Audit and Compliance Committee.

APPROVAL OF THE CORPORATE COMPLIANCE PROJECT SCHEDULE FOR FISCAL YEAR 2013-2014

RESOLVED, the Corporate Compliance Project Schedule for fiscal year 2013-2014 is approved as recommended by the Audit and Compliance Committee.

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Information Item: Auditor of Public Accounts Presentation for Upcoming Fiscal Year 2013-2014 Audit

Every other year, the Auditor of Public Accounts (APA) meets with the committee to provide background on the upcoming audit. During the intervening year, the APA meets with the Audit Committee Chair. Ms. Karen Helderman is an audit director for the Auditor of Public Accounts. She will be the project manager for the current year financial statement audit. Her audit team consists of specialists assigned in Reporting and Standards, Higher Education, Acquisitions and Contract Management, Information Systems Security, and Data Analysis. The timing for the University’s audit is most likely the fall of the year. Ms. Helderman said they normally start with transactional and internal control work until the financial statements are complete and then substantive work until audit completion. She said clearly an important issue is including the
final amounts from the foundations. The Department of Accounts deadline for completion of the final financial statements is the second week of October. She said her deadline for completing the Medical Center audit is October 1, 2013, and for the UVa Academic audit is October 15, 2013. Ms. Helderman said the final audit report may include recommendations to improve processes and the use of administrative systems. These may be separately identified as “efficiency recommendations.”

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Executive Session

Upon motion, the committee adopted the resolution and went into Executive Session at 8:20 a.m.:

That the Audit and Compliance Committee of the Board of Visitors convene in Closed Session to discuss audits of University operations as they concern the performance of specific University departments and individuals responsible for executive functions, the handling of safety and security, compliance with export control regulations and management of surplus property, as well as discussions relating to the appropriateness of expenditures to grants as permitted by Section 2.2-3711(A) (1), and (8) of the Code of Virginia.

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The committee resumed its meeting in Open Session at 8:35 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 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 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 October 1, 2012 through January 31, 2013, as presented by the Chief Audit Executive, is approved as recommended by the Audit and Compliance Committee.

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On further motion, the committee adjourned at 8:35 a.m.

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