MEMORANDUM

TO: The Audit and Compliance Committee:

Hunter E. Craig, Chair
Frank B. Atkinson
Kevin J. Fay
Frank E. Genovese
Victoria D. Harker
Bobbie G. Kilberg
John L. Nau III
Linwood H. Rose
Adelaide Wilcox King, Faculty Consulting Member
George Keith Martin, Ex Officio

and

The Remaining Members of the Board and Senior Advisor:

Allison Cryor DiNardo Stephen P. Long, M.D.
Helen E. Dragas Edward D. Miller, M.D.
Marvin W. Gilliam Jr. Timothy B. Robertson
William H. Goodwin Jr. Blake E. Blaze
John A. Griffin Leonard W. Sandridge Jr.

FROM: Susan G. Harris

SUBJECT: Minutes of the Meeting of the Audit and Compliance Committee on June 5, 2014

The Audit and Compliance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 2:20 p.m., on Thursday, June 5, 2014, in the Auditorium of the Albert & Shirley Small Special Collections Library; Hunter E. Craig, Chair, presided.

Present were Frank B. Atkinson, Kevin J. Fay, Victoria D. Harker, Bobbie G. Kilberg, John L. Nau III, Linwood H. Rose, and George Keith Martin.

Adelaide Wilcox King, Faculty Consulting Member, participated by telephone. Also present were Margaret N. Gould and Leonard W. Sandridge Jr.

Mr. Craig made opening remarks and introduced Ms. Karen Helderman, the Auditor of Public Accounts.

Auditor of Public Accounts (APA) Audit and Management Letter

Ms. Helderman reported on addressing identified control weaknesses. She said the University had done a good job of correcting these weaknesses in a short period of time. She said the error rate for returning keys etc. from terminated employees has improved, but there is room for more improvement. There is a plan to monitor this issue.

Ms. Helderman said they are starting the 2014 audit. The audit will conclude in mid-November, and she will provide the committee with information at the November meeting.

Audit Schedule

Ms. Deily presented the audit schedule for the 2014-2015 fiscal year. The annual audit schedule is designed to address the three institutional missions of education, research, and public service, which includes patient care. The Audit Department also audits governance and support systems, and obtains input from management on areas of strategic importance. She said this year Chief Operating Officer Pat Hogan asked the Audit Department to assist with strategic data validation, which will help with the implementation of the University’s strategic plan. She said they identify other projects through the course of their work that they believe should be reviewed further. There are some projects that are required by regulation as well.

This year, to address the teaching mission, they will be performing an audit of the Curry School of Education and The University of Virginia’s College at Wise, which they review in depth every three years. That audit was deferred from last fiscal year to this fiscal year due to staff vacancies.

To review research, they will be looking at the Office of Sponsored Programs and performing a grant financial audit as required by the sponsor.

To address governance, they will be helping with strategic data validation and continuing to conduct “executive turnover” audits.
For the University division, in the area of support services, they will be looking at General Ledger Transfers, Procurement, and Housing and Residence Life.

With regard to the Health System schedule, which has public service aspects as well as support and governance aspects of its own, they will be focusing on Epic security, Epic employee access, and outpatient clinic charge capture.

For the upcoming year, the information technology (IT) staff will be looking at supervisory control and data acquisition for the University and for the Health System. They will also look at the operating system and the network and firewall for the University and Health System as well.

Ms. Deily said they will continue to do follow-up audits as required by professional standards from the Institute of Internal Auditors. She said the audit schedule includes only the planned projects; the Audit Department also investigates 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. She said they try to proactively address risks instead of having to react when problems occur.

Ms. Deily mentioned that the Audit Department and the Compliance Office are assisting the Office of the State Inspector General as they conduct a performance review of the University. This review began in April and is expected to be completed in August. The areas of focus include AccessUVA, faculty recruiting and retention, financial reporting, the University's Science, Technology, Engineering, and Mathematics (STEM) initiatives, and general fund appropriations.

Corporate Compliance and Privacy Office Project Schedule for 2014-2015

Ms. Lori Strauss, the Medical Center's Chief Corporate Compliance and Privacy Officer, presented the schedule for her office.

She said the projects are derived from risk assessment models that identify potential financial or reputational risks for the Medical Center, and from federal, state, and other regulatory agencies' work and follow-up for work performed in prior years. Projects are selected to minimize the Medical Center's risks with regard to federal, state, or regulatory noncompliance and as identified in the federal Office of the Inspector General's (OIG) Work Plan, by members of management, through the Corporate Compliance Steering Committee, or in industry publications.

To allow the compliance and privacy program to adapt to the changing needs of the organization, time is also allocated for unknown projects such as payer or regulatory billing compliance or privacy audits or other time sensitive investigations.
She said conducting internal monitoring and auditing, providing appropriate education and training, and developing and communicating compliance standards and policies and procedures, are all critical components of an effective compliance program. Her office provides guidance on regulatory issues and policies and procedures; 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.

The Medical Center is committed to complying with the rules and regulations applicable for acute care academic medical centers. Approximately 54% of the office’s work is dedicated to compliance activities such as documentation, coding, and billing audits of inpatient, outpatient, and procedure areas, and inquiries from governmental or regulatory agencies such as the Department of Justice, the Office of Inspector General (OIG), and the Centers for Medicare and Medicaid Services (CMS). Senior leadership also receives a letter asking for input on compliance projects based on risks or needs in their areas of oversight; this feedback is factored in to determine the Office’s projects.

The Medical Center is dedicated to protecting its patients’ health information as is the Office for Civil Rights, which has enforcement responsibility for the Privacy and Security Rule. Approximately 29% of the office’s work is dedicated to patient privacy. All privacy violations are reported to the Corporate Compliance and Privacy Office for investigation. The Office conducts a risk assessment to determine if the incident is a reportable breach, and if it is, the office notifies the patient in writing and reports the breach to the Office for Civil Rights as required by law.

Developing and conducting training accounts for approximately 11% of the office’s work. The office prepares and delivers the mandatory compliance and privacy training for all newly hired members of the health system’s workforce as well as preparing the annual retraining material. It also provides department-specific compliance and privacy presentations.

Lastly, 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 Compliance and Privacy Office is represented on several committees that involve compliance and privacy issues. These services account for approximately 6% of the office’s work hours.

Following Ms. Strauss’ report, two resolutions were approved:

**AUDIT SCHEDULE FOR FISCAL YEAR 2014-2015**

**RESOLVED,** the Audit Schedule for fiscal year 2014-2015 is approved as recommended by the Audit and Compliance Committee.
CORPORATE COMPLIANCE PROJECT SCHEDULE FOR FISCAL YEAR 2014-2015

RESOLVED, the Corporate Compliance Project Schedule for fiscal year 2014-2015 is approved as recommended by the Audit and Compliance Committee.

Report on Enterprise Risk Management

The Chair introduced Mr. Gary Nimax, Assistant Vice President for Compliance and Enterprise Risk Management, to provide a report on the status of the Enterprise Risk Management (ERM) work. He said very few universities engage in this type of assessment of risk.

Mr. Nimax said that at the last committee meeting he mentioned efforts to obtain feedback from vice presidents and deans to compile overall thoughts from the university’s senior administration regarding the key institutional risks in the academic division. They assess the overall risk by considering:

- Likelihood: How likely is it that this risk will occur at the University?
- Impact: What would the impact be if this risk occurred at the University?

They asked each of the university’s senior leaders to weigh in on the likelihood of risk occurrence, as well as the potential impact to the University of each risk. In addition, they asked senior management to identify other risks that they believe should be among the list of the most critical ones to consider.

Mr. Nimax listed nine top institutional risks:

1. Sufficient funding/resources to achieve goals
2. Management of Human Capital
3. Legal compliance risks
4. Keeping pace with changes in higher education
5. Failure to maintain reputation with key stakeholders
6. Failure to manage geo-political and economic risks
7. Safety/security of students, faculty, and staff
8. Cybersecurity/leveraging information technology
9. Capitalize on organizational/operational efficiencies

Mr. Nimax said for each of the top risks identified they are documenting additional information and related mitigation strategies. He showed a slide with a sample of the mitigation strategies related to faculty compensation.
EXECUTIVE SESSION

After adopting the following motion, the voting members present plus Mr. Forch, Ms. Harris, and Ms. Rinker, participated in Executive Session at 2:50 p.m.:

That the Audit and Compliance Committee of the Board of Visitors convene in Closed Session to consider and discuss audit reports evaluating the performance of specific University departments and employees responsible for the administration of payroll activities and grant expenditures, as well as of the Medical Center’s billing performance and regulatory compliance where disclosure would adversely affect the competitive position of the Medical Center, as permitted by Sections 2.2-3711(A) (1),(8), and (22) of the Code of Virginia.

At 2:52 p.m. the Committee left closed session and, on motion, adopted the following resolution certifying that the deliberations in closed session had been conducted 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 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.

Action Item: Summary of Audit Findings

On motion, the committee approved the following resolution and recommended it for Board of Visitors’ approval:

SUMMARY OF AUDIT FINDINGS FOR THE PERIOD JANUARY 1, 2014 THROUGH APRIL 30, 2014

RESOLVED, the Summary of Audit Findings for the period January 1, 2014 through April 30, 2014, as presented by the Chief Audit Executive, is approved as recommended by the Audit and Compliance Committee.

On further motion, the committee adjourned at 2:52 p.m.

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