

**UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS  
MEETING OF THE  
AUDIT AND COMPLIANCE  
COMMITTEE**

**SEPTEMBER 12, 2014**

AUDIT AND COMPLIANCE COMMITTEE  
(Open Session)

Friday, September 12, 2014  
8:30 - 9:00 a.m.  
Byrd Room, Harrison Institute

Committee Members:

Frank E. Genovese, Chair  
L.D. Britt, M.D.  
Allison Cryor DiNardo  
Barbara J. Fried  
William H. Goodwin Jr.  
George Keith Martin, Ex-officio  
Adelaide Wilcox King, Faculty Consulting Member

AGENDA

	<u>PAGE</u>
I. INFORMATION ITEMS (Ms. Deily)	
A. Compliance Office Accomplishments, FY 2014 (Ms. Deily will introduce Ms. Lori J. Strauss; Ms. Strauss to report)	1
B. Audit Department Accomplishments, FY 2014	6
C. Summary of Audit Findings	10
II. EXECUTIVE SESSION - LIST OF ITEMS	
III. ACTION ITEM	
• Approval of Summary of Audit and Compliance Findings	17

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 12, 2014

COMMITTEE: Audit and Compliance

AGENDA ITEM: I.A. Compliance Office Accomplishments,  
FY 2014

ACTION REQUIRED: None

BACKGROUND: Ms. Strauss will inform the Board of the accomplishments of the Corporate Compliance and Privacy Office for the last fiscal year. This does not require formal action, but is information of which the Board should be made aware.

Lori J. Strauss is the Chief Corporate Compliance and Privacy Officer for the University of Virginia Health System - Medical Center. She has been with the University since 1995 and has worked in the Compliance Office since 2001. She served first as a Program Manager, then as the Interim Chief Corporate Compliance and Privacy Officer from 2008 until she was selected for the permanent position in 2009.

Ms. Strauss is a registered nurse with a master's degree in health care administration; she is certified in health care compliance, privacy, and ethics, and in both physician and hospital coding. She has been involved in multiple health care settings and roles over the past 34 years including academic medical centers, community hospitals, clinical department administration, critical care management, opening an urgent care center, physician offices, accreditation, nursing malpractice expert witness, education, and publishing and speaking engagements. She also serves as a board member for the Health Care Compliance Association.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

Compliance and Privacy Office Scheduled Projects FY 2014

Projects	Scheduled	In Process	Completed (%)
Outpatient Department Coding, Billing, and Documentation	2	0	2 (100%)
Privacy Monitoring and Auditing	36	0	36 (100%)
Inpatient Medicare Severity Diagnosis Related Groups	2	0	2 (100%)
<b>Total</b>	<b>40</b>	<b>0</b>	<b>40 (100%)</b>

Compliance and Privacy Office Accomplishments for FY 2014

- Completed 100% of the scheduled compliance and privacy projects.
- Offered guidance on compliance and privacy issues at several committees, such as the Clinical Information Technology Oversight, Payer Audit Response, Quality, Health Information Services, Grievance, Lab Compliance, ICD-10, and Ethics committees.
- Reviewed and provided feedback on Medical Center policies and procedures: Release of Patients' Protected Health Information; Vendors, Sales and Service Representatives; Medical Center Tours; External Review Organizations On-site Payer Reviews; Access to Electronic Medical Records and Institutional Computer Systems; Management of Student Preceptorships; Employee, Volunteer, and Vendor Background Screening; Government and Regulatory Investigation Response; and Minimum Necessary Use and Disclosure of Protected Health Information.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

- Conducted focused privacy education for 10 areas: Outpatient Surgery Center, School of Nursing, Graduate Medical Education, Endoscopy, Community Medicine, Student Health, and several inpatient units.
- Developed, revised, and provided the annual retraining module on compliance, privacy, electronic security, and ethics; and the new hire training modules on corporate compliance, privacy and electronic-security.
- Provided guidance to clinical research staff on the storage and transmission of protected health information.
- Provided guidance on the compliance program for the new Accountable Care Organization.
- Provided guidance to Health Information Services and Health System Technology Services on medical record access and training by non-U.Va. employees.
- Prepared posters and email blasts for use during Corporate Compliance and Ethics Week to enhance and celebrate the Medical Center's culture of compliance.
- Provided guidance to School of Nursing and School of Medicine faculty on student email accounts.
- Conducted a due diligence review of the compliance and privacy programs of a hospital to be acquired by the Medical Center.
- Assisted federal, state, and University personnel in obtaining information for their work.
- Prepared written "privacy reminders" for the Medical Center Management Group highlighting topics from the Office for Civil Rights, audit trends, and policy changes.
- Reviewed and provided feedback for proposed compliance or privacy-related bills during the General Assembly.
- The Corporate Compliance & Privacy Senior Analyst attended the Association of Healthcare Internal Auditors annual conference, an ICD-10 Boot Camp, and completed over 200 Anatomy, Physiology and ICD-10 CM required online modules and successfully passed the ICD-10 Proficiency examination. She also served as the Education Officer for the local chapter of professional coders.
- A new Corporate Compliance & Privacy Analyst began employment in August 2013 and attended the Health Care Compliance Association Academy. Additionally, the Analyst completed two coding courses, a certified professional coder preparation course and a medical coding course to become a certified professional coder as required for the position. The Analyst submitted her resignation in late June 2014 to relocate.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

- The Corporate Compliance & Privacy Program Coordinator celebrated her 15-year service anniversary this year. She attended the Health Care Compliance Association Institute conference to keep abreast of compliance and privacy issues; she presented at the EPIC User Group Meeting on "Enhanced Auditing and Monitoring" and she provided a "HIPAA Update" for the local coding chapter. She successfully completed a strategic planning course in pursuit of a bachelor's degree in health care administration. She also served as a witness at two grievance hearings and was deposed by outside counsel in a patient lawsuit. She co-authored an auditing and monitoring software article in a national compliance professional journal.
- The Chief Corporate Compliance & Privacy Officer represented the Medical Center along with other hospital and provider compliance representatives in a Medicare audit roundtable in Washington with congressional staff from the House Energy and Commerce, House Ways and Means, and Senate Finance Committees. Centers for Medicare and Medicaid Services (CMS) was seeking feedback on the burdens organizations experience as a result of government audits. Great discussion ensued and the Medical Center provided requested written feedback and recommendations to CMS on topics such as the number of full-time employees devoted to compliance, program administrative costs, success rates for appeals, and audit enhancements. CMS appreciated the feedback and plans to review and examine the issues in more detail for process improvements.
- The Chief Corporate Compliance & Privacy Officer is serving a three-year commitment as a Board Member for the Health Care Compliance Association (HCCA) and Society for Corporate Compliance and Ethics (SCCE). She attends the HCCA and SCCE national meetings and participates in a workgroup for Compliance Officers held by the Medical Center's Medicare Administrative Contractor, Palmetto. She authors the privacy column for the Journal of Health Care Compliance. She co-presented with a physician colleague on "Challenges and Helpful Hints for Turning Low Performers into Compliant Performers - A Road Map for Success" at the national HCCA conference. She attended the SCCE Basic Academy seeking an additional certification relevant to her role and board appointment and is now a certified corporate compliance and ethics professional (CCEP). She is an alternate speaker for the HCCA Basic Compliance Academy and the HCCA Basic Privacy Academy.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

- All members of the office participate in various compliance and privacy-related webinars and in-house educational offerings applicable to their roles. Many of the webinars are available at no additional cost when provided by the HCCA or SCCE due to the Chief Compliance and Privacy Officer's board appointment.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 12, 2014

COMMITTEE: Audit and Compliance

AGENDA ITEM: I.B. Audit Department Accomplishments,  
FY 2014

ACTION REQUIRED: None

BACKGROUND: Ms. Deily will inform the Board of the accomplishments of the Audit Department for the last fiscal year. This does not require formal action, but is information of which the Board should be made aware.

Ms. Deily is the institution's Chief Audit Executive (CAE) with responsibility for both the academic division and the hospital, as well as The University of Virginia's College at Wise. She has been with the Audit Department for over 31 years and has been in her current position for over 23 of those years. She received her master's degree in accounting from the University of Virginia in 1993, and is a Certified Public Accountant and a Certified Information Systems Auditor (CISA). She has taught and made presentations on auditing topics both nationally and internationally.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

Status of Fiscal Year 2014 Audit Projects  
as of June 30, 2014

Scheduled Audit Projects

	University	Health System	IT	Compliance	TOTAL
Scheduled*	11	8	6	3	28
Completed	10	8	6	3	27
% Completed	91%	100%	100%	100%	96%
In Process	1	0	0	0	1
% In Process	9%	0%	0%	0%	4%
% Complete or In Process	100%	100%	100%	100%	100%

\*Comments: University: One audit was deferred due to an audit manager vacancy; one audit was deferred at the discretion of the CAE to complete extra work.  
Compliance: Two executive turnover audits were performed.

Non-Scheduled Projects

	University	Health System	IT	Compliance	TOTAL
Carryforward	10	0	0	0	10
New	11	2	5	0	18
Total	21	2	5	0	28
Completed	17	2	5	0	24
% Completed	81%	100%	100%	0%	86%
In Process	4	0	0	0	4
% In Process	19%	0%	0%	0%	14%
% Complete or In Process	100%	100%	100%	100%	100%

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

Audit Department Accomplishments for FY 2014

Project Related

- Completed 96% of the audit schedule when the goal was 90%.
- Completed 24 special projects and are still responding to four requests.
- Realized institutional savings that totaled approximately \$950,000 as the result of an earlier audit of overtime and premium pay.
- Recommended charge corrections that will enhance revenue by at least \$11,000.
- Provided useful recommendations to enhance administrative oversight of related foundations.
- Conducted several strategic projects focusing on management of IT resources and related information security risks both at the University and at the Health System.
- Continued to serve on special committees such as the Recon@UVA (electronic reconciliation system) committee, the Policy Review Committee, the Organizational Excellence Leadership Council, the Travel Booking committee, and the Fine and Decorative Arts process simplification team.
- Assisted state and federal investigative agency personnel in obtaining information for their work.
- Assisted the University Police, General Counsel, and Human Resources on projects requiring computer forensic expertise.

Non-Project Related

- The CAE and the Director of Hospital and IT Audits served on the University's Social Security Number Task Force.
- The Director of Hospital and IT Audits presented "Security Information and Event Management" at the VASCAN annual security conference.
- The Director of Hospital and IT Audits consulted on IT auditing for INOVA Healthcare in northern Virginia.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

- The Director of Hospital and IT Audits and the Associate Director of IT Audits made a presentation on "IT Performance and Security Scanning" for the Association of College and University Auditors (ACUA).
- The Associate Director of IT Audits made a presentation on "IT Audit Observations" for the University's local support partners.
- The University Director continues to teach courses for the Institute of Internal Auditors and earns credits for our staff to attend these and similar courses at no charge. The courses "Auditor In-Charge" and "Enhanced Communications for Auditors" were taught this past fiscal year.
- Several staff members have been asked to serve on audit quality assessment teams for other universities.
- The CAE served on the Association of College and University Auditors (AVUA) annual awards committee.
- The Senior IT Auditor became a Certified Public Accountant (CPA).
- The Hospital Audit Manager and Senior Hospital Auditor participated in the Medical Center's "Fridays Before Five" quality rounding program.
- The Director of Internal Control Compliance made presentations on Internal Audit for "Leadership Essentials" class participants.
- Two staff auditors were promoted to senior auditors during the year, and one senior auditor was selected to fill an open audit manager position.
- All staff members met their regular training requirements for the year.
- The department participated in the annual "Day of Caring" by helping at the Blue Ridge Area Food Bank.
- The department provided another 1,053 pounds of food to area food banks. This continued the trend of meeting our "one ton in two years" goal.
- The Director of Internal Control Compliance and the Hospital Audit Manager served on the Supervisory Committee of the University of Virginia Community Credit Union.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 12, 2014

COMMITTEE: Audit and Compliance

AGENDA ITEM: I.C. Summary of Audit Findings

ACTION REQUIRED: None

BACKGROUND: Ms. Deily will present a summary of audit findings on the following audit reports: Presidential Travel and Entertainment Expenses, Darden Graduate School of Business Employee Access Management, various Compliance Audits, and FY 2014 Inventories.

AUDIT DEPARTMENT  
EXECUTIVE SUMMARY

Presidential Travel and Entertainment Expenses

August 14, 2014

BACKGROUND

President Teresa Sullivan requested annual audits of her travel and entertainment expenses with the results to be reported to the Board of Visitors. Presidential travel expenses paid during the 2014 fiscal year represented travel for 50 University-funded trips including visits to state and federal government officials, various development events, and other official activities related to higher education and healthcare management. The travel expenses totaled \$154,625. No state funds were expended on travel during the year.

The President's entertainment expenses were incurred for dinners, receptions, athletic events and other official duties related to the University. For fiscal year 2014, entertainment expenses totaled \$294,709, which was \$56,791 below the established budget. No state funds were used to support entertainment expenses.

AUDIT OBJECTIVES

The objectives of the audit were to determine whether the President's travel and entertainment expenses for fiscal year 2014 were reasonable and transacted in accordance with established policies and sound internal control principles.

OPINION ON AUDIT OBJECTIVES

The President's travel and entertainment expenses for fiscal year 2014 were reasonable and the transactions were conducted in compliance with applicable policies and strong internal control principles. The President's administrative staff effectively manages travel and entertainment activities very carefully using multiple reviews and specialized spreadsheets to control expenses and meet budget targets.

AREAS NOTED FOR IMPROVEMENT

We have no recommendations for improvement at this time.

FINANCIAL IMPACT

Strong internal controls such as budget management, second-level reviews, and close monitoring help achieve operational efficiencies in the expenditure of travel and entertainment funds.

AUDIT DEPARTMENT  
EXECUTIVE SUMMARY

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Darden School Employee Access Management

June 20, 2014

BACKGROUND

Human resource departments play an integral part along with information technology (IT) departments in securing information technology. The Darden Graduate School of Business (Darden) operates a Human Resources department and an Information Technology department. Under the guidance of University policies, standards, and procedures, these Darden departments perform human resources and employee access management processes.

Proper management of employee and third-party access and related human resources processes is essential throughout the employee life cycle including the stages of pre-employment, onboarding, employment, and off-boarding. Consistently managed employee and third-party access provides a foundation for securing sensitive data, networks, systems and applications.

AUDIT OBJECTIVES

Audit objectives included a review of Darden's management of employee and third-party access life cycle and related human resources processes.

OPINION ON AUDIT OBJECTIVES

Opportunities were noted to improve existing University level policies, standards, and procedures and to improve Darden's management of employee and third-party access.

AREAS NOTED FOR IMPROVEMENT

- 1) Improvements were identified for existing University policies and procedures pertaining to access management, and human resources processes pertaining to background checks, the access management lifecycle, and conditions of employment for University staff.
- 2) Darden's management processes related to the access life cycle (provisioning, maintaining, and de-provisioning) and roles and responsibilities required improvement to properly control faculty and staff physical, network, application, and data access.
- 3) Darden needed to improve and consistently perform their onboarding and off-boarding procedures.

AUDIT DEPARTMENT  
EXECUTIVE SUMMARY

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Darden School Employee Access Management

June 20, 2014

- 4) The University's and Darden's Information Security Awareness Training required improvement to ensure faculty and staff receive proper training prior to obtaining access, as well as regular refresher training throughout their employment.

MANAGEMENT'S RESPONSE

Management concurs and has agreed to address the identified issues.

IMPACT TO THE UNIVERSITY

The impact of employee access management and human resources processes are always important because of the following concerns:

- Availability of mission critical systems, operations and services.
- Public relations issues.
- Monetary loss as a result of server down time and hours spent in repair or recovery as a result of intentional or unintentional damage caused by employees having improper access.

AUDIT DEPARTMENT  
EXECUTIVE SUMMARY

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FY 2014 Compliance Audits

July 7, 2014

BACKGROUND

The Audit Department completed two separate compliance audits of various departments at the University and three compliance audits that were part of other projects between July 1, 2013 and June 30, 2014.

AUDIT OBJECTIVES

The objective of a compliance audit is to ensure that departments are complying with policies and procedures in the following areas: petty cash, project reconciliations, timekeeping, University purchasing cards, purchasing, cash receipts, and other general security areas.

OPINION ON AUDIT OBJECTIVES

Based on the audits completed, departments were generally in compliance with University policies and procedures, with the exception of the area noted below.

AREAS NOTED FOR IMPROVEMENT

Four of five departments (80%) did not always conduct timely monthly project reconciliations of expenditures.

AUDIT DEPARTMENT  
EXECUTIVE SUMMARY

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FY 2014 Inventories

BACKGROUND

As part of the University's annual financial reporting process, departments and divisions must provide the Office of the Comptroller with inventory values as of June 30<sup>th</sup>. On a departmental level, the inventory valuation processes include organizing and scheduling the inventory, conducting physical counts, and recording the accounting necessary to arrive at a final inventory valuation. As a control check, the Audit Department (Audit) performs observations and test count work which is subsequently reviewed by the Auditor of Public Accounts (APA) to assist the APA in their evaluation of the inventory balance reported in the University's annual report. Typically, Audit's test work is limited to those departments whose inventories equal or exceed the materiality threshold (\$2 million for FY 2014) established by the APA.

AUDIT OBJECTIVES AND PROCEDURES

The objectives of our test work were to: (1) ascertain the physical existence of inventoried items; (2) assess the reasonableness of inventory balances reported by management; and (3) provide reasonable assurance as to the system of internal controls over the physical inventory process. Major procedures performed by Audit included observing the physical inventory counts, conducting test counts, and performing various analyses between the current year and the prior year inventory figures.

OPINION ON AUDIT OBJECTIVES

Based on the test work performed, no issues came to our attention that would make us conclude that the final inventory valuations reported by management were unreasonable. In addition, the explanations provided by management for inventory variances greater than five percent from the prior year were deemed to be reasonable.

FINANCIAL IMPACT

Inventory values stated on the following page are preliminary, and are subject to review and revision by the APA prior to inclusion in the University's June 30, 2014 financial statements. The total reported value of all University inventories is \$22,296,159.

AUDIT DEPARTMENT  
EXECUTIVE SUMMARY

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FY 2014 Inventories

The reported inventory values for the University as of June 30, 2014 were:

1. Pharmacy Services - \$6,526,214\*
2. University Bookstore/Cavalier Computers - \$5,998,307\*
3. Surgical Supply - \$5,668,123\*
4. Heat Plant - \$918,219
5. Outpatient Surgery Center - \$676,406
6. Medical Center Storeroom - \$650,670
7. HOPE Augusta Pharmacy - \$510,028
8. University of Virginia Press - \$444,173
9. UVA-Wise Bookstore - \$309,179
10. HOPE Pantops Pharmacy - \$245,143
11. Printing and Copying Services - \$153,721
12. Zion Crossroads Pharmacy - \$137,813
13. Curry School (PALS) - \$58,163

\* *Inventory observed by Audit*

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 12, 2014

COMMITTEE: Audit and Compliance

AGENDA ITEM: III. Approval of the Summary of Audit and Compliance Findings

BACKGROUND: The resolution reflects discussion by the Committee, in Executive Session, of a summary of recent audits conducted by the Audit Department and compliance projects by the Office of Corporate Compliance.

ACTION REQUIRED: Approval by the Audit and Compliance Committee and by the Board of Visitors

SUMMARY OF AUDIT AND COMPLIANCE FINDINGS

RESOLVED, the Summary of Audit Findings for the period May 1, 2014 through August 15, 2014, as presented by the Chief Audit Executive, and Compliance Projects for the period of January 1, 2014 through June 30, 2014, as presented by the Corporate Compliance Officer, is approved as recommended by the Audit and Compliance Committee.