

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS**

**Meeting of the Audit, Compliance,
and Risk Committee**

September 12, 2019

AUDIT, COMPLIANCE, AND RISK COMMITTEE

Thursday, September 12, 2019

1:45 - 2:30 p.m.

Board Room, The Rotunda

Committee Members:

Babur B. Lateef, M.D., Chair
Thomas A. DePasquale, Vice Chair
Robert M. Blue
Mark T. Bowles
L.D. Britt, M.D.
Barbara J. Fried
Louis S. Haddad
James B. Murray Jr., Ex-officio
Adelaide Wilcox King, Faculty Consulting Member

AGENDA

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**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: September 12, 2019

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: I. Remarks by the Committee Chair

ACTION REQUIRED: None

BACKGROUND: Dr. Babur Lateef, the Committee Chair, will open the meeting and provide an overview of the agenda.

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<u>BOARD MEETING:</u>	September 12, 2019
<u>COMMITTEE:</u>	Audit, Compliance, and Risk
<u>AGENDA ITEM:</u>	II.A. Assure, Advise, Anticipate: The Role of Internal Auditing in Good Governance and Organizational Success
<u>ACTION REQUIRED:</u>	None

BACKGROUND: In support of its oversight of the Office of Audit and Compliance, the Committee will discuss the evolution of internal auditing from its historical focus on financial compliance to a function increasingly relied on for real time assurance and advice on large scale strategic transformation initiatives, hot topics in regulatory compliance, the impact of change on culture and controls, and other mission critical risks.

Deloitte’s research captures the current global perspective on the value of internal auditing as “Assure, Advise, and Anticipate.”

These three – assure, advise, and anticipate – constitute the triad of value that Internal Audit stakeholders now want and need. This has been borne out in numerous Deloitte external quality assessments (EQAs) conducted for Internal Audit functions in a range of industries, in interviews with more than 200 senior executives and audit committee chairs, and in numerous Deloitte research surveys with chief audit executives and heads of Internal Audit. ¹

The Institute of Internal Auditors (The IIA) president Richard Chambers wrote two years ago: “In its infancy, the internal audit profession was largely focused on hindsight — what happened last month or last year. Eventually, we began focusing on insight — what is happening now. Increasingly, we are providing foresight — what could happen in the future if key risks are not adequately mitigated.”

In keeping with the profession’s global evolution, the University’s Audit Department has developed a three-year strategy to amplify its use of data and explore the use of automation in all facets of the audit process. The plan is divided into goals of six months, 12 months, and 36 months. The Committee will be apprised of progress on implementation of goals and tactics at each future meeting.

¹ <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Audit/gx-internal-audit-3.0-the-future-of-internal-audit-is-now.pdf>

Questions for the Committee to Consider

1. How would Committee members like to receive information on risks and risk mitigation effectiveness?
2. Are there risks the Committee should review more frequently? Are there specific topics the Committee would like to explore in future meetings? Where should we dive deeper?
3. Do Committee members feel well informed on the Audit Department's purpose, objectives, and scope?
4. How does the Audit Department's work add value to UVA?

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BOARD MEETING: September 12, 2019

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: II.B. Office of Audit and Compliance: UVA Audit Department Summary of Current Activities

ACTION REQUIRED: None

BACKGROUND: The Audit Department Status Report outlines activities since the June 2019 Audit, Compliance, and Risk Committee meeting including audits completed and in flight; a summary of audit findings reported; and status of management action plans due within the period.

Audit Projects Completed and In Flight Since June 2019 Board of Visitors Meeting:

Project Status	Audits Completed or In Progress Since June 2019 Report Out	UVA Division
Complete	Distributed IT Systems Management - Athletics	Academic
Complete	Distributed IT Systems Management – Facilities Management	Pan-University
Complete	Rebates and Credits Applicable to Federal Programs*	Pan-University
In progress	Dining Services	Academic
In progress	Charge Capture—Rheumatology	Health System
In progress	Workday HCM Segregation of Duties (<i>draft report</i>)	Pan-University
In progress	Ivy Mountain Musculoskeletal Center Construction Audit (<i>draft report</i>)	Pan-University
In progress	Presidential Travel and Expenses FY2019	Pan-University
In progress	Fixed Fee Monitoring and Management (Residual Balances) (<i>draft report</i>)	Pan-University
In progress	Confidential Investigations - Various	Pan-University
Project Status	Advisory Projects Completed or In Progress Since June 2019 Report Out	UVA Division
In progress	Finance Strategic Transformation Steering Committee and Advisory Group	Academic
In progress	Working Group Task Force for UVA Wise	Academic
In progress	Workday Payroll Controls	Pan-University

*Attorney Client Privileged Engagement Conducted under Direction of University Counsel

Summary of Audit Findings Reported June 2019 to Date:					
Audit Subject	Responsible Unit	P1	P2	DISM	IA
Athletics Drug Testing	Athletics		3		
Clinical Trials Billing	Office of Sponsored Programs		3		
Distributed Information Systems – Athletics	Athletics			4	
Distributed Information Systems – Facilities Management	Facilities Management			1	
Surgery Charge Capture	Revenue Integrity		2		
UVA Wise Undergraduate Safety in Labs, Shops, and Studios*	Office of the Chancellor				10
Total rated findings reported for the period		0	8	5	10

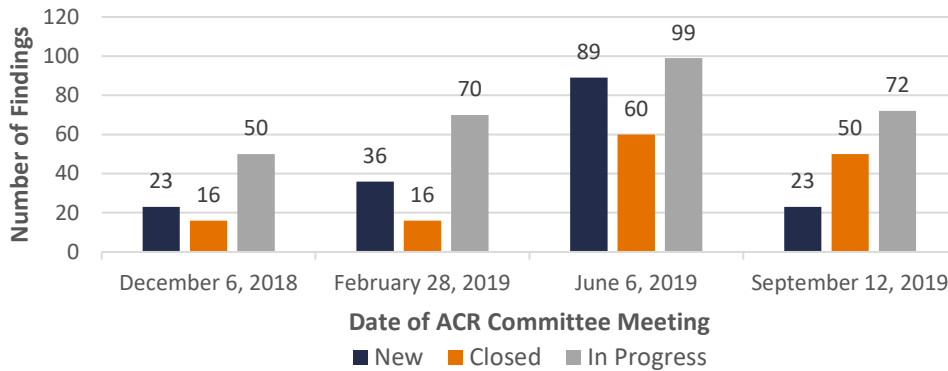
Priority Rating Definitions

Individual findings are evaluated with the context of the area under review. Audit findings are classified into categories as defined below. The Audit Department assigns each of the findings in this report to one of these categories to assist management in the prioritization and implementation of audit recommendations.

Audit Findings Rating Key		
P1	Priority 1	A Priority 1 item signifies a control gap and/or process deficiency of sufficiently high risk that it provides minimal or no assurance that institutional objectives will be achieved. Management must take immediate corrective action to mitigate Priority 1 deficiencies.
P2	Priority 2	A Priority 2 item signifies a control and/ or process deficiency that hinders the effectiveness and efficiency of operations, potentially impeding the attainment of institutional or unit level objectives. Management must take timely corrective action to mitigate Priority 2 deficiencies.
DISM	Distributed IT Systems Management	Control gap exists between units’ current control execution and either UVA IT policy(ies) or applicable IT security framework, exposing the University to risks related to security and integrity of systems, inefficiencies in business processes, or exposure of sensitive data.
IA	Integrated Assurance	Compliance action plans to be tracked to completion.

IIA Standard 2500: Monitoring Progress requires the chief audit executive to establish and maintain a system to monitor the disposition of results communicated to management. The charts below display the status of management’s action plans through August 28, 2019.

Audits of Distributed IT Systems Management (50 controls tested across multiple schools and units) and NIST 800-171 CUI Environment (110 controls tested) drove the *number* of findings

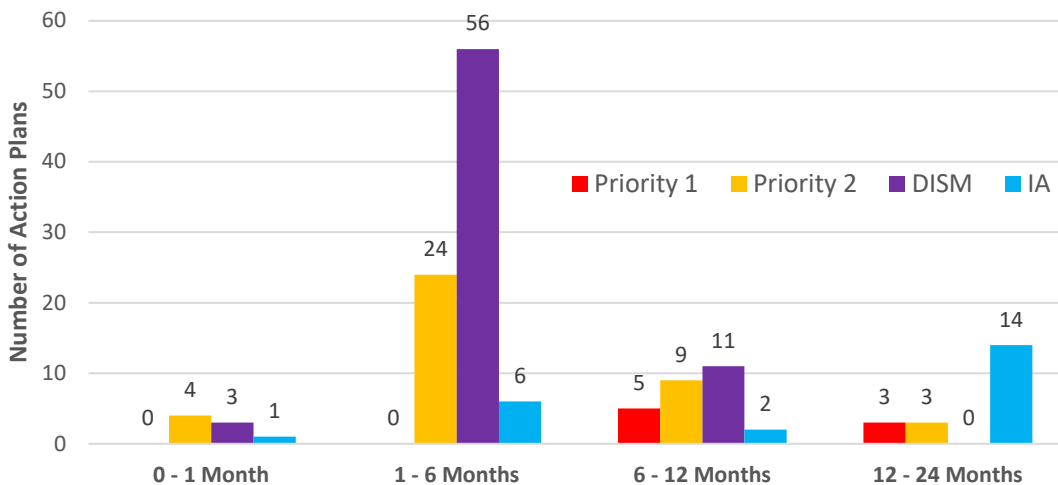


As shown in the graphics at left and below, management takes timely actions to address recommendations in audit reports. The majority of action plans are implemented within 6 months of the audit report date.

Recognizing the good progress being made in remediating control gaps, due dates were extended to October 31, 2019 for open action plans from the following audits, as requested by the relevant units:

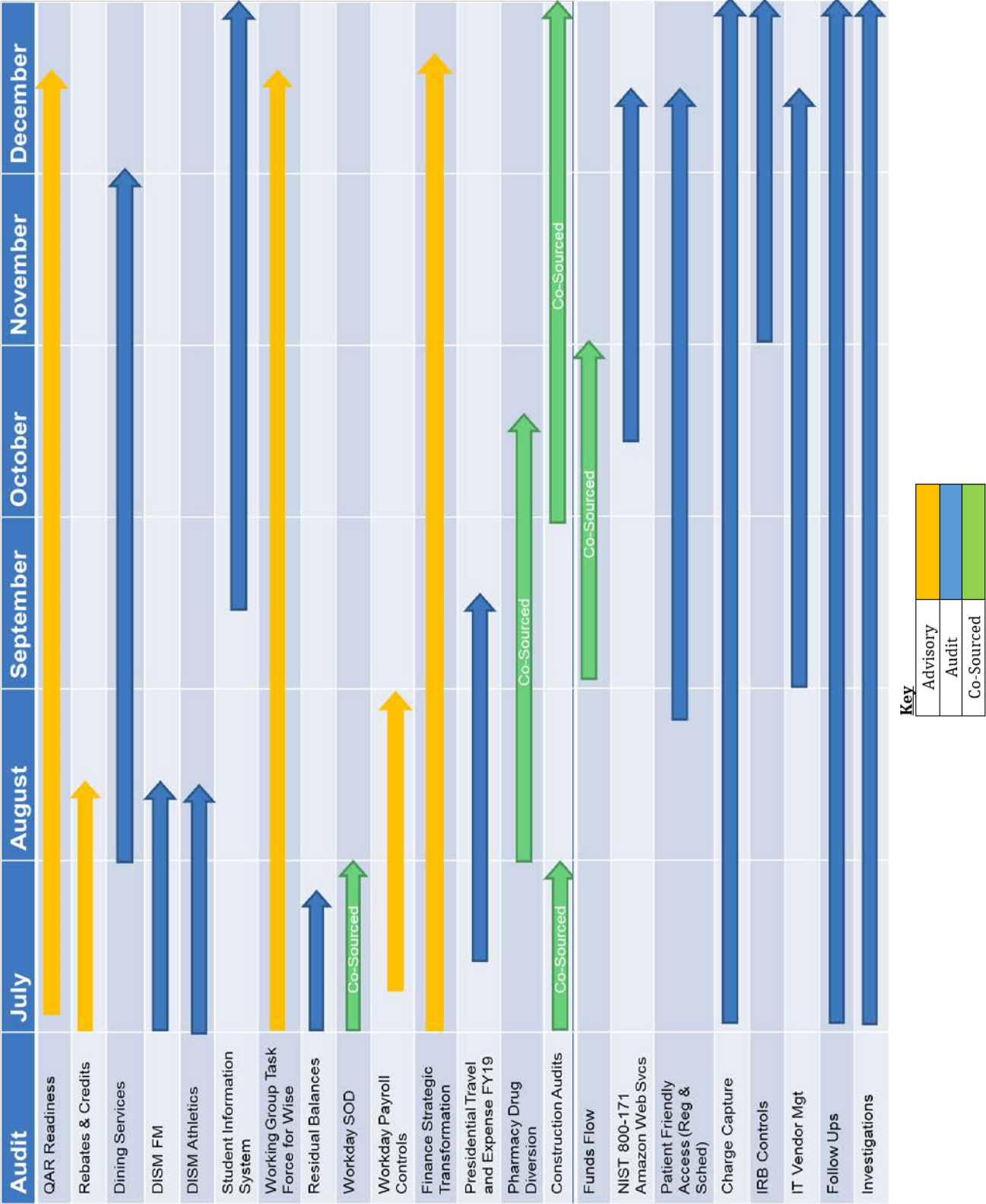
- DISM: Health System (17 action plans across 4 units)
- UVA Wise Network Security (6 action plans)
- Epic Segregation of Duties (2 action plans; due dates extended to June 2020)

Most action plans are completed within 6 months of audit report issuance



Current 6-month audit schedule:

The audit schedule is dynamic and risk-prioritized, enabling the Audit Department to respond to emerging risks or management requests.



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<u>AGENDA ITEM:</u>	III. Office of Audit and Compliance Goals for FY 2020
<u>ACTION REQUIRED:</u>	None

BACKGROUND: The 2019-2020 goals for the Office of Audit and Compliance, consisting of the UVA Audit Department, Institutional Compliance, and Medical Center Compliance, are presented on the following pages.

**Audit Department Goals -
Fiscal Year 2019-2020**

1. Execute the risk-based audit plan approved at the June 2019 BOV meeting, adjusted as needed for changes in priority, emerging risks, and leadership requests.
2. Develop and implement the 6- and 12-month initiatives in the Audit Department's data analytics and automation strategy.
3. Support strategic initiatives including Finance Strategic Transformation, Identity and Access Management, Workday HCM process improvements, and UVA Wise Finance Working Group.

**Institutional Compliance Goals -
Fiscal Year 2019-2020**

1. Update the university's Code of Ethics for approval by the Board of Visitors.
2. Convene a working group to review the current reporting mechanisms in place institution-wide, consider alternatives to simplify and coordinate processes, determine ways in which to compile and assess data to manage risks, discuss short-term and long-term solutions, and deliver a conclusion on feasibility and next steps. Expand marketing and use of the university's anonymous helpline and web intake.
3. Review current mandatory and optional training for employees, exploring opportunities to leverage the new Workday learning management system to maintain training curriculum and measure training effectiveness.

Medical Center Compliance Goals - Fiscal Year 2019-20

1. Using findings from the compliance risk assessment and issue data analytics, collaborate with service line leadership to develop specific countermeasures for effective compliance risk reduction in the clinical environment.
2. Collaborate with revenue integrity to further develop the coding audit function for appropriate oversight of Medical Center compliance with regulatory requirements for documentation of medical necessity, accurate coding, billing and reimbursement from Medicare for specific services, documentation of patient communication and acknowledgement as needed, and to assess compliance in high risk areas as identified by the FY 2019 Office of Inspector General/Health & Human Services Work Plan.
3. Evaluate current compliance training program effectiveness and explore options to transition training into the Workday environment to allow for expanded training delivery options and collaboration with grounds-wide compliance training as applicable.