UNIVERSITY OF VIRGINIA
BOARD OF VISITORS

Meeting of the Audit, Compliance, and Risk Committee

December 11, 2020

AUDIT, COMPLIANCE, AND RISK COMMITTEE

Friday, December 11, 2020
9:15 - 9:45 a.m.
Pavilion Ballroom, Boar's Head Resort

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

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: December 11, 2020

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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AGENDA ITEM: II.A. Auditor of Public Accounts Audit and Management Report for FY 2019-2020

BACKGROUND: The Auditor of Public Accounts (APA) of the Commonwealth conducts an annual audit of the University and the Medical Center and reports findings to the Board. Ms. Bianchetto, Vice President for Finance, will introduce Mr. Eric M. Sandridge, Director of Higher Education Programs for the Virginia Auditor of Public Accounts, who will report on the FY 2019-2020 audit.

DISCUSSION: Mr. Sandridge will present the required communications on the auditor's opinion, scope of internal control work, compliance testing, fraud and illegal acts, significant accounting policies, alternative accounting treatments, accounting estimates, significant audit adjustments (if any), and disagreements with management (if any).

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

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AUDITOR OF PUBLIC ACCOUNTS' FINDINGS FOR FY 2019-2020

      RESOLVED, the Auditor of Public Accounts' Findings for FY 2019-2020, are approved as recommended by the Audit, Compliance, and Risk Committee.

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AGENDA ITEM: II.B. Enterprise Risk Management (ERM) Program Report

ACTION REQUIRED: None

BACKGROUND: Effective enterprise risk management enables senior leaders to spend dedicated time in thoughtful discussions about complicated and sometimes challenging issues that pose risks to the values of the University and the sustained achievement of its mission. The refreshed ERM framework contains six core values around which the new program structure is arranged.

To implement the ERM program, a Risk Management Network (RMN) is in development with members selected from diverse disciplines and institutional perspectives. The RMN, supported by the Risk Management Team (UVA Finance and Audit) will identify areas of prevention focus, mapped to UVA's values, where active management and monitoring can provide greatest value to senior leadership and the Board of Visitors.

BOARD MEETING: December 11, 2020

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: III.A. Office of Audit and Compliance: UVA Audit Department
Summary of Current Activities

ACTION REQUIRED: None

BACKGROUND: At each meeting the Audit Department status report updates the Committee on activities since the prior meeting, including status of the approved plan.

External Quality Review (EQR): The Institute of Internal Auditors' (IIA) professional standards[1] require an external review of the audit department every five years to evaluate conformance with the standards and adherence to the IIA's Code of Ethics. In addition, the external review assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. Protiviti, a global consulting firm, has been engaged to conduct the EQR beginning in December 2020 with a report anticipated in March 2021. The report will be reviewed with the Committee at its June 2021 meeting.

Audit Plan Status   (*Items shaded in blue are currently in progress*)

Risk Theme: Continuity of Operations

Primary Risk: Ability to sustain the delivery of UVA's mission (academic, research, patient care, and the requisite operational and administrative support) over varying lengths of time in the face of disruption

Processes	Risks	Audit topics	Status
Emergency Management	Effectiveness of UVA's public health emergency response based on Critical Incident Management Plan (CIMP) and relevant annex	Public Health Emergency Annex After Action Review (conducted jointly with Emergency Management Dept.)	Plan is to initiate the work in February 2021

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[1] IIA Standard 1300 – *Quality Assurance and Improvement Program* The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. IIA Standard 1310 – *Requirements of the Quality Assurance and Improvement Program* The quality assurance and improvement program must include both internal and external assessments.

Processes	Risks	Audit topics	Status
Work and Study Enabling Technologies	• Access: Identity integrity • Data integrity and security	Online learning: evaluation of controls over most widely used online learning applications	Plan is to initiate the work in February 2021
		Health System Data Warehouse: evaluation of integrity and privacy controls	Plan is to initiate the work in March 2021
Vendor Management	Vendors' capacity to meet demand for key products and services	Controls and processes ensuring key vendor identification, financial stability, and alternatives for sourcing	In progress
Facilities and Construction Planning	Cost escalation of projects in flight	Continued monitoring of pay applications for Ivy Mountain Musculoskeletal Clinic, Hospital Expansion Project	In progress
Distributed IT Systems Management	Management of non-centrally controlled IT	School of Nursing	Plan is to initiate in early 2021
IT Disaster Recovery	Prolonged disruption to patient care	Health System IT Disaster Recovery	Plan is to initiate in early 2021
Data Warehouse Controls	• Breach of protected health information • Inaccurate data for critical business decisions	Health System Data Warehouse Controls	Plan is to initiate in 2021

Risk Theme: Fiscal Sustainability

Primary Risk: Diminished, or loss of, financial resources from major funding sources (e.g. State, tuition, philanthropy, research, investments, patient care revenue including Medicare and Medicaid, commercial payers)

Processes	Risks	Audit topics	Status
Financial Stewardship	Macroeconomic factors stress UVA's financial position	o Co-development of ERM financial risk metrics for monitoring (ERM program management) o Cash deficit management process o Gift processing	ERM financial metrics and dashboard: in progress Gift processing: to be deferred to March 2021 at client's request Cash deficit management: Timing TBD
NEW: Finance Strategic Transformation (FST)	**Successful implementation of Workday financials and major process changes**	**Ongoing Project Health Check through the July 2022 go-live date**	**In progress**
Revenue Cycle Management	Loss of or delayed reimbursement if controls breakdown within the revenue cycle	o Patient Friendly Billing Follow-up o Epic work queue Management o Patient scheduling registration o Patient Collections o Charge capture o Patient financial counseling o Patient financial assistance o Third Party Payment Monitoring	o Patient Friendly Billing Follow-up: in progress o Epic work queue management: in progress o Ambulatory Scheduling: in progress o Patient Collections: in progress o Mosaiq charge capture: to be initiated in 2021 o Patient Financial Assistance and Financial Counseling: to be initiated in 2021 o Third Party Payor Contracting: to be initiated in mid-2021
Healthcare Inventory Management	Inefficient inventory management reduces margins	Surgical supplies procurement and management	Plan is to initiate in mid-2021

Processes	Risks	Audit topics	Status
Funds Flow	Expenditures are not aligned with relevant MOU's	Funds flow—Department of Medicine	Plan is to initiate in 2021
Care Management and Utilization Management	Inefficient Patient Care Management processes and/or ineffective Utilization Management processes result in excess cost of care or lost revenue from denials	Case Management / Utilization Review	Plan is to initiate in late 2020

Risk Theme: Compliance and Fraud

Primary Risk: Controls to decrease the risk of non-compliance with laws and regulations and the risk of fraud are not in place or are ineffective

Processes	Risks	Audit topics	Status
Section 117 of the Higher Education Act Reporting	Increased federal scrutiny of universities receiving foreign gifts and contracts, and expanded reporting requirements for four-year colleges participating in federal student financial assistance programs	Implementation of process improvement recommendations arising from limited scope procedures*	In progress: Working with management to finalize process change recommendations from our initial review Audit of updated procedures will occur in early FY2022

Processes	Risks	Audit topics	Status
CARES Act Compliance	Expenditures are not made in accordance with CARES Act requirements	Controls and processes related to CARES Act funds use and accounting	Timing TBD
Research Integrity	Undue foreign influence over research	Conflict of interest management*	Plan to initiate the audit in January 2021
Rebates and Credits Related to Sponsored Awards	Applicable credits are not accounted for in compliance with Uniform Guidance	Follow-up on July 2019 process improvement recommendations*	Timing TBD
Medicare Billing Compliance	Non-compliant billing for services in provider-based Clinics	Provider-based Clinic Billing Compliance	To be initiated mid-2021
Sponsor-requested Investigations	Sponsored awards are not managed according to agreed terms	Investigations requested by two sponsors are in progress	1 in progress
Office of State Inspector General Fraud, Waste, and Abuse (FWA) Hotline Complaints	Hotline dependent	Added to plan as they arise	2 OSIG FWA Hotline investigations in progress

Attorney-Client Privileged Engagement Conducted under Direction of University Counsel

Audits Completed Since Prior (Sept.) Report	# of Rated Findings	UVA Division
Payroll Controls for COVID-19 Financial Mitigation Steps	No rated findings	Pan-University
Sponsor Requested Audit of Certain Awards (Confidential)	No rated findings	Pan-University
Distributed IT Systems Management—School of Engineering and Applied Science's Computer Science Department	10 Partially Meets IT Control Findings (PM)	Academic Division
Medical Center and UPG Furlough Support Services Fund	No rated findings	Health System
Section 117 of the Higher Education Act of 1965 Enhanced Reporting Requirements*	No rated findings	Pan-University
On-Going Advisory Services		
Participate on both Finance Strategic Transformation Steering Committee and Advisory Group (Workday Finance Implementation)		Academic
Policy Review Committee—provide advice on UVA policies as they move through the approval process		Pan-University
Identity and Access Management Steering Committee		Pan-University
Request-Based Access Steering Committee		Pan-University

Management Action Plans Follow Up Process 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.

Overdue Action Plans (as of October 31, 2020)

Audit	Past Due Action Item	Priority Rating	Action Plan Owner
2019 UVA Wise Budgetary Controls	UVA Wise has completed a draft framework of its new strategic plan. Financial metrics to monitor strategic initiatives will be developed Spring 2021. All other corrective action plans associated with this engagement were previously validated and closed.	1 Priority 1 (P1) control gap	Donna Price Henry, UVA Wise Chancellor; Trisha Folds-Bennett, UVA Wise Provost
2019 UVA Wise Network Security	Install encryption on remaining drives using BitLocker as computers are upgraded to Windows 10. All but one machine used in dining services reporting have been remediated. Originally due 3/2020	1 Partially Meets IT Control	Laura Pritchard, Director of Tech Support Services

Audit	Past Due Action Item	Priority Rating	Action Plan Owner
2020 Emergency Department Charge Capture	Four action plans from this audit are past due. They address staff training, evaluation of re-billing of accounts and design of controls to prevent future missed charges and coding errors. Extension approved. Originally due 10/31/20 Extended to 1/31/2021.	4 Priority 2 (P2) control gaps	Sarah Hetmanski, Interim Director, Revenue Integrity
2020 UVA Arts Box Office	There are 22 past due action items: Three actions address safeguarding *of* University assets, revenue generating activities, and standard operating procedure development. Nineteen actions address IT control weaknesses. The Arts Box Office has been closed due to COVID-19, so remedial steps have been limited to progress on SOP development. Extension approved. Originally due: 9/1/2020 Extended to: 5/31/2021	3 P2 control gaps IT control gaps: 12 Does Not Meet IT control gaps: 7 Partially Meets	Kim Turner, Finance and Administration Manager

Rating Scale		
P1	Priority 1	A Priority 1 item signifies a control 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.
DNM	Does Not Meet	An IT control that is not in place or is ineffective to achieve the relevant IT controls framework (e.g. ISO-27002-2013) requirement
P2	Priority 2	A Priority 2 item signifies a control and/or process deficiency that hinders the effectiveness and efficiency of unit level operations, potentially impeding the attainment of institutional objectives. Management must take timely corrective action to mitigate Priority 2 deficiencies.
PM	Partially Meets	An IT control that meets some, but not all, of the relevant IT controls framework (e.g. ISO-27002-2013) requirement
PI	Process Improvement	A process improvement item signifies an opportunity to achieve additional control and/or process efficiencies.

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AGENDA ITEM: III.B. Institutional Compliance and Medical Center Compliance
Accomplishment and Goals: Mid-Year Status Report

ACTION REQUIRED: None

DISCUSSION:

Institutional Compliance Goals Fiscal Year 2020-2021
Mid-Year Status Report

1. **COVID-19**: Supported the University's efforts to successfully implement and monitor changes to processes in response to COVID-19, including: development and support of new reporting mechanisms through which the University receives COVID-related compliance concerns, creation and implementation of new policies and procedures, and participation in other related activities. In addition, we leveraged the Compliance Network to share information about COVID compliance processes.

2. **Hotline Rationalization** – Completed the implementation of a general compliance module in SafeGrounds, in order to better manage significant compliance related incidents in a single platform. By using SafeGrounds, we will have more effective management of intake and triage of employee reports, easier reassignment and/or sharing of cases among compliance professionals, enhanced reporting capabilities, integration with Workday and the Student Information System (SIS), improved compliance with digital accessibility, and customized web intake forms that have a similar look and feel to the University community.

3. **Volunteer Policy:** Led a multi-department effort to create a substantial rewrite of the policies and processes related to volunteers at the University in order to confirm the appropriate use of volunteers, complete background checks as necessary, and document special considerations related to volunteers who are foreign nationals or minors. This policy will be submitted to the institutional policy review committee, so that it may be approved and implemented in early 2021.

Medical Center Compliance Goals Fiscal Year 2020-2021
Mid-Year Status Report

1. **Oversight and Review of Changes in Law**: The Office has collaborated with University Counsel and clinical leaders to maintain vigilance on the changes in law and regulation that impact the Medical Center's operations. This routine oversight is increased in

importance due to the volatility and flexibility of laws in response to the pandemic. Some temporary changes remain in place and other changes are expected, thus the Medical Center's understanding of these and the preparedness and compliance efforts to adapt remains a priority.

2. **Revenue Integrity Audit Function:** The Office has collaborated with revenue integrity to review and oversee Medical Center compliance with regulatory requirements for documentation of medical necessity, accurate coding, billing and reimbursement from Medicare for services, documentation of patient communication and acknowledgement as needed, and to assess compliance in high risk areas as identified by the Office of Inspector General/Health & Human Services Work Plan. An expanded audit schedule was developed and published this fiscal year.

3. **Management of Data Privacy and Security:** The Office continues to partner with Information Security to evaluate and strengthen data privacy and security controls and policies. This is timely in light of new Medical Center Information Security leadership, also with the recent shift to teleworking and remote communications in order to ensure appropriate management and controls of the highly sensitive data the Medical Center team members and third party vendors routinely use and for which the Medical Center is responsible. Additionally, this partnership and oversight is critical as the Medical Center responds to the reported current cybersecurity threats and concerns that our industry has been made aware of by various federal agencies.