

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS**

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

September 11, 2020

AUDIT, COMPLIANCE, AND RISK COMMITTEE

Friday, September 11, 2020

9:00 -9:30 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

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

BOARD MEETING: September 11, 2020

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: I. Remarks by the Committee Chair

ACTION REQUIRED: None

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

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COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: II. Review and Approve Updated Audit Plan for FY 2021

BACKGROUND: The Committee reviews and approves the work plan of the internal audit program as part of its audit, compliance, and risk management oversight responsibilities. Typically, a two-year risk-prioritized audit plan is presented for the Committee’s approval. Given the uncertainties arising from the pandemic, the audit planning horizon has been shortened to allow flexibility to respond to the University’s changing needs and priorities for assurance and advisory services. An updated, risk prioritized plan for the remainder of FY2021 follows.

DISCUSSION: Risks to UVA’s mission delivery arising from uneven global and national virus mitigation efforts and uncertainty related to economic recovery scenarios were evaluated to develop the audit plan:

- Unprecedented challenge to normal operations across the institution
- “Virtual everything,” especially in the Work from Home environment, heightens the risks and consequences of cyberattacks and data/privacy breaches, and the need for resilient technology and infrastructure
- Financial Stresses:
 - Financial metrics, including liquidity measures, require closer monitoring
 - Established financial controls and safeguards could be affected by cost cutting measures and the need to move quickly to respond to changing conditions
 - Financial pressures on critical vendors could affect availability of must-have supplies
 - Similarly, individuals’ financial pressures could increase the risk of fraud

For the remainder of FY 2021 (September 2020 - June 2021), the Audit Department plans the following audits and reviews. The plan is dynamic and flexible to address emerging risks or requests for assistance as they arise.

- ❖ Denotes audit topic continued from prior BOV approved plan

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
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.)
Work and Study Enabling Technologies	<ul style="list-style-type: none"> • Access: Identity integrity • Data integrity and security 	<ul style="list-style-type: none"> ❖ Online learning: evaluation of controls over most widely used online learning applications ❖ Telemedicine
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
Facilities and Construction Planning	Cost escalation of projects in flight	❖ Continued monitoring of pay applications for Ivy Mountain Musculoskeletal Clinic, Hospital Expansion Project
Distributed IT Systems Management	Management of non-centrally controlled IT	❖ School of Nursing

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
Financial Stewardship	Macroeconomic factors stress UVA's financial position	<ul style="list-style-type: none"> • Co-development of ERM financial risk metrics for monitoring (ERM program management) ❖ Cash deficit management process ❖ Gift processing

Revenue Cycle Management	Loss of or delayed reimbursement through control breakdowns within the healthcare revenue cycle	<ul style="list-style-type: none"> ❖ Epic work queue Management ❖ Charge capture ❖ Patient registration and scheduling ❖ Patient financial counseling ❖ Charge Data Master maintenance
Healthcare Inventory Management	Inefficient inventory management reduces margins	<ul style="list-style-type: none"> ❖ Surgical supplies procurement and management
❖ Funds Flow	Expenditures are not aligned with relevant MOU's	Funds flow—Department of Medicine

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
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
CARES Act Compliance	Expenditures are not made in accordance with CARES Act requirements	Controls and processes related to CARES Act funds use and accounting
Research Integrity	Foreign influence over research	<ul style="list-style-type: none"> ❖ Conflict of interest management
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
Sponsor-requested Investigations	Sponsored awards are not managed according to agreed terms	Investigations requested by two sponsors are in progress
Office of State Inspector General Fraud, Waste, and Abuse Hotline Complaints	Hotline dependent	Added to plan as they arise

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

AUDIT DEPARTMENT UPDATED FY 2021 AUDIT PLAN

RESOLVED, the Audit Department FY 2021 Audit Plan as updated is approved as recommended by the Audit, Compliance, and Risk Committee.

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

<u>BOARD MEETING:</u>	September 11, 2020
<u>COMMITTEE:</u>	Audit, Compliance, and Risk
<u>AGENDA ITEM:</u>	III. Report on Enterprise Risk Management Program (Academic Division)
<u>ACTION REQUIRED:</u>	None

BACKGROUND: At its March 2020 meeting, the Audit, Compliance, and Risk Committee charged the UVA Finance and Audit departments with updating the University’s enterprise risk management (ERM) framework for the academic division. The following is an update on progress to date.

DISCUSSION: A working group for ERM program management was established, facilitated by Melody Bianchetto, VP for Finance and Carolyn Saint, Chief Audit Executive. Members include Augie Maurelli, AVP for Financial Operations, Bill Define, Director of Financial Operations, and Adelaide Wilcox King, Associate Professor of Commerce and faculty liaison to the Audit, Compliance, and Risk Committee.

External events unfolding related to the pandemic, systemic racism, and macroeconomic challenges provided an opportunity for the working group to think creatively about how these types of enterprise risk factors could be incorporated in a fresh way of thinking about an ERM program. Significant progress has been made in developing an innovative framework for aligning risk monitoring with the goals and initiatives in the 2030 Plan and the institution’s core values. At the Committee’s December meeting, the framework and status report on ERM program implementation will be provided.

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BOARD MEETING: September 11, 2020

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: IV.A. Audit Department Activities for the Period March - September 2020

ACTION REQUIRED: None

DISCUSSION: The Audit Department Status Report outlines activities since the March 2020 Audit, Compliance, and Risk Committee meeting. Activities include progress made on the department's staffing, data analytics initiative, and the BOV approved audit plan.

Audit Department Staffing

A new **Director of UVA Health Audits** joined the team in early August. Ms. Starelle (Star) Durbrow joined the Office of Audit and Compliance as Director of Health System Audits. Ms. Durbrow brings more than 12 years of healthcare audit experience from Crowe Healthcare Consulting and an additional 10 years in public sector auditing.

The **Audit Analytics Program Leader** role was filled by an internal candidate, Ms. Malika Ouenza who brings years of experience in building reports and analytic tools for UVA's financial systems. She will assist the department increase its use of data through training and coaching on data analytics techniques, building complex data models as needed for specific audit tests, and creating dashboards to enable ongoing monitoring of risks.

Progress on the Board of Visitors-Approved Audit Plan

Audit Projects Completed and In Progress Since March 2020 Board of Visitors Meeting

Project Status	Audits Completed or In Progress Since March 2020 Report	UVA Division
Completed	Research Data Security	Pan-University
Completed	Workday Provisioning and Deprovisioning Processes	Pan-University
Completed	Human Research Protection Program*	Pan-University
Completed	Export Controls*	Pan-University
Completed	Carr's Hill Renovations Construction Audit	Pan-University
Completed	Consultation on implementation plans for Epic segregation of duties controls	Health System
Completed	Emergency Department Charge Capture	Health System
Completed	Accounts Payable	Academic Division
Completed	High Security VPN Training and Deprovisioning	Academic Division

Project Status	Audits Completed or In Progress Since March 2020 Report	UVA Division
In Progress	Patient Friendly Billing Audit Follow Up	Health System
In progress	Workday: Delegation Risks and Controls	Pan-University
In progress	Section 117 of the Higher Education Act Limited Scope Procedures*	Pan-University

*Attorney-Client Privileged Engagement Conducted under Direction of University Counsel

Additional COVID-19 Reviews Added to the Audit Plan

As the pandemic's impact on normal operations began in March 2020 the Audit Department shifted focus to COVID-19 related risks, assisting management in evaluating controls over newly developed processes. Reviews of controls over employee and contractor assistance funds were completed (academic division and UVA Health) and recommendations for process improvements communicated to responsible teams. A review of controls related to payroll and benefits changes made to mitigate the pandemic's financial impact is in progress. These reviews are in addition to the BOV approved plan.

COVID-19 Topic	Reviews Completed
UVA Emergency Assistance Fund (Academic Division)	Assessment of controls over application intake, review/determination, and distribution of funds to eligible employees and contractors for reimbursable expenses
Medical Center & UPG Furlough Support Service	Assessment of controls over application intake, review/determination, distribution of funds to eligible employees and contractors for reimbursable expenses
COVID-19 Topics: Reviews in Progress	
Payroll and Benefits Related Financial Mitigation Measures	Review of controls over temporary salary adjustments, furlough process, continuity of furloughed employees' benefits, Paid Time Off balances and adjustments, contributions to UVA Emergency Fund via payroll deduction
FICA Deferral	Review of controls over FICA deferral election under Section 2302 of the CARES Act.

In addition to assurance work, the Audit Department participates in University initiatives as an advisor or consultant.

Advisory Projects and Initiatives	UVA Division
Enterprise Risk Management program co-lead	Academic
Request Based Access Management Steering Committee	Pan-University
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

Priority rated findings for audit reports issued March 2020-August 2020

Audit Report Topic	Responsible Unit(s)	P1	P2	IA	DNM	PM
University Accounts Payable	Procurement and Supplier Diversity Services		5			
Research Data Security	VP Research; VP IT	2	10			
Emergency Department Charge Capture	Revenue Cycle		4			
Export Controls *	VP Research			13		
Human Research Protection Program *	VP Research			10		
Workday Provisioning and Deprovisioning	University HR				2	4
Total rated findings reported		2	19	23	2	4

Audit report ratings explained

P1

A Priority 1 item signifies a control and/or process deficiency of sufficiently high risk and potential impact that it provides minimal to no assurance that institutional objectives will be achieved. Management must take immediate corrective action to mitigate Priority 1 deficiencies.

P2

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 objectives. Management should take timely corrective action to mitigate Priority 2 deficiencies.

IA

Integrated Assurance: Compliance action plans to be tracked to completion.

DNM

An IT control that Does Not Meet (DNM) the relevant IT control framework's requirements.

PM

An IT control that Partially Meets (PM) the relevant IT control framework's requirements.

The two P1 Priority 1 audit findings in the Research Data Security Audit related to improving processes to identify and regularly review projects that are evaluated as high risk; and establish processes to ensure research data security throughout the project's lifecycle. These control weaknesses and others identified in the audit above are being timely addressed by responsible management through agreed upon action plans. Progress on implementing these will be reported to the Committee as due dates occur.

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BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: September 11, 2020

COMMITTEE: Audit, Compliance, and Risk

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

ACTION REQUIRED: None

DISCUSSION:

**Institutional Compliance Goals – Year-End Status Report
Fiscal Year 2019-2020**

1. **Code of Ethics:** The BOV approved the revised Code of Ethics for faculty and staff at its December 2019 meeting, and the updated version now appears on the University's website. The BOV had last reviewed and approved the code in 2004. Mr. Gary Nimax, Assistant Vice President for Compliance, led an effort to rewrite the document based on a review of codes of ethics from peer institutions and a best practice review by Gartner, a third-party consulting firm. Before sharing with the board, a draft document was socialized with several individuals, including Faculty Senate, Staff Senate, University Counsel, Compliance Network, and members of the University's senior leadership team.
2. **Hotline Rationalization** – Mr. Nimax convened a working group to 1) review the current reporting mechanisms in place institution-wide, 2) consider alternatives to simplify and coordinate processes, 3) determine ways in which to compile and assess data to manage risks, 4) discuss short-term and long-term solutions, and 5) deliver a conclusion on feasibility and next steps. The University will expand the marketing and use of the University's anonymous helpline and web intake form to develop standard reporting and better monitor trends related to compliance concerns. SafeGrounds, an incident management system developed by the University, is being used to receive and manage reports on a wide variety of topics, such as sexual assault, harassment, youth protection, free speech, employee relations, accessibility, safety, COVID-19, and other compliance areas. This improves the University's ability to more effectively manage its intake and triage of employee reports and measure/report compliance program effectiveness.
3. **Review of compliance training options:** Ongoing process. A team is reviewing current mandatory and optional training for employees and is exploring opportunities to leverage the new Workday learning management system to maintain training curriculum and measure training effectiveness. A new process for Statement of Economic Interests training has been implemented to test and refine the process.

**Institutional Compliance Goals
Fiscal Year 2020-2021**

1. **COVID-19:** Support the University's efforts to successfully implement and monitor changes to processes in response to COVID-19, to include: development and support of new reporting mechanisms through which the University will receive COVID-related compliance concerns, review

of new policies and procedures, and participation in other related activities that may arise. In addition, we will leverage the Compliance Network to share information about COVID compliance processes.

2. **Hotline Rationalization** – Complete 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 allow for 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:** Lead a multi-department effort to update 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.

Medical Center Compliance Goals – Year-End Status Report Fiscal Year 2019-2020

1. **Compliance Risk Reduction in Clinical Environment:** The Compliance & Privacy Office (Office) analyzed service line-specific compliance issue data and trends throughout the fiscal year. This information was presented routinely to the Medical Center Management Group (MCMG) and individually to service line leaders through the 3rd quarter. When the focus of the MCMG communications shifted post-pandemic, the Office continued to review service line-specific data with individual service line leaders to facilitate evaluation of root cause of the violations and development of countermeasures for compliance risk reduction and/or mitigation in the clinical environment.
2. **Coding Audit Function:** The Office developed a more robust FY20 Compliance Audit Plan for assessing compliance in revenue integrity billing and coding audits, also independent reviews of revenue integrity functions to ensure Medical Center compliance with regulatory requirements for documentation required by Medicare for primary/secondary payors, medical necessity, accurate coding, billing and reimbursement. While limited by staff vacancies and pandemic staffing, the majority of the scheduled audits were completed and communicated to stakeholders; the remainder will be incorporated into the FY 21 schedule.
3. **Evaluation of compliance training options:** The Office collaborated with resources in UVA Human Resources Learning & Development to convert compliance training to the current training software, resulting in a more favorable, dynamic learning experience in the new training medium, also readying regulatory training for movement into the new Workday learning management system. The Office will continue to work with Learning & Development to transition training into the Workday environment once available.

Medical Center Compliance Goals Fiscal Year 2020-2021

- 1. Oversight and Review of Changes in Law:** The Office, in collaboration with University Counsel and other UVA and Medical Center partners, will maintain vigilance on expected and anticipated 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 of these changes are temporary, thus the Medical Center's understanding of expected impact of changes, preparedness and compliance efforts to adapt to expected and anticipated changes is a current priority.
- 2. Revenue Integrity Audit Function:** The Office will collaborate with revenue integrity to continue reviews and oversight of 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.
- 3. Management of Data Privacy and Security:** The Office will 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.