UNIVERSITY OF VIRGINIA
BOARD OF VISITORS

Meeting of the Audit, Compliance, and Risk Committee

March 5, 2021

AUDIT, COMPLIANCE, AND RISK COMMITTEE

Friday, March 5, 2021
9:15 – 10:00 a.m.
Electronic Meeting

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: March 5, 2021

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.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: March 5, 2021

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: II.A. Overview of Academic Division Compliance: SafeGrounds Incident Management System and Plans for Future Enterprise-Wide Compliance Reporting

ACTION REQUIRED: None

BACKGROUND: One of the institutional compliance goals shared with the Board of Visitors was to rationalize the hotline management processes. Specifically, the compliance team reviewed the current reporting mechanisms in place institution-wide, considered alternatives to simplify and coordinate processes, and determined ways in which to compile and assess data to manage risks. They also identified the need to develop standard reporting and better monitor trends related to compliance concerns.

Leveraging the investment the board made in SafeGrounds, initially conceived to ensure the University's Title IX processes and workflow would ensure compliance with relevant state and federal laws and regulations, the university has moved other compliance areas into the tool.

The compliance function has evolved from a highly decentralized approach to one where management and the board will have the appropriate visibility into compliance risk areas. This is a crucial part of demonstrating that the university has an effective compliance function.

DISCUSSION: Mr. Gary Nimax, Assistant Vice President for Compliance, will review the processes for reporting compliance concerns and managing incidents in SafeGrounds. He will also discuss enhancements to the enterprise-wide compliance reporting on incidents at a high level.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: March 5, 2021

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): Every five years, the internal audit department is required to conduct an External Quality Review (EQR) to evaluate conformance with The International Standards for the Professional Practice of Internal Auditing (Standards) promulgated by the Institute of Internal Auditors and identify opportunities to improve internal audit performance and services. Beyond confirming conformance with Standards, an EQR is an opportunity for the internal audit team to receive feedback from stakeholders. After consulting with EVP/COO Jennifer Davis and Audit, Compliance, and Risk Committee (ACR Committee) Chair Dr. Lateef, Protiviti, a global consulting firm specializing in internal auditing, compliance, and risk management, was selected to lead the external review.

As part of the EQR, Protiviti completed 20 interviews with senior and executive leadership and other stakeholders (including Board of Visitors members and Auditor of Public Accounts auditors) to gather feedback and insight on the current internal audit program. Protiviti has completed a review of key governance documentation around the internal audit activity and the ACR Committee. A corresponding review of select internal audit documentation (including planning materials, workpapers, and audit reports) is ongoing.

Protiviti expects to deliver a draft report discussing conformance to the International Standards for Professional Practice of Internal Auditing in February 2021. Detailed findings of the EQR will be discussed at the ACR Committee's June meeting.

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

The audit plan is intentionally dynamic to respond to changes in organizational priorities. The following audit plan reflects adjustments made to accommodate the University's organizational capacity to engage with the audit function in the face of COVID-19 response priorities and management's strategic initiatives. Productive discussions with University leaders to inform the audit plan and audit timing for the remainder of FY2021 are ongoing. The Committee will review and approve the audit

plan topics for FY22-23, encompassing stakeholder input and feedback, at the June 2021 meeting

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.)	Deferred
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 to initiate late Spring 2021
		Health System Data Warehouse: evaluation of integrity and privacy controls	Timing TBD
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	Draft report issued for management responses
Facilities and Construction Planning	Cost escalation of projects in flight	Continued monitoring of pay applications for Ivy Mountain Musculoskeletal Clinic, Hospital Expansion Project	Ongoing monitoring of pay applications and Return on Investment (ROI) analysis
Distributed IT Systems Management	Management of non-centrally controlled IT	School of Nursing	Deferred

Processes	Risks	Audit Topics	Status
IT Disaster Recovery	Prolonged disruption to patient care	Health System IT Disaster Recovery	Deferred

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: Deferred to focus on FST Project Health Check Gift processing: deferred to March 2021 at client's request Cash deficit management: Timing TBD
ADDED TO PLAN: Finance Strategic Transformation (FST)	Successful implementation of Workday financials and major process changes	Ongoing Project Health Check through the July 2022 go-live date	o Project Health Check Report #1 issued o Project Health Check #2 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 Patient Friendly Billing Follow-up: Issued o Epic work queue management: draft report issued for management responses o Ambulatory Scheduling: draft report issued for management responses o Patient Collections: audit in progress o Mosaiq charge capture: deferred

Processes	Risks	Audit Topics	Status
		○ Third Party Payment Monitoring	○ Patient Financial Assistance and Financial Counseling: deferred ○ Third Party Payor Contracting: in progress
Healthcare Inventory Management	Inefficient inventory management reduces margins	Surgical supplies procurement and management	Plan is to initiate in March 2021
Funds Flow	Expenditures are not aligned with relevant MOU's	Funds flow—Department of Medicine	Deferred
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	Data analytics to inform future risk-based audit scope are on hold

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	Implementation of process improvement recommendations arising from limited scope procedures*	Initial report issued December 2020 Audit of updated procedures will occur in early FY2022

Processes	Risks	Audit topics	Status
	reporting requirements for four-year colleges participating in federal student financial assistance programs		
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*	Audit in progress
ADDED TO PLAN: Limited scope analysis of a specific program	Allowability of costs	Specific program*	Audit in progress
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 Clinic Billing Compliance	Deferred

Processes	Risks	Audit topics	Status
	provider-based Clinics		
Sponsor-requested Investigations	Sponsored awards are not managed according to agreed terms	Investigations requested by two sponsors are in progress	Reports issued
Office of State Inspector General Fraud, Waste, and Abuse (FWA) Hotline Complaints	Hotline dependent	Added to plan as they arise	Reports issued

Attorney-Client Privileged Engagement Conducted under Direction of University Counsel

Audits Completed Since Prior (Dec.) Report	# of Rated Findings	UVA Division
Finance Strategic Transformation/Workday Financials Implementation Project Health Check #1	No rated findings	Academic Division
Sponsor-Requested Investigation*	No rated findings	Pan-University
Patient Friendly Billing Follow-up	3 P2 control gaps	Health System
OSIG Hotline Investigation Reports [2]	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	
IT Security Advisory Committee and Security Advisory Technical Sub-committee	Academic	

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.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: March 5, 2021

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: III.B. Enterprise Risk Management Program Status Report

ACTION REQUIRED: None

DISCUSSION: The University's Academic Division has moved forward to operationalize the renewed Enterprise Risk Management (ERM) program based on the new values-focused approach. Overall project planning is being finalized to anchor processes moving forward: a new charter has been adopted, the governance structure and associated membership is being established, a methodology for risk identification and scoring has been drafted, and a 36-month project plan has been developed.

management. The Academic and Health System IT security strategies will be discussed.