UNIVERSITY OF VIRGINIA
BOARD OF VISITORS

Meeting of the Audit, Compliance, and Risk Committee

September 23, 2021

AUDIT, COMPLIANCE, AND RISK COMMITTEE

Thursday, September 23, 2021
1:30 – 2:15 p.m.
Board Room, The Rotunda

Committee Members:

Babur B. Lateef, M.D., Chair   Barbara J. Fried
Thomas A. DePasquale, Vice Chair   Louis S. Haddad
Robert M. Blue   The Honorable L.F. Payne
Mark T. Bowles   Whittington W. Clement, Ex-officio
L.D. Britt, M.D.   Adelaide Wilcox King, Faculty Consulting Member

AGENDA

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 23, 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, welcome guests, and provide an overview of the agenda.

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BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 23, 2021

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: II.A. Report on Undergraduate Student Advising Audit Project

ACTION REQUIRED: None

BACKGROUND: Dr. Lateef and Ms. Barbara Fried will brief the Committee on a change to the audit plan related to undergraduate student advising.

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BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 23, 2021

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: II.B. Audit Department Briefing

ACTION REQUIRED: None

BACKGROUND: In this briefing to the Audit, Compliance, and Risk Committee Ms. Saint, Chief Audit Executive, will present information on 1) risk trends, 2) an executive summary of current Audit Department activities, 3) changes to the plan approved by the Board of Visitors and the Audit, Compliance, and Risk Committee at the June 2021 meeting, and 4) process improvements resulting from the recent External Quality Assessment (EQA).

1. Risk Trends for Audit Committees and Internal Auditors

A recent KPMG Board Leadership Center whitepaper[1] "identified emerging risks that internal auditors should have on their radars as they adapt their internal audit plans in the months ahead… In assessing these and other risks, the details and the data are critical. But given the unprecedented complexity and uncertainties ahead, it has never been more important for internal audit—as the audit committee's eyes and ears—to help paint a holistic picture of the company's vulnerabilities and opportunities to help it keep sight of the big picture."

KPMG's perspective on top risks

- Cybersecurity and data governance risks
- Culture, ethics, and compliance risks
- Evolving COVID-19 risks
- Longer-term risks posed by accelerating megatrends and the new normal
- ESG risks
- Climate change risk
- Human Capital Management risks
- Risks posed by the federal agenda
- Crisis readiness

The full KPMG whitepaper contains suggested actions for internal auditors to consider as they reassess risks and audit plans. As part of UVA Audit's dynamic audit planning process, continued attention is paid to risk trends and responses using research and benchmarking

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[1] Dabney, S. and Smith, M. (2021). How internal auditors are adjusting to changing risk profiles. Retrieved from https://boardleadership.kpmg.us/content/dam/boardleadership/en/pdf/2021/how-internal-auditors-adjusting-to-changing-risk-profiles.pdf.

with peer institutions. The plan is updated as needed to reflect changing risks and priorities, with changes reported to and reviewed by the Audit, Compliance, and Risk Committee.

2. UVA Audit: Activities for the Period[2]: Executive Summary

First Quarter FY2022 Snapshot (July-August 2021)	Summary of Audit Activities	
	3 Audits Completed	Consultative Activities
UVA Audit completed or is in progress on a range of assurance audits, investigations, and consultative activities during the quarter. The results of our work indicate management controls over processes audited remain effective.	• Patient Collections • Advancement Outsourced Payment Processing (CDS Global) • FST Project Health Check #3 (Workday)	• Policy Review Committee
Key Issues Raised by Audit	4 Audits in Progress	Support for Major University Projects
FST Project Health Check #3: Overall Project Risk Rating is **Yellow**	• Cash Deficit Management • Undergraduate Student Advising Current State Assessment • Covid-19 Relief Fund Programs Compliance (in coordination with APA) • CARES Compliance - Research (2020 OMB Supplement and Addendum, Memorandum 20-17)	• Finance Strategic Transformation (FST) Executive Committee and Steering Committee • FST Foundation Data Model (FDM) Mapping • Identity and Access Management Steering Committee • Role Based Access Steering Committee • Workday Internal Controls Work Group

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[2] Board material due dates necessitate reporting only the data available to meet those deadlines (i.e. data is not a complete Fiscal Year quarter)

3. Changes to the Approved Audit Plan

Because the plan is intentionally dynamic to maintain its relevance, a status update on the department's activities will be provided at each Committee meeting.

- UVA Audit will not conduct additional Project Health Checks on the Finance Strategic Transformation project as originally planned. University management has requested JJH Consulting conduct the required Independent Validation and Verification on the project's adherence to scope, schedule, and budget. Regular reporting to the Finance and/or Audit Committees to update BOV members on the project's status is recommended. Workday Financials go-live is targeted for July 1, 2022.

- The scope for the Undergraduate Student Advising audit has been changed to a financial analysis of the cost of advising (current state). The Provost has charged a task force to evaluate student advising programs and provide recommendations to enhance them. A report from the task force is anticipated to be completed in January 2022 and presented at the March 2022 Board of Visitors meeting.

- The Purchase Card Controls and Provider-Based Billing audits will be deferred to FY 2022-2023

- The Point of Service Collections and Financial Assistance/Counseling audits will be conducted in FY2021-2022, instead of FY2022-2023

- Certain matters were brought to the Audit Department for investigation.

A detailed update of the plan, including proposed changes and audit project status, is available in the written report on Page 7.

4. Process Improvements Resulting from External Quality Assessment (EQA)

The Audit Department initiated an After-Action Review(AAR) process to evaluate performance on completed audits. The goal of the AAR is to incorporate lessons learned in performing an audit to improve methodologies and techniques for managing projects. This will address a theme communicated in the EQA related to achievement of project timelines and, more broadly, provide a mechanism for continuous improvement.

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BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 23, 2021

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: III.A. Audit Department Report

BACKGROUND: To facilitate the Committee's oversight of internal controls, risk management, and compliance the written report summarizes 1) changes to the approved audit plan (from June 2021 Committee meeting) and audit project status updates and 2) findings from audits completed during Fiscal Year 2020-2021 (July 1, 2020-June 30, 2021).

1. Changes to the plan approved in June 2021 and updated project status (in bold)

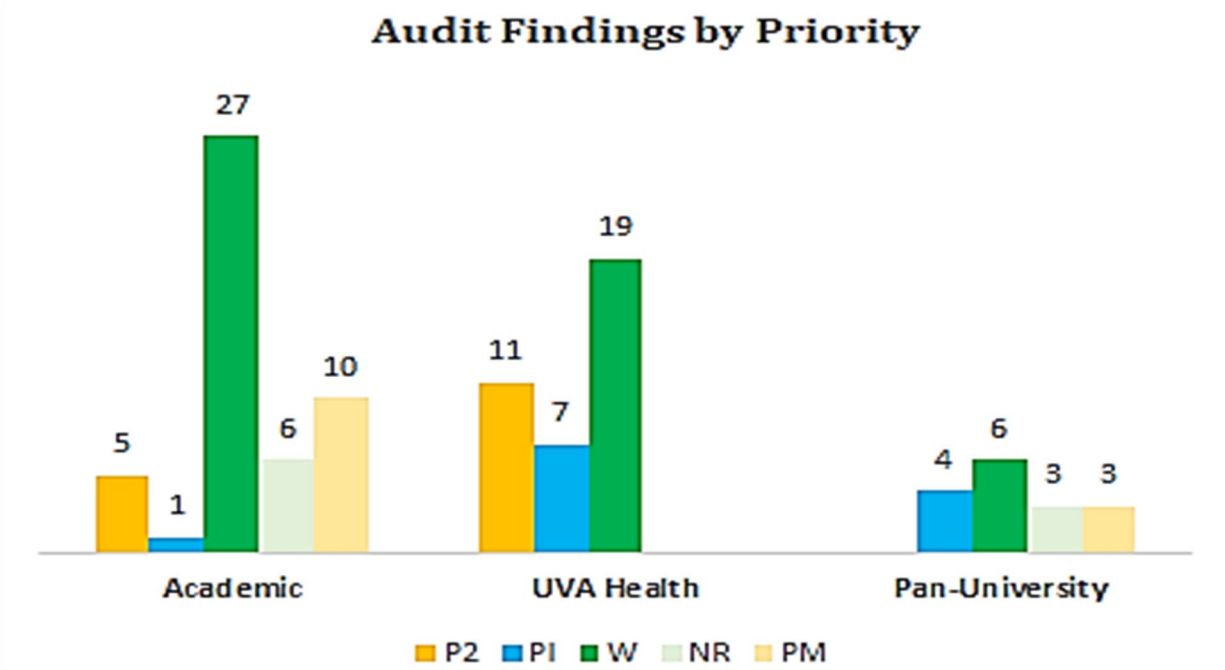|	Division	Audit Topic	Audit Scope
1	UVA Health	Case Management/ Utilization Management **(On hold at management's request)**	Analyze claims data for length of stay opportunities and compliance risk indicators. Assess Case Management and Utilization Management activities for compliance with established policies and opportunities for improvement.
2	UVA Health	Supplies Procurement **(On hold due to Audit Department staff shortage)**	Evaluate purchasing and receiving controls for medical supplies
3	UVA Health	Charge Capture – Radiation Oncology **(In Progress)**	Assess charge capture controls for charges interfaced between Mosaiq and Epic systems
4	UVA Health	Financial Assistance and Financial Counseling **(moved up from FY2023 plan)**	Potential revenue loss, Patient satisfaction, compliance with Virginia Debt Collection Act
5	UVA Health	Point of Service Collections **(moved up from FY2023 plan)**	Fraud controls and potential for revenue loss
6	UVA Health	Emergency Department E&M Levels	• Revenue loss • Non-compliant claims
7	UVA Health	Insurance Verification and Pre-Authorization	Denials and rework
8	UVA Health	Status Assignment	• Non-compliant claims • Loss of revenue • Denials
9	UVA Health	Controlled Substances Diversion Program	Effectiveness of diversion controls established after prior internal audit.

	Division	Audit Topic	Audit Scope
10	UVA Health	Data Warehouse Controls	Information Security and Privacy
11	UVA Health	Pharmacy Charge Capture	Assess charge capture controls for Pharmacy
12	UVA Health	Epic Provisioning and De-provisioning—clinical areas	• Identity and Access Management • Information Security and Privacy
	UVA Health	Time Keeping and Payroll **(Deferred to FY2023)**	• Unauthorized financial transactions • Excessive payroll costs
	UVA Health	Provider Based Billing Compliance **(Deferred to FY2023)**	Test for compliance with billing rules for provider-based clinics
	UVA Health	Purchase Card Controls **(Deferred to FY2023)**	• Unauthorized transactions • Potential for internal theft/fraud
1	Pan-University	Cybersecurity	Follow-up on status of 2019 KPMG Cybersecurity Assessment recommendations.
2	Pan-University	Safety and Security	Implementation status of recommendations in the 2017 MH consulting report.
3	Pan-University	Research Data Security	Information security for non-centrally managed research data systems.
1	Academic	Advancement Payment Processing **(Completed)**	Assessment of controls over processes outsourced by Advancement to CDS Global.
2	Academic	Section 117 of the Higher Education Act Reporting	Implementation of process improvement recommendations arising from limited scope procedures performed previously.
3	Academic	Rebates and Credits Related to Sponsored Awards	Implementation of process improvement recommendations arising from prior procedures.
4	Academic	CARES Compliance - Research (2020 OMB Supplement and Addendum, Memorandum 20-17) **(In Progress)**	Processes for applying administrative relief granted by OMB to address COVID-19 related loss of operational capacity and increased costs.
5	Academic	CARES Compliance - Higher Education Emergency Relief Fund (HEERF I, II, III) **(In Progress)**	Controls and processes related to HEERF funds data collection, use, accounting, and reporting.
6	Academic	Cash Deficit Management Process **(In Progress)**	University policies, practices, and tools for monitoring and managing unit cash deficits.

	Division	Audit Topic	Audit Scope
7	Academic	NCAA Compliance (Integrated Assurance)	Refresh reliance on UVA Athletics Department Compliance Office by evaluating monitoring procedures for at least one major compliance area.
8	Academic	Student Health & Counseling	Student health and counseling services (includes Elson Student Health, Women's Center, Sheila Johnson Center, McCue Center)
9	Academic	Undergraduate Student Advising **(In Progress; Change in Scope)**	**Scope changed: analysis of costs for current undergraduate student advising programs and activities only.**
10	Academic	Study Enabling Technologies	Use of Artificial Intelligence (AI) in Instructional Technologies
11	Academic	Finance Strategic Transformation (FST) - Project Health Checks **(Removed from Plan)**	Ongoing project health checks approximately every 2 months through July 2022 Workday Financials go-live.
12	Academic	FST - Internal Control Framework (In Progress)	Advise UVA Finance and Baker Tilly in development and documentation of internal controls framework related to Workday implementation
13	Academic	Construction Projects: • Hotel and Conference Center • Physics Building Renovation • Hospital Expansion Project Closeout (In Progress) • Ivy Mountain Musculoskeletal Clinic (In Progress)	Using an outside expert in construction project management accounting, perform procedures relevant to phase of specified construction projects
14	Academic	International Operations - Phase 1: Inventory of Activities	Develop inventory of international activities to determine eventual audit scope
15	Academic	Academic Records and Policies	Processes for ensuring undergraduate and graduate records convey quality information (complete, accurate, timely, available) for students and others who use them. (COSO Principle 13)
16	Academic	Institutional Data	Processes for ensuring statistical data used in external reporting conveys quality information (complete, accurate, timely, available). Includes UVA website (info for

Division	Audit Topic	Audit Scope
		prospective students and parents), US News and World Report, National Study of Instructional Cost & Productivity (Delaware Cost Study), IPEDS, SCHEV, etc. (COSO Principle 13)

2. Summary of Audit Findings by Priority Rating in Reports Issued July 1, 2020 through June 30, 2021

The table below shows the distribution of rated findings across Academic and UVA Health divisions (note: certain audits span both divisions and are labeled "pan-university.") See page 10 for the Rating Scale.

Audit Findings by Priority

Academic: P2 = 5, PI = 1, W = 27, NR = 6, PM = 10
UVA Health: P2 = 11, PI = 7, W = 19
Pan-University: PI = 4, W = 6, NR = 3, PM = 3

Legend: ■ P2 ■ PI ■ W ■ NR ■ PM

The table below summarizes findings by priority rating for audits performed during FY2020-2021 (excluding UVA Health audits).

Project Name	Division	Priority Rating for Findings (see Ratings Scale for Definitions)					
		P1	P2	OP	W	Not Rated	PM
Identification & Monitoring of Mission Essential Vendors	Academic		1				
University Advancement Services' Third-Party Payment Processing	Pan University				1	3	
Research Conflict of Interest	Academic		4	1			
Computer Science - SEAS	Academic				22		10
Covid-19 Payroll Controls for Financial Response	Pan University			4	5		3
Employee Assistance Fund Processes and Controls	Academic				5	6	
Totals			5	5	33	9	13

The Audit Department assigns ratings to findings to assist management in the prioritization and implementation of audit recommendations. The rating categories are defined below.

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
OP	Process Improvement	A process improvement item signifies an opportunity to achieve additional control and/or process efficiencies.

Rating Scale		
W	**Working**	Control tested or process evaluated is working as designed

The table below summarizes key findings requiring actions plans to remediate them, as communicated in audit reports issued during Fiscal Year 2020-2021 and through July 2021 (Fiscal Year 2021-2022). Excludes UVA Health audits.

Audit	Summary of Findings
Identification and Monitoring of Mission Essential Vendors 1 Priority 2 Rated Finding	The University has not aligned essential functions to mission essential vendors, leaving associated vendor risks (reputational, regulatory compliance, operational, financial) potentially unmitigated throughout parts of the vendor management life cycle
Research Conflict of Interest 4 Priority 2 Rated Findings	Management is working on process improvements identified during the audit (conducted under Attorney-Client Privilege).
University Advancement Services' Third-Party Payment Processing 3 unrated findings	Three unrated findings highlighted documentation and access improvements in the reconciliation of the cash clearing account to comply with university policy and to prevent the loss or unauthorized editing or access to reconciliation spreadsheets
FST Project Health Check Reports #1, 2, and 3 (Workday Financials Implementation) Overall project risk reported as Yellow (Medium Risk) for each of the 3 PHC reports	Project Health Check reports issued in January 2021, April 2021, and July 2021 contained recommendations for improving project management, identifying and communicating criteria to exit Configuration and Protype phase, finalizing the Foundation Data Model, ensuring sufficient knowledgeable project resources available, communicating testing strategy, finalizing workflow controls and approvals, and finalizing the plan for security/access to Workday Financials.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 23, 2021

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: III.B. Institutional Compliance and Medical Center Compliance
                         Goals for FY21-22

ACTION REQUIRED: None

Institutional Compliance Goals
Fiscal Year 2021-2022

1. **COVID-19**: Continue to support the University's efforts to successfully implement and monitor changes to processes in response to COVID-19, to include: oversight of 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** – Enhance reporting capabilities of the new compliance module, as well as develop a high-level institutional reporting dashboard for data in SafeGrounds to create standard reporting and monitor trends related to compliance concerns. Market the new customized web intake form to receive compliance concerns and enhancements to the existing 800 number helpline to the University community.

3. **Conflict of Interest Processes:** Coordinate a multi-department effort to update the processes related to conflict of interest at the University to better understand the how conflicts are documented and managed, as they relate to procurement, research, and the Statement of Economic Interests that are submitted to the state. Identify potential ways to streamline and improve existing processes.

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Medical Center Compliance Goals

Fiscal Year 2021-2022

1. **Compliance Program Effectiveness:** The Office will complete an organizational Compliance Program Effectiveness Evaluation to assess the effectiveness of the UVA Health Compliance Program in exercising due diligence to identify and prevent criminal conduct using federal regulatory criteria, indicators, and guidance of the U.S. Department of Justice Criminal Division Evaluation of Corporate Compliance Programs.

2. **Follow up on Compliance Risk Assessment**: The Office will continue to follow up on the corrective action plans developed after completion of the prior fiscal year compliance risk assessment. Operational departments are facilitated by the Office in implementing the corrective action plans to manage identified risks and mitigate potential liability.

3. **Organizational IT and Data Governance:** The Office will support HIT and Data Analytics in the development and implementation of procedures for appropriate access to and use of UVA Health data. Highly sensitive data is created, stored, accessed, and transmitted through IT functions; strong governance will provide protections required by regulation and will define appropriate procedures and processes for authorized access of protected data for non-patient care purposes.

4. **Compliance Issues Database Transition:** The Office will transition the compliance case management function from a third-party application to the compliance module in UVA SafeGrounds. This will allow for more effective management of reported compliance issues, workflow to refer cases as needed to other compliance professionals or Human Resources, enhanced reporting capabilities, and web intake to facilitate the reporting of compliance concerns.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 23, 2021

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: III.C. Enterprise Risk Management Program (Academic Division) Status Report

ACTION REQUIRED: None

DISCUSSION: The Values Focused ERM program was fully engaged over the last three months. The ERM Network and the Fiscal Sustainability Working Group met regularly and made substantial progress towards establishing the risk criteria and the operational procedures for the program.

The Enterprise Risk Network approved the risk criteria and risk scoring matrix for the ERM program at its August quarterly meeting. The Network approved the proposed Risk Scoring Matrix, received an update on the progress of the Fiscal Sustainability Working Group, and had robust discussions regarding the selection of Working Group #2 to be convened later this Fall.

The Fiscal Sustainability Working Group completed the Fiscal Sustainability Risk Register and discussed potential report formats. The group conducted a risk scoring exercise and formed smaller subgroups to begin analyzing the top five identified risks.