UNIVERSITY OF VIRGINIA
BOARD OF VISITORS

Meeting of the Audit, Compliance, and Risk Committee

December 8, 2022

AUDIT, COMPLIANCE, AND RISK COMMITTEE

Thursday, December 8, 2022
1:45 – 2:30 p.m.
Board Room, The Rotunda

Committee Members:

Thomas A. DePasquale, Chair   Babur B. Lateef, M.D.
Robert M. Blue   Stephen P. Long, M.D.
Mark T. Bowles   The Honorable L.F. Payne
Carlos M. Brown   Whittington W. Clement, Ex-officio
Louis S. Haddad   Adelaide Wilcox King, Faculty Consulting Member

<u>AGENDA</u>

IV.   **CLOSED SESSION**
       •   Consideration of the performance of specific administrative personnel arising
            from the annual financial statement audit conducted by the Auditor of Public
            Accounts; and consultation with legal counsel concerning a compliance matter
            involving UVA Health.
       •   The relevant exemptions to the Virginia Freedom of Information Act authorizing
            the closed session discussion and consultation described above are provided for
            in Sections 2.2-3711(A)(1), (7), and (8) of the Code of Virginia. The closed
            session of the Audit, Compliance, and Risk Committee is further privileged under
            Section 8.01-581.17 of the Code of Virginia.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: December 8, 2022

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: I. Remarks by the Committee Chair

ACTION REQUIRED: None

BACKGROUND: Mr. Thomas DePasquale, the Committee Chair, will open the meeting, welcome guests, and provide an overview of the agenda.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: December 8, 2022

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: II. Status of Auditor of Public Accounts Audit and Management Report for FY 2021-2022

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. Mr. Augie Maurelli, Associate Vice President for Financial Operations, will introduce the Auditor of Public Accounts' project leader. Ms. Staci Henshaw, Auditor of Public Accounts, Mr. Eric Sandridge, Deputy and Mr. David Rasnic, Director of Higher Education Programs, will report on the FY 2021-2022 audit.

Staci A. Henshaw, CPA, CGMA was appointed as the Auditor of Public Accounts (APA) by the Virginia General Assembly in February 2021. She previously served as the Deputy Auditor from February 2013 through her appointment as the Auditor. Staci earned her Bachelor of Science in Commerce (Accounting) from the University of Virginia.

Staci has performed a variety of roles during her 27 years at the APA including serving as the director responsible for the Reporting and Standards Specialty Team, which is responsible for reviewing and responding to exposure drafts for new auditing and accounting standards and determining the impact of new standards on audits the APA performs. She also served as the project manager for the audit of Virginia's Annual Comprehensive Financial Report from 2002 to 2012. In addition, she had oversight of the compilation of the Comparative Report of Local Government Revenues and Expenditures and the quality control review process the APA performs over certified public accountants that conduct audits of Virginia's local governments.

In addition to her experiences at the APA, Staci has been active and held leadership roles in several outside organizations including the National Association of State Auditors, Comptrollers, and Treasurers (NASACT) and its sub-organization the National State Auditors Association (NSAA); the Virginia Society of Certified Public Accountants (VSCPA); and the American Institute of Certified Public Accountants (AICPA). She currently serves as Co-Chair of NASACT's Committee on Accounting, Reporting, and Auditing (CARA) and is also a member of the CARA Subcommittee for Governmental Accounting Standards Advisory Council Input. Additionally, she serves as the Chair of NSAA's Audit Standards and Reporting Committee and as a member of NSAA's Auditing Standards Board Input Task Force and Peer Review Committee. In 2022, Staci was the recipient of NSAA's Distinguished Service Award and NASACT's President's Award. Staci's extensive involvement with the VSCPA includes serving on the Accounting and Auditing Committee, Finance Committee, and on the Nominations Committee. She also held multiple leadership roles with the VSCPA including serving on the Board of Directors, Executive Committee,

and as Chair of the Board in 2017-2018. Staci previously served on the Governing Council of the AICPA and is currently a member of its Compliance Audit Task Force.

Eric M. Sandridge, CPA, CISA, CGFM is APA's Deputy Auditor for Technology and Innovation. In addition to the core responsibilities related to the APA's workplan and technical review over audit reports, Eric oversees the research, development, and implementation of new technologies and audit approaches and evaluates compliance with auditing standards. Collaborating with the office's various specialty teams, Eric helps to identify opportunities for leveraging technology to enhance existing practices. Additionally, Eric oversees reporting methods and delivery mechanisms, assesses the design, policies, and content of the APA website, and oversees the APA's activities related to the design and update of Commonwealth Data Point.

Prior to becoming Deputy, Eric spent nine years as the Director of the APA's Higher Education Programs specialty team. Eric is a member of the National State Auditors Association (NSAA) Audit Standards and Reporting committee and NSAA Single Audit committee. He received a BBA in Finance and a Master of Science in Business Analytics from the College of William and Mary.

David Rasnic, CPA, CISA is the Director of Higher Education Programs for the Virginia Auditor of Public Accounts. His current responsibilities include management of the office's Higher Education Programs Specialty Team and project management oversight for various agencies and institutions of the Commonwealth. He also coordinates required federal audits at the Commonwealth's institutions of higher education and NCAA Agreed Upon Procedures engagements. He is a graduate of Virginia Tech.

DISCUSSION: Members of the APA's office will present the and update on the fiscal year 2022 audit along with 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: None

BOARD MEETING: December 8, 2022

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: III.A. Audit Department Report

ACTION REQUIRED: None

BACKGROUND: To facilitate the Committee's oversight of internal controls, risk management, and compliance, the written report summarizes UVA Audit's work performed during the period September 1- October 31, 2022:

1) Executive summary of audit activities
2) BOV approved audit plan status reports
3) Summary of audit findings for the period

1. UVA Audit: Activities for the Period[1]: Executive Summary

Second Quarter FY2022 Snapshot	Summary of Audit Activities
Organizational focus on integration of Community Health hospitals and Workday financials stabilization activities have caused delays in the audit schedule	5 Audit Projects were completed during the period 13 Audit Projects are in progress
Key Issues Raised by Audit	**Consultative Activities and Support for Major University Projects**
The results of our work indicate controls over processes audited were effective or appropriate action plans were developed to remediate deficiencies.	• Policy Review Committee • Identity and Access Management Steering Committee • Role Based Access Steering Committee • Finance Strategic Transformation (FST) Executive Committee and Steering Committee • Workday Internal Controls Work Group • Community Health Integration – Compliance Work Stream

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

2. BOV Approved Audit Plan Status Update (Changes to Plan and Progress on Audits)

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

FY2022-2023 Audit Plan Status (plan approved in the June 2022 Board of Visitors Meeting)
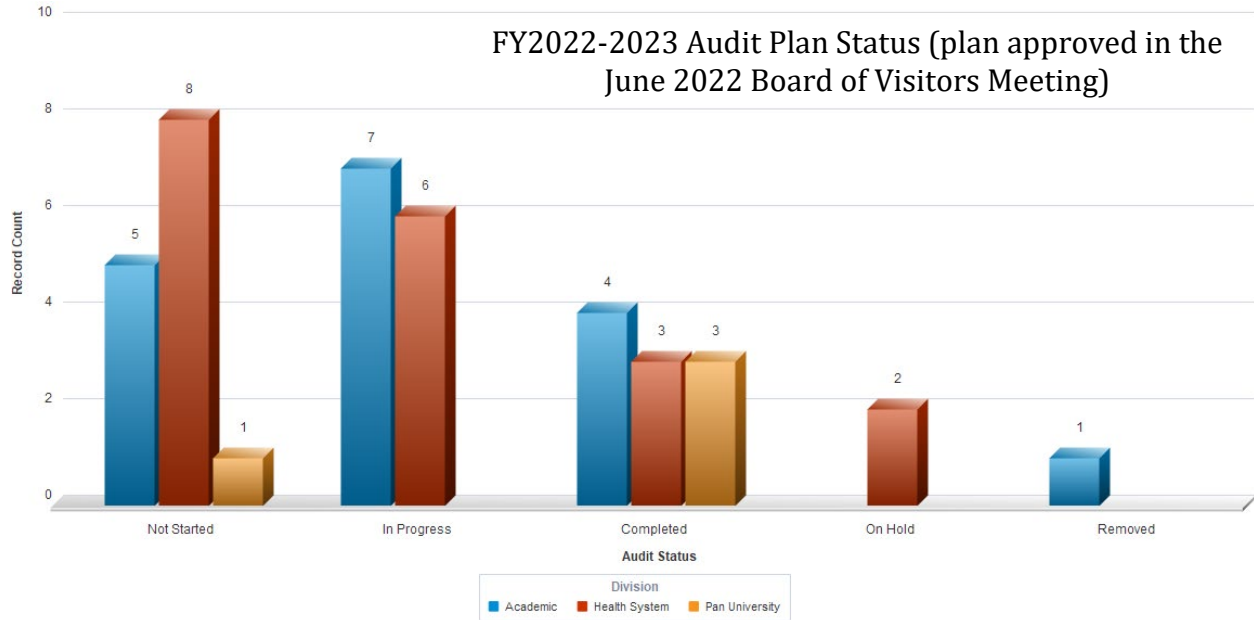
Completed Audits FY2023 Year to Date (July 1, 2022-November 9, 2022):

Division	Audit Plan	Audit Topic
UVA Health	2023	Joint Commission (JC) Readiness: Performance Improvement Chapter Updates- Gap Analysis
	2022	Ambulatory Medication Charge Capture
	2023	Charge Capture – Renal Services
Academic	2022	International Operations (Phase 1 inventory of activities)
	2023	CARES Compliance – Higher Education Emergency Relief Fund (HEERF I, II, III) – Part 2 (FY23)
	2023 (added to Plan)	Housing Division Financial Review
	2023	Student Information System (SIS) IT Controls
Pan University	2022	Safety and Security (MH Follow Up)
	2022	Research Data Security
	2023 (added to Plan)	UVA Health Plan Pharmacy Benefits Rates

Status of the BOV approved audit plan for FY2023:

Division	Audit Plan	Audit Topic	Scope	Status as of Oct 31, 2022
UVA Health	2022	Ambulatory Medication Charge Capture	An evaluation of the medication use process, including drug ordering, dispensing, administration, and waste capture; and charging and billing processes at seven clinics. Testing whether charges were accurately captured and billed for drugs administered and wasted using data analytics.	**Completed**
UVA Health	2023	Joint Commission (JC) Readiness: Performance Improvement Chapter Updates – Gap Analysis	Quality program activities specific to the revised Performance Improvement Chapter in the JC Survey Manual. Identify gaps for action to support JC Survey readiness	**Completed**
UVA Health & Academic	2023	UVA Health Plan Pharmacy Benefits Rates (added to Plan)	Evaluated the processes surrounding an unexpected increase in pharmacy claims expenses in the UVA Health Plan.	**Completed**
UVA Health	2023	Charge Capture – Renal Services	Internal controls over capture of charges for renal services, including interface controls between clinical system and Epic hospital billing	**Completed**

Division	Audit Plan	Audit Topic	Scope	Status as of Oct 31, 2022
UVA Health	2023	Graduate Medical Education (GME) Program	Internal controls over the key processes for GME programs, such as accuracy of GME data reported on Medicare Cost Reports, validation of rotation schedules, and time and effort reports	**In Progress**
UVA Health	2023	Charge Capture – Interventional Radiology	Same as above-for Interventional Radiology	**In Progress--Delayed**
UVA Health	2023	Timekeeping/Payroll	Controls over timekeeping and payroll accuracy. Potential focus on high-risk areas such as premium pay, traveler payroll	**In Progress--Delayed**
UVA Health	2023	HIPAA Security Risk Assessment Follow-up (IT Audit)	Review results of periodic HIPAA security risk assessment and determine if any identified gaps were sufficiently addressed	**In Progress--Delayed**
UVA Health	2023	Capture of Complications and Comorbidities (CC) and Major Complications and Comorbidities (MCC)	Evaluate capture of CC/MCC, identify root causes of any gaps, and assess financial impact	**In Progress**
UVA Health	2023	IT Disaster Recovery (IT Audit)	The design and operating effectiveness of the controls established for recovering data and systems during and after an event	**In Progress**
UVA Health	2024	Ransomware Assessment Follow Up (IT Audit)	Determine if the recommendations of the two 2022	

Division	Audit Plan	Audit Topic	Scope	Status as of Oct 31, 2022
			Mandiant Purple Team ransomware reports for both the Academic and Health System divisions have been implemented	
UVA Health	2023	Coding Compliance: Implantable Cardiac Devices (ICD) Procedure with Separately Billed ECG	Review medical record documentation for cardiac pacemaker or ICD procedure to validate support for appending modifier 59 to the ECG	
UVA Health	2023	Physician Transactions (Purchased Services)	Compliance with contract terms and UVA policies, such as contract reviews/ approvals	
UVA Health	2023	Case Management	Case management processes focused on inpatient throughput and preventing excess length of stay	**On Hold**
UVA Health	2023	UVACH: Controlled Substances Compliance	Compliance with controlled substances DEA regulations at one or more of the UVACH facilities	
UVA Health	2023	Contract Management	Controls over contract development, approval, and management	
UVA Health	2023	UVACH: IRS 501(r) Compliance	Compliance with IRS 501(r) rules applicable to non-profit hospitals, such as community needs analyses and plans, financial assistance program elements, publication and required signage, etc.	

Division	Audit Plan	Audit Topic	Scope	Status as of Oct 31, 2022
UVA Health	2023	SaaS Governance (Salesforce Focus) (IT Audit)	Evaluate controls over the Salesforce deployments across UVA to evaluate governance over SaaS: • Appropriate IT onboarding, vetting, and periodic access review has been completed and maintained • Salesforce instances have been appropriately configured based on data security requirements.	
UVA Health	2023	Epic User Role Change Review (IT Audit)	Processes and controls followed when a user changes roles within the UVA Medical Center and determine how that user's access gets updated/ changed or revoked accordingly	
Academic & UVA Health	2022	Research Data Security	Security over IT systems and applications in selected labs	**Completed**
Academic	2022	Safety and Security	Follow up on implementation status of consultant's safety recommendations	**Completed**
Academic	2023	CARES Compliance – Higher Education Emergency Relief Fund (HEERF I, II, III) – Part 2 (FY23)	Evaluate design and effectiveness of controls and processes related to HEERF funds data collection, use, accounting, and reporting.	**Completed**

Division	Audit Plan	Audit Topic	Scope	Status as of Oct 31, 2022
Academic	2023	Housing Division Financial Review (added to Plan)	Validate the type of expenditures recorded in the University's financial system was appropriate for the Housing Division and determine the Housing Division's compliance with UVA's reserve policies.	**Completed**
Academic	2022	International Operations (Phase 1)	Phase 1: Develop inventory of international activities to determine eventual audit scope.	**Phase 1: Completed**
	2023	International Operations (Phase 2)	Phase 2: Assess higher priority international activities identified in Phase 1.	**Phase 2: In Progress**
Academic	2022	Student Information System (SIS) Academic Records and IT Controls	Evaluate design and effectiveness of controls over the Student Information System, with a focus on the accuracy and completeness of the source of record for maintaining degree progress data, grade submissions and changes, course substitutions and/or degree requirement exceptions.	**SIS IT Controls: Completed** (IT Audit) **SIS Academic Record Controls: In Progress**
Academic	2022	Institutional Data	Ensure data used in external reporting conveys quality information	**In Progress**

Division	Audit Plan	Audit Topic	Scope	Status as of Oct 31, 2022
			(complete, accurate, timely, available) for ratings and rankings. (COSO Principle 13)	
Academic	2023	Student Financial Aid: UVA Wise	Follow-up on APA findings at UVA Wise.	**In Progress**
Academic	2023	School-Level Audit (Pilot)	Develop and pilot an audit program to assess effectiveness of key unit/school level controls and processes.	**Audit Program Development in Progress**
Academic	2023	Construction Projects • Hotel and Conference Center • Football Operations Center • Ivy Mtn Center Close Out (FY22 Audit - On Hold)	Using an outside expert in construction project management accounting, perform procedures relevant to phases of specified construction projects.	**Two construction audits are in progress, one is on hold** **(Physics Building renovation was removed from the plan)**
Academic	2023	Ransomware Assessment Follow Up (IT Audit)	Determine if the recommendations of the two 2022 Mandiant Purple Team ransomware reports for both the Academic and Health System divisions have been implemented.	
Academic	2023	Research - Post Award Administration	Assess effectiveness of post-award controls for selected sponsored awards to ensure compliance with sponsor requirements, regulations, and University policy.	
Academic	2023	Workday Financials Controls Validation	Assess the effectiveness of key financial and access controls post	

Division	Audit Plan	Audit Topic	Scope	Status as of Oct 31, 2022
			Workday Financials go- live.	
Academic	2023	Workday Benefits Administration	Follow-up on KPMG recommendations for the UVA Health Plan.	
Academic	2023	SaaS Governance (Salesforce Focus) (IT Audit)	Evaluate controls over the Salesforce deployments across UVA to evaluate governance over SaaS: • Appropriate IT onboarding, vetting, and periodic access review has been completed and maintained • Salesforce instances have been appropriately configured based on data security requirements.	
Academic	2023	University Police Department	Scope to be refined based on results of 2021 CALEA accreditation report.	Deferring until 2024; Replacing with Hazardous Waste Handling audit

3. Summary of Audit Findings for the Period September 1-November 9, 2022

The table below summarizes audit findings by priority rating for audits performed since the last report to the Committee.

Audit Name	Division	Priority-Rating					
		P1	P2	PM	OP	W	Not Rated
FY22 Covid-Related Relief Funds	Academic		1			4	
UVA Health Plan Pharmacy Benefits Rates	Academic and UVA Health						5
Student Information System	Academic				2	21	
Housing Division Financial Review	Academic	No findings					

Audit Name	Division	Priority-Rating					
		P1	P2	PM	OP	W	Not Rated
Joint Commission Performance Improvement Chapter	UVA Health		3		3	4	
Charge Capture in the Renal Services Department	UVA Health		1		1	2	
Totals		0	5	0	6	31	5

Audit	Summary of Findings
FY22 Covid-Related Relief Funds **1** **1 Priority 2 finding**	UVA and UVA Wise distributed HEERF Student Portion financial grants and expended HEERF Institutional Portion funds in compliance with applicable certification agreements and regulatory requirements. Public reports conformed with the US Department of Education's guidelines with one reporting discrepancy noted on the University's website. This discrepancy was remediated when brought to management's attention.
UVA Health Plan Pharmacy Benefits Rates (Unrated)	The project identified root causes for an unexpected increase in pharmacy rates and made recommendations for management's consideration in addressing the root causes.
Student Information System (SIS) IT Controls **2** **2 Process Improvements**	The audit assessed the design and operating effectiveness of IT general controls for the SIS environment and relevant interface controls that ensure timely notification of grade changes, approval of final grade changes, and the accuracy of student records data. Two recommendations covered the need to document a change management policy and to periodically review relevant SOC reports for service and subservice providers.
Housing Division Financial Review (Unrated)	Based on analyses performed, we concluded expenditures from FY2017 through FY2022 were made appropriately, in support of the business objectives of the Housing Division. Student Housing's operating reserves did not meet policy requirements (reserves equivalent to three months of operating expenses) for all six fiscal years reviewed, FY2017 through FY2022.

Audit	Summary of Findings
	Operating reserves for Housing's two remaining divisions, Faculty and Staff Housing, and Conference Services, both met policy requirements for all six fiscal years. Student Housing's annual contributions to capital reserves for Renewal and Replacement (R&R) and Expansion projects met policy requirements for five of the six fiscal years reviewed; FY2020 did not meet policy requirements. Faculty and Staff Housing's annual contributions to capital reserves for R&R projects met policy requirements for all six fiscal years reviewed.
Joint Commission Performance Improvement Chapter **3** **3** **3 Priority 2 findings** **3 Process Improvements**	UVA Health makes effective use of objective performance improvement (PI) data to support decisions, influence people to change their behaviors and comply with evidence-based care guidelines. Overall compliance with the JC PI Chapter Standard and all associated Elements of Performance (EOPs) was 87%. Internal Audit identified three (3) PI indicators that were not in full compliance with the JC PI Chapter Standard and three (3) PI indicators with opportunities to achieve additional control and/or process efficiencies. In addition, four (4) Leading Best Practices were identified during this assessment and shared with management.
Charge Capture in the Renal Services Department **1** **1** **1 Priority 2 finding** **1 Process Improvement**	UVA Health has established effective control procedures in the Renal Services Department. The work queues are monitored daily by Renal Services personnel and Revenue Integrity. Daily charge reconciliations are completed in the clinics, and a monthly pre-bill edit is completed by Revenue Cycle. There are daily reconciliations to verify that all charges captured in the clinical system are successfully interfaced with Epic. Audit testing at nine sites demonstrated a high degree of compliance with the established procedures. One issue noted was that the department processes were not captured in formal written procedures which presents a risk to maintaining the high level of performance.

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.

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

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: December 8, 2022

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: III.B. Institutional Compliance and Medical Center Compliance
                             Goals for FY22-23: Mid-Year Status Report

ACTION REQUIRED: None

Institutional Compliance Goals
Fiscal Year 2022-2023

1. **Helpline Optimization:** Continued to coordinate institution-wide reporting
    mechanisms and manage compliance-related incidents in a single platform: we
    expanded marketing of the compliance helpline and web intake form through a
    presentation to Fiscal Administrators and articles in two different newsletters to
    provide internal communications to staff, implemented new functionality in
    SafeGrounds to provide follow-up with anonymous reporters on cases, and enhanced
    the institutional reporting dashboard for data in SafeGrounds to create more effective
    reporting and monitoring of compliance concerns, with additional report refinement to
    continue in 2023.

2. **Compliance Risk Assessment:** Completed preliminary work to update the integrated
    assurance risk assessment, based on the items listed on the compliance matrix, to
    identify which items represent the highest institutional risks. Items will be scored, in
    consultation with Medical Center Compliance and University Counsel, based on legal
    risk, operational risk, reputational risk, mitigation efforts, regulatory scrutiny, and cross
    functionality.

3. **Conflict of Interest**: In 2023, we will convene key stakeholders across Grounds to
    identify current gaps in the University's current portfolio of COI programs; explore
    possible strategies for developing a future comprehensive COI program. We have
    implemented enhancements to the Statement of Economic Interests process and will
    review the potential uses of a new Huron module for COI.

Medical Center Compliance Goals
Fiscal Year 2022-2023

1. **Compliance Risk Assessment:** We will perform a biannual comprehensive
    Compliance Risk Assessment to evaluate potential risk areas with operational, financial,
    reputational and/or stakeholder impact using the framework of the Office of Inspector

General (OIG) elements of an effective compliance program. We will use a five-stage process of evaluating the potential risks to include: risk identification; risk ranking; risk prioritization; work plans; and results and action plans. Three departments have been selected for evaluation of potential risk areas. The Compliance Risk Assessments of these three departments will be completed by June 30, 2023.

2. **End of the Public Health Emergency:** We will evaluate and mitigate compliance risks stemming from the end of the Public Health Emergency (PHE), which was declared by the Secretary of the Department of Health and Human Services (HHS) in January 2020; the PHE will likely end during late 2022. During the PHE, flexibilities and waivers issued gave the federal government flexibilities to temporarily waive or modify certain requirements in a range of areas, including the Medicare, and Medicaid programs in responding to COVID-19. A particular area of focus will be on Medicare telehealth services. How the patient receives telehealth services, as well as where the services originate, will revert back to restrictions that were in place prior to the PHE. The PHE has been in place since January 27, 2020 and renewed throughout the pandemic. The latest HHS extension for the PHE is effective through January 11, 2023. The Office will continue to monitor status of the PHE.

3. **Compliance and Privacy Office Staffing:** The role of Chief Compliance and Privacy Officer (Officer) is currently vacant as Regina Verde retired from this position on July 8, 2022. The role is currently being filled in an interim role by another staff member. A national search will be conducted to fill this position. The staff will prioritize projects and share duties to meet the needs of UVA Health during the vacancy. The Office continues to prioritize projects due to reduced staffing, as the Officer role continues to be filled by another staff member.