



**Board of Visitors**  
**Audit, Compliance, and Risk Committee**  
**December 8, 2022**

December 2022  
Audit,  
Compliance, and  
Risk Committee  
Meeting Agenda

- Remarks by Tom DePasquale, Committee Chair
- Auditor of Public Accounts Audit and Management Report for FY 2021-2022
- Written Reports
- Closed Session

Staci Henshaw,  
Auditor of Public  
Accounts

Eric Sandridge,  
Deputy Auditor  
for Technology  
and Innovation

David Rasnic,  
Director of  
Higher Education  
Programs

- Auditor of Public Accounts Audit and Management Report for FY 2021-2022

# **University of Virginia Audit Update**

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**Presentation to the Board of Visitors  
University of Virginia**

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December 8, 2022

## Changes for Fiscal Year 2022

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- Adoption of GASB Statements
  - No. 87 – *Leases*
  - No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*
- University Acquisition of Community Health

## **Audit Opinions**

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- Planned unmodified opinion for business-type activities, aggregate discretely presented component units and fiduciary activities in consolidated UVA financial statements
- Planned unmodified opinion for business-type activities and disclaimer of opinion on financial activity of UVA Imaging (discrete component unit) in UVAMC separate financial statements

## **Audit Opinions**

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- Opinion references the work of other auditors for most University-associated organizations that meet the definition of a component unit

## Internal Control & Compliance

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- Obtain sufficient understanding of internal control to determine nature, timing, and extent of test work to perform
- Separate report on internal control and compliance



## **Internal Control Finding Types**

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- **Material Weakness**
  - A deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.
- **Significant Deficiency**
  - A deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

## **Improve Governance Structure and Resources Surrounding the Financial Reporting Process**

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- **Governance Structure for Consolidated Financial Statements**
  - Academic and Medical Center separate preparation of financial statements
  - No central authority to align separate divisions on timing, deliverables and impact of decision on the consolidated financial statements

## Improve Governance Structure and Resources Surrounding the Financial Reporting Process

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- Acquisition of Community Health
  - \$470 Million in assets entity
  - FASB entity to GASB entity
  - Unable to refer other auditor's report
  - Lack of financial reporting expertise
  - Use of Third-Party Specialist

## **Improve Governance Structure and Resources Surrounding the Financial Reporting Process**

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- **Impacts**
  - Untimely increases in audit scope and procedures
  - Significant delays in providing normal audit deliverables
  - Delays in audit completion
  - Increased risks related to our ability to provide an opinion on the Commonwealth's ACFR

## **Improve Governance Structure and Resources Surrounding the Financial Reporting Process**

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- **Recommendations**
  - Allocate resources to oversee and coordinate University-wide Financial Reporting
  - Continue to engage additional Medical Center resources
  - Require audits of significant affiliated organizations

## Findings & Recommendations – University-Wide

<b>Finding Title</b>	<b>Responsible Department</b>	<b>Included in Prior year?</b>	<b>Compliance Finding?</b>
Improve Governance Structure and Resources Surrounding the Financial Reporting Process	Financial Reporting	Partial repeat of Allocate Additional Resources for Financial Statement Preparation	No
Improve Controls over User Access to the Payroll and Human Resources System	University HR	Yes	Yes
Improve Processes over Employment Eligibility Verification	University HR	Yes	Yes
Improve Payroll Accounting and Financial Reporting Mapping	University Payroll and Financial Reporting	No	No

## Findings & Recommendations – Academic

Finding Title	Responsible Department	Included in Prior year?	Compliance Finding?
Complete Annual Review over User Access to University Information Systems	Information Technology Services	Yes	Yes
Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Student Financial Services; Information Technology Services	Yes	Yes

## Findings & Recommendations – Medical Center

<b>Finding Title</b>	<b>Responsible Department</b>	<b>Included in Prior year?</b>	<b>Compliance Finding?</b>
Improve Accuracy of Provider Relief Fund Reporting	Third-Party Reimbursement	Yes	Yes
Improve Security Awareness Training	Health System Technology Services	Yes	Yes
Improve Fixed Asset Controls	Health System Technology Services	No	Yes
Complete Annual Access Reviews	Health System Technology Services	No	Yes



## **Findings & Recommendations – Wise**

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<b>Finding Title</b>	<b>Responsible Department</b>	<b>Included in Prior year?</b>	<b>Compliance Finding?</b>
Continue to Improve Controls and Compliance with Student Financial Aid Requirements	Wise Financial Aid Office	Yes	Yes

## **Significant Audit Adjustments – Consolidated Financial Statements**

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- Present Community Health as of 12/31 to remove unaudited activity
  - \$1.2B across numerous Balance Sheet and Income Statement line items
- Capitalized Interest no longer allowed under GASB 89
  - Reversed \$8m related to Construction in Progress
  - Added \$8m to interest expense
- Reverse off book \$55M adjustment out of Prepaid Expenses
  - Employer FICA Tax Deferral Expense and Liability of \$29M
  - Accounts Payable \$29M

## Other Required Communications

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- Unusual transactions or significant accounting policies in controversial or emerging issues – Community Health
- Agreed with management's application of accounting principles after adjustments to the financial statements
- We have resolved any significant difficulties encountered
- We have resolved any disagreements with management regarding auditing, accounting, or disclosure matters

## Other Required Communications

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- No indications of fraudulent transactions or illegal acts
- Reviewed the basis for accounting estimates, and any necessary adjustments, and determined estimates appear reasonable based on available information and consistent with prior periods

## **Other Required Communications**

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- No material changes to accounting and reporting policies and standards other than those already mentioned (GASBS 87 and 89)
- No material alternative accounting treatments identified

## **NCAA Agreed Upon Procedures**

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- Starting the fiscal year 2022 NCAA Agreed Upon Procedures required by NCAA Bylaw 3.2.4.17
- A separate report will be distributed to the Board of Visitors in February

## **Upcoming/Ongoing Audit Considerations**

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- GASBS 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- GASBS 96 - Subscription Based IT Agreements
- Community Health accounted for on GASB basis