

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS**

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

March 5, 2020

AUDIT, COMPLIANCE, AND RISK COMMITTEE

Thursday, March 5, 2020
1:45 - 2:30 p.m.
Board Room, The Rotunda

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

PAGE

- | | | |
|-------------|---|---|
| I. | REMARKS BY THE COMMITTEE CHAIR (Dr. Lateef) | 1 |
| II. | COMMITTEE DISCUSSION | |
| | A. Enterprise Risk Management Program [Academic Division] Refresh
(Ms. Melody Bianchetto and Ms. Carolyn Saint to report) | 2 |
| | B. Audit Department Activities for the Period December 2019-February
2020 | 3 |
| III. | WRITTEN REPORT | |
| | • Institutional Compliance and Medical Center Compliance Goals: Midyear
Status Report | 7 |
| IV. | CLOSED SESSION | |
| | Discussion and consideration of the performance of specific administrative
personnel; discussion of information technology security-related matters;
discussion of proprietary, business-related information pertaining to Medical
Center operations, and consultation with legal counsel employed by the
University regarding specific legal matters requiring the provision of legal
advice as provided for in Section 2.2-3711(A)(1), (19), (22), and (8) of the
<u>Code of Virginia</u> . | |

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

BOARD MEETING: March 5, 2020

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**

<u>BOARD MEETING:</u>	March 5, 2020
<u>COMMITTEE:</u>	Audit, Compliance, and Risk
<u>AGENDA ITEM:</u>	II.A. Enterprise Risk Management Program [Academic Division] Refresh
<u>ACTION REQUIRED:</u>	None

BACKGROUND: With the establishment of a new strategic plan, the University is re-evaluating and reinvigorating the Enterprise Risk Management (ERM) program in the Academic Division to ensure alignment with the 2030 Great and Good Plan's goals and objectives. As the newly appointed Executive Vice President for Health Affairs defines the UVA Health System's strategic plans and priorities, the UVA Health System ERM program will be similarly evaluated, aligned, and updated.

UVA's ERM program is led by University leadership and facilitated by the Vice President for Finance and the Chief Audit Executive. Oversight for the ERM program occurs through the Audit, Compliance, and Risk Committee of the Board of Visitors. Specific ERM risk topics are discussed as needed within the relevant BOV committee.

DISCUSSION: Using research and guidance from the Association of Governing Boards of Universities and Colleges (AGB), the ERM refresh will leverage AGB's model university risk register to validate and inform changes to the UVA enterprise risks identified in prior years. University leadership and the Board of Visitors will confirm updated UVA risk register, risk owners, and mitigation plans by the June BOV meeting.

AGB defines ERM as "a collaborative process—led by senior leadership—that extends traditional concepts of risk management by:

- Identifying risks & opportunities across the enterprise
- Assessing the impact on operations, finances, and mission
- Planning and implementing mitigation and response
- Monitoring impact of mitigation plans and regularly scanning for emerging risk"

Successful ERM programs, as reflected in AGB's research and guidance,

- "• Build ERM into institutional culture
- Tie ERM to mission, vision, and values
- Have support from top leadership
- Have President's Cabinet managing strategic risks
- Understand their appetite for risk
- Conduct risk analysis for all programs and projects
- Communicate broadly, deeply, and frequently about ERM"

The Committee will receive periodic updates on the ERM program refresh plan.

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

BOARD MEETING: March 5, 2020

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: II.B. Audit Department Activities for the Period December 2019-February 2020

ACTION REQUIRED: None

DISCUSSION: The Audit Department Status Report outlines activities since the December 2019 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

The **Director of UVA Health Audits** left the Audit team in January to join the University Physician's Group (UPG) as the Director of Audit, Compliance, and Coding. A search, conducted by UVA's Executive Search Group, is underway to identify his successor. To backfill the director role in the interim, the department is co-sourcing audit support from outside auditors with knowledge and expertise on risks and processes relevant to academic medical centers.

An **Audit Analytics Program Leader** role has been posted for hire to further the department's initiatives on data analytics. This role will provide the team with training and coaching on data analytics techniques, assist the team in building complex data models as needed for specific audit tests, and consult with Finance Strategic Transformation on the Workday reporting and analytics workstream.

Progress on the Board of Visitors-Approved Audit Plan

The chart below shows progress against the audit plan. Apart from the UVA Arts Box Office and the Patient Friendly Billing follow up audits, these topics were included in the plan approved at the June 2019 meeting of the BOV.

Audit Projects Completed and In Progress Since December 2019 Board of Visitors Meeting

Project Status	Audits Completed or In Progress Since December 2019 Report	UVA Division
Complete	Dining Services	Academic
Complete	Ivy Mountain Musculoskeletal Center Construction Audit	Pan-University
Complete	Fixed Fee Monitoring and Management	Pan-University
Complete	IT Incident Response Management	Academic

Project Status	Audits Completed or In Progress Since December 2019 Report	UVA Division
Complete	Charge Capture—Ophthalmology	Health System
Complete	UVA Arts Box Office	Academic
Complete	NCAA Football Attendance: 2019 Season	Academic
Complete	Pharmacy Controlled Substances	Health System
In Progress	Research Data Security	Pan-University
In Progress	Workday Provisioning and Deprovisioning Processes	Pan-University
In Progress	Human Research Protection Program	Pan-University
In Progress	Export Controls*	Pan-University
In Progress	Patient Friendly Billing Audit Follow Up	Health System

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

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

Project Status	Advisory Projects Completed or In Progress Since December 2019 Report	UVA Division
In progress	Workday: Delegation Risks and Controls	Pan-University
In progress	Fisher Identity and Access Management Steering Committee	Pan-University
In progress	Consultation on implementation plans for Epic segregation of duties controls	Health System
Ongoing/ longer term	Participate on both Finance Strategic Transformation Steering Committee and Advisory Group (Workday Finance Implementation)	Academic
Ongoing/ longer term	Policy Review Committee—provide advice on UVA policies as they move through the approval process	Pan-University

Priority rated findings for audit reports issued December 2019-February 2020

See following page for rating definitions

Audit Report Topic	Responsible Unit	P1	P2	DNM	PM
Dining Services	Business Operations		8		
Ivy Mountain Musculoskeletal Center Interim Construction Audit	Medical Center Finance		1		
Fixed Fee Award Monitoring and Management	Vice President of Research		5		
IT Incident Response Management	IT Security		2		
Charge Capture: Ophthalmology	Health System Revenue Cycle		2		
UVA Arts Box Office	CAS Dean's Office		3	15	7
Pharmacy Controlled Substances	Medical Center Pharmacy	3	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.

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.

IIA Standard 1300 – Quality Assurance and Improvement Program

The UVA Audit Department operates under the professional standards promulgated by the Institute of Internal Auditors (IIA). To be compliant with the IIA's International Professional Practices Framework (the Framework or the Standards), the chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. Every five years (minimum), an external Quality Assessment Review (QAR) is conducted to confirm the audit function's compliance with the Standards and Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. Since the most recent QAR was conducted in 2015, a QAR is required in 2020.

Required Communications: Periodically, the Standards require the chief audit executive to confirm to the audit committee the independence of the internal audit function and auditors' compliance with the Code of Ethics and Standards. While Institutional Compliance and Information and Records Management functions report to the Chief Audit Executive as part of the UVA Office of Audit and Compliance, appropriate oversight and monitoring safeguards, including direct access to the audit committee by the Assistant Vice President for Compliance, are in place to ensure the department's independence and objectivity.

- At the date of this report, the UVA Chief Audit Executive confirms the department is independent of management responsibilities, and that all auditors are aware of and agree to uphold the IIA Code of Ethics.

IIA Code of Ethics: Code of Ethics — Principles

Internal auditors are expected to apply and uphold the following principles:

1. **Integrity**

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

2. **Objectivity**

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

3. **Confidentiality**

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

4. **Competency**

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

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

BOARD MEETING: March 5, 2020

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: III. Institutional Compliance and Medical Center Compliance
Goals: Midyear Status Report

ACTION REQUIRED: None

DISCUSSION:

**Institutional Compliance Goals – Mid-Year 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, will be 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, and other compliance areas. This will improve 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 will be used to test and refine the process.

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

- 1. Compliance Risk Reduction in Clinical Environment:** The Compliance & Privacy Office is analyzing compliance issue data by service line, and routinely presents this information to Medical Center management. The office is also providing service line-specific data to service line leaders to facilitate the evaluation of the root causes of the violations and development of countermeasures for compliance risk reduction and/or mitigation in the clinical environment. Focused process improvement coaches and methodology are applied in select cases, resulting in heightened awareness and a reduction in issue frequency and compliance risk.
- 2. Coding Audit Function:** The office has established a more robust schedule for assessing compliance in revenue integrity, including collaborative work on regulatory-based billing and coding audits, as well as independent reviews of revenue integrity functions. These reviews are to ensure Medical Center compliance with regulatory requirements for documentation of medical necessity; accurate coding, billing, and reimbursement from Medicare for specific services; and documentation of patient communication and acknowledgment as required.
- 3. Evaluation of compliance training options:** Since the availability of new Workday learning management system to the Medical Center has been delayed until later this fiscal year, the office has completed updates and revisions to the new team member orientation and onboarding compliance training, as well as to the annual re-orientation compliance training modules. The office will continue preparations to move into the Workday environment and anticipates that the tool will provide a more comprehensive and accessible environment for training curriculum development, options for delivery, and documentation of training participation and effectiveness.