

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS**

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

March 3, 2022

AUDIT, COMPLIANCE, AND RISK COMMITTEE

**Thursday, March 3, 2022
1:30 – 2:00 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

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2. Approach for Updating Risk Based Audit Plan Topics for Committee Review and Approval (Ms. Saint)	3
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**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: March 3, 2022

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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COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: II.A.1. UVA Audit Department Reports: Strategic Staffing: Co-Sourcing Information Technology Audits with Ernst and Young

ACTION REQUIRED: None

BACKGROUND: Sean Jackson is a leader in Ernst and Young's (EY) national education practice where he focuses on providing insights and guidance to senior executives in higher education. Prior to joining EY, Mr. Jackson led a successful 30-month/\$60M project to transform and automate the HR and payroll functions at the University of Virginia. He and his team worked with academic and healthcare leaders to develop the strategy, execute the project, and stabilize operations after launch.

Mr. Jackson served as CIO at the University of Virginia School of Medicine and University Physicians Group, where he and his team supported basic science and clinical research, undergraduate and graduate medical education, physician billing, call center, primary care practice management, and practice acquisition and divestitures. In his role, he collaborated with faculty and staff to develop and implement two five-year strategic plans that included the launch of the school's research high performance computing capability.

Ms. Ariel Johnson-Peredo, Senior Manager in the Consulting practice of EY, manages the portfolio of UVA IT audits along with Mr. Jackson. As a member of the Business Consulting group, she assists clients to develop solutions to various complex compliance, financial, and technological challenges. Ms. Johnson-Peredo has experience in program management, regulatory compliance, information technology (IT) audit, product and system technical design analysis, system integration reviews, and security/risk assessments. She has served engagements as both a management consultant and IT auditor and has gained hands-on experience on major platforms, databases, and ERP packages. She has provided these services in a wide range of regulated industries including Advanced Manufacturing and Mobility, Higher Education, Power and Utilities, Media & Entertainment, Telecommunications, and Healthcare.

DISCUSSION: Mr. Jackson and Ms. Johnson-Peredo will provide highlights of IT audits performed to date in both the academic division and UVA Health. He will brief the committee on national IT audit risks and trends.

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BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: March 3, 2022

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: II.A.2. UVA Audit Department Reports: Approach for Updating Risk Based Audit Plan Topics for Committee Review and Approval

ACTION REQUIRED: None

BACKGROUND: The risk-based audit plan is reviewed with and approved by the Audit, Compliance, and Risk Committee and the Board of Visitors annually at the June meeting.

DISCUSSION: Ms. Saint will brief the Committee on the process for determining the FY2022-2023 plan to ensure its risk-relevance and alignment with the university's priorities.

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COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: III.A. Audit Department Report (Written Report)

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 November 10, 2021-January 31, 2022:

- 1) Executive summary of audit activities
- 2) BOV approved audit plan status reports
- 3) Management’s action plans past implementation due date
- 4) Summary of audit findings for the period

1. UVA Audit: Activities for the Period¹: Executive Summary

Second Quarter FY2022 Snapshot	Summary of Audit Activities
<p>UVA Audit completed or is in progress on a range of assurance audits, investigations, and consultative activities during the quarter.</p> <p>Pandemic pressures, staffing shortages, and the work necessitated across the enterprise to meet the Finance Strategic Implementation/Workday go-live date in July contributed to delays and inefficiencies in the audit process.</p>	<p>4 Audit projects were completed during the period</p> <ol style="list-style-type: none"> 1. Cash Deficit Management 2. Monticello Community Surgery Center 3. Records Transfer Process to University Archives 4. Point of Service Collections <p>18 audits and projects are in progress</p> <ol style="list-style-type: none"> 1. Undergraduate Student Advising Cost Analysis 2. CARES Compliance - Research (2020 OMB Supplement and Addendum, Memorandum 20-17)* 3. Emergency Department-Evaluation and Management Levels 4. Status Assignment 5. Insurance Verification and Preauthorization <p>Distributed IT Systems Management audits:</p> <ol style="list-style-type: none"> 6. School of Nursing 7. School of Medicine 8. School of Data Science 9. Batten School 10. IT Audit: Research Data Security

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)

Second Quarter FY2022 Snapshot	Summary of Audit Activities
	11. IT Audit: Cybersecurity Assessment Follow Up 12. Controlled Substances Diversion Program 13. Ambulatory Clinic Medication Charge Capture 14. Section 117 of the Higher Education Act Reporting** 15. Rebates and Credits Related to Sponsored Awards ** 16. NCAA Compliance (Integrated Assurance)** 17. Student Health & Counseling ** 18. CARES Compliance - Higher Education Emergency Relief Fund (HEERF I, II, III) – Part 2
Consultative Activities and Support for Major University Projects	
	<ul style="list-style-type: none"> • Policy Review Committee • Identity and Access Management Steering Committee • Role Based Access Steering Committee • Finance Strategic Transformation (FST) Executive Committee and Steering Committee • FST Foundation Data Model (FDM) Mapping • Workday Internal Controls Work Group

* Draft audit report has been issued to management, waiting for management’s response

** Audit engaged by UVA Counsel; attorney client privileged

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.

	Division	Audit Topic
1	UVA Health	Case Management/ Utilization Management (On hold at management’s request)
2	UVA Health	Charge Capture – Radiation Oncology (Completed)
3	UVA Health	Financial Assistance and Financial Counseling
4	UVA Health	Point of Service Collections (Completed)
5	UVA Health	Emergency Department Evaluation & Management Levels (In progress)
6	UVA Health	Insurance Verification and Pre-Authorization (In progress)
7	UVA Health	Status Assignment (In progress)
8	UVA Health	Controlled Substances Diversion Program (In progress)
9	UVA Health	Ambulatory Clinic Medication Charge Capture (renamed from Pharmacy Charge Capture – In progress)
10	UVA Health	Monticello Community Surgery Center (MCSC) – (Management requested addition - Completed)

	Division	Audit Topic
11	UVA Health	Distributed Information Systems Management (DISM) – School of Nursing (Moved up from FY2023)
12	UVA Health	Distributed IT System Management– School of Medicine (Moved up from FY2023)
13	UVA Health	Data Warehouse Controls (Defer to FY2023)
14	UVA Health	Supplies Procurement (Defer to FY2023)
15	UVA Health	Epic Provisioning and De-provisioning—clinical areas (Defer to FY2023)
1	Pan-University	Cybersecurity (In progress)
2	Pan-University	Safety and Security
3	Pan-University	Research Data Security (In progress)
4	Pan-University	Ransomware Readiness (Moved up from FY2023)
1	Academic	Advancement Payment Processing (Completed)
2	Academic	Section 117 of the Higher Education Act Reporting (In progress)
3	Academic	Rebates and Credits Related to Sponsored Awards (In progress)
4	Academic	CARES Compliance - Research (2020 OMB Supplement and Addendum, Memorandum 20-17) (In progress)
5	Academic	CARES Compliance - Higher Education Emergency Relief Fund (HEERF I, II, III) (Part 1 Completed; Part 2 (FY23) In progress)
6	Academic	Cash Deficit Management Process (Completed)
7	Academic	NCAA Compliance (Integrated Assurance) (In progress)
8	Academic	Student Health & Counseling (In progress)
9	Academic	Undergraduate Student Advising (In progress; Change in Scope)
10	Academic	Study Enabling Technologies
11	Academic	Finance Strategic Transformation (FST) - Project Health Checks (Removed from Plan)
12	Academic	Construction Projects: <ul style="list-style-type: none"> • Hotel and Conference Center • Physics Building Renovation • Hospital Expansion Project Closeout (In progress) • Ivy Mountain Musculoskeletal Clinic (In progress)
13	Academic	International Operations - Phase 1: Inventory of Activities
14	Academic	Academic Records and Policies
15	Academic	Institutional Data
16	Academic	Distributed IT Systems Management – School of Data Sciences (In progress)
17	Academic	Distributed IT Systems Management – Batten School (In progress)

3. Management's Action Plans Past Implementation Due Date

The IIA's *Standard 2500: Monitoring Progress* addresses internal auditors' responsibilities concerning disposition of audit findings and recommendations. The table below shows the action plans to correct control deficiencies that have not been implemented by their agreed to due dates. (Action plans due by 1/31/22)


Audit	Past Due Action Item	Priority Rating	Action Plan Owner
2020 Conflicts of Interest – Foreign Influence*	Three action items from this audit are past due. The issues include assessing the need for a comprehensive COI program, updating policies and procedures, and strengthening the COI training program. Originally due: 12/31/21	3 Priority 2 (P2) control gaps	Margaret Harden, Associate Vice Provost for Academic Administration; Rob Merhige, Assistant VP for Commercialization Compliance; Kelly Hochstetler, Director of Research Regulatory Affairs
2019 Fixed Fee Monitoring and Management	Two action plans address the implementation of a residual balances policy along with the associated monitoring metrics. Originally due: 6/30/2020; Extended to 1/14/2022	2 Priority 2 (P2) control gaps	Stewart Craig, Executive Director, Office of Sponsored programs

* Audit engaged by UVA Counsel; attorney client privileged

4. Summary of Audit Findings for the Period September 1-November 9, 2021

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

Project Name	Division	Priority Rating for Findings (see Ratings Scale for Definitions)					
		P1	P2	OP	W	Not Rated	PM
Cash Deficit Management	Academic Division		3	2	2		
COVID-Related Relief Funds	Academic Division		1		5		
Monticello Community Surgery Center	UVA Health					5	
Records Transfer Process to University Archives	Academic Division					1	

Audit	Summary of Findings
<p data-bbox="175 260 553 296">Cash Deficit Management</p>  <p data-bbox="168 432 477 506">3 Priority 2 (P2) Rated Findings</p>	<p data-bbox="609 260 1419 615">Treasury’s quarterly review process for cash deficits was effective for the projects it monitors. Because criteria have not been established for identifying projects outside the scope of Treasury’s monitoring procedures (Policy FIN-033 ‘Monitoring Cash Balances and Resolving Deficits’), the risk of errors or unidentified deficits is not mitigated. A more detailed and documented understanding of the criteria for projects outside the scope of the policy and related controls will provide stronger management of project deficits.</p> <p data-bbox="609 642 1403 716">Extensive effort was required to understand unmonitored projects and the associated deficits. Areas of risk included:</p> <ul data-bbox="609 743 1425 1581" style="list-style-type: none"> <li data-bbox="609 743 1425 898">• Lack of visibility into deficits: The audit identified a project with a \$1.3 million deficit, determined by management to have been caused by delinquent third-party billing reconciliation with no follow-up activity. <li data-bbox="609 926 1403 1041">• Unidentified posting errors: Some projects in the unmonitored-by-Treasury category contained posting errors that were identified and corrected during the audit. <li data-bbox="609 1068 1425 1581">• Oracle Conversion Data: One central project with a \$718 million deficit relates to the conversion from FAS to Oracle in 2001. Management stated this project represents balance conversion entries for investment balances held at UVIMCO and is offset by positive cash balances in over 65 projects at the University. Since conversion was reconciled at the aggregate fund level, management stated the entry balances from a GAAP perspective, but is misaligned with policy FIN-033. Because of the age of the transactions involved and limited documentation from the 20-year-old conversion, Audit was unable to verify the project balance or determine the significance of any potential future impact on the data conversion to Workday.
<p data-bbox="175 1593 493 1667">COVID-Related Relief Funds</p>	<p data-bbox="609 1593 1419 1829">Two discrepancies were noted in the accuracy of information posted by UVA on its Emergency Federal Relief Funds website. When brought to management’s attention during the audit, both reporting discrepancies were remediated on the University’s website in accordance with US Department of Education guidance.</p>

Audit	Summary of Findings
Monticello Community Surgery Center Findings were not rated	This assessment identified significant gaps in the design of controls across all business functions reviewed. There is an elevated potential for operational disruption, particularly in the revenue cycle and materials management processes.
Consultation: Records Transfer Process to University Archives Findings were not rated	Management has adopted improved procedures to provide accountability for transfers from Records and Information Management.

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.
DN M	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

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AGENDA ITEM: II.B. Enterprise Risk Management (ERM) Program Report
(Written Report)

BACKGROUND AND DISCUSSION: Progress on executing the ERM program for the academic division continues. The Enterprise Risk Management Network met January 24, 2022, to review the draft report on Fiscal Sustainability scheduled for Spring 2022 review by the Audit, Compliance, and Risk Committee following senior management's review.

The Network received an update on the Operational Excellence Working Group – Future State of Work. The working group's report is scheduled for Fall 2022.

The ERM team is evaluating the use of Onspring to create, disseminate, and store ERM risk registers, mitigation plans, and other program materials. Onspring is a governance, risk, and controls (GRC) software system employed by UVA Audit for audit project management and document retention.