



Board of Visitors
Audit, Compliance, and Risk Committee
June 1, 2023

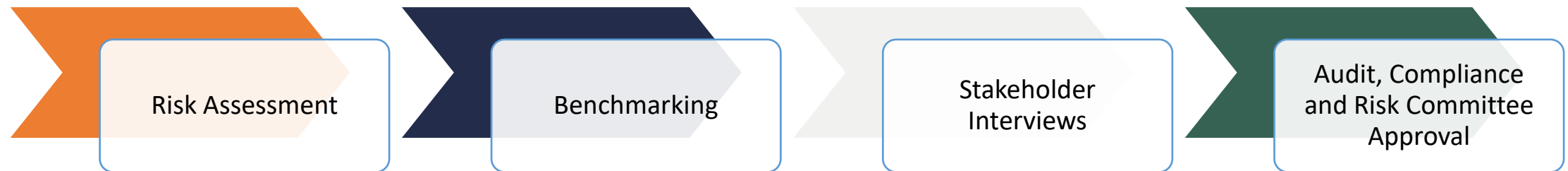
June 2023
Audit,
Compliance, and
Risk Committee
Meeting Agenda

- Remarks by Tom DePasquale, Committee Chair
- Internal Audit Plan Review and Approval
- Auditor of Public Accounts Entrance Meeting
- Written Reports

Carolyn Devine
Saint
Chief Audit
Executive

Audit Plan Review and Approval (FY2023-2024 and
FY2024-2025)

Preparing the 2-year, risk-based internal audit plan is an iterative process



The proposed audit plan balances risk coverage with available resources and institutional priorities



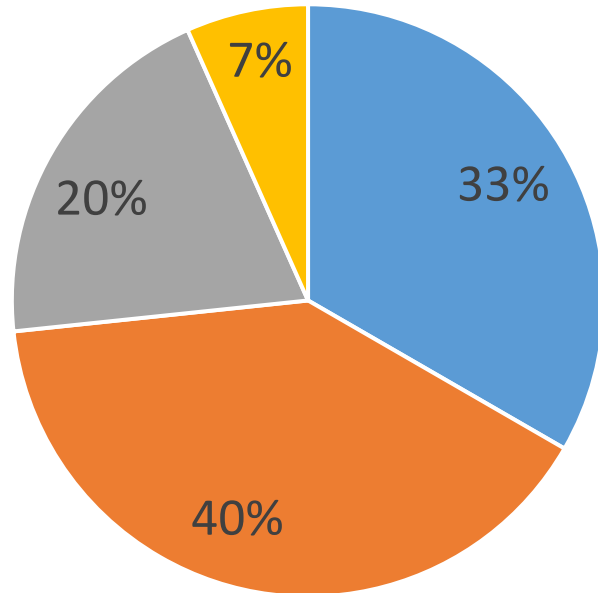
UVA Health Audit Plan

FY2024-FY2025

UVA Health Enterprise Risk Universe



FY24 AUDIT TOPICS BY RISK AREA: UVA HEALTH



- Financial Sustainability
- Health Care Regulatory Compliance
- IT Security and Governance
- Workforce Management and Development

N=15

FY24 AUDIT PLAN TOPICS UVA HEALTH

| Risk Area | Audit Topic | Scope |
|-----------------------------------|--|--|
| Health Care Regulatory Compliance | Contract Management (Deferred from FY2023) | Evaluate internal controls over contract development, approval and management. |
| | IRS 501(r) Compliance - UVACH (Deferred from FY2023) | Test compliance with IRS 501(r) rules applicable to non-profit hospitals, such as community needs analyses and plans, financial assistance program elements and publication. |
| | Physician Transactions - UVACH (Deferred from FY2023) | Test physician payments for compliance with contract payment terms and UVACH policies, such as contract review/approvals. Perform under the attorney client privilege. |
| | Medical Device Recalls / Credits | Evaluate policies and procedures for proper claims adjustments for medical device recalls. |

FY24 AUDIT PLAN TOPICS UVA HEALTH

| Risk Area | Audit Topic | Scope |
|-----------------------------------|---|--|
| | Exclusion Screening for Vendors | Policies and procedures designed to ensure all on-site vendor representatives receive the required screening for potential exclusion from government payer programs. |
| Health Care Regulatory Compliance | Trauma Activation Claims – Billing Compliance | Validate that Medicare claims for trauma services comply with Medicare billing guidelines. |

FY24 AUDIT PLAN TOPICS UVA HEALTH

| Risk Area | Audit Topic | Scope |
|--------------------------|--|--|
| Financial Sustainability | Late Charges – Professional Fee Billing | Level of compliance with Revenue Cycle standards for timely charge entry to patient accounts. |
| | Laboratory Outreach Billing (Non-patient receivables) | Billing and collection processes for the laboratory’s outreach program (services provided to other organizations). |
| | Pharmacy 340B Program – UVA Community Health | Compliance to Pharmacy 340B regulatory requirements and assess practices for maximizing realized savings. |
| | Capital Asset Inventory Management – APA Audit Follow-up | Status of corrective action plans implemented in response to the internal control finding on capital asset inventory controls. |

FY24 AUDIT PLAN TOPICS UVA HEALTH

| Risk Area | Audit Topic | Scope |
|--------------------------|------------------------------|--|
| Financial Sustainability | Warehouse Receiving Controls | The receiving processes at the new distribution warehouse – internal control design and effectiveness. |

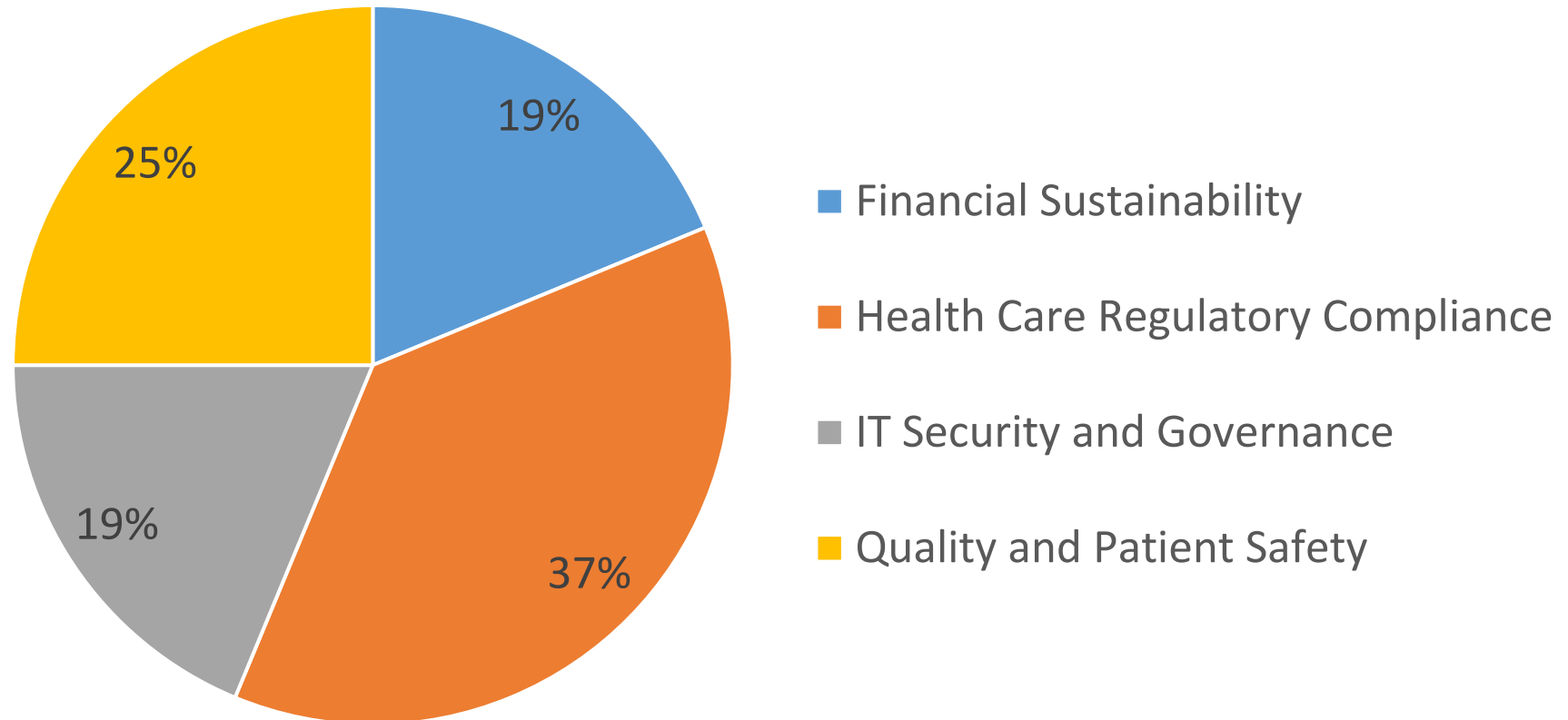
FY24 AUDIT PLAN TOPICS UVA HEALTH

| Risk Area | Audit Topic | Scope |
|--------------------------------------|--|--|
| Workforce Management and Development | Incentive Compensation Plans – University Hospital | Internal controls around the University Hospital’s incentive compensation plans. |

FY24 AUDIT PLAN TOPICS UVA HEALTH

| Risk Area | Audit Topic | Scope |
|----------------------------|--|--|
| IT Security and Governance | Ransomware Assessment Follow Up (IT Audit) | Determine if the recommendations outlined in the March 2022 Mandiant Purple Team Report have been addressed and closed by Management. |
| | Third Party Risk Management (IT Audit) | Identify and assess the controls supporting the third-party risk management program including governance & operating model, policies and procedures, third party data management, risk models, assessment methodology, and tools and technology used to support reporting. |
| | Identity & Access Management (IT Audit) | Identify the methods, processes, and controls by which access is provisioned and deprovisioned both centrally and for selected applications that authorize access to end users. |

FY25 AUDIT TOPICS BY RISK AREA: UVA HEALTH



N=16

FY25 AUDIT PLAN TOPICS UVA HEALTH

| Risk Area | Audit Topic | Scope |
|-----------------------------------|--|--|
| Health Care Regulatory Compliance | Clinical Trials Billing Compliance | Policies, procedures and internal controls for compliant billing of clinical research. |
| | Provider Based Clinic Billing Compliance – UVACH | Compliance with Medicare billing rules for provider-based clinics. |
| | Balance Billing (No Surprises Act) | Compliance with regulatory requirement around billing specific services provided to patients with out-of-network coverage. |
| | Price Transparency | Compliance with the regulatory requirement to publish standard fees and provide estimates to patients. |

FY25 AUDIT PLAN TOPICS UVA HEALTH

| Risk Area | Audit Topic | Scope |
|-----------------------------------|---------------------------|--|
| Health Care Regulatory Compliance | Information Blocking Rule | Compliance around the HHS rule prohibiting any practice likely to interfere with, prevent, or discourage access, exchange, or use of electronic health information (EHI). |
| | Hospice Program | Management controls for the Hospice Program, including third-party management and processes to ensure compliance with the unique regulatory requirements for hospice programs. |

FY25 AUDIT PLAN TOPICS UVA HEALTH

| Risk Area | Audit Topic | Scope |
|--------------------------|---|--|
| Financial Sustainability | Financial Assistance / Financial Counseling | Processes for helping patients without insurance find resources to help them pay medical costs. |
| | Insurance Verification / Validation | Procedures and controls for gathering and validating patient insurance coverage prior to providing services. |
| | Ambulatory Scheduling – Follow-up | Follow-up to FY2021 audit focused on procedures for monitoring and improving patient access performance in ambulatory clinics. |

FY25 AUDIT PLAN TOPICS UVA HEALTH

| Risk Area | Audit Topic | Scope |
|----------------------------|-----------------------------------|---|
| Quality and Patient Safety | Provider Credentialing | Compliance with provider credentialing policies and procedures. |
| | Opioid Stewardship Program | Assess maturity of the Opioid Stewardship Program at the University Hospital. |
| | Practitioner Peer Review | Assess whether peer review process conforms to UVA Health policy and procedures. |
| | Event Reporting (Be Safe Program) | Processes and controls in place for event reporting, analysis and response (adverse events, near misses and unsafe conditions). |

FY25 AUDIT PLAN TOPICS UVA HEALTH

| Risk Area | Audit Topic | Scope |
|------------------|--|---|
| Technology Risks | Threat and Vulnerability Management (IT Audit) | Identify and assess the controls supporting the threat and vulnerability management processes used for identifying, classifying, prioritizing, remediating, and mitigating software and firmware vulnerabilities. |
| | HIPAA Security Compliance (IT Audit) | Evaluate if adequate security procedures are in place at the Health Systems to protect the privacy of individually identifiable health information, called protected health information |
| | Incident Response (IT Audit) | Identify and assess the formal incident response capabilities including incident response policies, procedures, and playbooks, incident response governance, ownership and oversight, incident review metrics and reporting, prevention and detection mechanisms, and training and awareness. |

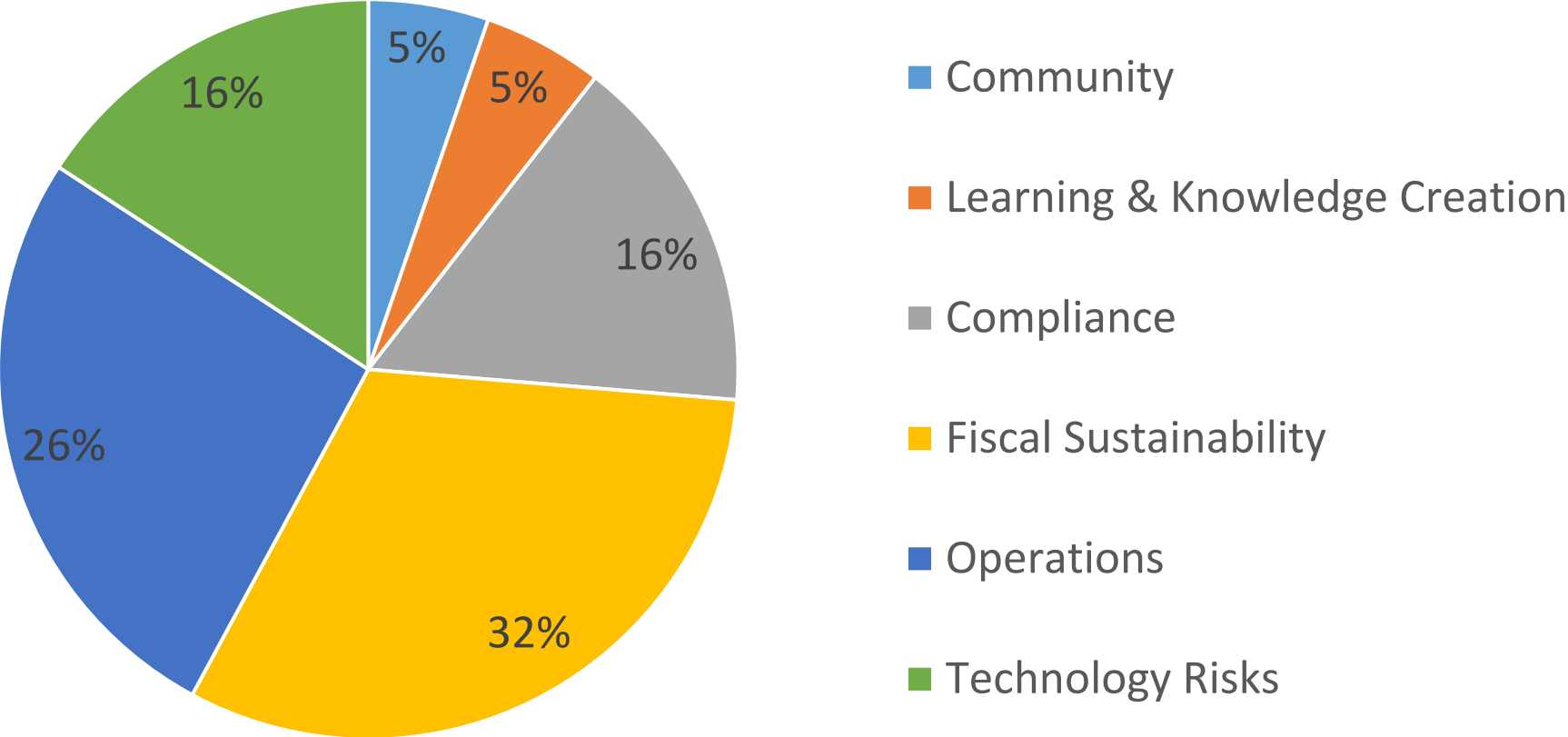
UVA Academic Division Audit Plan

FY2024-FY2025



Aligning the Audit Plan with UVA Academic Division's Risk Management Framework (ERM)

FY24 AUDIT TOPICS BY PRIMARY ERM RISK AREA: UVA ACADEMIC DIVISION



N=19

FY24 AUDIT PLAN TOPICS UVA ACADEMIC DIVISION

| Primary ERM Risk Area | Audit Topic | Scope |
|-------------------------------|--|--|
| Community | ESG - Sustainability Reporting (In Progress from FY23 plan) | Assess controls ensuring relevant, quality information is captured through the reporting process, culminating in the preparation of reliable sustainability reports. |
| Learning & Knowledge Creation | UVA Wise Academic Records - Degree Related Data (Jenzabar) | Evaluate design and effectiveness of controls over the maintenance of degree-related data, including grade submissions and changes, course substitutions and/or degree requirement exceptions, and incoming transcripts. |
| Compliance | NCAA Compliance: Financial Aid for Student-Athletes | Assess UVA Athletic Department Compliance Office's oversight of student-athletes Financial Aid considering anticipated impacts of the NCAA Name, Image, and Likeness (NIL) policy. |
| | CARES Compliance - Higher Education Emergency Relief Fund (HEERF I, II, III) - Part 3 (FY24) | Evaluate design and effectiveness of controls and processes related to HEERF funds data collection, use, accounting, and reporting. |

FY24 AUDIT PLAN TOPICS UVA ACADEMIC DIVISION

| Primary ERM Risk Area | Audit Topic | Scope |
|-----------------------|---|---|
| Compliance | Presidential Travel and Expense | Annual audit of the President's Travel and Entertainment expenses. Audits were paused during pandemic-impacted years. Audit will cover FY23 expenses. |
| Operations | Benefits Administration | Follow-up on KPMG recommendations for the UVA Health Plan. |
| Fiscal Sustainability | Workday Financials Controls Validation: Grants and Contracts | Assess the effectiveness of key financial business process controls related to expenditures of sponsored funding. |
| Fiscal Sustainability | Workday Financials Controls Validation: Gifts | Assess the effectiveness of key financial business process controls related to the acceptance, receipt, recording, and processing of gifts to the University. |

FY24 AUDIT PLAN TOPICS UVA ACADEMIC DIVISION

| Primary ERM Risk Area | Audit Topic | Scope |
|-----------------------|--|--|
| Fiscal Sustainability | Student Financial Services | Evaluate design and effectiveness of controls over accuracy and timeliness of student billing and accounts receivable. |
| | Payroll | Evaluate controls over payroll processes including Workday user access, identification of employees working out-of-state/country, and untimely terminations resulting in overpayments. |
| Operations | School-Level Audits: Pilot Audit of McIntire School (In Progress from FY23 plan) | Complete pilot of school level audit program as a prelude to annual school level audits. |
| | School-Level Audits (3) | Assess effectiveness of risk-relevant school level controls and processes at 3 UVA schools. |

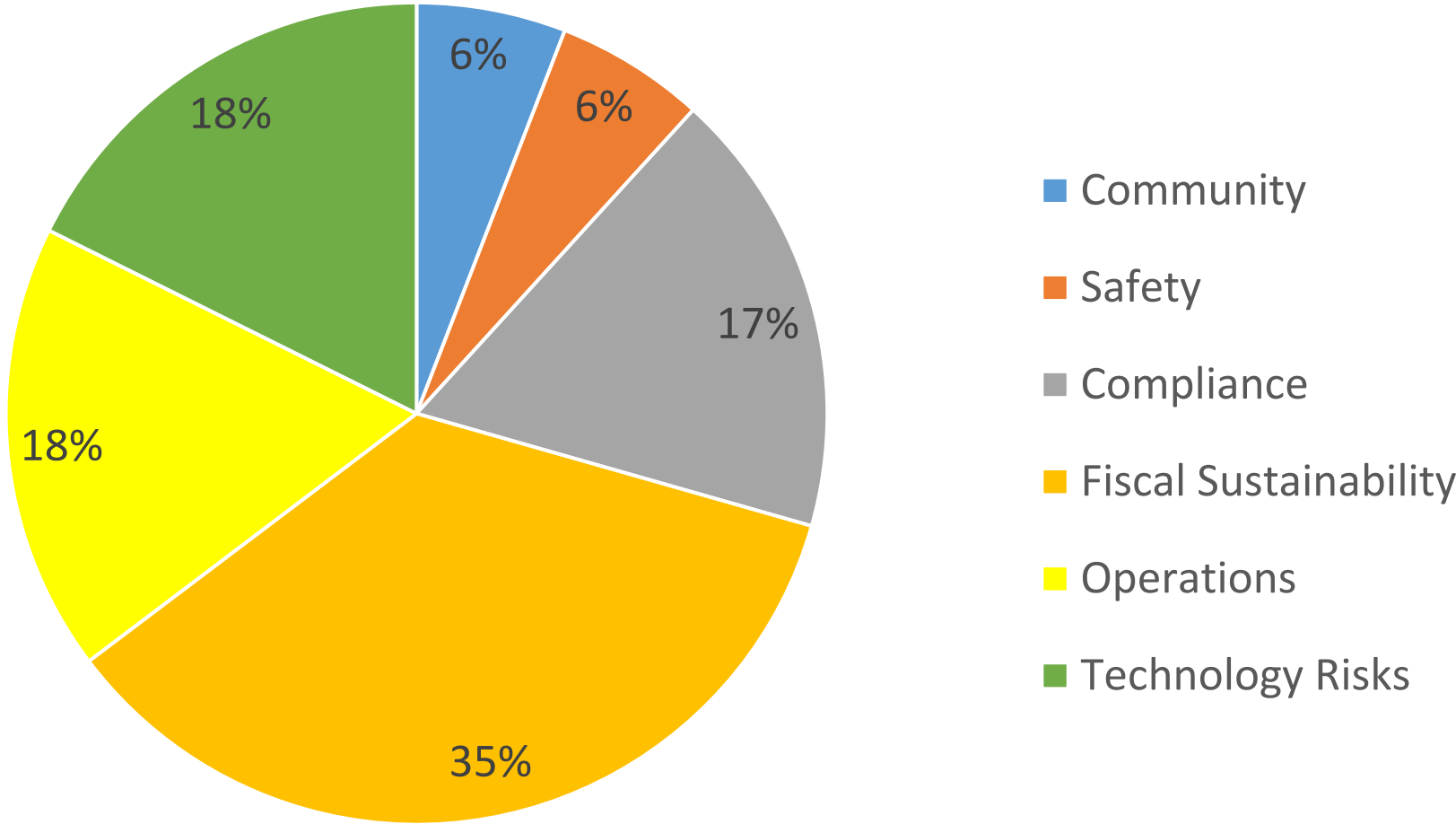
FY24 AUDIT PLAN TOPICS UVA ACADEMIC DIVISION

| Primary ERM Risk Area | Audit Topic | Scope |
|-----------------------|---|--|
| Fiscal Sustainability | Football Operations Building Construction Audit | Audit initiated in FY23 continues through the construction life cycle. |
| | Hotel and Conference Center Construction Audit | Audit initiated in FY23 continues through the construction life cycle. |
| Technology Risks | Ransomware Assessment Follow Up (IT Audit) | Determine if the recommendations outlined within the December 2021 Mandiant Purple Team Report for the Academic Division have been addressed and closed by Management. |
| | Third Party Risk Management (IT Audit) | Identify and assess the controls supporting the third-party risk management program such as: governance & operating model, policies, and procedures, third party data management, risk models, assessment methodology, and tools and technology used to support reporting. |

FY24 AUDIT PLAN TOPICS UVA ACADEMIC DIVISION

| Primary ERM Risk Area | Audit Topic | Scope |
|-----------------------|---------------------------------|--|
| Technology Risks | IT Disaster Recovery (IT Audit) | Determine and evaluate if adequate processes are in place for recovering critical systems and data in the event a service disruption or breach occurs. |

FY25 AUDIT TOPICS BY PRIMARY ERM RISK AREA: UVA ACADEMIC DIVISION



N=17

FY25 AUDIT PLAN TOPICS UVA ACADEMIC DIVISION

| Primary ERM Risk Area | Audit Topic | Scope |
|-----------------------|----------------------------------|--|
| Community | ESG Reporting | Evaluate current ESG reporting, metrics, and data analytics distributed across the University. |
| Safety | Child Development Center | Identify and assess oversight controls for contracted child day care services that ensure regulatory compliance and promote safety and security. |
| Compliance | Animal Care & Use Program | Evaluate the effectiveness of controls that support regulatory compliance over animal care and use, and promote safety, appropriate care, and security for individuals, animals, and facilities. |
| | Presidential Travel and Expenses | Annual audit of the President's Travel and Entertainment expenses. Audits were paused during pandemic-impacted years. Audit will cover FY24 expenses. |

FY25 AUDIT PLAN TOPICS UVA ACADEMIC DIVISION

| Primary ERM Risk Area | Audit Topic | Scope |
|-----------------------|---|---|
| Compliance | Research - Post Award Administration (Pan-University) | Assess effectiveness of post-award controls for selected sponsored awards to ensure compliance with sponsor requirements, applicable regulations, and University policy. (Deferred from FY2023) |
| Fiscal Sustainability | UVA Wise Student Financial Services | Evaluate design and effectiveness of controls over accuracy and timeliness of student billing and accounts receivable. |
| Fiscal Sustainability | Workday Financials Controls (3 business cycles) | Assess the ongoing effectiveness of key financial business process controls and managerial reporting capabilities to support operational decisions. |
| Operations | School-Level Audits (3) | Assess effectiveness of risk-relevant school level controls and processes at 3 UVA schools. |

FY25 AUDIT PLAN TOPICS UVA ACADEMIC DIVISION

| Primary ERM Risk Area | Audit Topic | Scope |
|-----------------------|--|---|
| Fiscal Sustainability | Football Operations Construction Audit | Audit initiated in FY23 continues through the construction life cycle. |
| | Hotel and Conference Center Construction Audit | Audit initiated in FY23 continues through the construction life cycle. |
| Technology Risks | Incident Response (IT Audit) | Identify and assess the formal incident response capabilities including incident response policies, procedures, and playbooks, incident response governance, ownership and oversight, incident review metrics and reporting, prevention and detection mechanisms, and training and awareness. |
| | Identity & Access Management (IT Audit) | Identify the methods, processes, and controls by which access is provisioned and deprovisioned both centrally and for a particular application that authorizes access to end users. |

FY25 AUDIT PLAN TOPICS UVA ACADEMIC DIVISION

| Primary ERM Risk Area | Audit Topic | Scope |
|-----------------------|---------------------------|---|
| Technology Risks | Data Integrity (IT Audit) | Determine and assess the design and operating effectiveness of the controls in place for financially relevant systems (ERP, GL, payroll systems) to ensure the data associated with the financial transactions within the system are processed completely and accurately. |

Resolution

Resolved, the Audit, Compliance, and Risk Committee approves the FY2024-FY2025 Audit Department plan and recommends its approval to the Board of Visitors.

David Rasnic
Auditor of Public
Accounts

Fiscal Year 2023 Audit Entrance Meeting



2023 Audit Entrance Meeting

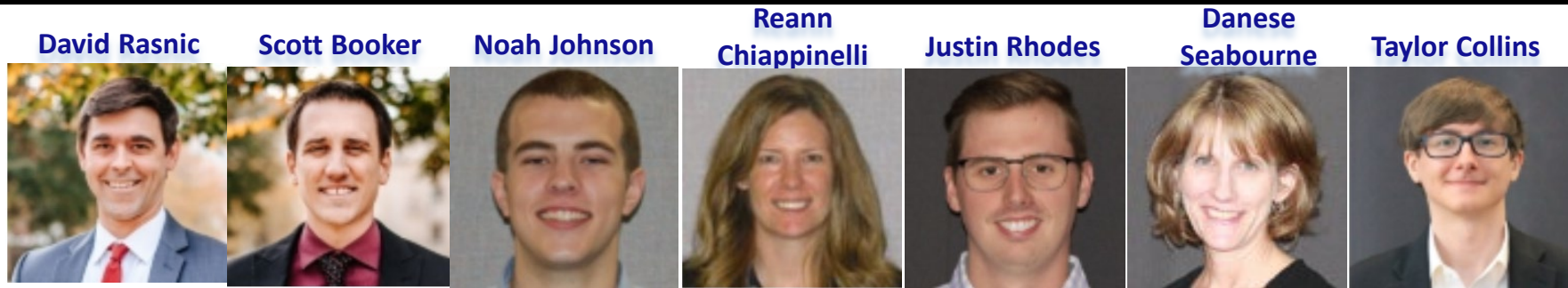
June 1, 2023

David Rasnic, Audit Director

Scott Booker, Audit Director

Auditor of Public Accounts

Our Team



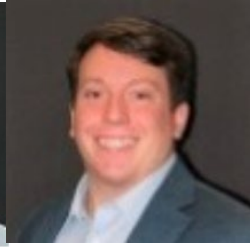
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|--|---|--|---|---|--|--|
| <p>Director</p> <ul style="list-style-type: none"> • 15 years experience • CPA, CISA • Specialty: Higher Education • Recent Projects: George Mason University, Norfolk State University | <p>Director</p> <ul style="list-style-type: none"> • 9 years experience • CISA • Specialty: Process Innovation • Recent Projects: Virginia State University, UVAMC | <p>Supervisor</p> <ul style="list-style-type: none"> • 11 years experience • CPA, CISA, VCO, Master of Accountancy • Specialty: Acquisitions and Contract Management • Recent Projects: Norfolk State University, UVA | <p>Manager</p> <ul style="list-style-type: none"> • 13 years experience • CPA, CFE • Specialty: Reporting and Standards • Recent Projects: Old Dominion University | <p>Senior</p> <ul style="list-style-type: none"> • 5 years experience • CPA • Specialty: Higher Education • Recent Projects: George Mason University and UVA | <p>Manager</p> <ul style="list-style-type: none"> • 8 years experience • BS in Computer Science and certified in info systems, CISA • Manages and reviews system security work | <p>Auditor</p> <ul style="list-style-type: none"> • 2 years experience • Assigned exclusively to audit systems security |
|--|---|--|---|---|--|--|

Our Team

Austen Wade



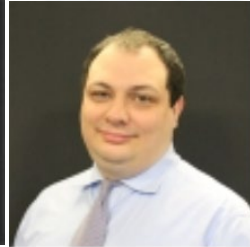
Bill Clymer



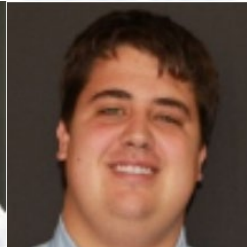
Jared Gilbert



Michael Gallo



Michael Walsh



April Cassada



Auditor

- 4 years experience
- Specialty: Reporting and Standards
- Recent Projects: JMU, Virginia Tech

Associate

- 2 years experience
- Specialty: Reporting and Standards
- Recent Projects: William and Mary, UVA

Associate

- 2 years experience
- Specialty: Budget and Legislative Monitoring
- Recent Projects: Mary Washington, UVAMC

Associate

- 1.5 years experience
- Specialty: Compliance Assurance
- Recent Projects: Virginia State University, UVAMC

Senior

- 6 years experience
- Specialty: Data Analysis
- Facilitates audit data retrievals
- Recent Projects: VCU, Longwood

Director

- 20 years experience
- BS in Accounting, CPA, CISA, and CITP
- Manages and reviews all data retrieval work
- Recent Projects: VMI, JMU

Engagement Overview

- Audit Period: July 1, 2022 – June 30, 2023
- Audit Timing: May 2023 – November 2023
- Objectives: University-specific
Commonwealth Financial Statements
Federal

Audit Objectives

- **UVA and UVAMC Financial Statements**
 - Primary objective of audit is to provide an opinion on fair presentation in accordance with GAAP
 - We assess risk of material misstatement at the line-item level and design an audit approach responsive to those risks
 - Procedures include a combination of tests of detailed transactions and balances, as well as internal control processes

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| 90 | Postemployment Benefit Plans Other Than Pensions - UVA Administered OPEBs |

Audit Objectives

- **Required Supplementary Information (RSI)**
 - We review for consistency with the basic financial statements
 - We perform limited procedures, including management inquiries and review of support
 - We do not provide an opinion concerning RSI

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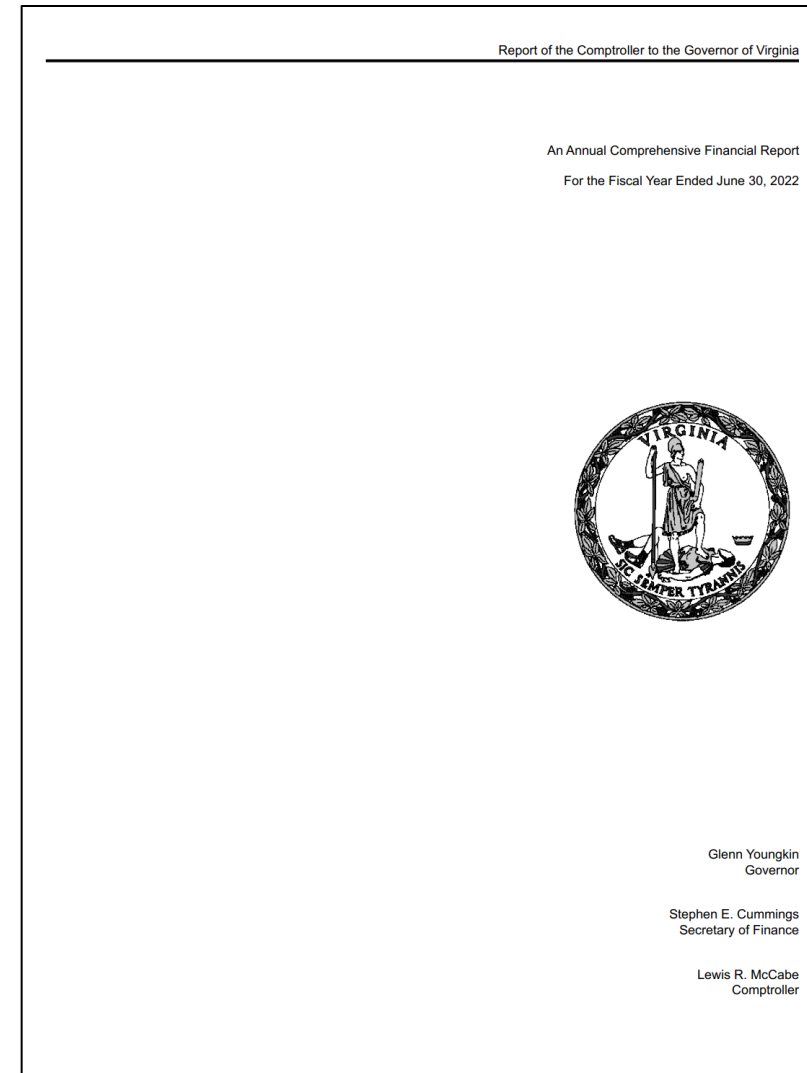
- **Other Information**
 - We review for consistency with the basic financial statements
 - We review for apparent material misstatements of fact based on knowledge of operations
 - We do not provide an opinion or any assurance whatsoever concerning other information

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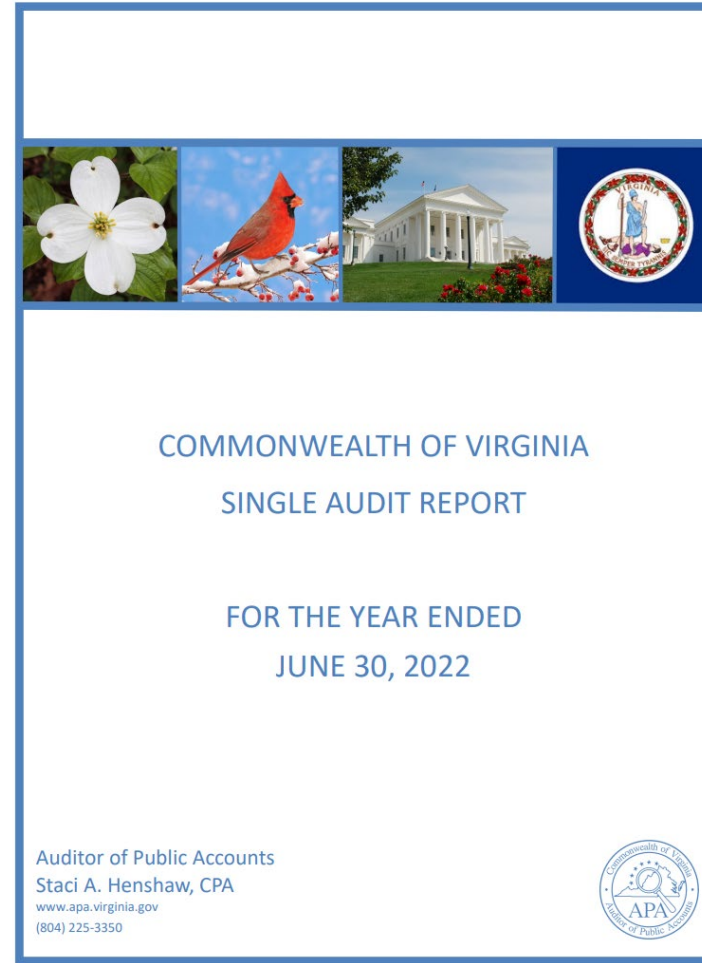
Audit Objectives

- **Virginia ACFR**
 - Objective of audit is also to ensure fair presentation of attachments and supplemental items submitted to DOA
 - Inquiries often require communication between UVA, DOA, and their respective audit teams
 - Team also considers internal control processes relating to the compilation of this information



Audit Objectives

- **Virginia Single Audit**
 - The Statewide Single Audit (SSA) report serves as the internal control report for the Commonwealth's Annual Comprehensive Financial Report
 - Findings included in the Consolidated internal controls report will be carried forward to the SSA report
 - This report will include the results of our tests designed to evaluate the Research and Development and ESF federal programs



Significant Risks

- Management Override of Controls
- Revenue Recognition
- Financial Reporting
 - GASB 94 – Public Private Partnerships
 - GASB 96 – Subscription Based Information Technology Agreements

Approach to Materiality

- We consider what is likely to influence the judgment of a financial statement user in order to:
 - Assess risk and design audit procedures
 - Evaluate misstatements in amounts and deficiencies in processes
- Calculate quantitative thresholds by ‘opinion unit’
 - Consolidated, Medical Center, Component Units
- Apply qualitative considerations in addition to quantitative

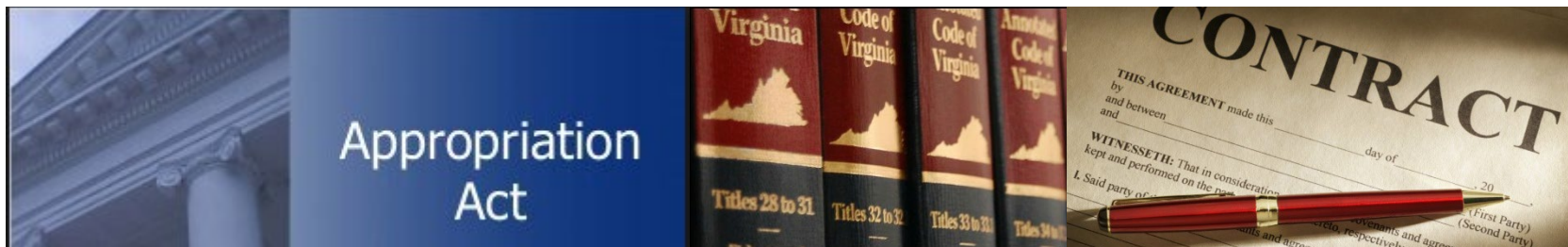
Assessing Fraud Risk

- Team interviews personnel and assesses the risk of fraud
- Team looks for red flags and considers the potential for fraud as it relates to exceptions identified during fieldwork
- UVA and UVAMC are required to notify APA when suspected fraud is identified



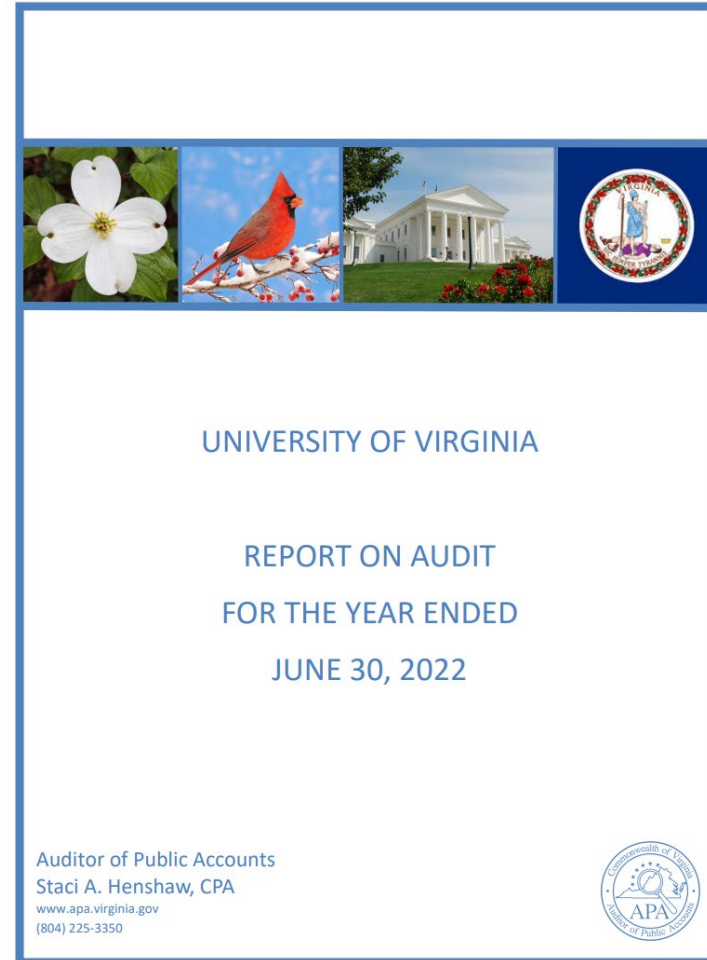
Assessing Risk of Noncompliance

- We consider the risk that potential non-compliance could have a material direct or indirect effect on the financial statements
- We assess management's processes
- We test compliance which we deem significant in the context of the audit objectives



Report on Internal Controls and Compliance

- We do not provide an opinion on internal controls
- We are required to report any findings that we deem to be significant deficiencies or material weaknesses
- Though not required, we plan to issue this report the same week we release the audit opinion



Management Communication

- Entrance/Exit with Management
- Biweekly status updates
- When potential concerns are noted:
 - Confirm condition
 - Obtain response
 - Evaluate significance

BOV Communication

- If you are aware of risks our audit should address, please share those with us
- Unless there are findings requiring your immediate attention, we will present our results to you at the conclusion of the audit
- If earlier communication is warranted, we will coordinate with management to ensure the Committee is informed in a timely manner
- Terms of the engagement and representation letters

Intended Use Statement

This presentation is intended solely for the information and use of those charged with governance and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sponsored Research Compliance Hot Topic: Data Management and Sharing



NIH has issued the [Data Management and Sharing \(DMS\) policy](#) (effective January 25, 2023) to promote the sharing of scientific data. Sharing scientific data accelerates biomedical research discovery, in part, by enabling validation of research results, providing accessibility to high-value datasets, and promoting data reuse for future research studies.



Under the DMS policy, NIH expects that investigators and institutions:

- Plan and budget for the managing and sharing of data

- Submit a DMS plan for review when applying for funding

- Comply with the approved DMS plan

Sponsored Research Hot Topic: NSPM-33 and CHIPS & Science Act Research Security Provisions



The standards cover overarching program requirements and certification, foreign travel security, research security training, cybersecurity, and export control training.



Public comment period on proposed standards are due by June 2023



2023 Audit Plan Hot Spots



Gartner 2023 Audit Plan Hot Spots Executive Summary



| Hot Spot | Summary | 2023 Drivers | 2022 Drivers |
|------------------------------------|--|--|---|
| Cyberthreats | Heightened scrutiny on cyber breach disclosures alongside sophisticated state-sponsored attacks makes cyberthreats a growing risk in 2023, increasing organizations' exposure to reputational, litigation and regulatory risk. | <ol style="list-style-type: none"> 1. State-Sponsored Cyberattacks 2. Cyber Breach Disclosure Requirements | <ol style="list-style-type: none"> 1. Lapses in Security Controls 2. Increased Employee Vulnerability to Social Engineering |
| IT Governance | Higher use of ungoverned SaaS increases organizations' risk exposure, and an ongoing IT talent deficit further hinders enterprise agility and digital capability development. This issue leaves organizations exposed to enterprise growth and governance risks. | <ol style="list-style-type: none"> 1. Ungoverned SaaS 2. IT Talent Shortage | <ol style="list-style-type: none"> 1. Rapid Adoption of New Technologies 2. Access Management Challenges |
| Data Governance | Organizations increasingly employ AI with little formal oversight and the fragmented regulatory landscape highlights the need for organizations to improve governance over how they use and protect data assets. | <ol style="list-style-type: none"> 1. AI Governance 2. Personal-Data-Related Regulatory Fragmentation | <ol style="list-style-type: none"> 1. Ineffective Data and Analytics Organizational Models 2. Insufficient Data-Sharing Enablement and Controls |
| Third-Party Risk Management | A combination of new third-party ESG reporting requirements and increasing financial and operational constraints elevate the risk of reputational damage from third parties. Further, the current macroeconomic conditions that raise concerns about third parties' financial viability may result in operational disruptions, high costs of switching vendors, and product quality and reliability issues for the organization. | <ol style="list-style-type: none"> 1. Third-Party Reputational Risk 2. Third-Party Viability | <ol style="list-style-type: none"> 1. Limited Third-Party Risk Monitoring 2. Unsupervised Privileged Access |

Gartner 2023 Audit Plan Hot Spots Executive Summary



| Hot Spot | Summary | 2023 Drivers | 2022 Drivers |
|---|---|--|--|
| Organizational Resilience | Organizations' ability to withstand crises and disruptions is evermore critical, as they are increasingly being tested. Each crisis reveals more areas of organizational fragility. | <ol style="list-style-type: none"> 1. Geopolitical Conflict 2. Diminished Change Capacity | <ol style="list-style-type: none"> 1. Climate Degradation 2. Regulatory Interest in Operational Resilience |
| Environmental, Social and Governance (ESG) | Expanding and new ESG regulations and increased stakeholder scrutiny mean organizations must build meaningful ESG policies into their strategies to follow all current regulations and avoid accusations of greenwashing. | <ol style="list-style-type: none"> 1. Expanded ESG Reporting Standards 2. Increased Scrutiny of ESG Practices | <ol style="list-style-type: none"> 1. Increasing Capital Tied to ESG Performance 2. Increased Legal and Regulatory Action on ESG |
| Supply Chain | Increasing geopolitical conflict, resulting in localization measures and logistical challenges across supply chains, has contributed to rising prices and diminishing ability to access critical materials. Organizations face the risk of declines in revenues, profitability, operational effectiveness and the ability to compete. | <ol style="list-style-type: none"> 1. Renationalization of Supply Chains 2. Logistics Challenges Stemming From China's "Zero-COVID" Policy | <ol style="list-style-type: none"> 1. Key Goods and Materials Shortages 2. Logistics and Shipping Challenges |
| Macroeconomic Volatility | A global economic downturn and a sharp rise in interest rates across the world increase risks to organizational assets and cash flows, threatening long-term financial performance and exacerbating an already highly uncertain operating and risk environment. | <ol style="list-style-type: none"> 1. Rising Interest Rates 2. Currency Volatility | <ol style="list-style-type: none"> 1. Heightened Inflation Uncertainty 2. Variances in the Global Economic Recovery |

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| Hot Spot | Summary | 2023 Drivers | 2022 Drivers |
|-----------------------------|--|--|---|
| Workforce Management | A combination of competitive labor markets with an expected cooling of economic growth fosters further uncertainty for organizations with regards to workforce management. With organizations undecided on their talent needs (in the case of a recession and the future of remote or hybrid work not yet fully determined), those who commit too quickly or too far face talent and business losses that are not easily reversible. | <ol style="list-style-type: none"> 1. Uncertain Talent Needs 2. Uncertain Long-Term Effects of Hybrid Working Models | <ol style="list-style-type: none"> 1. Cultural Disconnects in a Hybrid Workforce 2. COVID-19 Workplace Management Uncertainty |
| Cost Pressures | Organizations are struggling with persistent cost pressures driven by an unyielding inflationary environment and an increase in regulatory complexity that has heightened the pressure on organizations to reduce costs and revisit their growth strategies. | <ol style="list-style-type: none"> 1. Persistent Inflation 2. Changes to Tax Regimes | Not a 2022 hot spot |
| Culture | Organizations are increasingly expected to weigh in on social and political issues as societal divisions spill over into the workplace and create potential rifts in organizational culture. At the same time, employees are experiencing high levels of disconnectedness from their organizations and co-workers, increasing exposure to risks from attrition to misconduct. | <ol style="list-style-type: none"> 1. Employee Disconnectedness 2. Increasing Social and Political Expectations | Not a 2022 hot spot |
| Climate Degradation | As the long-term impacts of climate change begin to take hold, an increased recurrence of extreme weather events threaten business continuity and vulnerable critical infrastructure. | <ol style="list-style-type: none"> 1. Increased Recurrence and Effects of Extreme Weather Events 2. Vulnerable Critical Infrastructure | Not a 2022 hot spot |

CLINICAL RISKS

- Behavioral health
- Patient safety
- Opioids
- Supply chain
- Telemetry monitoring

EMERGING RISKS

- Coronavirus Aid, Relief & Economic Security Act
- Health equity & social determinants of health
- Robotic process automation

FINANCIAL & OPERATIONAL RISKS

- Accounts payable processing fraud
- Community benefit
- Inflationary economy
- Drug diversion & 340B
- Physician practices
- Vendors & business associates
- Workforce
- Workplace violence

LEGAL & REGULATORY COMPLIANCE RISKS

- EMTALA
- Social Security Act Section 1135
- Telehealth & remote patient monitoring

NEW REGULATION RISKS

- Cybersecurity
- No Surprises Act
- State-regulated data privacy

TECHNOLOGY RISKS

- Cybersecurity insurance & ransomware preparedness
- IT and operational business continuity management
- Post-merger integration of IT systems and data

Are there gaps in your audit plan?

Crowe Survey 2023: 25 Top Management Risks for Healthcare in 2023