



Board of Visitors
Audit, Compliance, and Risk Committee
March 2, 2023

March 2023
Audit,
Compliance, and
Risk Committee
Meeting Agenda

- Remarks by Committee Chair
- Consent Agenda: Approve Changes to Athletics Compliance Charter
- Auditor of Public Accounts Audit and Management Report for FY 2021-2022: Completion of Audit
- Update on Action Plans to Improve Internal Controls Over Financial Reporting
- Audit Department Status Update (Written Report)

David Rasnic,
Director of
Higher Education
Programs

Augie Maurelli,
Associate Vice
President for
Financial
Operations

- Auditor of Public Accounts Audit and Management Report for FY 2021-2022: Completion of Audit
- Update on Action Plans to Improve Internal Controls Over Financial Reporting

University of Virginia Audit Update



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

March 2, 2023

Audit Opinions

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

Internal Control & Compliance

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

Significant Audit Adjustments – Consolidated Financial Statements

- Present Community Health as of 12/31 to remove unaudited activity
 - \$1.2B across numerous Balance Sheet and Income Statement line items
- Medical Center Adjustments related to GASB 87 and GASB 89 - \$32.9M
- Reverse off book \$55M adjustment out of Prepaid Expenses
 - Employer FICA Tax Deferral Expense and Liability of \$29M
 - Accounts Payable \$29M

Findings & Recommendations – University-Wide

Finding Title	Responsible Department	Included in Prior year?	Compliance Finding?
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

Finding Title	Responsible Department	Included in Prior year?	Compliance Finding?
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

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

Upcoming/Ongoing Audit Considerations

- Audit Timeline
- Workday
- 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

FY2022 and FY2023 Audit Status and Improvements

- Auditor of Public Accounts (APA) issued Unmodified Opinions for both FY2022 Medical Center and Consolidated Financial Statement on February 13th
- UVA Consolidated Financials represent \$4.2 Billion of operating activity with a \$18 Billion balance sheet
- FY2022 Internal Controls Report available on APA website
- Currently engaged on FY2023 Governmental Accounting Standards Board (GASB) Implementation with third party experts

UVA Remediation Plan

1. Aligned Engagement

- Single Point of Contact to the APA – Associate Vice President for UVA Finance

2. Enhanced Staffing

- Sr. Director of Financial Reporting – Consolidated
- Sr. Financial Reporting position – Medical Center

3. Proactive and Uniform Approach

- Engaged with third party experts for uniform GASB standards implementation
- Currently executing audit engagements for related entities
- Standardizing templating for future White Paper submission
- Scheduled recurring meetings with all team members and leadership

GASB Implementation -FY2022

GASB Statement No. 87, Leases - fundamentally changes lease recognition.

- Due to new treatment, UVA recognized \$82M in additional assets and \$87M in additional liabilities.
- Disclosures about the type and scope of leasing activities is now included in the financial statements.

The UVAMC acquisition of Novant and formation of Community Health required significant changes to the report.

- Community Health is now a blended component unit of the Medical Center
- Additional disclosures about the reporting entity are added
- Balances and income statement are discretely presented in Note 8 to the financial statements.

Upcoming GASB Implementation - FY2023

GASB Statement No. 96 – Subscription Based Information Technology Arrangements

- Similar to GASB 87 Lease Adoption, all Cloud Based Software will be moving to the balance sheet and capitalized

GASB Statement No. 94 – Public-Private Partnerships and Payment Arrangement (P3)

- Standard is intended to put all P3 Activity on the balance sheet
- Ultimately, that activity will also become “on credit”
- Long term arrangements will be treated similar to long-term financing activities
- UAO P3 Activity will be on their balance sheet, and reflected in that component unit