

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS**

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

June 6, 2019

AUDIT, COMPLIANCE, AND RISK COMMITTEE

Thursday, June 6, 2019
1:45 - 2:30 p.m.
Board Room, The Rotunda

Committee Members:

Babur B. Lateef, M.D., Chair
Robert M. Blue
Mark T. Bowles
L.D. Britt, M.D.
C. Evans Poston Jr.
Frank M. Conner III, Ex-off
Margaret F. Riley
Adelaide Wilcox King, Faculty Consulting Member

AGENDA

	<u>PAGE</u>
I. REMARKS BY THE COMMITTEE CHAIR (Dr. Lateef)	1
II. ACTION ITEM	
• Risk-Based Audit Plan for FY 2020-FY 2021 (Ms. Saint)	2
III. COMMITTEE DISCUSSION	
A. Auditor of Public Accounts (APA) Audit Entrance Meeting for FY 2019 (Ms. Bianchetto to introduce Mr. Eric M. Sandridge; Mr. Sandridge to report)	5
B. Youth Protections Program (Ms. Saint to introduce Ms. Gloria Graham and Mr. Gabe Gates; Ms. Graham and Mr. Gates to report)	6
IV. WRITTEN REPORTS	
A. Audit Department: FY 2019 Year in Review and Report on Activities Since Prior Meeting	7
B. Institutional Compliance: FY 2019 Year in Review	10
C. Health System Compliance: FY 2019 Year in Review	11
D. Enterprise Risk Management: FY 2019 Year in Review	12
V. CLOSED SESSION	
• Consultation with University Counsel regarding matters requiring the provision of legal advice by counsel as provided for in Section 2.2-3711(A) (8) of the <u>Code of Virginia</u> ; and discussion and consideration of the performance of specific administrative personnel as provided for in Section 2.2-3711(A)(1) of the <u>Code of Virginia</u> .	

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

BOARD MEETING: June 6, 2019

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**

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AGENDA ITEM: II.A. Risk-Based Audit Plan for FY 2020-FY 2021

BACKGROUND: UVA's internal audit plan provides assurance on the effective functioning of the University's significant risk mitigation activities, internal controls, and foundational processes. The plan is risk based, aligned with strategic initiatives, and focused on what matters most to the community of UVA stakeholders: the Board of Visitors, executive leaders, students, faculty, staff, regulators, award sponsors, patients, parents, and alumni.

To build the plan, the Audit Department relies on risk assessments and mitigating action plans provided by UVA's Enterprise Risk Management program, Institutional Compliance, and Health System Compliance. Risk assessments are further informed by benchmarking with R1 and Ivy Plus institutions, input and requests from management and the Board of Visitors, and professional auditor judgment.

A dynamic approach to deploying the University's internal audit resources allows the Audit Department to remain flexible and relevant to changing priorities and emerging risks. The Audit, Compliance, and Risk Committee will be briefed on changes to the approved plan as needed throughout the year.

ACTION REQUIRED: Approval by the Audit, Compliance, and Risk Committee and by the Board of Visitors

AUDIT DEPARTMENT FY 2020 – FY 2021 AUDIT PLAN

RESOLVED, the Audit Department FY 2020 - FY 2021 Audit Plan is approved as recommended by the Audit, Compliance, and Risk Committee.

UVA Audit Department FY 2020-FY 2021 Two Year Plan Topics
 [Shaded Topics Prioritized for FY2020]

Theme	Risk Prioritized Audit and Advisory Engagement Topics Timing: Determined through Ongoing Prioritization of Resources Scoping: Decisions are Made through Detailed Risk Assessments Conducted in Audit Planning
Audit Coverage: Pan- University	
Research Administration and Compliance	Rebates and Credits Applicable to Federal Grants and Awards (<i>in progress</i>)
	Institutional Review Board (IRB) Controls
	Export Controls
	Residual Award Balances (<i>in progress</i>)
	Amazon Web Services (AWS) Controlled Unclassified Information (NIST 800-171) Compliance
	ResearchUVA System Access and Security, Data Integrity
	Research Data Security
Business and Infrastructure Support Services	Workday Post-Implementation Audits: Segregation of Duties (<i>in progress</i>); Delegation; Labor Distribution; Benefits Administration
	Construction Contract Audits (Specific Capital Projects to be Determined) (<i>Ivy Mountain Musculoskeletal Center in progress</i>)
Institutional Planning, Oversight, and Compliance	Conflicts of Interest (COI) Management
	Presidential Travel and Expenses (Conducted Annually)
IT General Computing Controls (Academic Division and Health System)	Incident Response Plans and/or Disaster Recovery Program
	IT Vendor Management: Cloud-Based System Vendor Risks
Audit Coverage: Academic Division	
Institutional Planning, Oversight, and Compliance	Cash Deficit Management Process
Business and Infrastructure Support Services	Accounts Payable: Invoice Payment; Vendor Master File Management; Other Topics Based on Risk Assessment
	International Operations: FCPA Risks and Controls; Operational Oversight of Overseas Offices; Other Topics based on Risk Assessment
Student Experience and Service	Dining Services (<i>in progress</i>)

Theme	Risk Prioritized Audit and Advisory Engagement Topics Timing: Determined through Ongoing Prioritization of Resources Scoping: Decisions are Made through Detailed Risk Assessments Conducted in Audit Planning
	Student Health & Counseling: Availability of Services; Charges and Fees
Business and Infrastructure Support Services; IT Controls	Student Information System (SIS) Business and IT Controls
	Distributed IT Systems Management Continued: Athletics Department and Facilities Management (<i>in progress</i>)
Audit Coverage: Health System	
Institutional Planning, Oversight, and Compliance	Funds Flow (co-sourced)
	Pharmacy: Drug Diversion Controls (co-sourced)
Revenue Cycle Front End	Patient Friendly Access (PFA): Registration and Scheduling Processes (Podded Locations)
	Patient Financial Counseling
Revenue Cycle Middle	Epic Work Queue Management
	Outpatient Clinical (Epic Templates) Set Up
	Charge Data Master Maintenance
	Revenue Cycle: Charge Capture (Procedures and Surgeries) (<i>in progress</i>)
Business and Infrastructure Support Services	Telemedicine (IT security and financial controls)
	Surgical Supply Management
Committee Participation and Audit Initiatives	
Steering and Standing Committees Served	Finance Strategic Transformation
	Fisher Identity and Access Management—Workday
	Policy Review Committee
Audit Department Initiatives (Continuous Improvement)	Data Driven Insights—continued exploration of ways to use data analytics and robotic process automation to increase effectiveness and efficiency throughout the audit lifecycle

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AGENDA ITEM: III.A. Auditor of Public Accounts (APA) Audit Entrance Meeting for FY 2019

ACTION REQUIRED: None

BACKGROUND: The Auditor of Public Accounts of the Commonwealth conducts an annual audit of the University and the Medical Center and reports findings to the Board of Visitors. Ms. Bianchetto, Vice President for Finance, will introduce Mr. Eric M. Sandridge, who will discuss with the committee the FY 2018-2019 audit.

Eric M. Sandridge is the Director of Higher Education Programs for the Virginia Auditor of Public Accounts. His current responsibilities include management of the office's Higher Education Programs Specialty Team and project management oversight for various agencies and institutions of the Commonwealth. He also coordinates required federal audits at the Commonwealth's institutions of higher education and NCAA Agreed Upon Procedures engagements. He is a member of the National State Auditors Association (NSAA) Audit Standards and Reporting committee and NSAA Single Audit committee. He is a graduate of the College of William and Mary and is a CPA, CISA, and CGFM.

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COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: III.B. Youth Protections Program

ACTION REQUIRED: None

BACKGROUND: Associate Vice President for Safety and Security Gloria Graham and Assistant Vice President for Clery Compliance Gabe Gates will discuss the progress made on implementing a formal Minors Protection Program policy and procedures to guide interactions with children and youth served in UVA’s programs or facilities.

In July of 2018, internal audit conducted a review of programs and activities involving minors on Grounds. The audit identified a need for a comprehensive and coordinated approach to managing University programs involving minors. The following actions have been implemented in response to the audit;

- Established the Office for Youth Protection within the Department of Safety and Security
- Assigned AVP Gabriel Gates and Senior Analyst Meghan Rapp as Youth Protection Coordinators
- Policy Review Committee (PRC) approved a new policy on the *Protection of Minors and Reporting Abuse* (Effective: July 1, 2019)
 - Requires all affiliated persons of the University to report suspected child abuse
 - Centralized registration of all “Covered Programs” involving minors
 - Mandatory Background Check every two years for those with direct contact with minors
 - Mandatory Training for those with direct contact with minors
 - Establishes a “code of conduct” for individuals with direct contact with minors (i.e. no 1-1 contact situations, mandatory staff-to-minor ratios, etc.)

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<u>BOARD MEETING:</u>	June 6, 2019
<u>COMMITTEE:</u>	Audit, Compliance, and Risk
<u>AGENDA ITEM:</u>	IV.A. Audit Department: FY 2019 Year in Review and Report on Activities Since Prior Meeting
<u>ACTION REQUIRED:</u>	None

BACKGROUND: Audits completed in FY 2019 spanned risk topics across the University (PanU), Academic Division (AD), Health System (HS), and Research Enterprise (RE). UVA's leaders use Audit Department recommendations to continuously improve operations, processes, and systems. (*Audit reports issued italicized*)

In FY 2019, the Audit Department:

- Helped university leaders identify and remediate IT security gaps: *Distributed IT Systems Management Audit covering IT controls in nine schools and units outside ITS (AD); Central IT Network Security/Intrusion Prevention and Detection and Firewalls Audit (AD); NIST 800-171 Controlled Unclassified Information Audit (RE); Epic Revenue Cycle Segregation of Duties Audit (HS); and Distributed IT Systems Management covering four Medical Center units (HS).*
- Supported fiscal stewardship through reviews of operational effectiveness and financial controls: *Athletics Business Office Audit (AD); President's Office Management Turnover Audit (PanU); EVPs' T&E Audit (AD & HS); Epic Patient Friendly Billing and Refunds (HS); Clinical Trials Billing in Epic (HS); and Malcolm Cole Childcare Center (HS).* Used Epic data to assess *Charge Capture for the Departments of Neurology, Surgery, and Orthopedics Surgery (HS).* A *construction contract audit of the Ivy Mountain Musculoskeletal Center (HS)* is in progress.
- Assured UVA's compliance with laws and regulations related to *Minors Protections and Title IX Complaint Management Processes** (PanU) in a two-part audit. Evaluated compliance with Uniform Guidance for *Subrecipient Awards Monitoring* (PanU). Evaluated *UVA Athletics Department Drug Testing Protocols* for compliance with established policy as recommended by the ACC (AD).
- Provided ongoing advice and insights on Workday controls and implementation risks to the Ufirst project team (*Ufirst Project Health Checks*). Actively engaged with the *Finance Strategic Transformation project*.

- Deepened department’s understanding of UVA Wise through completion of a comprehensive risk assessment of its processes and IT systems. Performed three audits at Wise: *UVA Wise Budgetary Controls*;** Undergraduate Safety in Labs, Shops, and Studios*;*** and *Network Security*.

*Attorney Client Privileged Engagement Conducted under Direction of University Counsel

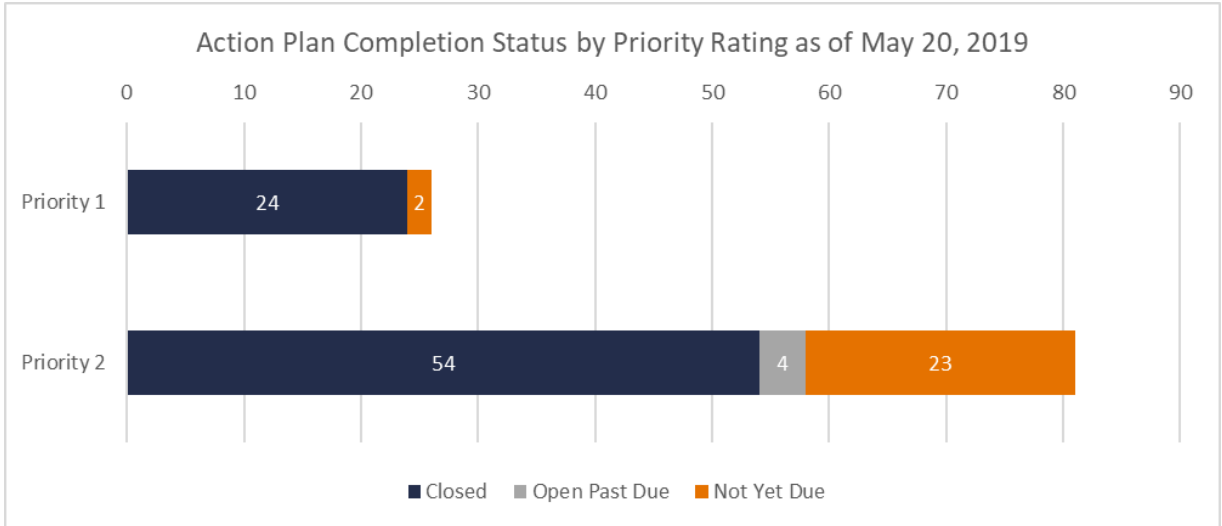
Audit Department Update: Activities since Last Report (February 28, 2019 ACR Committee Meeting)

Individual control gaps or deficiencies (“findings”) are assigned a priority rating to assist management in evaluating the relative significance of each issue as they create action plans to respond to Audit’s recommendations. The table below summarizes rated audit findings in reports issued since our last update to the ACR Committee.

Audit Report Subject	Responsible Unit(s)	P1	P2	P.I.	IT
NIST 800-171 Ivy Environment	Research Computing and ITS				37
UVA Wise Network Security	UVA Wise IT Dept.				10
DISM – Health System	4 Departments Reviewed				18
Subrecipient Monitoring	Office of Sponsored Programs		4	1	
UVA Wise Budgetary Controls	Office of the Chancellor	2	6	1	
Total rated findings reported for the period		2	10	2	65

Audit Findings Rating Key		
P1	Priority 1	A Priority 1 item signifies a control gap 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.
P2	Priority 2	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 or unit level objectives. Management must take timely corrective action to mitigate Priority 2 deficiencies.
P.I.	Process Improvement	A process improvement rating signifies an opportunity to achieve additional control and/or process efficiencies. No action plan is needed to address the potential improvement.
IT	Information Technology	Control gap exists between current UVA control execution and either UVA IT policy(ies) or applicable IT security framework, exposing the University to risks related to security and integrity of systems, inefficiencies in business processes, or exposure of sensitive data.

Institute of Internal Auditors (IIA) Standard 2500: *Monitoring Progress* requires the chief audit executive to establish and maintain a system to monitor the disposition of results communicated to management. The chart below displays the status of management’s action plans through May 20, 2019. This data confirms the Audit Department’s recommendations are well received and timely implemented by UVA’s management team to improve UVA’s controls and processes.



Action plans related to the Hospital Expansion Project are being followed up as part of the current Ivy Mountain Musculoskeletal Center construction contract audit.

Measurable progress has been made toward closing remaining control deficiencies reported in the Distributed Information Systems Management (a review of 9 schools and departments that manage IT systems outside the ITS core) audit report issued in November 2018.

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AGENDA ITEM: IV.B. Institutional Compliance: FY 2019 Year in Review

ACTION REQUIRED: None

DISCUSSION: Below are the key institutional compliance accomplishments identified by Gary Nimax, Assistant Vice President for Compliance, for fiscal year 2019.

Compliance Accomplishments -
Fiscal Year 2018-19

1. Converted the compliance responsibilities matrix and the compliance risk assessment into OnSpring, the new software implemented to manage audit, compliance, and enterprise risk management documents.
2. Completed Gartner's Ignition Diagnostics program to conduct a thorough assessment of the university's compliance program, using industry best practices and a questionnaire completed by institutional compliance as well as the members of the compliance network, in order to develop future strategic objectives for the compliance program. Presented findings and recommendations at the February 2019 board meeting and used that data to develop goals for 2019-20.
3. Expanded use of the medical center's IntegriLink compliance incident management system by institutional compliance and the academic division. Partnered with the medical center on a joint contract with NAVEX to develop a web intake form through which anonymous reports could be made to the university.
4. Reviewed and updated the university's Code of Ethics for approval by the Board of Visitors.

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- BOARD MEETING:** June 6, 2019
- COMMITTEE:** Audit, Compliance, and Risk
- AGENDA ITEM:** IV.C. Health System Compliance: FY 2019 Year in Review
- ACTION REQUIRED:** None

DISCUSSION: Below are the Medical Center compliance accomplishments identified by Regina Verde, Corporate Compliance & Privacy Officer, for fiscal year 2019.

Compliance Accomplishments
Fiscal Year 2018-19

1. Completed a Medical Center compliance risk assessment in conjunction with University Compliance, General Counsel and key personnel using the converted compliance responsibilities matrix and compliance risk assessments in OnSpring. Risk assessment findings indicate the high-risk areas requiring application of compliance resources and oversight of corrective action plans, monitoring and auditing for risk mitigation.
2. Developed a framework to analyze Medical Center compliance issue data elements in order to trend patterns of non-compliant events, apply specific and focused corrective action, performance improvement, and reinforcement of behaviors to mitigate compliance risk, and to communicate individualized findings to target groups.
3. Expanded the coding audit function and worked in conjunction with Medical Center Revenue Integrity to examine compliance with regulatory requirements for documentation of medical necessity, accurate coding, billing and reimbursement from Medicare for specific services, documentation of patient data and acknowledgement as needed, and to assess compliance in high risk areas as identified by the FY 2018 Office of Inspector General/Health & Human Services Work Plan. Assisted in preparing for and participated in agency audits and site reviews.

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<u>AGENDA ITEM:</u>	IV.D. Enterprise Risk Management: FY 2019 Year in Review
<u>ACTION REQUIRED:</u>	None

BACKGROUND AND DISCUSSION: The following written report is submitted as an end of year update on Enterprise Risk Management (ERM) at UVA for Fiscal Year 2019.

Review of FY2019 ERM

FY 2019 was a year of leadership transition and the launch of many new and exciting initiatives at UVA. Within that context, the overall ERM process continues to focus on identifying and managing key risks (both threats and opportunities) that could prevent or advance accomplishment of the University’s mission and strategic objectives. The ERM Program went deeper and broader in FY 2019. This year more face-to-face interviews were utilized to review, update, and enhance the University’s Key Risk lists and mitigation plans. This deeper level of interaction with risk leads and other stakeholders helps to calibrate the risk mitigation plans as we continue to normalize use of ERM language and terms. Additionally, the ERM effort was broadened this year by fully onboarding UVA’s College at Wise, identifying and developing management plans for the key risks that are unique to their mission and strategic goals.

Update on FY 2019 Goals

- Further Onboard UVA Wise – Established a new Risk Management Network led by Chancellor Henry and her senior staff. Twenty-seven stakeholders at Wise participated in the initial risk identification survey utilizing the University’s new GRC system. Following assessment, the Risk Network decided on ten key risks; the risk leads and executive owners are developing risk ledgers and mitigation plans.
- Build a Risk Interaction Map – This new tool implemented across the Academic Division and Health System in Fall 2018. The map focuses on one individual key risk and then maps out ownership, functional area dependencies, upstream “impacting” key risks, and downstream “affected” key risks. This activity significantly improves cross functional conversations that need to occur in a complex risk environment.
- Migrate ERM Data into New Governance, Risk, Compliance System – Taken initial steps to build out the ERM modules of the GRC tool to accommodate processes

and data. The system was used in the risk identification process for UVA-Wise. Further work is needed to fully implement use of this online system.

FY 2019 ERM Annual Report

This year's activities and Key Risk Lists from UVA's three divisions: Academic Division, Health System, and College at Wise are documented in the third annual ERM Final Report. The report is available in both electronic format and hard copies.

FY 2020 ERM Goals

The ERM Goals for FY 2020 will be developed over the next quarter in conjunction with the new University Strategic plan and reported to the Audit, Compliance, and Risk Committee at the September Board of Visitors meeting.