UNIVERSITY OF VIRGINIA
BOARD OF VISITORS

Meeting of the Audit, Compliance, and Risk Committee

December 7, 2023

AUDIT, COMPLIANCE, AND RISK COMMITTEE

Thursday, December 7, 2023
1:00 – 2:00 p.m.
Board Room, The Rotunda

Committee Members:

Thomas A. DePasquale, Chair　　　　　　Stephen P. Long, M.D.
Rachel W. Sheridan, Vice Chair　　　　　The Honorable L.F. Payne
Mark T. Bowles　　　　　　　　　　　　Amanda L. Pillion
Carlos M. Brown　　　　　　　　　　　Douglas D. Wetmore
The Honorable Paul C. Harris　　　　　　Robert D. Hardie, Ex-officio
Babur B. Lateef, M.D.　　　　　　　　　Adelaide Wilcox King, Faculty Consulting Member

AGENDA

IV.　**CLOSED SESSION**
- Consideration of the performance of specific administrative personnel
  arising from the annual financial statement audit conducted by the Auditor
  of Public Accounts. The relevant exemption to the Virginia Freedom of
  Information Act authorizing the closed session discussion and
  consultation described above is provided for in Section 2.2-3711(A)(1) of
  the Code of Virginia.
- Consultation with UVA Counsel on allegations related to accounting
  practices in the UVA Medical Center. The relevant exemption to the
  Virginia Freedom of Information Act authorizing the closed session
  discussion described above is provided for in Section 2.2-3711(A)(8) of
  the Code of Virginia.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: December 7, 2023

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: I. Remarks by the Committee Chair

ACTION REQUIRED: None

BACKGROUND: Mr. Thomas DePasquale, the Committee Chair, will open the meeting, welcome guests, and provide an overview of the agenda.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: December 7, 2023

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: II. Auditor of Public Accounts Audit and Management Report
                              for FY 2022-2023

ACTION REQUIRED: None

BACKGROUND: The Auditor of Public Accounts (APA) of the Commonwealth conducts an annual audit of the University and the Medical Center and reports findings to the Board. Mr. Augie Maurelli, Vice President and Chief Financial Officer, will introduce the Auditor of Public Accounts (the APA) and the UVA audit project leader. Ms. Staci Henshaw and Mr. David Rasnic will report on the FY 2022-2023 audit.

Staci A. Henshaw, CPA, CGMA was appointed as the Auditor of Public Accounts (APA) by the Virginia General Assembly in February 2021. She previously served as the Deputy Auditor from February 2013 through her appointment as the Auditor. She earned her Bachelor of Science in Commerce (Accounting) from the University of Virginia.

Ms. Henshaw has performed a variety of roles during her 28 years at the APA including serving as the director responsible for the Reporting and Standards Specialty Team, which is responsible for reviewing and responding to exposure drafts for new auditing and accounting standards and determining the impact of new standards on audits the APA performs. She also served as the project manager for the audit of Virginia's Annual Comprehensive Financial Report from 2002 to 2012. In addition, she had oversight of the compilation of the Comparative Report of Local Government Revenues and Expenditures and the quality control review process the APA performs over certified public accountants that conduct audits of Virginia's local governments.

In addition to her experiences at the APA, Ms. Henshaw has been active and held leadership roles in several outside organizations including the National Association of State Auditors, Comptrollers, and Treasurers (NASACT) and its sub-organization the National State Auditors Association (NSAA); the Virginia Society of Certified Public Accountants (VSCPA); and the American Institute of Certified Public Accountants (AICPA). She currently serves as Co-Chair of NASACT's Committee on Accounting, Reporting, and Auditing (CARA) and is also a member of the CARA Subcommittee for Governmental Accounting Standards Advisory Council Input. Additionally, she serves as the Chair of NSAA's Audit Standards and Reporting Committee and as a member of NSAA's Auditing Standards Board Input Task Force and Peer Review Committee. In 2022, she was the recipient of NSAA's Distinguished Service Award and NASACT's President's Award. Her extensive involvement with the VSCPA includes serving on the Accounting and Auditing Committee, Finance Committee, and on the Nominations Committee. She also held multiple leadership roles with the

VSCPA including serving on the Board of Directors, Executive Committee, and as Chair of the Board in 2017-2018. She previously served on the Governing Council of the AICPA and is currently a member of its Compliance Audit Task Force.

David Rasnic, CPA, CISA 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 graduate of Virginia Tech.

DISCUSSION: The APA team will present the fiscal year 2023 audit along with required communications on the auditor's opinion, scope of internal control work, compliance testing, fraud and illegal acts, significant accounting policies, alternative accounting treatments, accounting estimates, significant audit adjustments, and disagreements with management (if any).

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: December 7, 2023

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: III.A. Audit Department Mid-Year Report

ACTION REQUIRED: None

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 **August 21- November 15, 2023**:

1) Executive summary of audit activities for the period
2) New findings for reports issued since September 2023 Audit, Compliance, and Risk Committee report
3) Progress on BOV approved audit plan for FY2024

Executive Summary of Audit Activities for the Period

7 Audits Completed:
- Third Party Vendor Management (IT Audit: UVA Health)
- Threat and Vulnerability Management (IT Audit: Academic Division)
- Presidential Travel and Expenses (FY2023)
- McIntire School of Commerce
- CARES Compliance - Higher Education Emergency Relief Fund (HEERF I, II, III) - Part 3 (FY24)
- ESG Sustainability Reporting
- (Unplanned Audit): Segregation of Duties Issues (UVA Health; Attorney Client Privileged)

2 Investigations Completed:
- Office of State Inspector General Hotline Case – UVA College at Wise
- Office of State Inspector General Hotline Case – UVA Health

Audit Department Support for University Committees and Initiatives:
- Member of Policy Review Committee (Academic Division)
- Member of University Controller Search Committee (Academic Division)
- Member of Administrative Operations Artificial Intelligence Steering Committee (EVP COO Initiative)
- Member of Enterprise Risk Management Network (Academic Division)
- Member of IT Security Advisory Committee (Pan-University)

Value Added Activities	Risks to Audit Plan Completion
- Proactively shared risk management best practices learned in audit of the integrated	- Achievement of the approved UVA Health audit plan for FY2024 is at risk due to delays

HR, Finance, and Financial Services instance of Salesforce Service Cloud with other users of this SaaS application across UVA. • Convened governance, risk, and control colleagues from across the commonwealth to share and benchmark audit, compliance, and ERM practices.	caused by internal audit staffing resource availability and delayed responses to audit information requests on audits in progress. • Completion of Academic Division IT audits for FY2024 are also at risk due to management's request to delay audits due to competing priorities (new initiatives, response to prior security incidents).

New findings in reports issued since September 2023 Audit, Compliance, and Risk Committee report	
Audit	**Summary of Report and Findings**
UVA Health Third Party Risk Management (IT Audit) **2**　**9**　**4** 2 Does Not Meet and 9 Partially Meets IT control-related findings Four controls met the control objectives	Four (4) of fifteen (15) controls tested met the control objective, nine (9) to partially met the control objective, and two (2) controls did not meet the control objective. Key observations: • A centralized, comprehensive policy for UVA Health's management of third-party risks does not exist. • Health Information Technology (HIT) has not formally conducted risk reassessments for existing vendors. • Management lacks a central third-party inventory that collects key information, enables in-depth analysis, streamlines executive reporting, and prioritizes risk management activities.
Threat and Vulnerability Management (IT Audit Academic Division) **1**　**3**　**9** 1 Does Not Meet, 3 Partially Meets IT control-related findings Nine controls met the control objectives	Of the thirteen (13) controls tested, we considered nine (9) to meet the control objective, three (3) to partially meet the control objective, and one (1) that does not meet the control objective. Key observations include: • Departments need to prioritize identified vulnerabilities and ITS needs to improve follow-up on remedial actions. • Penetration tests and risk assessments should occur on a regular schedule. • The deployment of Qualys on the UVA network should be done using a phased approach. • Training for local support partners should be more thorough in content.

| New findings in reports issued since September 2023 Audit, Compliance, and Risk Committee report	
Audit	**Summary of Report and Findings**
FY2023 Presidential Travel and Expenses **1** **3** 1 Process Improvement 3 working controls	FY2023 travel expenses, local meals, and other expenses (including Carr's Hill related expenditures) incurred by President Ryan and family were transacted in accordance with university policies, the President's employment contract, and were accounted for in accordance with IRS regulations. We observed an opportunity (P.I.) to improve processes related to the coding of Workday spend categories for non-travel business meals.
McIntire School of Commerce **1** **4** **3** **16** 1 Priority 1, 4 Priority 2 findings, 3 Process Improvements, 16 working controls	The Provost and Dean of McIntire are working on a plan to resolve the financial challenges McIntire faces (**P1 issue**). The plan is expected to be completed at the end of the fiscal year 2025 budgeting (June/July 2024). ***We will update and reissue the report once an action plan is received.*** In addition to the finding on operating deficits, there were four (4) Priority 2 observations addressing gift card use, user access reviews, third-party data privacy, and academic partnership agreements. Three (3) Process Improvement observations covered key performance indicators, duplicate payment controls, and account certifications.
CARES Compliance - Higher Education Emergency Relief Fund (HEERF I, II, III) - Part 3 (FY24) **1** **4** 1 Process Improvement, 4 working controls	UVA Academic Division distributed HEERF Student Portion financial grants, and UVA Academic Division and UVA Wise expended HEERF Institutional Portion expenditures in compliance with each fund's funding certification agreements and regulatory requirements in the respective CARES, CRRSAA, and ARP Acts. Required public reports posted by UVA and UVA Wise conformed with the US Department of Education's guidelines with regards to required elements and timing; one discrepancy was noted in the accuracy of information posted by UVA on its Emergency Federal Relief Funds website. When notified of the discrepancy, management corrected the information.
ESG Sustainability Reporting **1** **1** **2** 1 Priority 2 Finding	Controls over the development and publication of sustainability data and metrics are functioning effectively and address relevant risks. Opportunities were identified to clarify the overarching governance structure (P2) for the sustainability program and improve the transparency of the year-over-year reporting process.

New findings in reports issued since September 2023 Audit, Compliance, and Risk Committee report	
Audit	**Summary of Report and Findings**
1 Process Improvement 2 working controls	

BOV Approved Audit Plan Progress (Year to Date)

Because the plan is intentionally dynamic to maintain its relevance, a status report on the department's activities is provided at each Committee meeting.

Current Audit Plan Status (as of November 15, 2023)
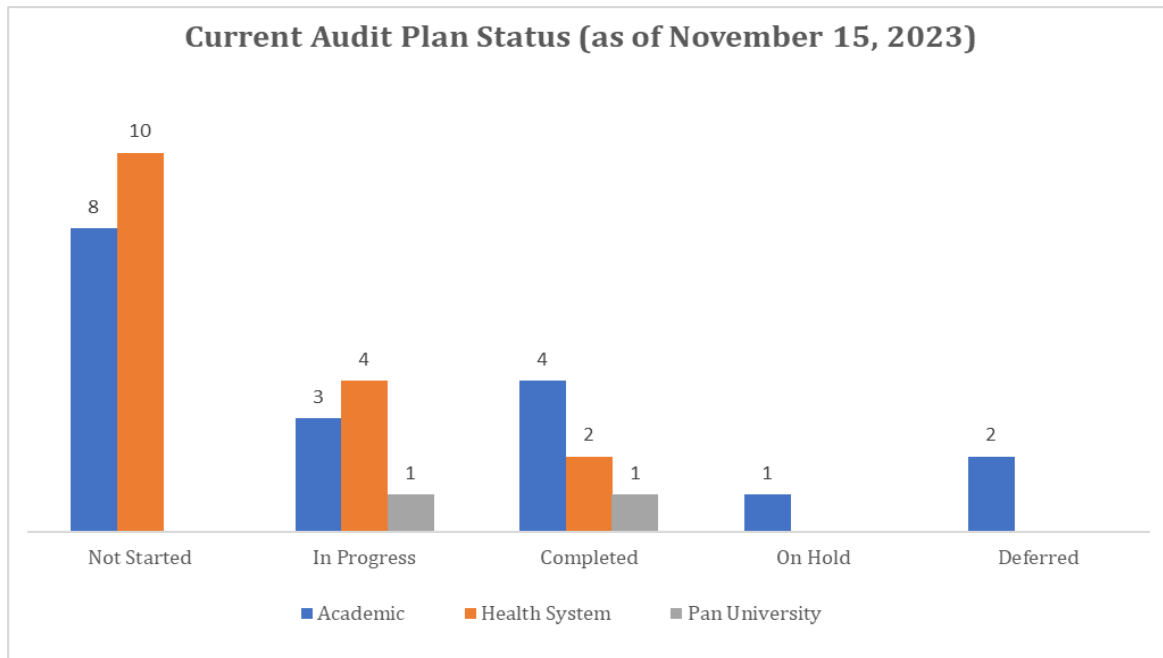
	Division	Audit Plan Topic	Scope	Status as of November 15, 2023
1	Academic & UVA Health	Child Development Centers	Identify and assess oversight controls for contracted child day care services that ensure regulatory compliance and promote safety and security.	**In Progress** (Replaced School-Level Audit 3)
2	Academic & UVA Health	ESG - Sustainability Reporting	Assess controls ensuring relevant, quality information is captured through the reporting process, culminating in the preparation of	**Completed**

	Division	Audit Plan Topic	Scope	Status as of November 15, 2023
			reliable sustainability reports.	
1	Academic	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.	**Completed**
2	Academic	Construction Projects: • Football Operations Building Construction Audit • Hotel and Conference Center Construction Audit	Using an outside expert in construction project management accounting, perform procedures relevant to phases of specified construction projects.	**Phase 1 Risk Assessment Completed** **On Hold**
3	Academic	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.	**Not Started**
4	Academic	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.	**Not Started**
5	Academic	Payroll	Evaluate controls over payroll processes including Workday user access, identification of employees working out- of-state/country, and untimely terminations resulting in overpayments.	**In Progress**
6	Academic	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.	**Completed**

	Division	Audit Plan Topic	Scope	Status as of November 15, 2023
7	Academic	Ransomware Assessment Follow Up (IT Audit)- Academic	Determine if the recommendations outlined within the December 2021 Mandiant Purple Team Report for the Academic Division have been addressed and closed by Management.	**Not Started**
8	Academic	School-Level Audits: Pilot Audit of McIntire School	Complete pilot of school level audit program as a prelude to annual school level audits.	**Completed**
9	Academic	School-Level Audits (1) - UVA Engineering	Assess effectiveness of risk-relevant school level controls and processes at 3 UVA schools.	**In Progress**
10	Academic	School-Level Audits (2) - TBD	Annual school level audit	**Not Started**
11	Academic	Student Financial Services	Evaluate design and effectiveness of controls over accuracy and timeliness of student billing and accounts receivable.	**In Progress**
12	Academic	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.	**Not Started**
13	Academic	Threat & Vulnerability Management - Academic (IT Audit)	Evaluate UVA Academic Systems controls supporting the Threat & Vulnerability Management program used for identifying, classifying, prioritizing, remediating, and mitigating software, and firmware vulnerabilities.	**Completed**

	Division	Audit Plan Topic	Scope	Status as of November 15, 2023
14	Academic	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.	**Not Started**
15	Academic	Workday Benefits Administration	Follow-up on KPMG recommendations for the UVA Health Plan.	**Deferred**
16	Academic	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.	**Not Started**
17	Academic	Workday Financials Controls Validation: Grants and Contracts	Assess the effectiveness of key financial business process controls related to expenditures of sponsored funding.	**Deferred**
1	Health System	Contract Management	Internal controls over contract development, approval, and management. (Deferred from FY2023)	**Not Started**
2	Health System	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.	**Not Started**
3	Health System	PeopleSoft ITGC (IT Audit) - Health	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.	**Not Started** (Replaced Identity & Access Management IT Audit)
4	Health System	Incentive Compensation Plans – University Hospital	Internal controls around the University Hospital's incentive compensation plans.	**In Progress**
5	Health System	Laboratory Outreach Billing (Non-patient receivables)	Billing and collection processes for the laboratory's outreach program	**Not Started**

	Division	Audit Plan Topic	Scope	Status as of November 15, 2023
			(services provided to other organizations).	
6	Health System	Medical Device Recalls and Credits	Policies and procedures for claims adjustments related to medical device recalls.	**Not Started**
7	Health System	PeopleSoft Segregation of Duties Analysis (Attorney Client Privileged)	Assessment of the People Soft security profiles and roles to identify potential segregation of duties violations. Data analytics of purchasing and payment transactions to identify transactions with fraud red flags.	**In Progress** (Added to the Plan)
8	Health System	Pharmacy 340B Program – UVA Community Health	Compliance to Pharmacy 340B regulatory requirements and assess practices for maximizing realized savings.	**Not Started**
9	Health System	Attorney-Client Privileged – UVACH Physician Transactions (Purchased Services)	Attorney-Client Privileged - Deferred from FY2023	**In Progress**
10	Health System	Provider Based Billing Compliance	Assess compliance with Medicare's billing rules for provider-based clinics.	**Not Started** (Replaced Capital Asset Inventory Management)
11	Health System	Ransomware Assessment Follow Up (IT Audit)-Health System	Determine if the recommendations outlined within the December 2021 Mandiant Purple Team Report for the Health System have been addressed and closed by Management.	**In progress**
12	Health System	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.	**Completed**

	Division	Audit Plan Topic	Scope	Status as of November 15, 2023
13	Health System	Timely Encounter Closure – Professional Services	Level of compliance with Revenue Cycle standards for timely charge entry to patient accounts.	**Not Started**
14	Health System	Trauma Activation Claims – Billing Compliance	Validate that Medicare claims for trauma services comply with Medicare billing guidelines.	**Completed**
15	Health System	UVACH: IRS 501(r) Compliance	Compliance with IRS 501(r) rules applicable to non-profit hospitals, such as community needs analyses and community benefit plans, financial assistance elements and publication. (Deferred from FY2023)	**Not Started**
16	Health System	Warehouse Receiving Controls	The receiving processes at the new distribution warehouse – internal control design and effectiveness.	**Not Started**

3. Summary of Audit Findings Year to Date (July through November 15, 2023)

The table below summarizes audit findings by priority rating for audits performed in FY2024.

Audit Name	Division	Priority-Rating					
		P1	DNM	P2	PM	OP	W
CARES Compliance - Higher Education Emergency Relief Funds	Academic					1	4
Threat and Vulnerability Management	Academic		1		3		9
McIntire School of Commerce	Academic	1		4		3	16
Contract Labor Controls	UVA Health	2		3			2
Trauma Activation	UVA Health	No audit findings					
Third-Party Risk Management	UVA Health		2		9		4
Salesforce Service and Marketing Cloud (IT Audit)	Pan-University						10

Audit Name	Division	Priority-Rating					
		P1	DNM	P2	PM	OP	W
ESG - Sustainability Reporting	Pan-University			1		1	2
Presidential Travel and Expense	Pan-University					1	3
Total Rated Findings Fiscal Year to Date		3	3	8	12	6	50

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.
DNM	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

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: December 7, 2023

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: III.B. Institutional Compliance and Medical Center Compliance Goals for FY22-23: Mid-Year Status Report

ACTION REQUIRED: None

DISCUSSION:

Institutional Compliance Goals
Fiscal Year 2023-2024

1. **SafeGrounds Reporting**: Continued to enhance the reporting capabilities in the SafeGrounds incident management system to create more effective reporting and monitoring of compliance concerns. We worked with Information Technology Services (ITS) to roll out new reporting capabilities with the SafeGrounds upgrade that went live in September. Next, we will develop new dashboard reports using an analytical tool to provide additional opportunities for institution-wide reporting.

2. **Director of Privacy Programs** – Obtained funding, completed job classification, and developed a job posting to conduct a national search to hire a Director of Privacy Programs, who will focus on information privacy for the academic division and manage the university's response to ever increasing compliance requirements related to privacy. The successful candidate will develop more robust and aligned privacy protocols throughout the university.

3. **Conflict of Interest**: Convened key stakeholders across Grounds to identify gaps in the University's current portfolio of COI programs, exploring possible systems and strategies for developing a more comprehensive COI program.

Medical Center Compliance Goals
Fiscal Year 2023-2024

1. **Compliance Program Assessment:** We will evaluate the UVA Health Compliance Program through an assessment that will help answer whether the program adequately covers the seven elements of an effective healthcare compliance program and identify the strengths and weaknesses of the current program. A gap assessment has been conducted and the Compliance and Privacy Office is addressing the gaps noted in the assessment (e.g., consolidated and updating compliance policies for the Health System, enhancing staffing). Additionally, the new UVA Health Chief Compliance and Privacy

Officer arrived in September and has begun a comprehensive Health System-wide regulatory compliance risk assessment. We plan to have Mitigation Plans in place for high compliance risks by the start of FY25.

2. **Expand Coding Audit Function:** Expand the coding audit function with the addition of a dedicated Auditor to examine compliance with regulatory requirements for documentation of medical necessity, accurate coding, billing and reimbursement from Medicare for specific services, and to assess compliance in high-risk areas as identified by the Office of Inspector General/Health & Human Services Work Plan. The current plan is to hire a full-time employee to conduct and manage billing and coding audits for the Health System, ideally by the start of the calendar year. UVA CH hires external consultants to conduct billing and coding reviews.

3. **Compliance and Privacy Office Staffing:** Onboard Ms. Krista Barnes, UVA Health Chief Compliance and Privacy Officer. Review staffing model to ensure adequate staffing to support the UVA Health Compliance Program. In progress.