

April 14, 2000

MEMORANDUM

TO: The Audit Committee:

Elizabeth A. Twohy, Chair
Timothy B. Robertson
Benjamin P.A. Warthen
James C. Wheat, III
John P. Ackerly, III, Ex Officio

and

The Remaining Members of the Board:

Thomas J. Bliley, Jr.	Elsie Goodwyn Holland
Charles M. Caravati, Jr., M.D.	Gordon F. Rainey, Jr.
William G. Crutchfield, Jr.	Terence P. Ross
Charles L. Glazer	Walter F. Walker
William H. Goodwin, Jr.	Joseph E. Wolfe
T. Keister Greer	Robert G. Schoenvogel

FROM: Alexander G. Gilliam, Jr.

RE: Minutes of the Meeting of the Audit Committee
on Friday, April 14, 2000

The Audit Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 9:00 a.m., Friday, April 14, 2000, in the East Oval Room of the Rotunda; Ms. Elizabeth A. Twohy, Chair, presided. Timothy B. Robertson, Benjamin P.A. Warthen, James C. Wheat, III, and John P. Ackerly, III, Rector, were present. Also present were Thomas J. Bliley, Jr., Charles M. Caravati, Jr., M.D., William G. Crutchfield, Jr., Charles L. Glazer, William H. Goodwin, Jr., T. Keister Greer, Mrs. Elsie Goodwyn Holland, Gordon F. Rainey, Jr., Terence P. Ross, Joseph E. Wolfe, and Robert G. Schoenvogel.

Stephen S. Phelan, Jr., the Student Member-elect, attended as an observer.

John T. Casteen, III, Leonard W. Sandridge, Alexander G. Gilliam, Jr., Paul J. Forch, Ms. Barbara J. Deily, Robert W. Cantrell, M.D., Peter W. Low, Ms. Colette Sheehy, Ernest H. Ern, William W. Harmon, Robert E. Reynolds, M.D., Gene D. Block, L. Jay Lemons, Randolph L. Frank, and Ms. Jeanne Flippo Bailes also were present.

The Chair asked Ms. Deily, Director of Audits, to present the Agenda.

Ms. Deily first gave a report on the status of audits scheduled for this fiscal year; her figures were current for March 31st. Some 41% of scheduled audits have been completed and another 33% are in progress. Unscheduled audits typically must be done in a given year: this fiscal year, 29 - so far - have come up and all have been completed.

Ms. Deily mentioned community service projects the Audit Department has undertaken - workshops, talks before professional organizations, assisting with audits at other institutions and the like. In reply to a question raised at the February meeting of the Committee as to whether or not the Audit Department could conduct audits aimed at encouraging efficiencies of operation, the Chair commented that indeed this is a common by-product of normal audits. She promised that future reports to the Committee would have information of this sort.

Ms. Deily then asked Mr. Sandridge, Executive Vice President and Chief Operating Officer, to introduce Mr. Randolph Frank, Corporate Compliance Officer of the Health System.

Mr. Frank, who has been in his position for ten months, described the operations of his office and distributed copies of a booklet, with certificate attached, that every Health Sciences employee is expected to read and sign: "Compliance Code of Conduct."

Mr. Ross commended him for "Compliance Code" and suggested that every employee of the University should sign a

similar certificate. He suggested, too, that a position similar to Mr. Frank's be established for the Academic Division.

Mr. Sandridge then commented on construction procedures at the University, a matter that has been of concern to the Board for several years because of allegations from contractors about expensive inefficiencies and the cost of doing business with the University. He said he has met with a number of contractors to hear complaints and that Facilities Management as a result has changed its procedures. He cited instances of contractors who had numerous complaints five years ago but who now once more are bidding on University projects.

The present systems are far from perfect, and state regulations will always make University projects more complicated than projects in the private sector. Nonetheless, reforms have been made and will continue to be made. The ideal, he said, is for the University to have a "tough but fair" reputation with contractors.

Mr. Crutchfield asked Mr. Sandridge if he could estimate how much more expensive it would be to build for the University than for the Crutchfield Corporation. Mr. Sandridge replied that the University and Crutchfield Corporation don't build the same kind of buildings and that the University's buildings are probably always going to be more expensive. Recent substantial relief granted by Richmond from the state administrative procedures on construction projects has brought costs down, and better decisions by the University on when to use construction managers on projects has helped. But there will always be more steps and controls involved in a University project than in a Crutchfield project and thus a University project will cost more. In the end, too, Mr. Crutchfield will always make the ultimate decisions on a Crutchfield project while a good many people will have to decide on a University project.

The Chair asked Mr. Dillman, Chief Facilities Officer, to provide the Board with figures on what she called "the regulation cost factor" in University construction projects.

Mr. Warthen wondered if the University is doing better with contractors because "we have eliminated the contractors with complaints." He said he continues to hear stories about contractors who are unable to collect on their bills to the University.

The Rector suggested that Mr. Warthen talk directly to Mr. Sandridge about these stories.

Mr. Ross offered the following motion to enable the Committee to go into Executive Session:

That the Audit Committee of the Board of Visitors of the University of Virginia go into Executive Session for the purpose of discussing the University Auditor's performance evaluations of University departments and programs, which will necessarily involve discussion of the performance of specific employees, as provided for in Section 2.1-344 (A) (1) of the Code of Virginia.

On motion, the Committee went into Executive Session at 9:44 a.m., resumed in Open Session at 10:10 a.m., and, on further motion, adjourned.

AGG:jb

Copies to: Mr. John T. Casteen, III
Mr. Gene D. Block
Dr. Robert W. Cantrell
Mr. Ernest H. Ern
Mr. Paul J. Forch
Mr. William W. Harmon
Mr. Terry Holland
Mr. L. Jay Lemons
Mr. Peter W. Low
Dr. Robert E. Reynolds
Mr. Leonard W. Sandridge
Ms. Colette Sheehy
Mr. Robert D. Sweeney
Ms. Barbara J. Deily
Ms. Louise Dudley

At a meeting of the Audit Committee of the Board of Visitors of the University of Virginia held on April 14, 2000, a roll call vote was taken immediately following an executive session. Members voting "yes" certify that to the best of the Member's knowledge (1) only public business matters lawfully exempted were discussed in closed session; and (2) only public business matters identified in the public motion by which the executive or closed meeting were discussed. In accordance with the law, any member of the public body who believes that there was a departure from the foregoing shall so state prior to the vote indicating "the substance of the departure". Any such statements are recorded below under "comments".

<u>NAME</u>	<u>VOTE</u>	<u>COMMENTS</u>
	<u>yes or no</u>	
<u>John P. Ackerly, III</u>	<u>yes</u>	
<u>Thomas J. Bliley, Jr.</u>	<u>yes</u>	
<u>Charles M. Caravati, Jr.</u>	<u>yes</u>	
<u>William G. Crutchfield, Jr.</u>	<u>yes</u>	
<u>Charles L. Glazer</u>	<u>yes</u>	
<u>William H. Goodwin, Jr.</u>	<u>yes</u>	
<u>T. Keister Greer</u>	<u>yes</u>	
<u>Elsie Goodwyn Holland</u>	<u>yes</u>	
<u>Gordon F. Rainey, Jr.</u>	<u>yes</u>	
<u>Timothy B. Robertson</u>	<u>yes</u>	
<u>Terence P. Ross</u>	<u>yes</u>	
<u>Elizabeth A. Twohy</u>	<u>yes</u>	
<u>Walter F. Walker</u>		<u>absent</u>
<u>Benjamin P.A. Warthen</u>	<u>yes</u>	
<u>James C. Wheat, III</u>	<u>yes</u>	
<u>Joseph E. Wolfe</u>	<u>yes</u>	
<u>Robert G. Schoenvogel</u>	<u>yes</u>	

ADDENDUM TO THE OFFICIAL MINUTES OF THE MEETING
OF THE BOARD OF VISITORS OF THE UNIVERSITY OF
VIRGINIA

Meeting Date: April 14, 2000

CERTIFICATION OF EXECUTIVE MEETING

WHEREAS the Audit Committee of the Board of Visitors of the University of Virginia has convened an executive meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS Section 2.1-344.1 of the Code of Virginia requires a certification by this Audit Committee that such executive meeting was conducted in conformity with Virginia law;

NOW THEREFORE BE IT RESOLVED that the Audit Committee hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the executive meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the executive meeting were heard, discussed or considered by the Audit Committee.

VOTE

AYES: 16

NAYS: 0

[For each nay vote, the substance of the departure from the requirements of the Act should be described].

ABSENT DURING VOTE: 1

ABSENT DURING MEETING: 1

Alexander G. Gilliam, Jr.
Secretary, Board of Visitors,
University of Virginia