

February 4, 2005

MEMORANDUM

TO: The Audit and Compliance Committee:

Georgia M. Willis, Chair  
G. Slaughter Fitz-Hugh, Jr.  
Don R. Pippin  
Terence P. Ross  
Warren M. Thompson  
Gordon F. Rainey, Jr., Ex Officio

and

The Remaining Members of the Board:

William G. Crutchfield, Jr.	Mark J. Kington
Susan Y. Dorsey	Lewis F. Payne
Thomas F. Farrell, II	Thomas A. Saunders, III
W. Heywood Fralin	E. Darracott Vaughan, Jr., M.D.
Glynn D. Key	John O. Wynne
James W. Head	

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Meeting of the Audit and Compliance  
Committee on February 4, 2005

The Audit and Compliance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 8:30 a.m., Friday, February 4, 2005, in the East Oval Room of the Rotunda; Ms. Georgia M. Willis, Chair, presided. G. Slaughter Fitz-Hugh, Jr., Don R. Pippin, Terence P. Ross, Warren M. Thompson, and Gordon F. Rainey, Jr., Rector, were present.

Also present were W. Heywood Fralin, John O. Wynne, and James W. Head.

Present as well were Leonard W. Sandridge, Alexander G. Gilliam, Jr., Paul J. Forch, Ms. Barbara J. Deily, R. Edward Howell, Robert E. Reynolds, M.D., Ms. Yoke San L. Reynolds, Ms. Colette Sheehy, and Ralph W. Traylor.

Walter J. Kucharski, Auditor of Public Accounts for the Commonwealth, and members of his staff were present also.

BECAUSE OF A TOTAL MALFUNCTION IN THE RECORDING EQUIPMENT IN THE BOARD ROOM, THESE MINUTES ARE A RECONSTRUCTION

The Chair reminded the Committee that the winter meeting of the Board of Visitors is the meeting at which the Auditor of Public Accounts of the Commonwealth customarily sits with the Board and reviews the findings of his annual audit of the University and the Health System.

#### QUALITY ASSESSMENT OF THE INTERNAL AUDIT DEPARTMENT

The Chair then reported on the required - required every five years - external quality assurance review of the University's internal audit activity. The review is intended to "provide reasonable and objective assurance" that the performance of the University's Audit Department meets the requirements of the Institute of Internal Auditor's standards. The review was conducted in August 2004 and the University Internal Audit Department was found to be in full compliance with the Institute's standards. The Audit Department received the top rating given by the Institute.

The Chair added that a confidential survey of audit customers conducted during the review showed that 87% of those surveyed rated the Audit Department from good to excellent on 18 different criteria.

#### FINAL REPORT ON THE CORPORATE COMPLIANCE AGREEMENT

Mr. Ralph Traylor, the University's Corporate Compliance Officer, gave a report on the final year of the University's compliance under an agreement with Office of the Inspector General.

#### AUDIT SCHEDULE ACCOMPLISHMENTS

Ms. Deily, Director of Audits, reported on the status of audit projects for the current fiscal year, as of December 31<sup>st</sup>. Of audits scheduled for the fiscal year which began July 1<sup>st</sup>, 56% have been completed or are in process. As for unscheduled audit projects, all have been finished or are in process.

#### AUDITOR OF PUBLIC ACCOUNTS

Ms. Deily then introduced Mr. Walter Kucharski, Auditor of Public Accounts for the Commonwealth, who reviewed the findings of his audit.

EXECUTIVE SESSION

After the following motion, the Committee went into Executive Session at 9:00 a.m.:

That the Audit and Compliance Committee of the Board of Visitors of the University of Virginia convene in Executive Session to review and discuss audit of specific University and Medical Center departments including consulting with General Counsel on compliance with federal CMS regulations. Our oversight review will involve evaluating the performance of specific University managers and personnel and, in the case of the Medical Center, evaluation of its proprietary business-related information relating to adequacy of billing documentation and fiscal management practices where disclosure at this time would adversely affect the competitive position of the Medical Center. This is provided for in Section 2.2-3711 (A) (1), (7) and (23) of the Code of Virginia.

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After adopting the following resolution certifying that its discussions in Executive Session had been conducted in accord with the provisions of the Virginia Freedom of Information Act, the Committee resumed in Open Session at 9:15 a.m.:

That we vote on and record our certification that, to the best of each Board member's knowledge, only public business matters lawfully exempted from open meeting requirements and which were identified in the motion(s) authorizing the closed session, were heard, discussed or considered in closed session.

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APPROVAL OF SUMMARY OF AUDIT FINDINGS

On motion, the Committee adopted the following resolution approving the Summary of Audit Findings for the period August 1, 2004, through December 31, 2004, and recommended it to the full Board for approval:

RESOLVED that the Summary of Audit Findings for the period August 1, 2004, through December 31, 2004, as presented by the Director of Audits, is approved as recommended by the Audit & Compliance Committee.

On further motion, the meeting was adjourned.

AGG:lah

These minutes have been posted to the University of Virginia's Board of Visitors website.  
<http://www.virginia.edu/bov/auditminutes.html>