AUDIT & COMPLIANCE COMMITTEE
(Open Session)

Saturday, September 3, 2005
3:00 – 3:15 p.m.
President’s Conference Room, Madison Hall

Committee Members:
Georgia M. Willis, Chair
G. Slaughter Fitz-Hugh, Jr. Warren M. Thompson
Vincent J. Mastracco, Jr. Thomas F. Farrell, II, Ex Officio
Don R. Pippin

AGENDA

• INFORMATION ITEMS (Ms. Deily)
  A. 2004-05 Audit Department Accomplishments 1
  B. Committee Goals 7
BOARD MEETING: September 3, 2005

COMMITTEE: Audit & Compliance

AGENDA ITEM: A. Audit Department Accomplishments

BACKGROUND: Ms. Deily will inform the Board of the accomplishments of the Audit Department for the last Fiscal Year. This does not require formal action, but is information of which the Board should be made aware.

ACTION REQUIRED: None
Scheduled Audit Projects

<table>
<thead>
<tr>
<th></th>
<th>University</th>
<th>Health System</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheduled*</td>
<td>12</td>
<td>11</td>
<td>23</td>
</tr>
<tr>
<td>Completed</td>
<td>12</td>
<td>10</td>
<td>22</td>
</tr>
<tr>
<td>% Completed</td>
<td>100%</td>
<td>91%</td>
<td>96%</td>
</tr>
<tr>
<td>In Process</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>% In Process</td>
<td>0%</td>
<td>9%</td>
<td>4%</td>
</tr>
<tr>
<td>% Completed or In Process</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Comments: For both teams, we deferred and did not replace several audits primarily due to our inability to hire for vacancies when expected, a requested reduction in work hours for one of our staff members, and an unexpected medical leave. All of these situations have now been resolved.

Non-Scheduled Projects

<table>
<thead>
<tr>
<th></th>
<th>University</th>
<th>Health System</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carryforwards</td>
<td>6</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>New</td>
<td>15</td>
<td>13</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>18</td>
<td>39</td>
</tr>
<tr>
<td>Completed</td>
<td>16</td>
<td>8</td>
<td>24</td>
</tr>
<tr>
<td>% Completed</td>
<td>76%</td>
<td>44%</td>
<td>62%</td>
</tr>
<tr>
<td>In Process</td>
<td>5</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>% In Process</td>
<td>24%</td>
<td>56%</td>
<td>38%</td>
</tr>
<tr>
<td>% Completed or In Process</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Department Accomplishments for 2004-05

The Audit Department was extremely successful in completing most of its goals and critical functions during Fiscal Year 2004-05. In terms of regular projects, we completed 96% of the audit schedule (100% for the University Division and 91% for the Health System Division). We had set a goal of an 85% completion rate and exceeded that goal by 11%. This is the best accomplishment rate for the entire department in 22 years. Deferrals in regularly-scheduled projects occurred only because of vacancies and unexpected medical leaves. The Board and University management have been extremely supportive in providing us two additional staff members to keep up with the large volume of special projects the Department continues to be requested to perform. The audit staff has received required professional training in a variety of applicable areas. In addition to completing our regular audits and special request projects, the department has had quite a few other significant accomplishments this year.

Quality Assessment Review

Our biggest accomplishment was to undergo a Quality Assessment Review which compares the department’s performance to standards promulgated by the Institute of Internal Auditors. Basically, this is an audit of the Audit Department. Our Audit Department received the highest rating (fully complies) in a three tier rating system. There were three minor areas for improvement which will be addressed in the upcoming year. This rating will be in effect for five years at which point we will undergo another Quality Assessment Review.

Code of Ethics Approval

In response to Sarbanes-Oxley, the Audit Department concluded that the institution could use a Code of Ethics, and was successful in spearheading that effort for the University. Even though Sarbanes-Oxley does not yet apply to institutions of higher education, it does define basic good business practices that a university should ensure it has in place. One of these good business practices is to have a Code of Ethics. The University of Virginia has long had an Honor Code for its students but there was no similar Code for its employees. In October 2004, the Audit and Compliance Committee of the Board of Visitors endorsed a Code of Ethics for all of the institution’s employees to follow. This Code is posted on the University’s
website and was featured in an article in Inside UVA. Actions are being taken to communicate this Code to newly-hired employees.

Information Technology Resources

The third biggest accomplishment was to acquire IT personnel resources that the Department desperately needed. We hired an Assistant Director for Information Technology Audits from the Auditor of Public Accounts office, and he has hired one Senior IT auditor. And as of August 4th, the position of IT staff auditor has been filled.

Pornography Investigations

Once we had some IT expertise in place, the Audit Department successfully investigated four allegations of employees possessing sexually explicit materials on institutional computers. In two instances, employees were terminated and in another, disciplinary action was taken. No action was taken in the fourth instance because no inappropriate materials were found. As a result of these issues, the Director of Audits has made presentations to several University groups advising them to not have sexually explicit materials on their computers and there have been articles in Inside UVA and the Cavalier Daily on this subject.

Professional Certifications

Several staff members were successful in obtaining professional certifications this past year. Both the Assistant Director for University Audits and one of our Senior Auditors became a “Certified Fraud Examiner” this year. Our new Assistant Director for Information Technology Audits obtained a “Certified Information Systems Security Professional” designation recently. This is a designation that is from the information technology field (not the audit industry) and is difficult for information technology personnel to achieve, so this is a very significant accomplishment for someone with an audit background.
University of Virginia  
Internal Audit  
Department Accomplishments for 2004-05

Professional Expertise Sharing

Several of the departmental staff shared their audit expertise with outside groups throughout the year. Our Assistant Director for University Audits continues to teach nationally for the Institute of Internal Auditors (IIA). This is a “win-win” situation for the department because her teaching enables the department to earn credits for other IIA classes for which we would otherwise have to pay for our employees. She has also spoken at a James Madison University Class on “What Makes A Good Fraud Auditor?” Our Assistant Director for Information Technology Audits has taught several classes throughout the Commonwealth on topics such as “Computer Forensics” and “Data Security” and taught the Certified Information Systems Auditor review course in Richmond on the Saturdays prior to that exam. The Director of Audits was on a panel of other auditors and made a presentation to the VA SCAN Conference held at UVA in October on “Building Audit and IT Relationships.”

Other Miscellaneous Accomplishments

We renovated portions of the Audit Department so all of the Assistant Directors would have private offices and could conduct confidential interviews in their own offices instead of having to use the Director’s office. The office in McKim Hall was renovated so as to accommodate comfortably two auditors working in that space. The Director of Audits served on a search committee in Richmond to select the new Audit Director for the Virginia Information Technologies Agency (VITA). She also chaired the search committee for the Director of Research Administration Compliance & Outreach in the Office of Sponsored Programs. Because of work done by the Audit Department, a larger pool of employees now complete Conflict of Interest Forms. Unclaimed property in the amount of $81,000, that would have otherwise remained unavailable to the institution was identified by one of our auditors. The Director of Audits served as the representative for the Executive Vice President’s Office for the Combined Virginia Campaign and this area won three awards this year. The Audit Department also had over 50% of its staff participate in the “Day of Caring.”
Estimated Opportunities for Cost Savings & Recoveries
Recommended During the Period of July 2004 – June 2005

Quantifiable Cost Recommendations

Beirne B. Carter Center – University Purchasing Card $ 121.40
Provider Based Designation Audit – Un-captured Charges $ 40,000.00
Digestive Health Clinic – Time Worked Savings $ 243.72
Outpatient Charge Capture – Un-captured Charges $ 9,000.00
Unclaimed Property $ 81,000.00
Total $ 130,365.12
University of Virginia
Internal Audit

Department Accomplishments for 2004-05

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 3, 2005

COMMITTEE: Audit & Compliance

AGENDA ITEM: B. Committee Goals

BACKGROUND: Ms. Deily will discuss the status of the Audit & Compliance Committee’s goals as of August 15, 2005.

ACTION REQUIRED: None