

**UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS  
MEETING OF THE  
AUDIT & COMPLIANCE COMMITTEE  
May 16, 2006**

AUDIT & COMPLIANCE COMMITTEE  
(Open Session)

Tuesday, May 16, 2006  
12:00 - 12:45 p.m.  
Byrd Seminar Room, Room 318  
Harrison Institute

Committee Members:

Georgia Willis Fauber, Chair

G. Slaughter Fitz-Hugh, Jr.

Vincent J. Mastracco, Jr.

Don R. Pippin

Warren M. Thompson

Thomas F. Farrell, II, Ex Officio

AGENDA

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UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: May 16, 2006

COMMITTEE: Audit & Compliance

AGENDA ITEM: I. Audit Schedule

BACKGROUND: Ms. Deily will present the proposed Audit Schedule for the 2006-2007 Fiscal Year. This Schedule has been developed based on information risk assessment models, requests from management, and analyses of work performed in prior years.

ACTION REQUIRED: Approval by the Audit & Compliance Committee and by the Board of Visitors.

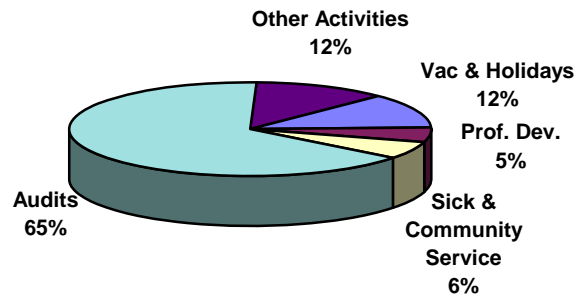
APPROVAL OF THE AUDIT SCHEDULE

RESOLVED that the Audit Schedule for Fiscal Year 2006-2007 is approved as recommended by the Audit & Compliance Committee.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM

Determination of Hours Available  
for 2006-2007 Audit Projects

	Total
<b>Total Hours Available</b>	<b>35,360</b>
<b>Less:</b>	
Vacancies	520
<b>Sub-Total</b>	<b>34,840</b>
Professional Development	1,652
Vacations and Holidays	4,144
Sick Leave and Community Service	2,180
Travel	178
Other Activities • Office and Personnel Administration • Recruiting • Committee & Council Meetings	4,089
<b>Hours Available for Audit Projects</b>	<b>22,597</b>



UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM

Allocation of Hours Available for Audit Projects

Fiscal Year 2006-2007	Total
Hours Available for Audit Projects	22,597
Less:	
Wrap-up of FY 05 - 06 Audit Schedule	920
Unscheduled Audits/Special Requests/Hotline Projects	7,114
General Systems Development & Consulting	479
Process Simplification/Operational Services	296
Board Preparation & Mtgs	160
IT Support of Projects/Activities	685
General Project Support/Supervision	2,780
Hours Available for Scheduled Audit Projects	10,163

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM

2006-2007 Audit Schedule

UNIVERSITY

DEPARTMENT/DIVISION	BUDGETED HOURS
<b>ADMINISTRATIVE &amp; SUPPORT SERVICES</b>	
Architect's Office	200
Disaster Recovery (non-IT)	300
Executive Management Discretionary Accounts	300
Mail Services	200
Virginia Domicile Status	300
<b>ATHLETICS</b>	
Game Settlements - Football	40
NCAA Compliance - Non-Major Areas	400
<b>PROVOST ACTIVITIES</b>	
School of Engineering	400
Libraries	300
<b>OTHER ACTIVITIES</b>	
UVA Wise	600
Miller Center	200
University-wide Security Issues	400
Follow-up Audit - University	200
University Bookstore/Cavalier Computers - Inventory	70
Compliance Audits	1,500
<b>UNIVERSITY TOTAL</b>	<b>5,410</b>

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM

2006-2007 Audit Schedule

HEALTH SYSTEM

DEPARTMENT/DIVISION	BUDGETED HOURS
<b>PATIENT CARE ACTIVITIES</b>	
Outpatient Therapy Services	450
UVA Outpatient Surgery Center	650
<b>ADMINISTRATIVE &amp; SUPPORT SERVICES</b>	
Medical Center Quality/Performance Improvement	425
Medical Staff & Residency Office - Phase II	300
<b>SCHOOL OF MEDICINE</b>	
Robert M. Berne Cardiovascular Research Center	400
Graduate Programs Office	350
<b>OTHER ACTIVITIES</b>	
Federal Sanction Files Review	80
Follow-up Audit	300
Inventory - Surgical Supply	25
Inventory - Pharmacy	25
Inventory - Storeroom	25
Risk Assessment	50
<b>HEALTH SYSTEM TOTAL</b>	<b>3,080</b>

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM

2006-2007 Audit Schedule

INFORMATION TECHNOLOGY

DEPARTMENT/DIVISION	BUDGETED HOURS
PeopleSoft Application/Oracle Database Review	535
IT Disaster Recovery	535
Windows Security	603
INFORMATION TECHNOLOGY TOTAL	1,673
UNIVERSITY, HEALTH SYSTEM & INFORMATION TECHNOLOGY TOTALS	10,163

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: May 16, 2006

COMMITTEE: Audit & Compliance

AGENDA ITEM: II.A. Sarbanes Oxley Analysis

BACKGROUND: Ms. Deily will present an analysis on Sarbanes Oxley. This does not require formal action, but it is information of which the Board should be made aware.

ACTION REQUIRED: None

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM

SARBANES-OXLEY ANALYSIS

BACKGROUND

One of the goals of the Board of Visitor's Audit & Compliance Committee for fiscal year 2006 was to evaluate where the University stood in relation to the requirements of the Sarbanes-Oxley Act of 2002. Although the Sarbanes-Oxley Act is not currently applicable to not-for-profit institutions, its provisions serve to further stakeholders' confidence in the institution's operational and financial reporting processes.

In conducting the evaluation, an analysis of the University's practices was conducted not only in relation to the Sarbanes-Oxley Act, but also to the Commonwealth's draft *Agency Risk Management and Internal Control Standards (ARMICS)*, as well as Price Waterhouse Coopers' (PWC) "best practices" pertaining to the role of the audit committee at not-for-profit educational institutions.

AUDIT OBJECTIVE

The objective was to conduct an analysis to determine whether the University had already incorporated the various requirements of the Sarbanes-Oxley Act and the draft ARMICS, as well as PWC's "best practices," into its operational and financial reporting processes.

OPINION ON AUDIT OBJECTIVES

We believe the University has been, and continues to be, in compliance with the majority of the relative requirements of the Sarbanes-Oxley Act, as well as PWC's "best practices." As advised by the Auditor of Public Accounts earlier this year, compliance with all of the Sarbanes-Oxley guidelines should not be attempted until required because of the high costs relative to the benefits received. Consideration will be given to implementing the provisions of ARMICS should those standards become finalized.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM

AREAS NOTED FOR IMPROVEMENT

- 1) The Audit & Compliance Committee of the Board of Visitors should develop and maintain a written charter.
- 2) Consideration should be given to having the Executive Vice President and Chief Operating Officer sign the Management Responsibility Letter, rather than the Assistant Vice President for Finance and University Comptroller.
- 3) The Executive Vice President and Chief Operating Officer, and the Vice President and Chief Financial Officer, should indicate in the annual report whether or not there were significant changes in internal controls.

FINANCIAL IMPACT

Although not able to be quantified, implementation of suggested actions could result in the level of stakeholder confidence increasing due to the additional transparency provided by the University.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: May 16, 2006

COMMITTEE: Audit & Compliance

AGENDA ITEM: II.B. Audit & Compliance Committee  
Goals

BACKGROUND: Ms. Deily will discuss the status of the Audit & Compliance Committee's goals as of April 30<sup>th</sup>. This does not require formal action, but it is information of which the Board should be made aware.

ACTION REQUIRED: None

**APPROVAL OF THE COMPLIANCE SCHEDULE**

RESOLVED that the Compliance Schedule for the period July 1, 2006, through June 30, 2007, as presented by the Corporate Compliance Officer, is approved as recommended by the Audit & Compliance Committee.