

May 16, 2006

MEMORANDUM

TO: The Audit and Compliance Committee:

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

and

The Remaining Members of the Board:

A. Macdonald Caputo	Mark J. Kington
Alan A. Diamonstein	Lewis F. Payne
Susan Y. Dorsey	Gordon F. Rainey, Jr.
W. Heywood Fralin	E. Darracott Vaughan, Jr., M.D.
Glynn D. Key	John O. Wynne
Anne Elizabeth Mullen	

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Meeting of the Audit and Compliance  
Committee on May 16, 2006

The Audit and Compliance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 12:15 p.m., Tuesday, May 16, 2006, in the Byrd Seminar Room at the Harrison Institute; Ms. Georgia Willis Fauber, Chair, presided. G. Slaughter Fitz-Hugh, Jr., Vincent J. Mastracco, Jr., Don R. Pippin, and Warren M. Thompson were present.

Present as well were Daniel R. Abramson, A. Macdonald Caputo, Ms. Glynn D. Key, and Ms. Anne Elizabeth Mullen.

Also present were John T. Casteen, III, Leonard W. Sandridge, Alexander G. Gilliam, Jr., Paul J. Forch, Ms. Barbara J. Deily, Robert E. Reynolds, M.D., David J. Hudson, Ralph W. Traylor, and Ms. Jeanne Flippo Bailes.

The Chair reminded the Committee that its meetings would include not only business items but an educational component as well.

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

#### AUDIT SCHEDULE

Ms. Deily presented the proposed Audit Schedule for the fiscal year which begins July 1<sup>st</sup>.

On motion, the Committee approved the Audit Schedule and recommended it to the full Board for approval.

#### APPROVAL OF THE AUDIT SCHEDULE

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

#### SARBANES-OXLEY ANALYSIS

Ms. Deily reminded the Committee that one of its goals for Fiscal Year 2006 was an evaluation of the University's compliance with the requirements of the Sarbanes-Oxley Act of 2002. Sarbanes-Oxley is not currently applicable to not-for-profit institutions, but adherence to its provisions encourages confidence in the institution's operational and financial reporting processes.

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

The evaluation established that the University has been, and continues to be, in compliance with most of the relative requirements of the Sarbanes-Oxley Act and PWC's "best practices." The Auditor of Public Accounts of the Commonwealth earlier this year advised against compliance with all of the Sarbanes-Oxley guidelines until required, because of the high costs relative to the benefits received. The standards proposed in the draft ARMICS have not been finalized; consideration will be given to implementing them should they be published.

Several areas for improvement were noted in the evaluation:

1. The Audit and Compliance Committee 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.

COMPLIANCE TRAINING

Ms. Deily introduced Mr. David J. Hudson, Associate Vice President for Research and Graduate Studies. Mr. Hudson discussed the rules and procedures governing the care of animals used in research.

EXECUTIVE SESSION

After adopting the following motion, the Committee went into Executive Session at 12:30 p.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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The Committee resumed in Open Session at 12:40 p.m., and adopted the following resolution certifying that its discussions in Executive Session had been conducted in accordance with the exemptions granted by the Virginia Freedom of Information Act:

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.

The Committee then approved the following resolutions and recommended them to the full Board for approval:

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.

APPROVAL OF THE SUMMARY OF AUDIT FINDINGS

RESOLVED that the Summary of Audit Findings for the period March 1, 2006, through April 30, 2006, as presented by the Director of Audits, is approved as recommended by the Audit & Compliance Committee.

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On further motion, the Committee adjourned at 12:45 p.m.

AGG:jb

These minutes have been posted to the University of Virginia's Board of Visitors website.

<http://www.virginia.edu/bov/auditminutes.html>