

May 8, 2007

MEMORANDUM

TO: The Audit and Compliance Committee:

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

and

The Remaining Members of the Board:

Daniel R. Abramson	Austin Lidon
A. Macdonald Caputo	Lewis F. Payne
Alan A. Diamonstein	Gordon F. Rainey, Jr.
Susan Y. Dorsey	E. Darracott Vaughan, Jr., M.D.
W. Heywood Fralin	John O. Wynne
Glynn D. Key	Carey J. Mignerey

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Meeting of the Audit and Compliance
Committee on May 8, 2007

The Audit and Compliance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 11:50 a.m., Tuesday, May 8, 2007, in the Lower East Oval Room of the Rotunda; G. Slaughter Fitz-Hugh, Jr., Chair, presided. Vincent J. Mastracco, Jr., Warren M. Thompson, and Thomas F. Farrell, II, Rector, were present.

Present as well were A. Macdonald Caputo, The Hon. Alan A. Diamonstein, Ms. Glynn D. Key, Gordon F. Rainey, Jr., E. Darracott Vaughan, Jr., M.D., and Carey J. Mignerey.

Also present were John T. Casteen, III, Leonard W. Sandridge, Alexander G. Gilliam, Jr., Paul J. Forch, Ms. Barbara J. Deily, Arthur Garson, Jr., M.D., William B. Harvey, James L. Hilton, R. Edward Howell, Ms. Yoke San L. Reynolds, Ms. Colette

Sheehy, Joseph Stepp, Stephen Kimata, Ms. Susan Herod, Ralph W. Traylor, and Ms. Jeanne Flippo Bailes.

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

Action Agenda - Audit Schedule

Ms. Deily proposed the Audit Schedule for the fiscal year which begins on July 1st, and she explained some of the suggested allocations of time and resources.

On motion, the Committee adopted the following resolution and recommended it to the full Board for approval:

APPROVAL OF THE AUDIT SCHEDULE

RESOLVED that the Audit Schedule for Fiscal Year 2007-2008, is approved as recommended by the Audit and Compliance Committee.

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Information Items - the Auditor of Public Accounts of the Commonwealth

Ms. Deily introduced Mr. Joseph Stepp, a member of the staff of the Auditor of Public Accounts of the Commonwealth in Richmond. She reminded the Committee that when Mr. Kucharski, the Auditor, was at the University in January for his annual meeting with the Board, he said that henceforth, he, or a member of his staff, would meet with the Committee twice a year, once in preparation for the annual audit and once to report on his findings.

Mr. Stepp outlined the role of the office of the Auditor of Public Accounts, the regular audits it conducts at the University, as well as the role of Ms. Deily and her staff. He then described how their audits are conducted, and said he would be available to address any questions or concerns Members might have. The University's compliance with the Restructuring agreements will be a particular interest of his office.

Mr. Stepp said the formal audit would begin in about a week. He remarked that the office of the Auditor of Public Accounts has enjoyed excellent relations with the University over the years - both with Ms. Deily's office and with University management in general.

Information Items - Audit and Compliance Committee Goals and Work Plan

Ms. Deily gave a progress report on the Committee's goals and work plan, agreed to at the Board Retreat last July.

Information Items - ARMICS Compliance Training

Ms. Deily next introduced Ms. Reynolds, Vice President and Chief Financial Officer. Ms. Reynolds reported on aspects of internal controls compliance at the University, controls put in place as a result of the Sarbanes-Oxley Act and several sets of Federal Government standards. The Commonwealth's response to these concerns was the issuance, by the State Comptroller, of the Virginia Agency Risk Management and Internal Controls Standards (known by the acronym "ARMICS") in 2006.

The directive creating ARMICS requires the implementation and annual assessment of internal control systems. The ARMICS definition of "internal controls" is the ongoing process, led by the agency head, to "design and provide reasonable assurance" that certain objectives will be achieved. These include effective and efficient operations, reliable financial reporting, compliance with applicable laws and regulations, and safeguarding of assets.

Ms. Reynolds described the University's response to ARMICS and introduced Mr. Stephen Kimata, University Comptroller, and Ms. Susan Herod of his staff, who will be in charge of assembling this response.

Executive Session

On motion, the Committee went into Executive Session at 12:20 p.m.:

That the Audit and Compliance Committee of the Board of Visitors of the University of Virginia convene in Closed Session to review and discuss the audit of specific University and Medical Center departments. The Board's oversight review will involve evaluating the performance of specific University managers and personnel and, in the case of the Medical Center, evaluation of proprietary business-related information relating to the adequacy of billing documentation and fiscal management practices; 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.

The Committee resumed in Open Session at 12:25 p.m. and adopted the following resolution certifying that its discussions in Executive Session had been conducted in compliance with the requirements of 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.

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The Committee then adopted two 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, 2007, through June 30, 2008, as presented by the Corporate Compliance Officer, is approved as recommended by the Audit and Compliance Committee.

APPROVAL OF THE SUMMARY OF AUDIT FINDINGS

RESOLVED that the Summary of Audit Findings for the period February 1, 2007, through March 31, 2007, as presented by the Director of Audits, is approved as recommended by the Audit and Compliance Committee.

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On motion, the meeting was adjourned at 12:25 p.m.

AGG:lah

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