TO: The Audit, Compliance, and Risk Committee:

Frank E. Genovese, Chair
Mark T. Bowles
L.D. Britt, M.D.
Frank M. Conner III
John G. Macfarlane III
Jeffrey C. Walker
William H. Goodwin Jr., Ex Officio
Adelaide Wilcox King, Faculty Consulting Member

and

The Remaining Members of the Board

Frank B. Atkinson  Victoria D. Harker
Whittington W. Clement  Bobbie G. Kilberg
Helen E. Dragas  Tammy S. Murphy
Kevin J. Fay  James V. Reyes
Barbara J. Fried  Joe Garofalo, Faculty Member
John A. Griffin  Daniel T. Judge, Student Member

FROM: Susan G. Harris

SUBJECT: Minutes of the Meeting of the Audit, Compliance, and Risk Committee on November 12, 2015

The Audit, Compliance, and Risk Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 3:00 p.m., on Thursday, November 12, 2015, in the Auditorium of the Albert and Shirley Small Special Collections Library of the Harrison Institute. Frank E. Genovese, Chair, presided.

Present were William H. Goodwin Jr., Mark T. Bowles, L.D. Britt, M.D., Frank M. Conner III, John G. Macfarlane III, Jeffrey C. Walker, and Adelaide Wilcox King.

Barbara J. Fried, Daniel T. Judge, and Joe Garofalo were also present.
Present as well were Patrick D. Hogan, Susan G. Harris, David W. Martel, Marcus L. Martin, M.D., Debra D. Rinker, Nancy A. Rivers, Pamela H. Sellers, Farnaz F. Thompson, and W. Thomas Leback.

Others attending for presentations were Melody S. Bianchetto, Nick Bennett, Dietz Ellis, Virginia Evans, Carolyn D. Saint, and Eric Sandridge.

Mr. Genovese opened the meeting. After reviewing the agenda, he asked Ms. Bianchetto to introduce Mr. Eric Sandridge, Director of Higher Education Programs for the Virginia Auditor of Public Accounts. Ms. Bianchetto also provided an overview of the financial statements for Fiscal Year 2015. Although the University operated in the black, the statements show an operating loss. This happens every year and is the result of the operating expenses that are covered by non-operating income, which the Governmental Accounting Standards Board (GASB) does not allow to be included in the statements. While net assets increased to $10.5 billion, there was a decrease in net position. This was primarily due to the implementation of GASB 68, which resulted in a $519 million adjustment to the beginning balance.

Auditor of Public Accounts (APA) Audit and Management Report

Mr. Sandridge reported that the Fiscal Year 2015 audit has been completed and that his office has issued opinions on the University’s consolidated financial statements and on the Medical Center’s statements. The audit did not identify any weaknesses in internal control. Improvement recommendations were made for reconciliation of retirement contributions; documentation of sole source procurements; equipment inventory procedures; controls for the University’s virtual private network; controls for elevated workstation privileges on personal computers; and controls for system activity monitoring as it relates to the activity of institutional personnel. Non-compliance instances were identified relating to information security and the University’s security standards. The audit did not identify any fraudulent transactions or illegal acts. There were no material changes to accounting and reporting policies and standards other than the implementation of GASB 68. The APA concurred with the University’s application of accounting principles. There were no unusual transactions or significant accounting policies in any controversial or emerging issues. There were no disagreements with the University in auditing, accounting, or disclosure matters. One significant adjustment was made for the acquisition of the remaining 51% interest in the Culpeper Regional Hospital, and it resulted in the reclassification of certain assets to other balance sheet asset categories, but it did not impact the total net position.

Executive Session

The following motion was read and approved, and the committee continued in closed session at approximately 3:11 p.m.:
I move that the committee go into closed session to evaluate the performance of specific personnel and to consult with legal counsel as provided for in Section 2.2-3711(A)(1) and (7) of the Code of Virginia; to discuss security-related matters as provided for in Section 2.2-3711(A)(19) and security-related documentation excluded pursuant to Section 2.2-3705.2(3) of the Code.

At 3:55 p.m. the committee concluded closed session and approved the following motion:

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

Auditor of Public Accounts’ Finding

On motion, the committee approved the following resolution and recommended it for full Board approval:

AUDITOR OF PUBLIC ACCOUNTS’ FINDINGS

RESOLVED, the Auditor of Public Accounts’ Findings for fiscal year 2014-2015, are approved as recommended by the Audit, Compliance, and Risk Committee.

On motion, the committee adjourned at 3:55 p.m.

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