

Minutes of the Combined Meeting of the Audit and Finance Committees of the
University of Louisville Board of Trustees

In Open Session

The Audit and Finance Committees of the University of Louisville Board of Trustees met on Monday, July 23, 2001, in the Ballroom of the University Club with the Committee members present and absent as follows:

Finance Committee

Present: Mrs. Joyce Hagen Schifano, Chair, Presiding
Mr. William P. Mulloy, Sr., Vice Chair
Mr. Kevin D. Cogan
Dr. Richard C. Feldhoff
Mr. Nathaniel E. Green

Finance Committee

Absent: Mr. Ulysses L. Bridgeman, Jr.
Mr. Owsley B. Frazier

Audit Committee

Present: Mr. J. Chester Porter, Chair
Mrs. Sandra Metts Snowden, Vice Chair
Mr. Kevin D. Cogan
Mr. Nathaniel E. Green
Mr. Grant M. Helman
Mrs. Mary A. Yarmuth

Trustees

Attending: Mrs. Marie Abrams
Ms. Jessica S. Loving
Mrs. Annette Schnatter
Ms. Melissa Long Shuter
Mrs. Elizabeth H. Worland

Trustees

Absent: Mr. Carlton Brown
Ms. Linda Wallbaum Cauble
Mr. Milton M. Livingston
Mr. Darryl T. Owens

From the
University:

Dr. John Shumaker, President
Dr. Nancy Martin, Vice President for Research
Dr. Ronald L. Moore, Vice President for Information Technology
Mr. Larry Owsley, Vice President for Finance and Administration
Mr. Dan Hall, Vice President for University Relations
Dr. Denise Gifford, Vice President for Student Affairs
Mr. Thomas H. Lyons, University Counsel
Mr. David Barker, Director, Audit Services

Mr. Michael J. Curtin, Director, Planning and Budget
Mrs. Terri Rutledge, Associate Vice President for Finance & Administration
Dr. David Howarth, Associate University Provost
Ms. Rae Goldsmith, Associate V. P. for University Relations
Mr. Eugene Gilchrist, Special Assistant to the President
Ms. Cheri Jones, Associate Director, Audit Services
Mr. Bruce Edwards, Audit Services
Ms. Trisha Wolf, Board Liaison, President's Office
Mr. John Drees, Director of Public Information
Mrs. Kathleen M. Smith, Assistant Secretary, Board of Trustees
Mrs. Debbie Dougherty, Board Liaison, President's Office

Others Present: Mr. Jim Taylor, CEO, University Hospital

I. Call to Order

After determining a quorum present, Chair Schifano welcomed the members of the Audit and Finance Committees to the meeting.

- Minutes for March 19, 2001 Audit Committee Meeting

Mrs. Snowden made a motion, which Mrs. Yarmuth seconded, to approve the minutes of the March 19, 2001 Audit Committee. The motion passed.

- Minutes of May 14, 2001 Finance Committee Meeting

Mr. Mulloy made a motion, which Mr. Cogan seconded, to approve the minutes of the May 14, 2001, Finance committee. The motion passed.

II. Information Item: Review of the University Medical Center, Inc. Financial Statements

Chair Schifano asked Jim Taylor for a brief review on the UMC financial statements. Mr. Taylor reported that since UMC began, the hospital has made significant strides. With respect to the financial statements, he noted: Dr. Bob Barbier is the vice president of operations and chief financial officer and Dr. Mark Pfeifer is the chief of staff. Mr. Taylor pointed out a reduction in hospital stays from previous years that resulted from changes in the reporting of Medicare reimbursement. Compared to the previous year, short term investments represent a significant increase, and liabilities were somewhat higher. Instead of receiving reimbursements on a quarterly basis, UMC now receives payment at the beginning of the fiscal year. He reported that federal regulations require UMC to have 60 days cash on hand, and it meets that goal. In response to Dr. Shumaker's request for a brief history of UMC, Mr. Lyons reported that in 1981 the University made a decision to segregate the hospital because it was losing a substantial amount of funds each month. The UMC arrangement has become a profitable venture that contributes significantly to the academic programs at the HSC. Dr. Shumaker commented that in speaking to colleagues across the nation, the hospital financial situation is very stable, although it is not without risk, and in a strong position.

III. Report from Director of Audit Services

Mr. Barker introduced two new hires in his department - Cheri Jones, associate director, and Bruce Edwards, information systems auditor. Mr. Barker elaborated on the work in progress and provided the following update:

- UofL is in the process of implementing Peoplesoft Financial Systems; his office has worked closely with Information Technology and Planning and Budget throughout this implementation.

Mr. Barker reported that Audit Services has:

- begun a process review of human resources and payroll.
- worked with Dr. Gene Gilchrist and the Athletic Department to identify opportunities to reduce operating expenses and increase revenues (Audit Services will perform an audit of Athletics in the months of October - November)
- committed to providing 450 hours of assistance to Deloitte & Touche for the fiscal year 2001 audit (the department completed internal control cycle reviews and testing over Payroll, Contributions, Expenditures, Grants and Contracts, Financial Aid and Treasury).

Mr. Barker distributed the Audit Plan for 2001-2002 and invited the Audit Committee members to provide any suggestions or input.

IV. Information Item: Update on Search for Compliance Officer

Dr. Pfeiffer introduced Louis P. Babilino, Jr., Assistant Vice President for Compliance at the Health Sciences Center.

V. Action Item: Approval of Compliance Plan Amendment

Dr. Pfeiffer provided an overview of the modifications to the compliance plan, noting that these modifications will expand the billings to include Medicaid billing. The Board of Trustees approved the original plan effective May 1, 1997. The requested amendment expands plan coverage to Medicaid billings. Compliance with the plan is a condition of employment through the Practice Plan for all School of Medicine faculty. Chair Schifano commented that the plan includes necessary and more stringent modifications. Responding to Mr. Cogan's question, Dr. Pfeiffer advised that the ten audited cases were a random selection. Responding to Ms. Abrams' question regarding additional reporting to Board, Mr. Lyons stated that the Compliance Plan provides for the director of the program to report to the Audit Committee at least once per year. Dr. Pfeiffer agreed that he would present to the Audit Committee an updated report within the next year. Mrs. Snowden made a motion, which Mr. Cogan seconded to approve the

President's recommendation that the Board of Trustees approve modification to the University of Louisville School of Medicine Compliance Plan for medical billings in the form attached (copy attached).

VI. Information Item: Update Regarding Research Compliance Handbook

Dr. Nancy Martin offered a Powerpoint presentation describing the growth in federal research funding, the development and efficacy of a research compliance infrastructure, recommendations, and committee organization for the Handbook. Dr. Martin noted that the Board would receive the Handbook in its final status as an action item in the near future. Responding to Ms. Abrams' question about other universities' experiences, Dr. Martin explained the safeguards in place at UofL. In response to Mr. Cogan's question regarding the composition of the executive compliance committee, Dr. Martin advised that Dr. Shumaker appointed Mr. Larry Owsley, Dr. Joel Kaplan, Dr. Nancy Martin, Mr. David Barker, Dr. Darrell Chenoweth, Dr. Mark Pfeifer, Mr. Thomas Lyons, Dr. Thomas Dalglish, Mr. Louis Babilino, a faculty member from each of the Health Sciences Center, Behavioral Science, Humanities, and an at-large faculty member.

VII. Information Item: Briefing on the 2001-02 ULAA Budget

Dr. Gilchrist reviewed the meetings held over the past two months to strategies adopted to respond to budget challenges. He noted a modest increase in revenue projections for 2001-2002. He advised the future process will include internal controls and regular financial planning meetings.

VIII. Executive Session

Mr. Porter made a motion, which Ms. Abrams seconded, to discuss real estate matters in executive session. The motion passed.

IX. Open Meeting Reconvenes

Chair Schifano reconvened the open session of the Audit and Finance Committees at 1:55 p.m.

X. Action Item: Approval of McDonald's Agreement

Vice President Owsley reported the agreement between McDonald's Corporation, the University of Louisville Athletic Association and the University of Louisville is the culmination of lengthy negotiations the three parties. The President's recommendation included the key elements of those negotiations. Mrs. Snowden made a motion, which Mr. Porter seconded, to approve the

President's recommendation that the Board of Trustees authorize him or his designee to execute an agreement with McDonald's Corporation on behalf of the University of Louisville in substantially the form attached (copy attached).

The motion passed. Dr. Shumaker noted the Trustee's concerns about designations.

XI. Other Business

There was no other business for the Committees to discuss.

XII. Adjournment

Mr. Helman made a motion, which Ms. Loving seconded, to adjourn the meeting at 2:00 p.m. The motion passed.

BOARD ACTION:

Passed _____ X _____

Did not pass _____

Other _____

Asst. Secretary- *Katalin M. Smith*

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Mrs. Kathleen M. Smith, Assistant Secretary, Board of Trustees
Mrs. Debbie Dougherty, Board Liaison, President's Office

I. Call to Order

Chair Schifano called the executive session of the meeting to order at 1:50 p.m.

II. Real Estate Matters

Vice President Owsley briefed the committees on matters related to the McDonald's real estate transfer and signage.

III. Adjournment

Mr. Green moved to recess the Executive Session, which Mr. Cogan seconded, and the motion passed.