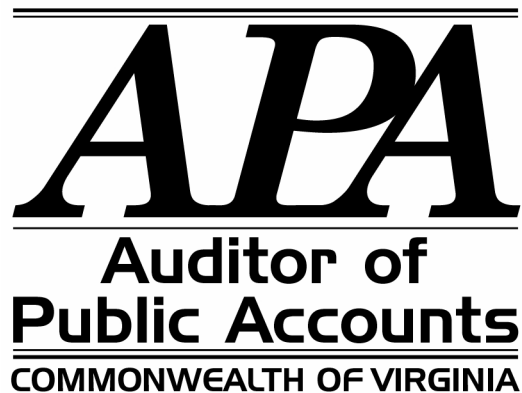


VIRGINIA COMMONWEALTH UNIVERSITY
OFFICE OF THE PRESIDENT
SPECIAL REPORT



EXECUTIVE SUMMARY

We have completed a special review of the Office of the President of Virginia Commonwealth University. This review did not result in any findings of fraudulent activities or misuse of state funds. We did note instances where internal controls could be improved or current policies reinforced.

Specifically, we recommend that:

- the University should not allow vendors to submit proposals after the deadline set in an informal request for proposal;
- the President's Office should consider paying an appropriate portion of each employee's salary with local funds if their job duties routinely involve any assistance to the President on a personal level;
- University Management should continue to enforce the timekeeping and leave procedures currently in effect in the President's Office; and
- University Management should ensure that all staff understands current University policy regarding computer usage and privacy rules.

November 10, 2003

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Kevin G. Miller
Chairman, Joint Legislative Audit
and Review Commission

Members of the Board of Visitors
Virginia Commonwealth University

We conducted a special review of the Office of the President of Virginia Commonwealth University concerning specific allegations outlined in our attached report.

We discussed this report with management at an exit conference held on November 10, 2003. For those issues requiring action, management has agreed to take appropriate corrective action.

AUDITOR OF PUBLIC ACCOUNTS

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SPECIAL REVIEW

On September 23, 2003, the Auditor of Public Accounts received notification from the Rector of the Board of Visitors of allegations of the possible misuse of state resources by Virginia Commonwealth University President, Dr. Eugene P. Trani. The letter stated that the Executive Director of Audit and Management Services, Richard O. Bunce, had received materials that had given rise to the Board of Visitors' concerns. We contacted the State Internal Auditor and found his office had not received any allegations of the misuse of state resources.

Our review of the materials held by the Executive Director of Audit and Management Services and later interviews resulted in the following list of allegations. While we found and heard other complaints and concerns, either those matters did not appear improper or we could find no documentation or materials to support the complaint or concern.

Summary of Allegations

1. A term contract issued in November 2000 for business function services for the President's Office was not properly procured.
2. University staff performs non-University work during work hours.
3. The President's Office makes purchases that are an inappropriate use of state funds.
4. Certain personnel-related decisions were questioned. These included the hiring of one individual in an academic unit, the qualifications for certain staff for the jobs they hold, the Administrative Faculty rank held by an individual, and the evaluations that were given that did not lead to pay increases. In addition, time and attendance policies were questioned.
5. The computer at Dr. Trani's home is used in part to operate personally-owned software.
6. Concerns were expressed that University management was reading employees' "personal" e-mails sent on University-owned computers.

Conduct of Review

We reviewed a package delivered to Audit and Management Services. The messenger who delivered the package told the Director of Audit and Management Services that the information in the package came from three individuals. We contacted the three individuals and arranged to discuss the information contained in the package and solicited any additional information that they were willing to provide. When asked, these three individuals denied having anything to do with the delivery of any package; however, two of the individuals agreed to meet with us. During these interviews, they provided three additional names, and two of those three people agreed to meet with us. The other two individuals indicated they did not have any concerns they wished to discuss.

After we completed these meetings, we prepared a list of concerns and developed a course of action to follow up each concern. A number of concerns raised during the interviews upon general evaluation had no merit, did not involve Commonwealth or University resources, were common practices of either the Commonwealth or the University, or involved an individual's perception of either another individual or their

supervisor, who was not the President. The six allegations previously shown represent those items where there existed sufficient questions that required resolution. Certain of the allegations are directly against Dr. Trani and others are against other members of University management in the President's Office and Audit and Management Services.

To examine the allegations, we reviewed University policies, documentation, and other materials. We met with the Director of Procurement and Payment, the Interim Executive Director of Human Resources, the Executive Director of Audit and Management Services, and selected current employees in the President's Office.

Based upon the work performed, we have the following findings and conclusions concerning each of the allegations.

Findings and Conclusions

Allegation 1. A term contract issued in November 2000 for business function services for the President's Office was not properly procured.

The President's Office discussed with the Office of Procurement and Payment the need for a number of events for December 2000 to November 2001 and asked for guidance in determining the best way to procure these services. The Office of Procurement and Payment determined that an Informal Request for Proposal (IRFP) would be the best course of action. The University issued IRFP #329927 JC on September 13, 2000, for the purpose of obtaining agreements with one or more vendors to provide business function services for the President's Office. The deadline for submissions by vendors per the IRFP was September 21, 2000, at 11:00 AM. The University solicited four vendors to respond to this IRFP.

Three of the four vendors responded before September 21, 2000. The fourth vendor submitted its response on November 2, 2000. The Director of Procurement and Payment stated that the fourth vendor did not submit their proposal on time because they had questions regarding some of the requirements contained in the IRFP. The Office of Procurement and Payment agreed to allow the vendor to submit its proposal after the deadline due to the vendor's inexperience in dealing with a proposal process and in an effort to maximize competition. This fourth vendor submitted a proposal on November 2, 2000. However, this vendor had altered their submission to exclude the proposal deadline language and the assurance language indicating that the vendor would agree to the services in accordance with the attached proposal or as mutually agreed upon in negotiation.

When the University awarded the IRFP on November 14, 2000, the vendor that submitted its response late received the majority of the award (\$40,000), with the other three vendors receiving lesser amounts (\$5,000, \$4,000 and \$1,000). In January 2001, at the request of staff in the President's Office, the award amounts were adjusted so that the fourth vendor then had \$49,250, and the other three vendors \$250 each, which is allowable under the procurement rules. In future procurements, the University should ensure it does not allow a vendor to submit a proposal after the deadline set in the IRFP.

Allegation 2. University staff performs non-University work during work hours.

The complainants expressed concerns about University employees being involved in certain activities they felt were not appropriate during working hours. One of the activities mentioned was scheduling Dr. Trani's time for personal appointments or for weekend outings. Since Dr. Trani routinely has an extended working day due to evening events at or on behalf of the University, his scheduler is often the person with the

best knowledge to be able to schedule appointments that must happen during the work day, such as doctor's appointments or to schedule his business-related weekend activities.

Another activity mentioned was the refueling and washing of Dr. Trani's vehicle. The vehicle is part of Dr. Trani's employment agreement, as are the fuel and the car washes. A part-time employee paid with local funds takes care of the car washes and occasionally refuels the vehicle. Another activity mentioned was having a student worker make deposits or cash checks for Dr. Trani. We understand the student handled Dr. Trani's banking transactions as part of a run to the bank for regular office business.

It does appear that certain staff may have spent a minimal amount of time on activities that are clearly non-University business, such as scheduling personal events for Dr. Trani and his family members or doing some personal errands while conducting other routine office duties. We found that most of the alleged work arose from Dr. Trani asking for some personal assistance or out of some personal activity occurring in connection with a business activity. Current staff admitted to performing the work; however, none believed that it encompassed more than a minimal amount of time. We did not find where employees paid with state funds spent significant amounts of time on the personal business of the President. The President's Office should consider paying an appropriate portion of each employee's salary with local funds if their job duties routinely involve any assistance to Dr. Trani on a personal level.

Allegation 3. The President's Office makes purchases that are an inappropriate use of state funds.

The President's Office can make purchases from various funding sources to support the President's Office or fundraising and other activities. Funds available to support the operations of the President's office include state, local, and foundation funds.

In addition, as part of his employment agreement with the Board, Dr. Trani has a portion of his compensation available for personal expenses such as his dues to various clubs, travel expenses for Mrs. Trani when she accompanies him to out-of-town conferences, and payment of his "business VISA." These funds are taxable income to Dr. Trani and the University has agreed to allow the President Office's Director of Operations and Business Affairs to review payments and write checks from these funds. The reason the University has agreed to allow the Director of Operations and Business Affairs to review payments and write checks is to prevent the accidental payment of personal expenses from other funding sources. Upon investigation, we found that all of the purchases questioned by the complainants as being an inappropriate use of state funds were paid from either local or foundation funds or Dr. Trani's compensation set aside for expenses. We saw no evidence of misuse of state funds and the expenses paid out of the other funding sources were appropriate expenses for those funding sources.

Allegation 4. Certain personnel-related decisions were questioned. These included the hiring of one individual in an academic unit, the qualifications for certain staff for the jobs they hold, the Administrative Faculty rank held by an individual, and the evaluations that were given that did not lead to pay increases. In addition, time and attendance policies were questioned.

The complainants had concerns about the hiring of one individual because they had heard that the University had received certain anonymous accusations. We determined that the University properly followed its hiring process for this individual, including running appropriate background checks.

The complainants also expressed concerns about the qualifications of certain individuals and questions as to who should hold Administrative Faculty ranking. We met with the Interim Executive Director of Human Resources and reviewed pertinent sections of the Faculty Salary Administration Guidelines. We reviewed supporting documentation for the individuals specifically cited as being of concern to the complainants. Based on our review, the University followed its guidelines and had all proper support for actions taken.

The complainants had concerns that individuals had received satisfactory evaluations, but did not receive pay increases and that the evaluation scores were lower than in the prior year. In discussing this with management, we determined that the University did not give performance-based increases in the last year because of the budget cuts facing the University, along with the rest of state government. University management explained this to the employees. In addition, some employees received evaluations from different supervisors this year because of reassigned duties and responsibilities in the President's Office. This may have led to different observations of the employee's performance than in the past. We determined none of these personnel actions to be inappropriate or a misuse of state resources.

The complainants also had concerns about the time and attendance policies in the President's Office. In the past, employees could use their breaks to extend their lunch time, not take lunch and leave early, work overtime without prior approval, and work at home on a recurring basis. When a new Chief of Staff began working in the President's Office, she discontinued many of these practices in order to bring the policies in the President's Office in line with University policies. In addition, the report issued by Audit and Management Services in June 2003 addressed timekeeping and leave procedures as an area for improvement. With the change in these attendance practices, the employees did not appreciate giving up the freedoms they had in the past. However, we concur with the changes that have been made in the President's Office and encourage management to continue to enforce the new procedures.

Allegation 5. The computer at Dr. Trani's home is used in part to operate personally-owned software.

Allegation 6. Concerns were expressed that University management was reading employees' "personal" e-mails sent on University owned computers.

Dr. Trani has a University-owned computer at his residence. He uses this computer to check e-mails and perform other University business from home when necessary. He has also installed some personally-owned software on the computer. This is allowable under current University policy, which states in part:

"Limited personal use of the University's computer and network resources for other purposes is permitted when it does not interfere with the performance of the user's job or other University responsibilities, and otherwise is in accordance with this policy. However, University-related uses take priority over personal uses when resources are inadequate to meet both demands."

In addition, the complainants expressed concerns that University management was reading their "personal" e-mails. These individuals sent these e-mails using University-owned computers. University policy clearly states that management has the right to review e-mails.

"Virginia Commonwealth University uses various methods to protect the security of its computer and network resources and of its users' accounts. Users, however, should be aware that the University cannot guarantee such security and privacy. Users should also be aware

that any electronic communications and data utilizing University-owned computer and network resources potentially may be disclosed under the provisions of the Virginia Freedom of Information Act and other University, state, and federal laws and regulations or for appropriate university business needs.

The University assigns to selected staff the responsibility for investigating alleged violations of this policy, as well as applicable University, state, and federal laws and regulations. The University may monitor electronic activities and inspect data files and communications of individuals.”

University Management should ensure that all staff understands current University policy regarding computer usage and privacy rules.