

MEETING OF THE JOINT AUDIT AND COMPLIANCE COMMITTEE

**May 3, 2005
1:00pm**

via UCHC Conference Room and Teleconference

- TRUSTEES PRESENT:** Messrs. Barry and Nayden, Ritter
- DIRECTORS PRESENT:** Ms. Leonardi
- STAFF PRESENT:** Messrs. Austin, Callahan, Carlson, Deckers, DeTora, Dreyfuss, Eaton, Geoghegan, Kleinman, McCarthy, McDowell, Nicholls, Schurin, Upton, Walker, Wetstone; Mesdames Adams, Aronson, Chiaputti, Flaherty-Goldsmith, Greger, Hassett, King, Mauriello, Merritt, Munroe, Rubin, Violette, and Whetstone
- STATE AUDITORS:** Messrs. Carroll and Slupecki
- PRICEWATERHOUSECOOPERS:** Messrs. Barone and Hughes
- GORDON, MUIR & FOLEY:** Ms. Asklof and Mr. Reid

The teleconference was called to order at 1:20 p.m. by Committee Chair Nayden.

TAB 1: Minutes

ON A MOTION by Mr. Nayden, and seconded by Mr. Barry the minutes of the February 8, 2005 meeting were approved.

TAB 2: Follow-up on February 8, 2005 Meeting Items

In the prior JACC meeting, Ms. Leonardi asked Mr. Walker to review time and effort and grants accountability requirements for each campus and provide a report at the next JACC meeting.

Mr. Walker gave a short presentation outlining his findings on time and effort and grant issues. Mr. Walker indicated that Service Centers on the Storrs Campus were an issue and asked Ms. Chiaputti to explain. Ms. Chiaputti began by defining a service center,

listing potential areas of risk, and describing the steps Storrs and the Health Center are taking to mitigate those risks.

A follow-up was given regarding questions asked in the prior JACC meeting regarding audits on Telecommunications, HC: IT/Infrastructure & Engineering and the Radiology Department.

Internal Auditing recommended that management evaluate options for creating a formal virus protection policy for email services in the IT/Infrastructure & Engineering Audit. Ms. Whetstone indicated that anti-virus software is required. Mr. Walker indicated that we would follow-up and get back to the Committee.

Mr. Nayden went back to the overall issue of auditing and reporting on time and effort to highlight the importance of accuracy and transparency to the operators. He indicated that the University should send an English language summary of the requirements to all the practitioners, together with the preliminary list of how we intend to audit. This would serve as a reminder of the importance of the issues and guidelines and to ensure the job is done correctly the first time.

Tab 3: Summary of Key Management Activities for the Period

Mr. Barone of PricewaterhouseCoopers provided a summary of audit activity. Mr. Barone informed the Committee that the majority of the audits were very close to being finalized and would be reported on at the next meeting.

Mr. Barone highlighted some issues noted in their report regarding their consulting work on controls relative to the reorganization of the accounts payable operation with the purchasing function. Management is considering, as recommended, that those individuals who have purchasing responsibilities should not have access to any element of the payment cycle (check runs) and vice versa. In addition, PWC recommended that the Controllers Office periodically review the payment cycle as this is more of a finance related activity and a function of Accounts Payable. This would help ensure and strengthen the segregation of responsibilities.

Mr. Nayden asked Mr. Barone what he would consider an appropriate time period for an examination. Mr. Barone suggested quarterly. Mr. Nayden asked Mr. Walker to work with Ms. Aronson to determine an appropriate timeframe for this review, starting off quarterly.

Mr. Walker reviewed the staffing and organizational structure, a summary of Internal Auditing activity and informed the Committee that the Compliance Resource Group (CRG) is continuing its work at the Storrs Campus and developing a best practices model for a compliance program. Their report will be presented at the next JACC meeting. Mr. Walker also informed the Committee that a number of OACE personnel serve on various committees on campus. These include the New England Association of Schools and

Colleges (NEASC) Committee; the IT Steering Committee; and the Service Center and Cost Recovery Committee.

Tab 4: University of Connecticut Auditors of Public Accounts Report of FY 02 and FY 03

Mr. Nayden requested a summary from the State Auditors, Mr. Carroll and Mr. Slupecki on the 2-90 reporting. The State Auditors indicated that they were not prepared to give a presentation as the OACE prepared the schedule in Tab 4. Mr. Nayden asked Mr. Walker and the Statue Auditors give their views on the three items over which they disagree.

The State Auditors indicated that they intend to let the issue regarding the organizational structure drop. Their recommendation suggested that the University consider having the administrative heads of the Payroll Department and Accounts Payable Department report to the Vice President and Chief Financial Office. The University examined the issued and decided against it. However, they could not agree with issues regarding unapproved construction projects.

The State Auditors noted that the issues regarding UConn 2000 Projects are currently being worked on. Mr. Nayden asked Mr. Walker to keep the Auditors abreast of changes that Ms. Flaherty-Goldsmith and her team make regarding this issue. A discussion took place regarding subcontractors and how they are competitively bid. Mr. Nayden asked Ms. Flaherty-Goldsmith to document the current process noting all proposed changes, and review it with the State Auditors.

Tab 5: Summary of Significant Storrs+ and UCHC Audit Activity

Mr. Walker indicated that management was in agreement on all the issues recommended regarding the Research Administration and Grants and Contracts Audit. Mr. Walker met with Mr. Small at the Health Center and reviewed, in detail, their time and effort policies. Mr. Walker also met with Ms. Welt at the Storrs Campus to discuss their time and effort policies and procedures. Mr. Walker indicated that Audit, Compliance and Ethics (OACE) would follow-up on these issues with future audits. Mr. Walker also informed the Committee that OACE continues to audit CII Grants.

Tab 6: Status of Follow-Up on Prior Period Significant Audit Findings

After reviewing Tabs 5 and 6, Mr. Walker felt that the findings showed an overall weakness of policies and procedures. Mr. Walker indicated that the University needs to tighten up policies and procedures overall in just about every area and where policies and procedures are currently in place, they must be followed and enforced.

Mr. Walker talked about HIPAA Privacy and Compliance in Higher Education. There are pockets of HIPAA issues on the Storrs Campus. Student Health, the Speech and Hearing Clinic, Athletics, and Fire and Safety, are all experiencing issues with patient

privacy. That is being addressed by the establishment of a HIPAA Privacy Officer under the leadership of Ms. Rubin in the Compliance Office. A search for that position will begin after the beginning of the fiscal year.

Mr. Walker moved on to the HC: UMG Business Function Assessment audit. He noted the recommendation regarding strengthening staff resources directed to systematic proactive evaluation and Management (E&M) coding. Mr. Walker informed the Committee that this is one of the biggest risk areas of academic medicine throughout the United States. The University is approaching this issue from a best practices position by hiring coding personnel to enhance the education aspects with individual physicians. The Health Center's Board of Directors approved this.

Mr. Nayden informed all individuals that the material provided in the JACC packet is important and should be utilized as a tool to assist in running the business better.

Tab 7: The Office of Audit, Compliance and Ethics Audit Plan

Mr. Walker informed the Committee that the audit plan is a living document based on the risk assessment that was recently completed. Mr. Walker reviewed steps taken to assemble the draft audit plan. It was noted that the office is in the process of sending out a letter to the University community asking for input to add to the audit plan. This information will be added to the draft audit plan and will be brought back to the committee for approval. The goal is to establish a regular cycle of audits. Areas to be audited are being identified and priorities are being established and will be completed for presentation to the Committee.

Ms. Leonardi inquired about disaster recovery and the planned audit timeframe. Mr. Walker responded that he would like to get her thoughts on these issues for input into the draft audit plan.

Mr. Walker informed the Committee that, in order to minimize potential audit overlap, the OACE and the State Auditors shared information in order to develop a collaborative audit plan.

Mr. Walker informed the Committee that OACE will develop a audit plan that will address specific issues of UConn 2000 and 21st Century UConn which will be added to the current draft audit plan.

Tab 8: Summary of Budget & Staffing Changes

Mr. Walker informed that Committee that it is President Austin's plan, as well the plan of the Committee to increase and enhance the ability of audit and compliance. He reviewed the summary provided in the JACC packets, highlighting staffing changes. He noted that internal auditing staff will be increased and funding for external auditors will be decreased.

Ms. Mauriello noted that two additional positions were omitted from the UCHC Compliance area.

Dr. Deckers asked if a July 1, 2005, start date was realistic to hire 6 new positions at the UCHC. He indicated that date might be too aggressive for the Coder positions as they are difficult to find. However, he hoped that the audit staff could be hired by July or August. He informed the Committee that the Human Resources Department at both the Health Center and Storrs had been very supportive and he felt progress was being made.

Mr. Nayden inquired about the budget figures for FY 04. Mr. Walker indicated that he would research the numbers and get back to him.

Ms. Leonardi inquired if OACE would have adequate staffing, after all hiring in FY 06, or if the OACE program would have to continue to be built. Mr. Walker indicated that the staffing levels would be adequate. However, as HIPAA evolves on the Storrs campus, and as the regulatory environment evolves there is a possibility that the area of research compliance will require further attention. He noted that he and Janet Gregor have discussed this and will continue to monitor. Ms. Leonardi questioned whether the budget projections included adequate dollars for training. Mr. Walker indicated that it did.

Mr. Nayden stated that once OACE has a stable infrastructure to handle annual core work, additional issues that may arise could be handled by external audit support rather than hiring additional OACE staff.

There being no further questions or issues, a Motion was made at 2:33 p.m. by Mr. Barry to convene to Executive Session.

There being no further business, on a Motion made by Ms. Leonardi and seconded by Mr. Nayden, the meeting was adjourned at 4:30 p.m.

Respectfully submitted,



Karen Violette
Secretary to the Committee