MEETING OF THE JOINT AUDIT AND COMPLIANCE COMMITTEE

December 6, 2006
10:00am

via Storrs Conference Room and Teleconference

TRUSTEES/DIRECTORS PRESENT: Messrs. Barry, Drotch, Goldberg, Haberland, and Leonardi


STATE AUDITORS: Messrs. Carroll, Slupecki, and Rasimas

UHY, LLP: Messrs. Brooder and Scillia

PricewaterhouseCoopers: Ms. Lee Ann Leahy

MEDIA: Ms. Ms. Merritt

The teleconference of the Joint Audit & Compliance Committee (JACC) was called to order at 10:03 a.m. by Trustee Barry, standing in as Committee Chair for Denis Nayden in his absence.

TAB 1: Minutes

ON A MOTION by Trustee Barry, and seconded by Director Haberland, the minutes of the September 7, 2006 meeting were approved.

TAB 2: Follow-up on September 7, 2006 JACC Meeting

“Gifts to the State”

Ms. Rubin informed the JACC that the new Citizen’s Ethics Advisory Board issued a formal advisory opinion interpreting a new provision of the Code of Ethics that prohibits lobbyists, vendors and entities seeking to do business with the University from providing donated goods and services (i.e., what is referred to as “gifts to the state”) directly to the University. Mrs. Rubin worked with the Government Relations office to assess the impact on operations and asked the Citizen’s Ethics Advisory Board to reconsider their opinion. In September of 2006 the Advisor Board met and declined to reconsider the opinion.
The University is in a position where items normally accepted for fund raising purposes can not be used. This decision is going to have a tremendous impact on the University’s fund raising and ability to use funds that we had available for operations. This decision is affecting not only the University but all State agencies. A number of people are speaking to their legislators about making a statutory fix to this problem. Ms. Rubin informed the JACC that she has been working with her colleagues at other higher education institutions as well as the University’s Government Relations Office to develop a strategy to get a statutory fix and have this opinion overturned.

Search Committee – Director of Construction Assurance

Mr. Walker, Chair of the Search Committee for the Director of Construction Assurance informed the JACC that he had gone through a number of resumes and an extensive interview process. Interviews will be concluded on the 8th of December or thereabouts and the Search Committee will be making a recommendation back to the President and Trustee Ritter for the final interviews and hope to conclude that process by mid December.

TAB 3: Significant Activities

Compliance Monitoring – UCHC

Ms. Mauriello informed the JACC that they continue to refine their compliance monitoring plan and will present to the Board of Directors on December 11, 2006.

Code of Conduct

The Office of Audit, Compliance & Ethics has initiated training on the University’s Code of Conduct. Currently 650 of the 5,000 employees mandated at the Storrs and regional campuses have attended live training sessions. UCHC is also conducting Code of Conduct training and are gathering information from various departments to determine if they would prefer to attend this training live or online. Most employees have indicated that they would like to take the online training. Code of Conduct booklets and brochures are currently at the printers and will be distributed to Storrs, regional campuses and the Health Center soon. In addition, posters are being printed and will be posted around all campuses.

Currently all employees are required to attend Code of Conduct training, and first time attendees are required to certify their attendance via attestation forms. Trustee Drotch asked if employees would have to sign these attestation forms every year thereafter. After a lengthy discussion, Ms. Leonardi informed Mr. Walker that the JACC wanted it recorded in this meeting that attestation forms be completed for all future training. Trustee Drotch indicated that there is software available (PwC) that can help track training. The JACC noted that setting up a good program is fine, but to continue it is even better. If the University does not continue it or have some kind of procedure that they follow, the University could fall by the wayside and have a great program go to nothing.
Ms. Aronson informed the JACC of additional training at the University that support Compliance activities. The Fiscal and Administrative Institute Training (FAIT) is underway. This training relates to fiscal activities and business operations. In addition, the University has held training sessions related to bond tax compliance.

Mr. Walker noted that a tremendous amount of training goes on at the University for faculty and staff. As a result of the Compliance Agreement all the research community will be going through research related training. Mr. Walker informed the JACC that Ms. Krisst is responsible for that training. Additional training is required for the PI’s that recently received stem cell research money. Anne Hiskes and OACE will be coordinating stem cell training.

Ms. Krisst informed the JACC that the University is going to use a component of the FAIT training to meet the requirements of the Compliance Agreement. In addition to FAIT training, the University offers IRB training for individuals working with human subjects as well as training for those who work with animal subjects.

**TAB 4: Status of Audits**

Mr. Walker directed the Board to Tab 4 for updates on the status of all audits. A summary was provided by appropriate staff members.

Ms. Chiaputti indicated that we had one audit that had a significant observation and that was the special project on the Center for Survey Research & Analysis (CSRA). Ms. Chiaputti provided the JACC with backup on this review.

Ms. Blanchette informed the JACC that there were two audits that had significant observations at the UCHC: The University Medical Group – Revenue Cycle and the Correctional Managed Healthcare (CMHC) – Pharmacy. Ms. Blanchette informed the JACC that this area was previously reviewed in 2002 and that one significant audit observation regarding the medication inventory system reported had not yet been corrected.

Trustee Drotch asked Mr. Walker if OACE had a follow-up procedure in place to ensure that all corrective action has been taken, and if so, why had a recommendation made in 2002 not been corrected and/or implemented. Mr. Walker informed the JACC that there is a process in place for audit follow-up. Ms. Blanchette informed the JACC that in 2002 the Office did not have a Director and perhaps the auditors were not as diligent then. She also noted that this could not occur now. Mr. Callahan informed the JACC that the transformation of Audit, Compliance and Ethics Office started in 2003 and moved forward throughout 2004 and 2005. During that time the University developed the process for tracking audit findings and recommendations. The report in question predates this procedure and Mr. Callahan believes that it would not be possible for something like that to happen again. Trustee Drotch indicated reports completed prior to this transformation should be reexamined to determine if any additional recommendations were overlooked. Mr. Drotch and Mr. Walker had a brief discussion on the audit plan, risk assessment and the timeframe of audits. Ms. Blanchette informed the JACC that she would be happy to look at audits completed in 2003 to ensure that all recommendations have been corrected.
Mr. Walker informed the JACC that the UCHC had also completed audits of Physicians at Teaching Hospitals and the Center for Advanced Reproductive Services (Infertility Clinic) Revenue Cycle. No significant observations were noted on those audits.

Ms. Mauriello indicated that Compliance and Audit oftentimes work together on findings. In some instances Compliance recommends a monitoring plan.

**TAB 5: External Audit Engagements**

Mr. Walker introduced Ms. Leahy from PwC and informed the JACC that PwC had completed their last audit. Ms. Leahy informed the JACC that the transformation of this audit group into what it today has been nothing short of a miracle and they were happy to be a part of that.

Accume Partners continue to work with Ms. Nichols, IT Assistant Director of the OACE at both the Storrs and UCHC Campus.

Mr. Brooder and Mr. Scillia of UHY, LLP, the independent auditors hired for UConn 2000 provided the JACC with their audit status. UHY informed the JACC that they have not encountered any significant problems or errors and are in the final testing phase for Residential Life Facilities, West Campus Renovations, East Campus North Renovations, and Grad Dorm Renovations. In addition to these projects, the following projects are in progress or are expected to begin shortly: Alumni Quadrant Renovations, Mansfield Training School Improvements, School of Pharmacy and Biology, Shipper/Buckley Renovations, Towers Renovation including Greek Housing, North Campus Renovation, North Campus Renovation (including North Campus Student), North Super Block Site and Utilities, Underground Steam and Water Upgrade – P II, Hilltop Apartments – Corrective Action Plan, and Law School Renovation (Hartranft Hall Elevator).

UCONN officials and UHY engagement team members have had meetings when deemed appropriate by both parties to discuss matters at hand. UHY will communicate information and is readily available to the JACC members as appropriate. UHY will meet with the President of the University and his senior executive group in the beginning of 2007. Finally, UHY is on call at all times to field questions or concerns raised by the Construction Management Oversight Committee.

In addition UHY has scheduled meetings with UCONN’s internal audit personnel to discuss the reporting format and finalize the agreed upon procedures.

UHY provided an update for the Joint Audit and Compliance Committee which was handed out at the meeting as well as emailed to all interested parties.

Seward & Monde continues to work on the Athletics NCAA annual audit on agreed-upon procedures.

Mr. Walker informed the JACC that KPMG is also conducting an audit of UCHC financial statements and will provide a presentation at the March 1, 2007 meeting.
Mr. Carroll and Mr. Slupecki of the Auditors of Public Accounts provided a presentation on the University of Connecticut and University of Connecticut Health Center Statewide Single Audit of June 30, 2005. The Auditors offered findings relevant to:

- University Research and Development
  - Specialized Service Centers
  - Time and Effort Reporting
  - Period Of Availability

- Health Center Research and Development Findings
  - Time and Effort Reporting
  - Sub-recipient Monitoring

- University Student Financial Assistance Findings
  - Cash Management
  - Pell Grant Program Reconciliations
  - Credit Balances
  - Notifications
  - Student Status Changes

The University agreed with all findings with the exception of the Auditors finding on credit balances.

**TAB 7: Committee Education – Statement on Auditing Standards - (SAS) 112**

Mr. Rasimas of the Auditors of Public Accounts provided the JACC with a presentation on SAS 112 “Communicating Internal Control Related Matters Identified in an Audit”.

Executive Session was not held; at 11:30 a.m. senior management was dismissed and the Auditors of Public Accounts met with the JACC and members of the Office of Audit, Compliance & Ethics in a private forum.

There being no further business, **ON A MOTION** made by Trustee Nayden and seconded by Trustee Barry, the meeting was adjourned at 11:45 a.m.

Respectfully submitted,

Karen Violette
Secretary to the JACC