

## MEETING OF THE JOINT AUDIT AND COMPLIANCE COMMITTEE

April 2, 2009 10:00 a.m.

via Storrs Conference Room and Teleconference

TRUSTEES/DIRECTORS PRESENT: C. Chase, P. Drotch, J. Haberland, and D. Nayden

STAFF PRESENT: N. Adams, S. Alexander, S. Armstrong, J. Biancamano, C. Bianchi, J. Bradley, S. Brohinsky, N. Bull, T. Callahan, B. Carlson, J. Caron, C. Chiaputti, C. Eaton, B. Feldman, J. Geoghegan, K. Goss, K. Grava, R. Gray, M. Hogan, W. Kleinman, R. Krinsky-Rudnick, I. Krisst, M. Liskom, D. Mattessich, I. Mauriello, P. McDowell, D. Munroe, J. Nichols, V. Pack, B. Patel, R. Rubin, J. Schwager, J. Sullivan, M. Summerer, L. Troyer, R. Urban, K. Violette, K.M. Walker, S. Wetstone, S. Whetstone, and E. Zincavage

GUESTS PRESENT: N. Brady, J. Noonan, and R. Roy

SEWARD & MONDE: P. Hornyak

UHY: M. Brooder and A. Scillia

STATE AUDITORS: J. Carroll and G. Slupecki

The meeting of the Joint Audit & Compliance Committee (JACC) was called to order at 10:03 a.m. by Trustee Nayden.

### **TAB 1: Minutes**

**ON A MOTION** by Trustee Drotch and seconded by Director Haberland, the minutes of the December 12, 2008 JACC meeting were approved.

### **TAB 2: Follow-up to the December 12, 2008 JACC Meeting**

In the November 11, 2008 management letter to the JACC, KPMG reported a significant deficiency in the area of Information Technology; this observation was reported in the prior year's audit. KPMG recommended that management address and resolve the identified segregation of duty conflicts by ensuring that individuals that promote changes into the production environment do not have developer access/capabilities. In addition, they recommended that management continue to strengthen and adhere to the company's documentation and maintenance standards over change management procedures. UCHC management indicated that they had new processes in place to remediate this recommendation. J. Haberland asked UCHC management to follow-up on this issue to ensure that the new processes in place do in fact address KPMG's observation.

S. Armstrong reported that UCHC management met with KPMG on January 8, 2009 to clear up this confusion; both parties are now satisfied with the current processes in place and KPMG will test these processes in May or June of 2009.

### **TAB 3: Significant Activities**

#### **Conflicts of Interest**

J. Caron provided the JACC with an introduction regarding the draft UCHC Institutional Conflicts of Interest (ICoI) in Research Policy. This policy is required by the Association for the Accreditation of Human Research Protection Programs (AAHRPP) and is intended to protect human subjects in clinical trials as well as the University.

This policy was developed by senior administrators and researchers at UCHC. OACE plans to present this draft policy to key senior leaders and the Board of Directors for comments and final approval in order to meet the ongoing requirements of the AAHRPP accreditation. Copies of the draft policy are available through the Office of Research Compliance at UCHC. Given the length and technical nature of this policy, a summary of this policy may also be obtained from J. Caron at UCHC. This summary includes frequently asked questions, definitions, applicable laws, and websites.

OACE anticipates that this policy will be completed and approved by the end of this year.

#### **Red Flags Identity Theft Program**

R. Krinsky-Rudnick provided the JACC with a brief background on the Red Flags Identity Theft Program. In response to the growing threats of identity theft in the United States, Congress passed the Fair and Accurate Credit Transactions Act of 2003 (FACTA), which amended a previous law, the Fair Credit Reporting Act (FCRA). This amendment to FCRA charged the Federal Trade Commission (FTC) and several other federal agencies with promulgating rules regarding identity theft. On November 7, 2007, the FTC, in conjunction with several other federal agencies, promulgated a set of final regulations known as the "Red Flags Rule". The Red Flags Rule became effective November 1, 2008, however, the FTC has deferred its enforcement until May 1, 2009 in order to permit institutions additional time in which to develop and implement the written identity theft prevention programs required by the Red Flags Rule regulations.

The Red Flags Rule regulations require entities with accounts covered by the Red Flags Rule regulations, including universities, to develop and implement a written identity theft prevention program for combating identity theft. This program is ultimately the responsibility of each office, the employees of each office that maintains accounts or databases covered by this program, and the University community as a whole. K.M. Walker indicated that this testing can also be done as part of the audit plan and compliance monitoring plan.

The requirements of this program apply to the University of Connecticut Storrs and Regional Campuses and the University of Connecticut Health Center. K.M. Walker noted that this program is a work in progress and all material changes will be brought back to the JACC at a future date.

**ON A MOTION** made by Trustee Drotch and by Director Haberland, this program was approved.

### **Other Legislation**

R. Rubin indicated that the Legislature is currently working on a number of bills regarding the following:

- Expanding protection for whistleblowers
- Non-Retaliation Legislation – (currently working on policy)
- False Claims Act
- State Auditors - Follow-up
- Interaction with Pharmaceutical Companies – Gifts

S. Brohinsky informed the JACC that these bills are generic and apply to all State agencies; they do not target the University of Connecticut in any way.

OACE (Storrs) is in the process of developing monitoring plans and expect to have the draft plans complete in a couple of months.

OACE is currently reviewing the new HIPAA Privacy and Security requirements as part of the government stimulus package. UCHC has put together a small group to review the regulations to determine the impact it will have on security and privacy.

### **TAB 4: OACE Strategic Plan**

The JACC was provided with the OACE Strategic Plan CY 2009 – 2011 “Looking Back to Move Forward”. Chairman Nayden indicated that this plan is a living document and subject to change. The status of this plan will be brought back to the JACC twice a year.

**ON A MOTION** made by Trustee Drotch and seconded by Director Haberland, the strategic plan was approved.

### **TAB 5: Status of Audits**

The JACC was provided with a revised status of audits spreadsheet– the original copy sent out with the JACC packets contained errors. The HIPAA Security Audit was not issued in final format as originally reported due to delays in management responses.

OACE plans on starting its risk assessment process to develop the 2010 audit plan. The audit plans will be presented to the JACC at the September meeting for review and approval.

## **TAB 6: External Audit Engagements**

### **Seward & Monde**

Seward & Monde completed their Independent Accountants' Report on Applying Agreed Upon Procedures to the Statements of Revenues and Expenses of Intercollegiate Athletics Programs June 30, 2008.

P. Hornyak summarized their findings to the JACC in the following areas:

- Athletic Ticket Office Receipts
- Ticket Sales
- Athletic Business Office Receipts
- Purchasing /Accounts Payable

The Athletics Department provided management responses, agreed with the findings, and have taken corrective action.

### **UHY –UConn 2000 – FY 08 Update**

M. Brooder of UHY provided the JACC with an update on the Fiscal Year 2008 Construction Audit Services and Agreed Upon Procedures. The kick-off meeting is scheduled for April 7, 2009.

## **TAB 7: University of Connecticut and University of Connecticut Health Center – Financial Statements as of and for the Year Ended June 30, 2008**

G. Slupecki provided communication to the JACC on the University of Connecticut and University of Connecticut Health Center Financial Statements as of and for the year ended June 30, 2008.

The Auditors noted two conditions that they believe constitute material weaknesses at the Health Center as follows:

- A breakdown in the UCHC's internal financial review process. This condition appears to have been caused by personnel turnover. The responsibility for overseeing the review process has been reassigned.
- An inadequate provision for unrecorded accounts payable. The Auditors recommended that an adequate allowance be established for accounts payable not identified at the time the financial statements are compiled.

J. Carroll pointed out that both of these material weaknesses have been addressed and will not be a problem going forward. UCHC management will update the Board of Directors at their next meeting on these issues.

## **TAB 8: Informational/Educational Items**

The JACC was provided with copies of the following:

- SCCE 7<sup>th</sup> Conference for Effective Compliance Systems in Higher Education
- OACE Storrs and UCHC Quarterly Newsletters (Volume 2, Winter 2009)

**ON A MOTION** made by Trustee Drotch and seconded by Director Haberland, the meeting was adjourned at 11:05 a.m.

Respectfully submitted,

*Karen Violette*

Karen Violette  
Secretary to the JACC