

MEETING OF THE JOINT AUDIT AND COMPLIANCE COMMITTEE

September 8, 2005

10:00am

via UCHC Conference Room and Teleconference

TRUSTEES PRESENT: Messrs. Barry and Nayden, Ritter, Kazerounian

DIRECTORS PRESENT: Ms. Leonardi

STAFF PRESENT: Messrs. Anderson, Austin, Callahan, Carlson, Deckers, DeTora, Drotch, Eaton, Geoghegan, Kleinman, McCarthy, McDowell, Nicholls, Schurin, Small, Thornton, Upton, Walker, and Wetstone; Mesdames Adams, Carone, Chiaputti, Comerford, Demaio, Flaherty-Goldsmith, King, Mauriello, Merritt, Munroe, Rubin, Violette, and Whetstone

STATE AUDITORS: Messrs. Carroll, Slupecki and Rasimas

PRICEWATERHOUSECOOPERS: Mr. Barone, Ms. Sauders

GORDON, MUIR & FOLEY: Ms. Asklof and Mr. Reid

The teleconference was called to order at 10 a.m. by Committee Chair Nayden.

TAB 1: Minutes

ON A MOTION by Mr. Nayden, and seconded by Mr. Barry the minutes of the May 3, 2005 meeting were approved.

Mr. Nayden announced that Mr. Michael Martinez had joined the JACC committee and welcomed him.

TAB 2: Follow-up on May 3, 2005 Meeting Items

Mr. Walker provided an update on prior issues as noted in the May 3, 2005 JACC meeting minutes.

Governor's Commission Report

Mr. Nayden informed the Joint Audit and Compliance Committee (JACC) that the Governor's Commission on UConn Review and Accountability had issued a report to the Governor last week. Findings and recommendations were discussed at a meeting with the Governor's Office, Chairman Rowe and President Austin.

Mr. Nayden informed the Committee that the Governor's report recommends that the Board of Trustees make a list of the recommendations in each audit and management letter; establish a time by which those recommendations will be implemented; and designate a person primarily responsible for their implementation. Mr. Nayden informed the Committee that it would be their responsibility to draft a strong implementation plan for presentation at the next Board of Trustees meeting on September 20. Mr. Nayden and Mr. Walker will create the first draft. The plan will then be circulated to all Committee members for review and comment. Mr. Walker will forward each JACC member a copy of the Commission's report.

Mr. Nayden discussed a few of the headline recommendations which included the formation of an independent UConn Building Committee. The committee would be comprised of seven members: three members appointed by the Governor; three members appointed by the Chairman of the Board of Trustees and one member by vote of the other six members. The Chairman of the Building Committee will be chosen from among the members. This committee would be responsible for the oversight of all UConn 2000 and 21st Century UConn construction projects. The building committee will ensure that all structures are safe, code compliant and cost effective.

The second headline recommendation provides for inclusion of the independence of the inspectors going forward. Additional building code inspectors will be hired and paid by the University but will report directly to the Department of Public Safety.

Mr. Nayden informed the Committee that this implementation plan must be completed as soon as possible.

Tab 3: Significant Activities – June-August 2005

Storrs Compliance and Audit Office

Mr. Walker reviewed the new reporting structure of audit observations. Going forward, the Office of Audit, Compliance and Ethics will report significant engagement observations to the Committee (a definition of a significant engagement observation was described in Tab 3.) Mr. Nayden asked Peter Drotch to work with Mr. Walker to help improve the format and content of these packets. Mr. Nayden asked all attendees to give their opinions to Mr. Walker.

Mr. Walker informed the Committee that he would provide a staffing update during his summary of Tab 8.

Ms. Rubin informed the Board that she was in the process of updating the University's Ethics Statement to ensure that it is compliant with current State Law. Mr. Nayden indicated that he would like this to be presented to the Committee, for review and approval, at the December 7, 2005 meeting.

Ms. Rubin informed the Board that she has been asked to assume the role of the University's Ethics Liaison Officer for Storrs, Regional Campuses and the Health Center in accordance with Public Act 05-87. Information related to that assignment will be distributed to the University Community soon.

Mr. Nayden asked Ms. Rubin to establish a whistleblower hotline. Ms. Rubin is currently working with Purchasing to see if it can be piggybacked onto the UCHC hotline. He requested that this be done immediately. Mr. Ritter indicated he would like to see a draft of the communication that will be distributed to the University Community regarding the Compliance office prior to its release. It is the intent to have the hotline service available by December 1, 2005.

A discussion followed regarding the University-wide code of conduct. Ms. Mauriello informed the Committee that an 18 member committee, made up of members from both Storrs and the Health Center, has been created and has met several times. A draft code of conduct will be presented to the JACC at the December 7, 2005 meeting.

Mr. Walker gave an update on the status of ongoing audit engagements. The '02 and '03 audit engagements conducted by Blum Shapiro, and the Compliance Resources Group's - Best Practices Review of the Storrs campus will be presented to the Committee at the December 7, 2005 meeting. Mr. Nayden asked all individuals who are responsible for responding to audit reports to do so immediately. Mr. Nayden instructed Mr. Walker to get all new RFP engagements out so they can be wrapped up as soon as possible.

UCHC Compliance Office

Ms. Mauriello gave updates on staffing and training, as well as a summary of contacts received by the Compliance Office (including the hotline).

UCHC Audit Office

Mr. Walker discussed audits issued, staffing updates and audit engagements at the UCHC Audit Office.

Tab 4 – Status of Audits

Mr. Walker informed the Committee that the Office of Audit, Compliance and Ethics were currently working on 35 audits, all in various stages of completion.

Mr. Barone, of PricewaterhouseCoopers, summarized their audit activity. He 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 on financial internal controls at the Storrs Campus. He noted weaknesses in policies and procedures, as well as the need to establish a protocol for investigating alleged frauds and for training. In addition, the University of Connecticut currently provides financial reporting only once per year at year end. Mr. Barone suggested that the University consider a periodic interim reporting of the financials. This should be implemented in steps - initially bi-annually, then quarterly, and finally a monthly reporting process.

Tab 5: University of Connecticut Auditors of Public Accounts – Draft of Preliminary Audit Findings and Completion of Management Representation Letter – UCHC for the fiscal years ended June 30, 2001, 2002, 2003 and 2004

Mr. Carroll provided a summary of the recommendations from their Draft of Preliminary Audit Findings and Completion of Management Representation Letter. He noted that this report is a draft and has not been approved by the State Auditors.

Prior to his exit from the meeting, Mr. Drotch commented that the organizational structure of the Audit, Compliance & Ethics Office does not reflect embedded compliance personnel and their reporting relationships within various business units of the University and Health Center. The extent of the resources committed to these areas are much greater than it would appear by examining the chart. The reporting relationship to Mr. Walker in his enterprise role needs to be reflected in some sort of a memorandum or chart .

Tab 6: The Office of Audit, Compliance & Ethics

Mr. Walker reviewed the items used by the Office of Audit, Compliance & Ethics to develop the FY 06 Audit Plan. He discussed the audit plan and reminded the Committee that it is a work in progress and the Governor's report may have an impact on the plan. Ms. Leonardi asked Mr. Walker if he felt that there was anything that he considered to be a high risk area that was omitted from the plan due to budget constraints. Mr. Walker informed Ms. Leonardi that the organization may not possess the skill sets necessary to audit construction management and additional and/or outside auditors may need to be hired. Mr. Walker stated that this was an aggressive plan, but as many audits as possible would be completed and the carryover would be added to the FY 07 audit plan. Mr. Walker will keep the Committee updated on any changes to the plan.

Mr. Nayden discussed the Construction Management Auditing and Oversight Action Plan. This document was prepared without the input of the Governor's report. Mr. Nayden informed the Committee that the Office of Audit, Compliance and Ethics will be integrating the Governor's recommendations into this plan. This is a draft report which

Mr. Walker will be working with University senior management during the next few weeks.

Mr. Leonardi asked if a policy is being drafted that will address the reporting responsibilities of construction issues to the Board. Mr. Walker indicated that he would work with the University administration in evaluating the Governor's Panel recommendation and make recommendations to the JACC.

Tab 7: Documents for Board Review/Approval

A draft job description for a Chief Compliance Officer for the Finance Domain was presented to the Committee for approval. **ON A MOTION** by Mr. Nayden, seconded by Mr. Barry, the job description was approved.

The Compliance Officers Committee Charter and the Clinical Compliance Committee Charter for the UConn Health Center were given to the Committee for review. They were not ready for approval at this time. Ms. Mauriello indicated they would be presented again at the December 7, 2005 for Committee approval.

Tab 8: Summary of Budget & Staffing Changes

Mr. Walker reviewed the budget and organizational chart for the Office of Audit, Compliance and Ethics. He informed the Committee that the Office has concentrated its efforts on obtaining more internal employees and hiring less outside consultants, indicated by the increase in salaries and wages for internal staffing and a decrease in outside consultant dollars.

Mr. Walker informed the Committee that Ms. Chiaputti has been promoted from Senior Internal Auditor to the Assistant Director of Audit, Compliance & Ethics at the Storrs Campus.

Mr. Walker noted that the Office of Audit, Compliance & Ethics organizational chart does not reflect other compliance personnel employed at both Storrs and Health Center, including athletics and research compliance staff. Mr. Walker informed the Committee that he would establish guidelines for communication with these compliance individuals.

In response to Chairman Rowe's request regarding the framework of the implementation plan of the Governor's recommendations, Mr. Nayden asked Mr. Walker, Ms. Flaherty-Goldsmith, Mr. Callahan, and Ms. Aronson to discuss and provide Mr. Nayden their initial response to that framework no later than next Wednesday, September 14. Mr. Nayden asked Mr. Walker to follow up with him. In addition, Mr. Nayden asked Mr. Walker to distribute a copy of the Governor's report to all JACC members for their review and comment.

There being no further questions or issues, a Motion was made at 11:35 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 12:00p.m.

Respectfully submitted,

Karen Violette

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Secretary to the Committee