

MEETING OF THE JOINT AUDIT AND COMPLIANCE COMMITTEE

July 14, 2006

10:00am

via Storrs Conference Room and Teleconference

TRUSTEES/DIRECTORS PRESENT: Messrs. Barry, Drotch, Leonardi, Martinez, and Nayden

STAFF PRESENT: Messrs. Anderson, Austin, Bradley, Carlson, Deckers, DeTora, Eaton, Feldman, Garber, Geoghegan, Kleinman, McCarthy, McDowell, Nicholls, Noonan, Schurin, Small, Strongwater, Thornton, Upton, Walker, and Wetstone; Mesdames Adams, Alexander, Blanchette, Chiaputti, Comerford, Grava, Johnson, Krisst, Krinsky, Liskom, Mauriello, Nichols, Rubin, Violette, and Whetstone

STATE AUDITORS: Messrs. Carroll, Slupecki, and Rasimas

MEDIA: Messrs. Breen and Hinchey

The teleconference of the Joint Audit & Compliance Committee (JACC) was called to order at 10:05 a.m. by Committee Chair Nayden.

TAB 1: Minutes

ON A MOTION by Trustee Nayden, and seconded by Trustee Barry, the minutes of the March 15, 2006 meeting were approved.

TAB 2: Follow-up on March 14, 2006

Mr. Walker informed the JACC that OACE followed-up on all issues discussed at the March 14, 2006 meeting. The University of Connecticut Reportline went live in June of 2006. Employees were notified via University all-employee broadcast announcement. Because some employees do not have access to email, OACE plans on putting a paper broadcast announcement in the next delivery of paychecks to ensure that all employees are aware of the reportline.

TAB 3: Significant Activities

Mr. Walker asked appropriate staff to provide an update on significant activities for both Storrs and the Health Center. Mr. Walker informed the JACC that the risk assessments and audit plans have been a significant effort and would be discussed in the Tab 8.

TAB 4: Status of Audits

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

Mr. Walker asked Ms. Blanchette to provide a summary of audits being conducted by PwC at the Health Center. Ms. Blanchette indicated PwC currently had 2 outstanding audits on “For-Profit and Revenue Generating Enterprises” & “The Finance Corporation”. Draft reports have been issued by PwC to UCHC. Upon reviewing the For-Profit-Enterprises audit with PwC and the customer, we learned that the customer had additional data to provide to PwC. That data should be supplied within a month and a second draft report will be issued. The audit report for the Finance Corporation audit should be finalized within one month.

Mr. Drotch had questions regarding summaries of audits completed at UCHC. Ms. Blanchette answered questions regarding the UCHC audits of EMTALA, Cash Handling, and their Charge Description Master audit.

TAB 5: Items for Board Approval

ON A MOTION by Trustee Nayden, and seconded by Trustee Barry, the following charters were approved:

- The Office of Audit, Compliance & Ethics (revision)
- Storrs – Executive Compliance Committee (new)
- Storrs – Curriculum Committee Charter (new)
- UCHC – Executive Compliance Committee (revision)

TAB 6: External Audit Engagements

Mr. Walker informed the Board that we have a number of external audit engagements ongoing at the University. We are in the process of closing out the engagement with PwC.

Mr. Walker informed the Board that Accume Partners is currently working with Ms. Nichols, IT Assistant Director of the OACE at both the Storrs and UCHC Campuses.

It was recommended that the JACC approve the appointment of the accounting firm of KPMG as auditors for fiscal years 2006, 2007 and 2008 with the ability to extend to fiscal years 2009 and 2010 as approved by University Management and the UCHC Board of Directors in June of 2006. Mr. Upton provided a summary to the JACC of the background and selection process on how KPMG was selected. Mr. Drotch noted that

this was a three year appointment and wanted to know if the University could terminate the agreement prior to the three year period. The RFP was actually issued for three-years and we can not terminate unless KPMG can not fulfill the terms of the RFP. Mr. Drotch informed the Committee that in the future, RFP's should be written so contracts may be terminated without cause after each audit. Mr. Nayden agreed with this comment and asked that OACE take that under advisement in the future.

Mr. Walker informed the JACC that we were in the process of selecting the auditors for the UConn 2000 audit. Ms. Chiaputti indicated that interviews were being completed and they might have the selection by the end of the day.

Blum Shapiro completed the University of Connecticut UConn 2000 Management Letter for June 30, 2003. This letter was distributed at the March 14, 2006 meeting, however copies of relevant audit reports were not available at that time. Included in this packet were Blum Shapiro's reports on: Agricultural Biotechnology Phase 2; Convert Horticulture to Natural History; Wilbur Cross Building Renovations and the South Campus Parking Garage – June 30, 2003. Mr. Detora provided a brief summary.

Seward & Monde completed their Independent Accountants' Report on Applying Agreed-Upon Procedures to the Statement of Operating Revenues and Operating Expenses of Intercollegiate Athletics Program for June 30, 2005. This report was provided to the JACC in the July 14, 2006 JACC packets. Mr. Walker informed that Committee that even though representatives from Seward & Monde could not attend the meeting, they spoke with Mr. Nayden to go over their findings and recommendations on July 13, 2006.

TAB 7: Follow-up and Action Plans

Mr. Walker informed the JACC that this section consisted of action plans for previous audits of UConn 2000 by PinnacleOne, Blum Shapiro and PricewaterhouseCoopers. Mr. Walker informed the JACC that this document noted the status of all recommendations made in these reports and that after this meeting, all completed tasks would be removed. In the future, the report to the JACC would only include actions items that were still open. Mr. Walker asked Mr. Feldman to provide a brief summary of these action plans. Mr. Nayden asked Mr. Walker to send a summary of this report to Mr. Ritter, chair of the newly formed Construction Management Oversight Committee.

TAB 8: Risk Assessment and Audit Plans

The Office of Audit, Compliance & Ethics completed risk assessments and audit plans for the Storrs & Regional Campuses, UCHC, as well as IT Audit for both Storrs+ and the UCHC. Mr. Walker provided a brief summary on the steps that were taken to complete these documents, and asked that the one-year audit plans be approved. Mr. Drotch asked that in the future audit plans be tied to risk assessments more concretely.

ON A MOTION by Trustee Nayden, and seconded by Trustee Barry the one-year audit plans for Storrs Audit, UCHC Audit, and IT Audit (Storrs & UCHC) were approved.

TAB 9: Compliance Agreement Between the University of Connecticut and the United States Environmental Protection Agency, Suspension & Debarment Division (“EPA SDD”)

On January 6, 2006, UConn entered into a Settlement Agreement with the Environmental Protection Agency (EPA) regarding allegations of financial and scientific misconduct at ERI and BRC. The Settlement Agreement included a Compliance Agreement/Action Plan with 42 provisions UConn must meet. Mr. Walker informed the Board that the first annual report was submitted to EPA prior to the July 1, 2006 due date. Ms. Krinsky provided the JACC with the OACE action plan. This plan charts the progress with regards to each of the 42 requirements.

Tab 10: Seven Elements of an Effective Compliance Program

In an effort to educate and inform the JACC and senior management, OACE included a document that reflects a snapshot of the 7 compliance elements that make up an effective compliance program and the status of the Compliance Programs at Storrs and the UCHC.

Executive Session was not held; at 11:15 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 11:30 a.m.

Respectfully submitted,

Karen Violette

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Secretary to the JACC