

JACC Minutes – April 1, 2010

TRUSTEES/DIRECTORS PRESENT: F. Archambault, P. Drotch, T. Holt, D. Nayden and W. Shepperd

STAFF PRESENT: N. Adams, C. Andrews, D. Barberi, J. Biancamano, J. Bradley, J. Brigada, N. Bull, C. Chiaputti, C. Eaton, B. Feldman, J. Geoghegan, D. Gilbertson, C. Gray, R. Gray, R. Hoagland, W. Kleinman, I. Krisst, C. Laurencin, M. Liskom, M. MacNeil, I. Mauriello, P. McDowell, P. Nicholls, B. Patel, R. Rubin, J. Sullivan, M. Summerer, J. Teitlebaum, L. Troyer, R. Urban, K. Violette, K.M. Walker, N. Wallach and J. Walter

STATE AUDITOR: J. Carroll and G. Slupecki

The meeting of the Joint Audit and Compliance Committee (JACC) was called to order at 1:00 p.m. by Trustee Nayden.

ON A MOTION made by Director Holt and seconded by Director Shepperd, THE JACC VOTED to go into executive session pursuant to Connecticut General Statutes Sections 1-210(b)(1) and (20) to discuss preliminary drafts or notes that our agency has determined the public interest in withholding such documents clearly outweighs the public interest in disclosure; and matters concerning security strategy or devices affecting public security and/or records of standards, procedures, processes, software and codes, not otherwise available to the public, the disclosure of which would compromise the security or integrity of an information technology system.

Present during executive session were Trustee Archambault, Trustee Nayden, Trustee Drotch, Trustee Shepperd, Director Archambault, Director Holt, N. Adams, C. Andrews, D. Barberi, J. Biancamano, J. Brigada, N. Bull, C. Chiaputti, C. Eaton, B. Feldman, D. Gilbertson, C. Gray, R. Gray, R. Hoagland, C. Laurencin, W. Kleinman, M. Liskom, I. Mauriello, P. McDowell, M. MacNeil, P. Nicholls, R. Rubin, J. Teitlebaum, L. Troyer, R. Urban, K. Violette, K.M. Walker, and J. Walter.

The Executive Session ended at 1:34 p.m. and the JACC returned to open session at 1:40 p.m.

ON A MOTION made by Trustee Archambault and seconded by Director Holt the JACC approved an agenda change; OACE requested that the two charters in TAB 2 be deleted from this agenda in order to include additional changes prior to obtaining JACC approval.

Trustee Nayden officially welcomed T. Holt and W. Shepperd to the JACC Committee.

TAB 1: Minutes

ON A MOTION made by Director Holt and seconded by Director Shepperd, the minutes of the January 12, 2010 JACC meeting were approved.

TAB 2: Strategic Plan

K.M. Walker provided a summary of the OACE three year strategic plan. The intent of the strategic plan is to update the JACC on OACE's progress.

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K.M. Walker informed the JACC that C. Gray, IT Auditor was leaving OACE to take a position in UITs. OACE plans on starting a search for a new IT Auditor soon.

Trustee Drotch asked if OACE was under any restrictions due to the hiring freeze. K.M. Walker informed Trustee Drotch that he believed that OACE already had the funding but would have to work with the Administration to get the position authorized.

OACE currently has .5 FTE relatively inexperienced IT Auditor at the Health Center. Trustee Drotch indicated that the IT positions are critical and must be filled and urged OACE to utilize additional support from the JACC to bolster the IT area; Trustee Nayden indicated that he does not believe that one IT position will be sufficient. Trustee Nayden asked that K.M. Walker compose a letter to President Hogan with a copy to all the JACC members summarizing recent IT headlines and request permission to hire IT Auditors.

TAB 3: Significant Compliance Activities

I. Mauriello provided a summary of significant UCHC compliance activities which included the UCHC Dashboard of Compliance Activities as well as monitoring plans. Trustee Nayden requested that K.M. Walker provide the JACC with both the dashboards and monitoring plans for the Storrs Campus.

TAB 4: Status of Audit Assignments

C. Chiaputti provided the JACC with a status update of current audit assignments. OACE completed nine reviews this quarter:

- ARRA Quarterly Validation (4th Quarter Ending 12/31/09)
- Wage Data Indices
- NCAA Division I Membership Certification – Football Bowl Subdivision Academic Year 2009-2010
- Dental Clinics
- Liberal Arts & Sciences IT Systems Audit
- Contract Compliance – 1st Quarterly Report
- Help Desk – Storrs
- Help Desk – UCHC
- Residency Administration (80 hour rule)

TAB 5: Revised Audit Plans

The JACC was provided with copies of OACE's revised audit plans for both Storrs and UCHC for FY 10.

ON A MOTION made by Trustee Archambault and seconded by Director Holt the revised audit plans were approved.

TAB 6: External Audit Projects

The JACC was provided with an overview of current external audit engagements. K.M. Walker noted that there was a typographical error on the Status of External Audit Projects; the anticipated completion date for UHY is September 2010 not June 2010.

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It was recommended that the JACC approve the appointment of the accounting firm KPMG as independent auditors for the following audits for fiscal year 2010.

- John Dempsey Hospital and Dental, including the OHCA fillings
- UConn Medical Group (UMG)
- University of Connecticut Health Center Finance Corporation

ON A MOTION made by Trustee Archambault and seconded by Director Holt the JACC approved the hiring of KPMG.

J. Sullivan informed the JACC that the University passed its first Internal Revenue Service (IRS) audit of the UCONN 2000 Bond Program. The IRS selected the UCONN 2000 \$96,210,000 GENERAL OBLIGATION DEBT SERVICE COMMITMENT BONDS 2003-A for audit last July. The safely passed audit allows the University to continue to issue tax exempt bonds, have continued good access to the capital markets, and benefit from a very favorable public reputation especially in the financial markets. Had the audit gone adversely, among other things, the bonds could become taxable retroactively.

The University has to be conscious of these bond issues. Trustee Nayden asked K.M. Walker to provide a summary of these issues to the President. As the University becomes more involved in more private entrepreneurial activities, relative knowledge and consciousness of bond issues at the University should be addressed. K.M. Walker indicated that he would work with both R. Gray and J. Sullivan on this issue.

TAB 7 – Auditors of Public Accounts – UConn & UCHC Financial Statements

The Auditors of Public Accounts provided the JACC with their presentation on the University of Connecticut and University of Connecticut Health Center Financial Statements as of and for the year ended June 30, 2009. K. M. Walker informed the JACC that the Auditors of Public Accounts offered a clean opinion but noted two weaknesses that they believe constitute significant deficiencies listed below:

- A weakness in the University's internal financial review process involving the depth of the reviews performed and the documentation thereof.
- A control deficiency in the Health Center's process of netting accounts receivable that caused the amount reported as Due from Department of Corrections to be overstated by approximately \$4,000,000. This was compensated for by an understatement of a like amount within Contract and other Receivables. Although this overstatement/understatement would have had no effect on the Health Center's Net Assets, it would have had an effect on the State of Connecticut's Comprehensive Annual Financial Report.

P. McDowell provided the JACC with an example regarding compensated absences for the University and questioned whether the finding in general belonged in the significant area. P. Drotch asked if this comment was a broad statement about closing the books and preparing the financial statements or one specific issue mentioned by P. McDowell. J. Carroll indicated that this basically deals with the process in general and that the review needed to be more detailed and needed to go farther into the underlying calculations behind certain adjustments and the documentation of exactly what internal reviewers did in terms of that review needed to be improved. He also stated that there is no unusual cause for concern or reason for alarm, just that the process needs to be tweaked as part of an ongoing effort for improvement.

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P. Drotch voiced concern that the same words used last year were used again this year and questioned whether in the state auditors opinion, there had been any improvement from last year. J. Carroll responded that there was ongoing improvement and believes that next year will be better

P. Drotch requested a to-do list for those accounts that the State Auditors are concerned with. C. Eaton made a commitment to the JACC to meet with J. Carroll and obtain a list to determine which areas needed attention and report back to the JACC. J. Carroll indicated that the Accounting Department is addressing these issues and feel that there is a substantial likelihood that the State Auditors will be able to drop this comment next year.

J. Geoghegan informed the JACC that the SAS 112 comment regarding the Health Center has been addressed. UCHC continues to review and tighten the controls each year to improve the process.

G. Sluplecki wanted to confirm that there was no SAS 112 deficiencies for Storrs last year; however, last year the Health Center had a material weakness. This shows that there has been progress at the Health Center. This is the first time Storrs has received a significant deficiency regarding SAS 112.

ON A MOTION made by Trustee Archambault and seconded by Director Holt, the meeting was adjourned at 2:20pm.

Respectfully submitted,

Karen Violette

Secretary to the Joint Audit & Compliance Committee.

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