University of Connecticut &
University of Connecticut Health Center

Joint Audit & Compliance Committee
Meeting

August 9, 2012

Storrs Campus – Foundation Building – Rooms A, B & C
1:00 PM – 1:30 PM Executive Session
1:30 PM - 3:00 PM Public Session

Joint Audit & Compliance Committee Members

Denis Nayden, BOT - Chair
Francis Archambault, BOT
Peter Drotch, BOT
Thomas Kruger, BOT
Francisco L. Borges, BOD
Timothy A. Holt, BOD
Wayne J. Shepperd, BOT/BOD

Dial in number: 888-790-1153  Passcode: Public
<table>
<thead>
<tr>
<th>Issue</th>
<th>Proposed Action</th>
<th>Tab</th>
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</thead>
<tbody>
<tr>
<td>Executive Session to discuss:</td>
<td>None</td>
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<tr>
<td>• C.G.S. 1-200(6)[E] – Preliminary drafts or notes that the public agency has determined the public’s interest in withholding outweighs the public’s interest in disclosure. [1-210(b)(1)]</td>
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<tr>
<td>Opportunity for Public Comment</td>
<td>None</td>
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<tr>
<td>Minutes of the JACC of the June 7, 2012 Meeting</td>
<td>Approval</td>
<td>1</td>
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<tr>
<td>Storrs &amp; UCHC Significant Compliance Activities</td>
<td>Update</td>
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<tr>
<td>• UCHC International Review Board (IRB) Monitors</td>
<td>Presentation</td>
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<tr>
<td>Significant Audit Activities</td>
<td>Update</td>
<td>3</td>
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<tr>
<td>• Status of Audit Assignments (Storrs &amp; UCHC)</td>
<td>Update</td>
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<tr>
<td>• Audit Follow-up Activity</td>
<td>Update</td>
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<td>FY13 Auditing and Compliance Plans (Storrs &amp; UCHC)</td>
<td>Approval</td>
<td>4</td>
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<td>External Engagements</td>
<td>Update</td>
<td>6</td>
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<tr>
<td>• BKD NCAA Agreed Upon Procedures – FY12 Request to hire</td>
<td>Approval</td>
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<tr>
<td>• McGladrey &amp; Pullen, LLP Audits of UConn 2000 – FY12 Request to hire</td>
<td>Approval</td>
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<tr>
<td>Joint Audit and Compliance Committee / Office of Audit, Compliance and Ethics</td>
<td>Update</td>
<td>7</td>
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<tr>
<td>• Annual Review of OACE Charter</td>
<td>Discuss</td>
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<td>• JACC Self Assessment – Action Plan</td>
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</table>
## Joint Audit & Compliance Committee Agenda

1:00 pm – 1:45 pm – Executive Session  
1:45 pm – 3:30 pm - Public Meeting  

<table>
<thead>
<tr>
<th>Issue</th>
<th>Proposed Action</th>
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</thead>
<tbody>
<tr>
<td><strong>Informational/Educational Items</strong></td>
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<tr>
<td>• Quarterly Newsletter for Summer 2012 - Storrs</td>
<td>Information Only</td>
<td>8</td>
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<tr>
<td>• Article “A Barrage of Regulations” (Internal Auditor)</td>
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<td>• JACC Agenda Forecast</td>
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<td><strong>Conclusion of Full Meeting</strong></td>
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<tr>
<td><strong>Information Session with OACE’s Chief Audit &amp; Compliance Auditor and Direct Reports</strong></td>
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The next meeting of the JACC will be held on October 19, 2012 at 1:00 pm  
Foundation Building, Rooms A, B and C  

*Individual Responsibility, Institutional Success*
The meeting of the Joint Audit and Compliance Committee (JACC) was called to order at 1:02 pm by Trustee Nayden.

ON A MOTION made by Trustee Drotch and seconded by Trustee Archambault, THE JACC VOTED to go into executive session to discuss:

C.G.S. 1-200(6)[E] Preliminary drafts or notes that the public agency has determined the public’s interest in withholding outweighs the public’s interest in disclosure [1-210(b)(1)].

C.G.S. 1-200(6)[E] A discussion of any matter which would result in the disclosure of public records or the information contained therein pertaining to strategy and negotiations with respect to pending claims regarding Recovery Audit Contractor (RAC) Audits [1-210(b)(4)].

C.G.S. 1-200 (6)[E] A discussion of any matter which would result in the disclosure of public records or the information contained therein as described in 1-210 (b)(20) concerning standards, processes and codes not available to the public the disclosure at which would compromise the security or integrity of information technology systems.


The Executive Session ended at 1:50 p.m. and the JACC returned to open session at 1:55 p.m. There were no public comments.

TAB 1 - Minutes of Prior JACC Meeting

ON A MOTION made by Trustee Nayden and seconded by Trustee Drotch, the minutes of both the March 12, 2012 and April 12, 2012 meetings were approved.
TAB 2 - Significant Compliance Activities

K. Walker provided the JACC with a summary of significant compliance activities for UCHC including:

• Institutional Conflict of Interest (Col) Disclosures in Research
• Coding – International Classification of Diseases (ICD) – ICD – 10 and Version 5010 Changes
• New National Institutes of Health Col Rule
• Government Refunds
  • Psychiatric Partial Hospitalization (PHP) and Intensive Outpatient Treatment (IOP)
  • Insulin

R. Krinsky Rudnick provided the JACC with a summary of significant compliance activities for the University of Connecticut including:

• Annual Compliance Training
• FERPA Policy Updates
• Privacy Rights Updates
• Freedom of Information Update


W. Manuel, P. McCarthy and M. Van Gelder presented the JACC with an update on Athletics on:

• APR Penalty Structure and Access to Postseason Championships
• Additional Athletic Aid-update on a rule to allow each school to provide additional aid (up to $2000) to student-athletes to cover miscellaneous expenses of college attendance.
• Multi-Year Scholarships, and
• Title IX consultant site visit

TAB 3 - Significant Audit Activities

C. Chiaputti provided the JACC with a status update of current audit assignments. OACE completed three audits and 4 special projects during this period. JACC deferred acceptance of CCEI audit for the 2nd time, pending additional management responses. Sixteen audits are ongoing at this time. The three audits completed this period were:

• ARRA Validation 1st Quarter
• Foundation Receipts & Expenditures
• Center for Science & Technology Commercialization (CSTC)
JACC Minutes – June 7, 2012

Tab 4 – Joint Audit and Compliance Committee

A revised charter was provided to the JACC for approval. **ON A MOTION** made by Trustee Drotch and seconded by Trustee Nayden the revised JACC Charter was approved.

Trustee Archambault asked the question if OACE has the resources to conduct the activities / responsibilities listed in Charter. This is being reviewed at this time for further action.

Tab 5 – External Engagements

C. Chiaputti provided the committee an update on external audit projects and noted that the scope of the Marcum, LLP audit should be FY 12, not FY 11.

Tab 6 – Informational / Educational Items

The JACC was provided with:

- Storrs and UCHC quarterly newsletters
- “Tone at the Top” Newsletter
  (Copyright 2012 - The Institute of Internal Auditors)
- Article “Information on Implementation of Physician Payments”
  (Copyright Center for Medicare and Medicaid Services)
- Article “New Health Law will Require Industry to Disclose Payments to Physicians”
  (Copyright Kaiser Health News)
- JACC Agenda Forecast

There was no further business.

**ON A MOTION** made by Trustee Drotch and seconded by Director Borges, the meeting was adjourned at 2:40 p.m.

Respectfully submitted,

Angela Marsh

Angela Marsh
Assistant Secretary to the Joint Audit & Compliance Committee
Joint Audit & Compliance Committee
Significant Compliance Activities

Storrs and UCHC

- Coordinated the development of University-wide Conflicts of Interest Commitment policies and Conflicts of Interest/Commitment Committee
- Completed risk assessment process for FY 2013
- Developed FY 2013 Draft Compliance Plan for both campuses

UCHC

- Monitoring the RFP process for the electronic Conflicts of Interest (CoI) disclosure system
- Completed a 6-month special assignment of the Documentation and Coding Program’s assistance to UMG Administration for revenue generation project
- Completed and approved new policy on Patient Legal Representative for Health Care Decisions
- Launched 2012 Annual training in July – deadline for completion is 12/31/2012
- Completed specific education on documentation and coding requirements to staff and faculty at:
  - Storrs Nayden Clinic
  - Psychiatric APRN working in JDH Consultation Liaison service
  - UCHC Psychiatric Partial Hospital Program

Storrs

- Staffing Update
  - Hired a Compliance Associate - dedicated to investigations and monitoring - began 07/27/12
  - Searching for a Compliance Education Specialist (.5 FTE) – anticipated start date of 09/01/12

- Completed 2012 Annual Compliance Training with a 100% completion rate. Topics included:
  - Sexual Assault Response Policy (SARP)
  - Child Abuse and Neglect Reporting Policy
  - Export Controls compliance
UCHC HSPO Research Compliance Monitoring Program

New Program started in 2003

Types of Audits
- Random
- For-Cause
- Ongoing Monitoring
- Follow-up to Confirm Audit Corrective Action/s
- Consent Process Observation
- Investigator Held IND/IDE (pre-submission)
Volume of Audits

- Random Audits - Goal is 5-10% of Active Studies (25-50 studies/year)

- The actual number of random audits conducted fluctuates based on the number of monitoring/audit/education mandates imposed by the IRB

What Gets Audited?

- Both IRB Review/approval process and Investigator & study team conduct of the trial

Look for Compliance with:

- Applicable Regulations (e.g., HIPAA, Common Rule, FDA)
- State, local and institutional statutes/policies
- Approved Protocol & study documents
- Good clinical practice guidelines
Some Examples of Study Conduct Audit Findings

- Data Collection Errors (additional data collected or missing data)
- Consent form not signed by study staff who conducted IC process
- Missing ICF or HIPAA authorization for study subject/s
- Enrolling higher number of subjects than approved to enroll
- Ineligible patients enrolled, or eligibility incompletely documented
- Investigational Drug/Device Accountability/Storage/labeling issues
- Study Modified prior to IRB approval for changes
- Deviations/Unanticipated Problems not reported to IRB

Examples of Required Corrective Actions

- De-identification or destruction of study data
- PI/other study staff expected to attend educational session with Compliance Monitor or Educational Specialist
- Re-consenting of subjects
- Submission of modification request (e.g. to revise documents, add/delete staff, revise documents to remove any inconsistencies)
- Develop & maintain current a study staff delegation log, training log
- Referral to full board for determination whether the finding constitutes serious or continuing non-compliance
Some Examples of IRB Review Audit Findings
(all findings communicated to both PI and IRB Chair)

- Expedited approval granted in wrong category
- Final approval granted although all contingencies were not met
- ICF missing required language/elements
- HIPAA contains template language that does not apply to the study (e.g., COC in effect)
- Inconsistencies in application, ICF, HIPAA & protocol, but approval granted.

Efforts to Improve Compliance

- Offer individualized education sessions for PI/study staff
- All PIs submitting a first time study at UCHC are required to have a one on one first time PI Education Session with RCM
- Educational Outreach expanded, more proactive
- Shift in workload from random to targeted monitoring and education
- In 2011, Restructured RCM program staff to include 1 RCM and 1 newly created position for an Educational Specialist (ES)
# Educational Program Overview

## Types of Offerings:

- Brown Bag Lunch Sessions
- Pre-enrollment review of newly approved studies
- Medical/Dental Student IRB Orientation sessions
- Training for on-line IRB submission system
- Open Office Hours Friday (new)
- Outreach Efforts to Educate Participants (new)
- Coordinate combined IRB Panel Member Educational meetings
- IRB Mandated Education
- By staff request
TAB 3
# Joint Audit & Compliance Committee

## Status of Audit Assignments

<table>
<thead>
<tr>
<th>Audit Project</th>
<th>Storrs or UCHC</th>
<th>Planning</th>
<th>Fieldwork</th>
<th>Draft Report Issued</th>
<th>Final Draft Report Issued</th>
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<tbody>
<tr>
<td>Case Management</td>
<td>UCHC</td>
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<td>ARRA Cage Wash - Update 2</td>
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<td>ARRA Quarterly Review (Q2) Ending June 30, 2012</td>
<td>Storrs UCHC</td>
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<td>Kuali – Update 1</td>
<td>Storrs</td>
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<td>Kuali – Update 2</td>
<td>Storrs</td>
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<tr>
<td>Faculty Consulting (07/01/10-12/31/10)</td>
<td>Storrs UCHC</td>
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<tr>
<td>Center for Entrepreneurship &amp; Innovations (CCEI)</td>
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<td>Bioscience CT Initiative – Update 1</td>
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<td>Tuition Waivers</td>
<td>Storrs</td>
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<td>Athletics NCAA Compliance Audit</td>
<td>Storrs</td>
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<td>UMG Charge Master</td>
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<td>Research Towers – Contract Review</td>
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<td>Banner System Development</td>
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<td>Faculty Consulting (FY 11)</td>
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<td>Technology Incubation Program (TIP)</td>
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<td>Dining Services</td>
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<td>Grant Expenditures &amp; Cost Transfers</td>
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<td>NextGen (UMG EMR)</td>
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<td>Peoplesoft – Student Administration</td>
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<td>East/West Building</td>
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<td>Banner Post Implementation Review</td>
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Joint Audit & Compliance Committee
Status of Audit Assignments

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<th>Fieldwork</th>
<th>Draft Report Issued</th>
<th>Final Draft Report Issued</th>
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<td>Foundation – FY 12</td>
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<td>Athletics Financial Audit</td>
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<td>Special Payroll Follow-up On hold pending implementation of new HR/Payroll System</td>
<td>Storrs</td>
<td>On Hold</td>
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<tr>
<th>Special Projects/Consulting/Follow-up</th>
<th>Storrs or UCHC</th>
<th>Planning</th>
<th>Fieldwork</th>
<th>Draft Report Issued</th>
<th>Project Complete</th>
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<td>Avis Rental Car Agreement</td>
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<td>IT</td>
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<td>PT Clinic</td>
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<td>Contract Process</td>
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Corrective Actions Pending Review by Internal Audit

# of Corrective Actions Pending Review

Functional Area

- Accounting Office
- Animal Care
- Clinical
- Clinical Quality
- CMHC
- Controller
- Dermatology
- Finance
- Graduate School
- Human Resources
- Information Technology
- Information Technology Services
- IT Security
- Materials Management
- Motor Pool
- Office for Sponsored Programs
- Office of Study Abroad
- Patient Services
- Provost
- Public Safety
- Reimbursement
- Research Finance
- School of Business
- School of Engineering
- Student Activities
- Student Affairs

Storrs and Regional Campuses  UCHC
UCHC Open Items by Finding Category

Finding Category

Business Purpose
Documentation
Governance
Monitoring
Physical Security of Assets
Policy
Procedures
Regulatory Compliance
Security
Technology

# of Open Items in Category
Low

Meaningful reportable issue for client consideration that in the Auditor’s judgment should be communicated in writing. The finding results in minimal exposure to the University or UCHC and has little or no impact on the University’s or UCHC’s compliance with laws and regulations. The issues related to this control weakness will typically not lead to a material error.

Medium

Significant exposure to the area under review within the scope of the audit. The finding results in the potential violation of laws and regulations and should be addressed as a priority to ensure compliance with University’s or UCHC’s policies and procedures. The significance of the potential errors related to this control weakness makes it important to correct.

High

Significant exposure to the University or UCHC that could include systemic University or UCHC wide exposure. The finding could result in a significant violation of laws and regulations and should be viewed as a highest priority which the University or UCHC must address immediately.
TAB 4
## Audit Plan

### RESEARCH / GENERAL COMPLIANCE

<table>
<thead>
<tr>
<th>Audit</th>
<th>Status</th>
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<tbody>
<tr>
<td>Faculty Consulting (07/01/10-12/31/10)*</td>
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<tr>
<td>Faculty Consulting (07/01/10-06/30/11) - FY 11*</td>
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<tr>
<td>ARRA Validation (Quarterly Review) - 2nd Quarter, 2012*</td>
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<td>ARRA Validation (Quarterly Review) – 3rd Quarter, 2012*</td>
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<td>ARRA Validation (Quarterly Review) – 4th Quarter, 2012*</td>
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<td>ARRA Validation (Quarterly Review) – 1st Quarter, 2013*</td>
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<td>CI Stem Cell Grant Expenditures *</td>
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<td>Conflicts of Interest in Research</td>
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<td>Emergency Preparedness</td>
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<td>Privacy – FERPA</td>
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<td>Federal Grants – Travel expenditures</td>
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<td>Financial Aid – Title IV Refund</td>
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<td>Lab Safety</td>
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<td>Export Controls</td>
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### CONSTRUCTION / UCONN 2000

Construction Life Cycle Reviews of Selected Projects including:

- Technology Park
- East/West Classroom Buildings
- McMahon Dining Hall
- Memorial Stadium Demo
- Pharmacy (exigent project)

Change Order Monitoring
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<thead>
<tr>
<th>Audit</th>
<th>Status</th>
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<tbody>
<tr>
<td><strong>FINANCIAL &amp; OPERATIONAL</strong></td>
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<tr>
<td>Foundation Receipts and Disbursements *</td>
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<tr>
<td>CT Center for Entrepreneurship &amp; Innovation (CCEI)</td>
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<tr>
<td>Auxiliary Services – Dining Services</td>
<td>I</td>
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<tr>
<td>Technology Incubator Program (TIP)</td>
<td>I</td>
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<tr>
<td>Tuition Waivers</td>
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<td>Foundation Endowed Chair Accounts</td>
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<td>Real Estate Center, School of Business</td>
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<td>Annual Operating Budget Process</td>
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<td>Space Management System</td>
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<td>Law School Foundation</td>
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<td>Asset Management - Including Controllable Property</td>
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<td>Auxiliary Services – Residential Life</td>
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<td>Stamford – Business Operations</td>
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<td>Hartford Campus – Business Operations</td>
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<td>Purchasing – Integrated Audit</td>
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<td>Student Enrollment Information – OIR Reporting Processes</td>
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<td>Overtime Payments Public Safety</td>
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<td>Selected Center/Institute</td>
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<tr>
<td><strong>ATHLETICS</strong></td>
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<tr>
<td>Overall High Level NCAA Compliance Review *</td>
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<tr>
<td>Comprehensive review of NCAA Compliance Areas-Gambling Agents / Amateurism, Student Payroll / Student Athletics, Eligibility *</td>
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<tr>
<td>Financial Audit for the Fiscal Year ending June 30, 2012</td>
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### Audit Plan – FY13

**Status Codes:** I = FY 12 Audits In Process, C = Complete, * = Required

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<td><strong>Comprehensive Review of Selected NCAA Compliance Areas</strong>*</td>
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<tr>
<td>• Academic Performance Program</td>
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<td>• Extra Benefits</td>
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<td>• Camps and Clinics</td>
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<td><strong>NCAA Division 1-A Membership Requirements</strong>*</td>
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<td><strong>INFORMATION TECHNOLOGY (IT)</strong></td>
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<td>PeopleSoft Student Administration</td>
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<td>Kuali Financial System Ongoing Project Assurance</td>
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<tr>
<td>Network Servers (Inventory, Approval Process, Administrator Skill Level)</td>
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<td>User Account Administration</td>
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<td>Data Center/Server Rooms - Physical Security</td>
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<td>Stamford Campus</td>
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<td>West Hartford Campus</td>
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<td>HR/Payroll System Ongoing Project Assurance</td>
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<td>SciQuest (Purchasing System)</td>
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<td><strong>OTHER</strong></td>
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<td>Risk Assessment</td>
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<td>Charge Description Master (UMG)</td>
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<td>UMG Accounts Receivable/Bad Debt</td>
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<td>Advanced Beneficiary Notice (ABN’s)</td>
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<td>UMG Charge Capture</td>
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<td>Observation Services</td>
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<tr>
<td>Pharmacy Charge Capture</td>
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<td>Pharmacy Controlled Substance</td>
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<td>Cancer Center Revenue Cycle</td>
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<td>Diagnostic Imaging and Therapeutics Department (Radiology)</td>
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<td>Inpatient Outlier Payments</td>
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<td>Orthopedic Devices</td>
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<td><strong>RESEARCH / GENERAL COMPLIANCE</strong></td>
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<tr>
<td>Faculty Consulting - (07/01/10 -12/31/10)*</td>
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<tr>
<td>Faculty Consulting - (07/01/10-06/30/11) - FY 11*</td>
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<tr>
<td>Grant Expenditures &amp; Cost Transfers</td>
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<tr>
<td>ARRA (Quarterly Review) – 2nd Quarter – FY 12*</td>
<td>I</td>
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<td>ARRA (Quarterly Review) – 3rd Quarter – FY 12*</td>
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<tr>
<td>ARRA (Quarterly Review) – 4th Quarter – FY 12*</td>
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<tr>
<td>ARRA (Quarterly Review) – 1st Quarter – FY 13*</td>
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<tr>
<td>Faculty Consulting (07/01/11-06/30/12) – FY 12*</td>
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<tr>
<td>Stem Cell Research CI Grants – Expenditures *</td>
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<tr>
<td>Conflicts of Interest in Research</td>
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</tbody>
</table>
### Draft Audit Plan - FY13

**Status Code**: I = FY12 Audits In Process, C = Complete, * = Required

<table>
<thead>
<tr>
<th>Audit</th>
<th>Status</th>
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<tbody>
<tr>
<td>Grants - Cash Management</td>
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<tr>
<td>Family Medical Leave Act Compliance</td>
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<td>International Faculty / Students</td>
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<td><strong>FINANCIAL / OPERATIONAL</strong></td>
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<tr>
<td>SOM – GME Consortium Billing Process and Reimbursement</td>
<td>I</td>
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<tr>
<td>Fixed Asset Management (including controllable property)</td>
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<tr>
<td>Tuition Fees / Student Accounts Receivable</td>
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<td>Purchasing – Integrated Audit</td>
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<td>Clinical Contracts (Stark Follow-up)</td>
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<td>UCHC Gift Accounts</td>
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<td>Body Donation Program</td>
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<td><strong>CONSTRUCTION / UCONN 2000</strong></td>
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<tr>
<td>Selected Construction Contract Review (Research Towers)</td>
<td>I</td>
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<tr>
<td>Construction Life Cycle Reviews of Selected Projects including:</td>
<td>I</td>
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<tr>
<td>• Bioscience Connecticut</td>
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<td>• ARRA Cage Processing Facility</td>
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<td>Change Order Monitoring</td>
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<td><strong>INFORMATION TECHNOLOGY (IT)</strong></td>
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<td>NextGen (UMG EMR)</td>
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<tr>
<td>eHIMS</td>
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<td>Kronos</td>
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<td>SciQuest</td>
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<td>Connecticut Health Information Network (CHIN)</td>
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</tbody>
</table>
### Health Center
#### Draft Audit Plan – FY13

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<tr>
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<tr>
<td>Banner Post Implementation Review</td>
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<tr>
<td>Jenzabar (Student System)</td>
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<td>Lifetime Clinical Records (LCR)</td>
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<td><strong>OTHER</strong></td>
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<td>Risk Assessment</td>
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<td>Contingencies/Special Requests/Investigations/Consulting</td>
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## Storrs and Regional Campuses

### Draft Compliance Plan – FY13

#### Individual Responsibility, Institutional Success

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<thead>
<tr>
<th>PROGRAM ELEMENT</th>
<th>ACTIVITIES</th>
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<tbody>
<tr>
<td>Collaborative Relationships</td>
<td>• Development of Compliance Working Group to coordinate efforts and provide a forum for working-level staff with compliance oversight responsibilities.</td>
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<tr>
<td></td>
<td>• Increased collaboration with NCAA Compliance Office.</td>
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<td>• Finalize Executive Compliance Committee (ECC) charter to ensure proper post-Corporate Integrity Agreement structure of committee.</td>
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<td></td>
<td>• Active committee membership across campus. Includes Environment Compliance Team (ECT), FERPA Group, Copyright Committee and other rules based committees.</td>
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<td></td>
<td>• Active membership participation with professional organizations such as NACUA, SCCE, IAPP and ACUPA to increase collaborations with peer and aspirant institutions.</td>
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<tr>
<td>Education/Awareness and Specialized Training</td>
<td>• Hiring of .5 FTE dedicated to Compliance education efforts. Anticipated hire date September 1, 2012.</td>
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<td>• Increased educational efforts, in conjunction with Human Resources and the Provost’s Office, to ensure proper compliance education of new faculty and staff.</td>
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<td>• Continued regulatory compliance education efforts, including Annual Compliance Training and newsletter. Will begin offering assistance to departments with specific training responsibilities. Annual Compliance Training includes message from President on importance of compliance with rules, regulations and policies, assisting with proper “Tone at the Top”. 2013 Annual Compliance Training to include policies related to economic development/interactions with industry.</td>
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<td>• Communication with new leadership to ensure proper education on key policies. Presentations at Department Heads and Deans Council meetings scheduled for Fall 2012.</td>
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<td>• Educational efforts in conjunction with SecureU (IT Security) and Records Management Liaison Officer. Topics include data security, privacy and records retention.</td>
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<td>• Increased marketing of Exit Interview Program and REPORTLINE which provide anonymous venues for the reporting of allegations of policy violations.</td>
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<td>• Increased educational efforts regarding State Code of Ethics for Public Officials as it relates specifically to Athletics’ staff.</td>
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<tr>
<td>PROGRAM ELEMENT</td>
<td>ACTIVITIES</td>
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| Investigations  | • New position dedicated to investigations to ensure adequate resources in this area. Compliance Associate hire date July 27, 2012. Increased collaboration with Audit Services, ODE and HR.  
  • Fall 2012 RFP for REPORTLINE system to include possibilities of additional features such as Exit Interview portal. |
| Monitoring      | • Assign monitoring duties to new Compliance Associate. Review formats at peer institutions for consideration. Review monitoring activities. |
| Policy          | • Continued policy development and revisions in collaboration with the Provost’s Office. Policies targeted for completion are Endorsement Policy, Recruitment and Moving Expenses and Use of Foundation Funds. Compliance will work with management to assist with any policy development or revisions recommended by Audit Services.  
  • Continued assistance to the Finance Division, including Purchasing/CPCA, with creating and updating policies as well as the creation of policy and procedure manuals. Finalize policy work with EH&L and Immigration Services.  
  • Coordination of the development of an Institutional Conflicts of Interest policy and creation of Institutional Conflicts of Interest Committee. |
| Regulatory Compliance | • Continued coordination of major regulatory compliance initiatives, as well as membership on key implementation committees, including Clery and Export Controls.  
  • Due to significant overlap of compliance responsibilities, serve as institutional monitor of compliance with HEOA and Program Integrity Rules. Review each semester. Maintain heoa.uconn.edu website.  
  • Increased focus on proactive privacy and information management by way of the Records Management Initiative. Collaborative efforts with IT Security Office. Complete pilot program at West Hartford. Dependent on resources, continue special payroll Records Management staff member. |
| Reporting       | • Reporting to the Executive Compliance Committee (ECC) and Joint Audit and Compliance Committee (JACC) on significant compliance initiatives and developments.  
  • Finalize ECC charter revisions to ensure adequate representation of University leadership. |
<table>
<thead>
<tr>
<th>PROGRAM ELEMENT</th>
<th>ACTIVITIES</th>
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</table>
| Collaborative Relationships      | • Representation on various committees addressing ongoing initiatives in the UCHC regulatory environment, patient care quality/safety, privacy protection, clinical information management, research operations, and construction/BioScience  
                                     • Work collaboratively with departments that have identified resident supervision challenges to assure compliance with by-laws, hospital policy and various applicable standards of accrediting and licensing bodies |
| Education/Awareness and Specialized Training | • Annual Compliance training, Code of Conduct training, specific annual module training - current regulatory hot topics  
                                     • Meeting with new management to ensure awareness of compliance function and importance of “tone-at-the-top”  
                                     • Quarterly Newsletter – Compliance Courier  
                                     • National Compliance & Ethics Week activities  
                                     • Education on Physician Sunshine Act, new NIH CoI Rule  
                                     • Education on HITECH/HIPAA regulation changes  
                                     • Specific educational initiatives in departments either identified in annual risk assessment or as requested by management |
| Investigations                    | • All investigations are tracked and trended  
                                     • Collaboration with Labor Relations and Office of Diversity and Equity when allegations comprise conduct or protected activities  
                                     • Privacy Breach investigations are conducted by the Privacy Officer and evaluated by the UCHC Breach Team |
| Monitoring                       | • Each domain (Clinical, Education, Administration, Finance and Research) identify top 25 risks and then select the top 5 risks for prospective year. Monitors are developed with stakeholders of each domain  
                                     • OIG Work Plan is monitored each year |
| Policy                           | • Compliance will work with management to assist with any policy development or revisions recommended by Audit Services  
                                     • Overpayment policy and protocol development to assure compliance with federal refund and disclosure laws  
                                     • Review of HIPAA/HITECH policies to assure compliance with Office for Civil Rights audit protocols  
                                     • Assist with policy development with respect to meeting IT initiatives required for compliance with federal law, such as MU, EHR, ICD-10  
                                     • Participate in the development of University-wide Conflicts of Interest/Commitment policies and creation of University wide Committee to address this area  
                                     • Specific policy and procedure development for area of patient rights  
                                     • Manage the UCHC Executive Policy Committee |
## Program Element

### Regulatory Compliance
- Ensure compliance with HIPAA/HITECH implementation rule expected to be published in late summer 2012
- New NIH Col Rule implementation - August 2012
  - Deploy new electronic disclosure system - January 2013
- Assure compliance with regulations implementing new Patient Protection & Affordable Care Act
- Implement Physician Sunshine Act requirements – 2014
  - Oversee Local Coverage Determinations/National Coverage Determinations Project
  - Support Advance Beneficiary Notice (ABN) initiative lead by JDH/UMG administration

### Reporting
- Joint Audit & Compliance Committee – report five times per year
- Executive Compliance Committee – report Quarterly
- Tracking and trending of Office contacts including REPORTLINE calls and all office activities
- Annual Documentation and Coding Program Plan
- Department and Provider specific coding reports contemporaneous with each review completed
- Clinical Compliance Committee – report Quarterly
- Report annually % completion of mandatory compliance training
- Report annually all Privacy/Security Breaches with harm to the Office for Civil Rights

### Research Compliance
- Currently evaluating plan to restructure Research domain and establish Memorandum of Agreement with research administration
STATE OF CONNECTICUT

AUDITORS' REPORT
UNIVERSITY OF CONNECTICUT
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN  ☞  ROBERT M. WARD
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We examined the financial records of the University of Connecticut (University) for the fiscal years ended June 30, 2008 and 2009. The University is a component unit of the University of Connecticut system, which includes the University, the University of Connecticut Health Center (Health Center) and the University of Connecticut Foundation, Inc. (Foundation). This report on that examination consists of the Comments, Recommendations and Certification that follow.

Financial statement presentation and auditing are done on a Statewide Single Audit basis to include all state agencies. This audit has been limited to assessing the University’s compliance with certain provisions of financial related laws, regulations and contracts, and evaluating the University’s internal control structure policies and procedures established to ensure such compliance.

COMMENTS

FOREWORD:

The University, a constituent unit of the state system of higher education, operates generally under the provisions of Title 10a, Chapter 185b, Part III, of the General Statutes. During the audited period, the University was subject to statewide policy and guidelines established by, and submitted its budget through, the Board of Governors of Higher Education.

The Board of Governors of Higher Education was eliminated effective July 1, 2011, when the state system of higher education was reorganized under Public Act 11-48. The University is no longer subject to statewide policy and guidelines for constituent units of the state system of higher education and now submits its budget directly to the Office of Policy and Management.
However, certain responsibilities of the Board of Governors of Higher Education regarding the University were transferred to the newly established Board of Regents for Higher Education. Most notably, the University is required to submit recommendations for the establishment of new academic programs to the Board of Regents for Higher Education for approval.

The University is governed by the Board of Trustees of the University of Connecticut, consisting of 21 members appointed or elected under the provisions of Section 10a-103 of the General Statutes. The Board of Trustees of the University of Connecticut makes rules for the government of the University and sets policies for administration of the University pursuant to duties set forth in Section 10a-104 of the General Statutes. The members of the Board of Trustees as of June 30, 2009, were:

Ex officio members:
M. Jodi Rell, Governor
Joan McDonald, Commissioner of Economic and Community Development
Gerard N. Burrow, M.D., Chairperson of the Health Center’s Board of Directors
F. Philip Prelli, Commissioner of Agriculture
Mark K. McQuillan, Commissioner of Education

Appointed by the Governor:
John W. Rowe, M.D., New York, Chair
Louise M. Bailey, West Hartford, Secretary
Michael A Bozzuto, Avon
Peter S. Drotch, Framingham, Massachusetts
Linda P. Gatling, Southington
Lenworth M. Jacobs, M.D., West Hartford
Rebecca Lobo, Granby
Michael J. Martinez, East Lyme
Denis J. Nayden, Stamford
Thomas D. Ritter, Hartford
Wayne J. Shepperd, Danbury
Richard Treibick, Greenwich

Elected by alumni:
Philip P. Barry, Storrs
Andrea Dennis-LaVigne, Simsbury

Elected by students:
Richard Colon, Jr., Vernon
Ross Gionfriddo, West Hartford

June 30, 2007, marked the completion of the term of Salmun Kazerounian of Storrs; he was succeeded by Ross Gionfriddo of West Hartford effective July 1, 2007. Ronald F. Angelo, Jr. served as Acting Commissioner of Economic and Community Development until Joan McDonald was appointed to the position effective May 9, 2007. Michael J. Nichols of Hartford served until June 30, 2008; he was succeeded by Richard Colon, Jr. of Vernon effective July 1, 2008.
June 30, 2009, marked the completion of the term of Linda P. Gatling of Southington; she was succeeded by Robert Ward of Northford, effective July 1, 2009. John W. Rowe of New York resigned at the end of the 2008-2009 fiscal year; he was succeeded by Lawrence D. McHugh of Middletown.

Pursuant to Section 10a-108 of the General Statutes, the Board of Trustees of the University of Connecticut is to appoint a president of the University to be the chief executive and administrative officer of the University and the Board of Trustees. Philip E. Austin served as president until he stepped down on September 14, 2007, and assumed the title of President Emeritus and University Professor. Michael J. Hogan became the 14th president of the University on that date.

The University’s main campus is located at Storrs, Connecticut. The University maintains additional facilities and carries out programs at locations across the state. These facilities and programs include:

Avery Point:
- University of Connecticut at Avery Point
- Connecticut Sea Grant College Program
- National Undersea Research Center

Farmington:
- University of Connecticut Health Center

Greater Hartford:
- University of Connecticut at Hartford
- University of Connecticut School of Law
- School of Social Work
- Graduate Business Learning Center

Stamford:
- University of Connecticut at Stamford
- Graduate Programs at Stamford

Torrington:
- University of Connecticut at Torrington

Waterbury:
- University of Connecticut at Waterbury
- Graduate Programs at Waterbury

Operations of the Health Center are examined and reported upon separately by the Auditors of Public Accounts.

Autonomy:

Section 10a-112a of the General Statutes states that the museum of natural history at the
University shall be the State Museum of Natural History. Similarly, the University’s William Benton Museum of Art is designated the State Museum of Art by Section 10a-112g and the University’s Ballard Institute and Museum of Puppetry is designated the State Museum of Puppetry by Section 10a-112m.

Statutes governing the state’s constituent institutions of higher education provide the University notable autonomy and flexibility. The most significant changes were effectuated by Public Act 91-256, which greatly expanded certain limited authorities granted by Public Act 90-201. Subsequent legislation increased the degree of independence granted the institutions.

This independence is most notable with respect to procurement actions. Institutions of higher education may, under Section 10a-151b of the General Statutes, purchase equipment, supplies and services, and lease personal property without review and approval by the State Comptroller, the Department of Administrative Services or the Department of Information Technology. Further, they are not subject to the restrictions concerning personal service agreements codified under Sections 4-212 through 4-219, although, as a compensating measure, personal service agreements executed by the institutions of higher education must satisfy the same requirements generally applicable to other procurement actions.

Under Section 3-25 of the General Statutes, higher education institutions may, subject to the approval of the Comptroller, pay most non-payroll expenditures (those funded from the proceeds of state bond issuances being an exception) directly, instead of through the State Comptroller. The University issues checks that are drawn on a zero balance checking account controlled by the State Treasurer. Under the approved procedures, funds are advanced from the University’s civil list funds to the Treasurer’s cash management account. The Treasurer transfers funds from the cash management account to the zero balance checking account on a daily basis, as needed to satisfy checks that have cleared.

Though Section 3-25 clearly states that “payments for payroll…shall be made solely by the Treasurer…,” the University does pay the majority of its food service employees directly. This situation is discussed in more detail in the Condition of Records section of this report.

The University also enjoys a significant degree of autonomy with respect to personnel matters. Section 10a-108 of the General Statutes grants the Board of Trustees the authority to employ professional employees and establish the terms and conditions of employment. Section 10a-154b allows institutions of higher education to establish positions and approve the filling of all position vacancies within the limits of available funds.

UConn 2000:

Public Act 95-230, known as The University of Connecticut 2000 Act, authorized a massive infrastructure improvement program to be managed by the University, effective June 7, 1995. Although subsection (c) of Section 7 of Public Act 95-230 provides that the securities issued to fund this program are to be issued as general obligations of the University, it also commits the state to fund the debt service, both principle and interest, on these securities, for the most part, from the resources of the General Fund. Per subsection (c) of Section 5 of Public Act 95-230, “As part of the contract of the state with the holders of the securities secured by the state...
debt service commitment and pursuant to section 21 of this act, appropriation of all amounts of the state debt service commitment is hereby made out of the resources of the general fund and the treasurer shall pay such amount in each fiscal year, to the paying agent on the securities secured by the state debt service commitment or otherwise as the treasurer shall provide.”

These securities are not considered to be a state bond issue as referred to in Section 3-25 of the General Statutes. Therefore, the University is able to make payments related to the program directly, rather than process them through the State Comptroller.

Subdivision (1) of subsection (b) of Section 9 of Public Act 95-230 established a permanent endowment fund, the net earnings on the principal of which are to be dedicated and made available for endowed professorships, scholarships and programmatic enhancements. To encourage donations, subparagraph (A) of subdivision (2) of subsection (b) of Section 9 of the act provided for state matching funds for eligible donations deposited into the fund, limiting the total amount matched to $10,000,000 in any one year and to $20,000,000 in the aggregate. It specified that the match, which was to be financed from the General Fund, would be paid into the fund during the fiscal years ending June 30, 1998, 1999 and 2000.

Effective July 1, 1998, Section 28 of Public Act 98-252 authorized the deposit of state matching funds in the University or in a foundation operating pursuant to Sections 4-37e and 4-37f consistent with the deposit of endowment fund eligible gifts. This provision was made to clarify the issue of whether state matching funds could become foundation assets or must be deemed assets of the associated constituent unit of higher education.

The enabling legislation for this program was subsequently amended to extend it through the fiscal year ending June 30, 2014; the state’s maximum commitment was set as an amount not exceeding ten million dollars for the fiscal year ending June 30, 1999, seven million five hundred thousand dollars for each of the fiscal years ending June 30, 2000, June 30, 2002, June 30, 2003, June 30, 2004, and June 30, 2005, five million dollars for the fiscal year ending June 30, 2001, ten million dollars for the fiscal years ending June 30, 2006, and June 30, 2008, and fifteen million dollars for the fiscal years ending June 30, 2009, to June 30, 2014, inclusive, per Section 10a-109c of the General Statutes.

Further, the amending legislation, codified in Section 10a-109i of the General Statutes, reduced the state match, from a one-to-one ratio to a one-to-two ratio (one state dollar for two private dollars) beginning with the fiscal year ended June 30, 1999, except for eligible gift amounts certified for the fiscal years ended June 30, 1999 and 2000, for which written commitments were made prior to July 1, 1997. The ratio was further reduced to a one-to-four ratio beginning with the fiscal year ended June 30, 2008; similar caveats were established providing for a one-to-two match for gifts made during the period from January 1, 2005 to June 30, 2005, and multi-year commitments for periods beginning prior to December 31, 2004, but ending before December 31, 2012.

The timing of the payment of the state match is affected by the state’s financial condition. As of February 2010, the outstanding amount of the state match due for calendar years 2005-2009 was $16,200,000.
Recent Legislation:

During the period under review, and thereafter, legislation was passed by the General Assembly affecting the University. The most noteworthy items, including certain items that primarily affect the Health Center, but are important to the University due to their impact on the University of Connecticut system as a whole, are presented below:

- Public Act 07-1, June Special Session, Section 123, authorized a deficiency appropriation for the Health Center of $22,100,000.
- Public Act 07-3, June Special Session, Section 55, prohibited the use of tuition and student fee revenue for repairs performed solely to correct code violations for certain projects completed prior to January 1, 2007.
- Public Act 07-7, June Special Session, Section 100, gave the State Bond Commission the authority to authorize up to $20,000,000 for parking facilities related to University activities.
- Special Act No. 08-1, June 11 Special Session, Section 2, authorized a deficiency appropriation for the Health Center of $21,900,000.
- Public Act 09-2, June 19 Special Session, Section 2, authorized a deficiency appropriation for the Health Center of $22,200,000.
- Public Act 09-3, September Special Session, Section 60, removed the requirement to maintain the University of Connecticut Health Center Medical Malpractice Trust Fund on a sound actuarial basis.
- Public Act 09-7, September Special Session, Section 103, transferred $10,000,000 from the University of Connecticut Health Center Medical Malpractice Trust Fund to the General Fund for fiscal years 2009-2010 and 2010-2011.
- Public Act 10-3, Section 16, transferred $8,000,000 and $15,000,000 from the University of Connecticut operating reserve account to the General Fund for fiscal years 2009-2010 and 2010-2011, respectively.
- Public Act 10-104, authorized $362,000,000 to renovate the John Dempsey Hospital and construct a new patient tower ($332,000,000, see Section 5) and provide various benefits for other area health care organizations. The initiative was contingent on the award of a $100,000,000 federal grant, which other states could compete for. The remaining $262,000,000 was to be funded from general state tax revenues. Per Section 5 of the enabling legislation, the initiative was to terminate if the $100,000,000 was not obtained through the grant, or from other sources, by June 30, 2015.
- Public Act 10-179, Section 82, modified Public Act 10-104, increasing the amount of funding designated to be used for the purpose of providing various benefits for other area health care organizations by $3,000,000, increasing total planned expenditures to $365,000,000.
- Public Act 11-6, Section 44, capped expenditures for institutional administration at 3.13 percent and 3.1 percent of the annual General Fund appropriation plus operating fund expenditures, for fiscal years 2011-2012 and 2012-2013, respectively.
- Public Act 11-6, Section 56, requires the president of the University to submit recommendations for cost savings to the General Assembly by January 1, 2012.
• Public Act 11-48 eliminated the Board of Governors of Higher Education, removing the requirement for the University to comply with statewide policy and guidelines of constituent units of the state system of higher education and providing for the University to submit its budget directly to the Office of Policy and Management. Certain responsibilities of the Board of Governors of Higher Education regarding the University, most notably the responsibility for approving new academic programs, were transferred to the newly established Board of Regents for Higher Education. The act also requires the constituent units of the state system of higher education to use their best efforts fully utilize CORE-CT and to initiate the process of determining consistent classification and compensation for employees not represented by an employee organization, as defined in Section 5-270 of the General Statutes.

• Public Act 11-57, Section 92, gave the State Bond Commission the authority to authorize up to $172,500,000 for the development of a technology park at the University.

• Public Act 11-75, modified the initiative established by Public Act 10-104, increasing the authorized amount of state bond funding by $254,900,000. It also increased the scope of the project, incorporating existing renovation projects funded for $73,000,000 and adding a provision for the construction of a new ambulatory care center to be financed through $203,000,000 in debt or equity financing from one or more private developers. It removed the requirement to obtain $100,000,000 in grant or other funding before expending state bond funds for the project, replacing it with the requirement that the Health Center contribute not less than $69,000,000 from operations, special eligible gifts or other sources. Total planned expenditures increased from $365,000,000 to $864,900,000.

Enrollment Statistics:

Statistics compiled by the University’s registrar present the following enrollments in the University’s credit programs during the audited period.

<table>
<thead>
<tr>
<th>Student Status</th>
<th>2007-2008</th>
<th></th>
<th>2008-2009</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fall</td>
<td>Spring</td>
<td>Fall</td>
<td>Spring</td>
</tr>
<tr>
<td>Undergraduates</td>
<td>20,846</td>
<td>19,908</td>
<td>21,372</td>
<td>20,313</td>
</tr>
<tr>
<td>Graduates</td>
<td>6,425</td>
<td>6,294</td>
<td>6,583</td>
<td>6,343</td>
</tr>
<tr>
<td>Professional (School of Law and Doctor of Pharmacy)</td>
<td>919</td>
<td>882</td>
<td>925</td>
<td>891</td>
</tr>
<tr>
<td>Medicine – Students</td>
<td>323</td>
<td>323</td>
<td>331</td>
<td>331</td>
</tr>
<tr>
<td>Medicine – Other (1)</td>
<td>585</td>
<td>585</td>
<td>585</td>
<td>585</td>
</tr>
<tr>
<td>Dental – Students</td>
<td>164</td>
<td>164</td>
<td>172</td>
<td>172</td>
</tr>
<tr>
<td>Dental – Other (1)</td>
<td>109</td>
<td>109</td>
<td>121</td>
<td>121</td>
</tr>
<tr>
<td>Totals</td>
<td>29,371</td>
<td>28,265</td>
<td>30,089</td>
<td>28,756</td>
</tr>
</tbody>
</table>

(1) Other includes residents, interns and post-graduate clinical enrollment.
RÉSUMÉ OF OPERATIONS:

Under the provisions of Section 10a-105, subsection (a), of the General Statutes, fees for tuition are fixed by the University’s Board of Trustees. The following summary presents annual tuition charges during the audited period.

<table>
<thead>
<tr>
<th>Student Status</th>
<th>2007-2008</th>
<th>2008-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In-State</td>
<td>Out-of-State</td>
</tr>
<tr>
<td>Undergraduates</td>
<td>$6,816</td>
<td>$20,760</td>
</tr>
<tr>
<td>Graduates</td>
<td>8,442</td>
<td>21,924</td>
</tr>
<tr>
<td>School of Law</td>
<td>17,520</td>
<td>36,960</td>
</tr>
</tbody>
</table>

During the audited period, the State Comptroller accounted for University operations in:

- General Fund appropriation accounts.
- The University of Connecticut Operating Fund.
- The University of Connecticut Research Foundation Fund.
- The University Bond Liquidation Fund.
- Accounts established in capital project and special revenue funds for appropriations financed primarily with bond proceeds.

The University maintained additional accounts that were not reflected in the state’s civil list financial system. The most significant relate to the UConn 2000 infrastructure improvement program. They are used to account for the revenue from the issuance of UConn 2000 bonds and related expenditures.

The University also maintains a Special Local Fund that is used to account for endowments, scholarships and designated funds, loans, agency funds and miscellaneous unrestricted balances. The Special Local Fund was authorized by Governor William A. O’Neill under Section 4-31a, subsection (b), of the General Statutes in 1987 to encompass existing local funds which had traditionally been under University control.

Additionally, there are certain activity funds associated with the University which, while legally controlled by the University, are not considered part of the University of Connecticut system reporting entity. These include the following University activity funds:

- Graduate Student Senate Activity Fund
- Storrs Associated Student Government Activity Fund
- Connecticut Daily Campus Activity Fund
- WHUS Radio Station Activity Fund
- Student Organizations Activity Fund
- UConn PIRG (Storrs) Activity Fund
- Student Bar Association Activity Fund
The University’s financial statements are prepared in accordance with all relevant Governmental Accounting Standards Board (GASB) pronouncements. The University utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. All revenues and expenses are subject to accrual.

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, states that proprietary activities may elect to apply the provisions of Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements. The University has not elected this option.

The University’s financial statements are adjusted as necessary and incorporated in the state’s Comprehensive Annual Financial Report. The financial balances and activity of the University are combined with those of the Health Center, including the John Dempsey Hospital, and presented as an enterprise fund.

University employment fell slightly during the audited period. The University reported 4,555, 4,631 and 4,410 full and part-time faculty and staff as of the Fall 2007, 2008 and 2009 semesters, respectively. This decrease resulted from the 2009 retirement incentive program, which provided certain benefits for eligible employees if they retired effective June 1, or July 1, 2009.

The University’s total net assets balance decreased by $39,552,708 from $1,417,649,558 as of June 30, 2007, to $1,378,096,850 as of June 30, 2008. It then increased by $40,381,626 to $1,418,478,476 as of June 30, 2009. These changes did not reflect fluctuations in the results of operations, which remained relatively stable. They were caused by the timing of the provision of state capital appropriation support to the University. In the fiscal year, ended June 30, 2008, the University received $8,000,000 in state capital appropriations. In the following year, the state received $104,000,000 in state capital appropriations in the form of the state debt service commitment for principle attendant on the sale of bonds in connection with the UConn 2000 infrastructure improvement program.

The University’s unrestricted net assets balance increased by $13,936,979 from $121,847,247 as of June 30, 2007, to $135,784,226 as of June 30, 2008. It increased again during the following fiscal year, by $11,464,385, to $147,248,611 as of June 30, 2009. Similarly, the University’s cash and cash equivalents balance increased by $22,784,208 from $196,457,960 as

Total University revenues and other additions, operating and nonoperating, were $898,420,119 and $1,026,028,944 for the fiscal years ended June 30, 2008 and 2009, respectively. State General Fund support, primarily in the form of annual appropriations for operating expenses, in-kind fringe benefit support and the state debt service commitment for principle and interest on UConn 2000 related bonds, was the University’s largest source of revenue. It totaled $375,761,644 (42 percent) and $470,504,640 (46 percent) of total revenues for the fiscal years ended June 30, 2008 and 2009, respectively. The large increase in the second year of the audited period reflected the timing of the provision of state capital appropriation support to the University, as discussed above.

Other significant sources of revenue included student tuition and fees, sales and services of auxiliary enterprises, and grant and contract revenues. Student tuition and fees were $199,720,598 and $215,641,536 for the fiscal years ended June 30, 2008 and 2009, respectively. Sales and services of auxiliary enterprises were $133,471,934 and $149,500,934 for the fiscal years ended June 30, 2008 and 2009, respectively. Grant and contract revenues totaled $121,264,203 and $132,577,163 for the fiscal years ended June 30, 2008 and 2009, respectively.

Total University expenses and other deductions, operating and nonoperating, were $937,972,827 and $985,647,318 for the fiscal years ended June 30, 2008 and 2009, respectively. Most were classified as operating expenses. A schedule of operating expenses by functional classification, as presented in the University’s financial statements for the audited period follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>2007-2008</th>
<th>2008-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>$279,086,991</td>
<td>$284,054,407</td>
</tr>
<tr>
<td>Research</td>
<td>60,345,206</td>
<td>64,028,438</td>
</tr>
<tr>
<td>Public Service</td>
<td>33,854,891</td>
<td>37,128,819</td>
</tr>
<tr>
<td>Academic Support</td>
<td>81,513,934</td>
<td>87,046,815</td>
</tr>
<tr>
<td>Student Services</td>
<td>36,006,579</td>
<td>36,711,365</td>
</tr>
<tr>
<td>Institutional Support</td>
<td>72,314,553</td>
<td>83,169,130</td>
</tr>
<tr>
<td>Operations and Maintenance of Plant</td>
<td>64,110,720</td>
<td>71,478,092</td>
</tr>
<tr>
<td>Depreciation</td>
<td>100,186,738</td>
<td>89,556,846</td>
</tr>
<tr>
<td>Student Aid</td>
<td>4,009,588</td>
<td>3,917,207</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>135,061,206</td>
<td>144,375,731</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>16,491,610</td>
<td>30,579,207</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$882,982,016</td>
<td>$932,046,057</td>
</tr>
</tbody>
</table>

The only material nonoperating expenses during the audited period were interest payments. Interest expense was $51,246,898 and $48,915,717 for the fiscal years ended June 30, 2008 and 2009, respectively. This expense was, for the most part, offset by transfers from the state General Fund. The state debt service commitment for interest was $39,525,537 and $37,843,218 for the fiscal years ended June 30, 2008 and 2009, respectively. The interest charges on debt issued to finance certain projects, primarily related to student housing, were absorbed by the University’s operating fund.
The University did not hold significant endowment and similar funds balances during the audited period, as it has been the University’s longstanding practice to deposit funds raised with the University of Connecticut Foundation, Inc. or the University of Connecticut Law School Foundation, Inc. The Foundation provides support for the University and the Health Center. Its financial statements reflect balances and transactions associated with both entities, not only those exclusive to the University. A summary of the two foundations’ assets, liabilities, support, and revenue and expenses, as per those audited financial statements, follows:

<table>
<thead>
<tr>
<th></th>
<th>Foundation</th>
<th>Law School Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fiscal Year Ended</td>
<td>Fiscal Year Ended</td>
</tr>
<tr>
<td></td>
<td>June 30, 2008</td>
<td>June 30, 2009</td>
</tr>
<tr>
<td>Assets</td>
<td>$396,802,000</td>
<td>$16,538,000</td>
</tr>
<tr>
<td>Liabilities</td>
<td>16,801,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Net Assets</td>
<td>380,001,000</td>
<td>16,536,000</td>
</tr>
<tr>
<td>Revenue and Support</td>
<td>32,758,000</td>
<td>297,000</td>
</tr>
<tr>
<td>(1)</td>
<td>(31,337,000)</td>
<td>(1,241,000)</td>
</tr>
<tr>
<td>Expenses</td>
<td>45,696,000</td>
<td>1,692,975</td>
</tr>
<tr>
<td></td>
<td>43,267,000</td>
<td>1,263,000</td>
</tr>
</tbody>
</table>

(1) A decline in the value of investments held due to the late 2000s financial downturn resulted in negative net revenue and support for the fiscal year ended June 30, 2009.
CONDITION OF RECORDS

Our review of the financial records of the University disclosed certain areas requiring attention, as discussed in this section of the report.

Compensation Limits:

Criteria: Compensation levels for state employees are normally determined by established salary schedules with set minimums and maximums. Employees generally receive annual increases, advancing within the schedules until they reach the maximum salary for their positions. Once employees reach the maximum salary for their positions, their base salaries only increase when the salary schedules are adjusted for inflation.

Condition: Compensation for University employees that fall under one of the standard state collective bargaining agreements is in accordance with the practice described above. However, though the University has established hiring salary guidelines for employees that fall under the University of Connecticut Professional Employees Union, it has not established maximum rates of pay for such employees. For employees that fall under the American Association of University Professors collective bargaining agreement (primarily faculty), only minimum rates have been established. For other non-classified employees, such as managers and confidential employees, neither minimums nor maximums have been established.

Effect: The compensation levels of University professional employees are not constrained within salary ranges established by an analysis of market conditions.

Cause: Section 10a-108 of the General Statutes states, “The board of trustees may employ the faculty and other personnel needed to operate and maintain the institutions under its jurisdiction. Within the limitation of appropriations, the board of trustees shall fix the compensation of such personnel, establish terms and conditions of employment and prescribe their duties and qualifications.” The Board of Trustees has not opted to establish formal constraints on compensation levels.

Recommendation: The University’s Department of Human Resources should establish salary ranges for all professional employees that are based on an analysis of market conditions. The ranges should not be exceeded for new hires or existing employees without specific board approval. (See Recommendation 1.)
Agency Response: “The University acknowledges that a sound compensation structure is important to effective recruitment and retention of a highly qualified workforce and supports effective management of financial resources.

The compensation structures for UCPEA and AAUP were established in the 1980’s through the collective bargaining process and may be modified through that process. The University’s Board of Trustees established a special committee on executive compensation in April of 2011. This committee is reviewing the compensation structure for managerial staff to determine what methodology will best support the interests of the institution, in compliance with the Board’s statutory obligations. In the meantime, the University will continue to utilize benchmark data to establish appropriate compensation levels consistent with industry norms.”

Authority to Fix Compensation:

Criteria: Under Section 10a-108 of the General Statutes, the Board of Trustees has the authority to “employ the faculty and other personnel needed” and “fix the compensation of such personnel.” Though the statute does not prohibit the board from delegating this authority, there appear to be some limitations on its ability to do so. Addressing similar legislation regarding the authority of the Connecticut State University Board of Trustees, the Attorney General expressed the opinion that the delegation of certain responsibilities was improper. When authority is delegated, the delegation should be fully and clearly expressed, leaving nothing implied.

Condition: In 1989, the Board of Trustees voted to “delegate the authority to approve compensation packages of employees to the President” and provided that this authority is “conditioned upon the requirement that the President report all compensation arrangements to the board on an annual basis.” Though the president does not appear to be reporting all compensation arrangements to the Board of Trustees on an annual basis, this action does, at least, provide explicit delegation of the Board of Trustees’ authority to establish pay rates to the president.

In 1995, the University adopted a strategic plan titled “Beyond 2000: Change” which identified the allocation of resources as a primary strategic goal. The University addressed this goal by implementing an allocation model built on a block grant philosophy with decision making decentralized to as great a degree
as possible. This resulted in the effective delegation of the authority to establish pay rates to the departmental level.

This further delegation of the Board of Trustees’ authority to the departmental level appears to have occurred as an indirect consequence of the University’s efforts to decentralize. We did not find any documentation on file that clearly established the Board of Trustees’ intentions in this area.

**Effect:**

It is clear that the Board of Trustees intended to set responsibility for allocating budgeted amounts between personal services and other expenses at the department level. However, it is not clear whether or not the Board of Trustees intended to delegate the authority to establish pay rates in the same manner.

**Cause:**

It could not be readily determined why this was not addressed.

**Recommendation:**

The University should establish, and submit to the Board of Trustees for approval, policies that clearly specify which administrators have the authority to approve staff salaries and define the limits of those administrators’ authority in this area. The authority to set the salaries of high level managerial personnel, such as University vice presidents and similar level executives, should be retained by the board. (See Recommendation 2.)

**Agency Response:**

“The intent of the Board of Trustees was to delegate hiring decisions to the President. Implicit in that delegation is the responsibility to decide how best to set appropriate salaries for such hires at the departmental level. The move to decentralization was known by the Board and it has relied on the President to establish appropriate salary levels. In general, the President has tasked Human Resources to work in collaboration with the hiring departments in this effort. The University's Board of Trustees established a special committee on executive compensation in April of 2011. This committee is reviewing the compensation structure for managerial staff to determine what methodology will best support the interests of the institution, in compliance with the Board's statutory obligations. This compensation committee will also review the practice of the decentralization of salary decisions and make a recommendation to the Board to clearly establish its intent. It will also review the 1989 policy and make a recommendation as to whether or not it should be modified.”

**Food Services Employees:**

**Background:**

The Associated Student Commissaries was an association of student-operated commissaries occupying University residences...
that was formed to provide central administrative services for the member commissaries. It operated as an activity fund established under the authority of Section 4-53 of the General Statutes, in accordance with procedures prescribed by the Comptroller.

In 1979, the Connecticut State Board of Labor Relations was asked to determine if the employer of cooks and kitchen assistants in the member commissaries was the Associated Student Commissaries or the individual member commissaries. The Board of Labor Relations concluded that they were employed by the individual student commissaries, as the power to hire, discharge and discipline the kitchen employees as well as to control the wages, hours, and other conditions of employment was vested in the individual commissaries, not in the Associated Student Commissaries.

Employees of the member commissaries comprised only a portion of the University’s food service employees at that time. Staff serving in the large dining halls were state employees paid through the Comptroller.

The degree of independence and authority enjoyed by the member commissaries gradually eroded over time. Eventually, the smaller dining halls formerly controlled by the member commissaries closed and the Associated Student Commissaries activity fund effectively ceased operations.

Currently, students are served by several large dining halls operated by the Department of Dining Services of the Division of Student Affairs. The power to hire, discharge and discipline staff and to control the wages, hours, and other conditions of employment rests with University administrators. However, most of the food service operations employees staffing these large dining halls are now paid directly by the University in a manner similar to the way the former employees of the member commissaries were compensated.

Most food service operations staff are not members of the State retirement system. Instead, they are eligible to participate in two other retirement plans, the Department of Dining Services Money Purchase Pension Plan or the University of Connecticut Department of Dining Services 403(b) Retirement Plan.

The University filed a request for a ruling regarding the status of Department of Dining Services pension plans on May 17, 1999. In a ruling dated February 24, 2000, the Internal Revenue Service agreed that the food service operations employees are employees
of an agency or instrumentality of the state and that the plans are governmental plans.

Criteria:
Under Section 10a-108 of the General Statutes, the Board of Trustees has the authority to “employ the faculty and other personnel needed” and “fix the compensation of such personnel.” The Board of Trustees’ authority to fix compensation does not extend to employees in state classified service. The work done by most food service operations staff appears to be of a type normally performed by employees in state classified service. Section 10a-108 does not address participation in retirement plans.

Section 3-25 of the General Statutes authorizes constituent units of the state system of higher education to pay certain claims directly, rather than through the State Comptroller. However, Section 3-25 specifically excludes payments for payroll.

Condition:
The University’s food service operations staff are generally referred to as Dining Services employees to distinguish them from other University employees. However, the Department of Dining Services is a unit of the University of Connecticut and, therefore, of the state. Accordingly, the University’s food service operations staff are employed by the state.

Unlike other University staff, they are paid directly by the University instead of through the State Comptroller. Additionally, as noted above, they participate in separate retirement plans.

Effect:
Though there are sound operational reasons for the University’s method of compensating its food service operations staff, the legal basis for the direct payment of wages by the University is unclear, as is the participation of these employees in separate retirement plans.

Cause:
The University did not seek clear statutory authorization to pay its food service operations staff in this manner.

Recommendation:
The University should seek clear statutory authorization for the direct payment of wages to its food service operations staff and for their participation in separate retirement plans. (See Recommendation 3.)

Agency Response: “As part of a 2010 review of the status of these Dining Services employees by the Auditors of Public Accounts, the University reported that because the Internal Revenue Service determined the operation to be a 501(c)(3) non-profit organization, (1983) and the Connecticut Board of Labor Relations has determined that the
employees are “non-state employees,” (1979) the University considered the operation to be a separate entity, and we continue to be of that opinion. However, the University will revisit the statutory framework to assess what modifications may be appropriate.”

**Auditors’ Concluding Comments:**

The opinions cited by the University in its response applied to the Associated Student Commissaries, an association of student operated commissaries occupying University residences which ceased operations a number of years ago. They do not apply to food service employees employed by the University. Accordingly, they do not provide any support for the University’s current practice of paying its food services employees directly, instead of through the State Comptroller as required by law.

**Payments for Accrued Compensated Absences:**

**Criteria:**

When employees terminate, they are entitled to be paid for unused vacation leave in accordance with the provisions of Section 5-252 of the General Statutes, subject to certain contractual limitations. When employees retire, they are also entitled to be paid for unused sick leave at the rate of one-fourth of their salary up to a maximum payment equivalent to sixty days pay, in accordance with the provisions of Section 5-247 of the General Statutes. These unused leave balances are referred to as accrued compensated absences.

Additionally, certain University managers are paid for their accumulated vacation leave when they change status and become members of the faculty bargaining unit. This is a University policy established under the authority of Section 10a-108 of the General Statutes.

**Condition:**

We reviewed payments to 20 employees for accrued compensated absences made during the period from March 2007 through April 2009. We noted two errors that had not been detected by the University, resulting in overpayments of $1,367 and $28,808.

We reviewed payments to 27 employees for accrued compensated absences made during the fiscal year ended June 30, 2010. We noted two errors that had not been detected by the University, resulting in underpayments of $138 and $3,290.

We found similar errors in previous periods. In our report on the University for the fiscal years ended June 30, 2006 and 2007, we noted that our review had disclosed errors, ranging from $93 to $835 in amount, in the calculation of five of 25 payments tested.
Effective with the pay period ended July 15, 2010, the University improved control in this area. All payments for accrued compensated absences are now audited for accuracy by a payroll supervisor on a biweekly basis.

**Effect:**
We reviewed only a test sample of payments made. It is likely that other errors occurred and remain uncorrected.

**Cause:**
Prior to the pay period ended July 15, 2010, payments for accrued compensated absences were not subject to routine supervisory review.

**Recommendation:**
The University should review payments made for accrued compensated absences made prior to the pay period ended July 15, 2010. (See Recommendation 4.)

**Agency Response:**
“As noted in Vice President Munroe’s March 2011 response … , additional steps have been taken to mitigate against calculation errors, including supervisory review of all separation payments. Corrective action was taken earlier on the two overpayments referenced in this finding, and the University was made whole on 9/1/09 and 11/6/09 respectively. Additionally, corrective action was taken on the two underpayments on 4/7/11. The Payroll Department agrees with the recommendation to review separation payments made during FY10, and will take corrective action where appropriate.”

**Auditors’ Concluding Comments:**
The two overpayments we noted during the period of March 2007 through April 2009, occurred in April 2007 and September 2008. As the condition that resulted in inaccurate payments for compensated absences was not confined to the 2010 fiscal year, we believe that the University should not limit its review of separation payments to that period.

**Approval of Payroll Authorizations:**

**Criteria:**
University policy calls for payroll authorizations to be signed, generally, by two individuals authorized to sign such documents, neither of which is the employee whose salary is being authorized. Only one signature is required if the signatory is that of the president, the provost, or any of the vice presidents. Authority to sign is established at the departmental level; it is documented in the University’s online Administrative Task Authorization Tool.
**Condition:**
We reviewed salary payments supported by 81 payroll authorizations. We noted eight instances where the payroll authorization was not signed by two individuals identified as authorized to sign such documents for the department in the University’s online Administrative Task Authorization Tool. In one of the eight instances, there was only one signatory and the signatory was not authorized to sign for the department.

**Effect:**
This requirement was established to enhance control over payroll actions. If the requirement is not enforced by the payroll department, the effectiveness of the control is compromised.

**Cause:**
This requirement was not enforced.

**Recommendation:**
The payroll department should not process payroll actions unless the related payroll authorization forms are properly signed. (See Recommendation 5.)

**Agency Response:**
“The University agrees with this recommendation and the Payroll Department will take appropriate steps to more closely monitor the signatures on payroll authorizations.”

**Cost Sharing:**

**Background:**
Sponsored research projects obviously benefit the organizations that fund them, as they act to further the purposes of those organizations. Sponsored research projects also benefit the universities that carry out research. In addition to financial support, they provide important educational opportunities for students and professional development for faculty.

It is generally recognized that, as a matter of equity, universities should contribute to sponsored research projects. Because they reap a portion of the benefits ensuing from the projects, it is reasonable for them to share in the costs of the projects by funding a portion of those costs from their own unrestricted resources.

Grantors may require universities to assume a share of the costs as a condition when giving or donating a grant. Universities may volunteer to assume a share of the costs if they perceive it will provide an advantage when competing for grants. Additionally, faculty may voluntarily devote additional effort over and above what has been committed because of their personal interest in the projects. Universities need to track and monitor the unrestricted resources they devote to sponsored projects to make sure they are proportionate to the concomitant benefits.
Cost sharing occurs when the University bears a portion of the costs of a sponsored project (charges the costs to unrestricted funds instead of billing the sponsor). When cost sharing occurs, the University forfeits not only the recovery of the direct cost but also the recovery of the associated facilities and administrative cost.

If cost sharing is required by the sponsor, it is referred to as mandatory committed cost sharing. If cost sharing is not specifically required by the sponsor but is set forth and quantified in the proposal documentation, it is referred to as voluntary committed cost sharing. Voluntary uncommitted cost sharing occurs when researchers devote extra time and effort beyond that required by the sponsor or set forth and quantified in the proposal.

Cost sharing is commonly effectuated by paying researchers out of unrestricted University resources (i.e., funding provided to the University from the resources of the state General Fund) while they work on sponsored projects. This allocation of resources, whether mandatory or voluntary, should be evaluated and approved at the appropriate level.

The University tracks mandatory and voluntary committed cost sharing in its time and effort reporting system. It does not track voluntary uncommitted cost sharing. Our reviews indicate that there is a significant amount of voluntary uncommitted cost sharing at the University.

In connection with a review of time and effort reports conducted as part of Connecticut’s federal Statewide Single Audit, we questioned 35 researchers as to the accuracy of their Fall 2009 time and effort reports. We found that 25 of the reports appeared to overstate the percentage of effort devoted to instruction and understate the percentage of effort devoted to sponsored research.

One researcher’s time and effort report showed 100 percent of effort devoted to instruction, but the researcher informed us that only 30 percent was actually devoted to instruction. The remaining 70 percent was devoted to sponsored research. On average, the percent of effort devoted to sponsored research was understated by unrecorded cost sharing amounting to 29 percent of total effort. A separate review of the key personnel compliance requirement yielded similar results.

The total amount of University cost sharing cannot be readily calculated. The University does not track voluntary uncommitted cost sharing, and our reviews were not designed to quantify the amount of voluntary uncommitted cost sharing. However, it does
appear that cost sharing absorbs a significant amount of unrestricted University resources.

**Effect:**
Researchers can effectively direct unrestricted University resources to sponsored research projects without going through a formal review and approval process.

**Cause:**
The University’s goal is to be recognized as one of the nation’s top-20 public research universities. In keeping with that goal, research is considered a central task for members of the faculty and the University allocates resources to further that goal.

State funding provided to the University has been sufficient to allow the University to both fulfill its instructional responsibilities and devote significant resources to research. As resources were adequate and faculty participation in research encouraged, it was not considered necessary to establish a formal review and approval process for all cost sharing on sponsored research projects. However, this policy needs to be reevaluated, considering current constraints on state funding.

**Recommendation:**
The University should implement a formal process that provides for the review, approval and documentation of all cost sharing. (See Recommendation 6.)

**Agency Response:**
“We understand the point being raised by the auditor, although we are not in complete agreement with the specifics of the finding and recommendation. However, we still believe the approval and tracking of voluntary uncommitted cost share is problematic in the context of “the inextricably intermingled functions performed by the faculty in an academic setting (i.e., teaching, research, service and administration)” [see clarification memo by the Office of Management and Budget (OMB), dated January 5, 2001]. In that memo OMB also acknowledges that “The reporting burdens on universities and their faculty associated with detailed recording of voluntary uncommitted cost sharing may be providing a disincentive for the Universities to contribute additional time to the research effort.

Given the complexity of the issues related to cost-sharing, we have decided to establish a committee to review our current practices. This review will include an examination of best practices at peer institutions to ensure that our practices do not place the University at a competitive disadvantage in the context of federal funding in the current budgetary climate. In addition, we will start requiring a level of effort on all sponsored projects for the Principal
Investigator and key personnel that is consistent with project objectives.”

**Board Approval of Contracts:**

**Criteria:**
Section 10a-151b of the General Statutes empowers the Board of Trustees to adopt procurement policies for the institution. University policy in effect prior to February 18, 2010, mandated approval for all contracts with a value of $500,000 or more. That threshold was increased to $1,000,000, effective February 18, 2010. In order to determine whether Board of Trustees approval is required, it is necessary to consider the total maximum value, not just the annual cost, of a contract. This policy helps ensure that the Board of Trustees is provided with the necessary information to fulfill its oversight responsibilities.

**Condition:**
The University and the University of Connecticut Foundation, Inc. (Foundation) entered into an agreement dated December 1, 1994, under which the Foundation assumed primary responsibility for development efforts for the benefit of the University and management of the University’s endowment funds. In accordance with this agreement, the University, including the Health Center, executed a memorandum of understanding with the Foundation effective July 1, 2009, calling for both entities to pay the Foundation not less than $8,584,000 (including $1,030,000 from the Health Center).

The $8,584,000 was intended to reimburse the Foundation for the costs it incurred in the course of raising funds for the University – costs that the University would have had to incur if the Foundation was not handling development efforts for the University. The memorandum was subsequently amended to provide an additional $2,500,000 to support the Foundation’s proposed purchase of a fundraising database system.

When we asked for documentation to substantiate that the Board of Trustees had approved this contract, we were told that, though it had approved the original 1994 agreement, the Board of Trustees has not been approving the annual memorandums of understanding. As these contracts far exceed the threshold for approval, they should have been approved by the Board of Trustees in accordance with established policy.

We also noted that library subscription payments included in our test sample made to two vendors aggregated $1,300,000 to one vendor and $1,429,259 to the other. These procurement actions were not submitted to the Board of Trustees for approval.
**Effect:**

These procurement actions appear to have been for legitimate University business purposes. However, the Board of Trustees cannot fulfill its oversight responsibilities if it is not provided with the necessary information by management.

**Cause:**

These instances of non-compliance with established policy appear to reflect procedural errors. The Foundation is a related party. The library subscriptions are non-competitive. Accordingly, the mechanisms that would result in the submission of regular vendor contracts of this magnitude to the Board for approval were not engaged.

**Recommendation:**

The University should revise its procedures to ensure that all contracts, express or implied, that exceed established thresholds, are submitted to the Board of Trustees for approval as required by the University’s legally adopted policy. (See Recommendation 7.)

**Agency Response:**

“We believe the Board of Trustee’s approval of the 1994 Master Agreement between the Foundation and the University and the Board’s approval of the University’s budget allows for the University to enter into the MOU with the Foundation without further review from the Board of Trustees. A master agreement between the Foundation and the University was executed on December 1, 1994 which outlines the relationship between the two entities and the responsibilities of the foundation with respect to performing development, investment and other services for the University. The Foundation is also a 501C (3) organization that exists solely to support the University. The 1994 agreement states: “The University designates the Foundation as the primary fund raising entity for the University and it agrees to reimburse the Foundation for reasonable cost of fund raising services that the Foundation provides. All University fundraising shall be coordinated through the Foundation. Annually, the University and the Foundation shall sign a memorandum of understanding which outlines the fund raising goals and objectives that the University and the Foundation have agreed upon and the respective financial arrangement between the two parties to accomplish these goals.” Based on the master agreement the University identifies funding for the Foundation in the University Budget which is approved by the Board of Trustees and solidified in the annual MOU’s, usually completed sometime after the approved budget. This has been the University’s practice for the last seventeen years.

The library expenses in question are recurring expenses for library subscriptions that are part of “doing business” as a research university. The University purchases library media and books each
year as set forth in Section 10a-151a of the state statutes and, in effect, the Board of Trustees approves the continuation of these ongoing library subscriptions as part of the line item for library collections of $7 million that is part of the overall University budget.”

Auditors’ Concluding Comments:

The 1994 Master Agreement formalizes a structural relationship between the University and the Foundation. The annual memorandums of understanding, which are signed by representatives of both institutions and approved as to form by a representative of the Attorney General, establish the fiscal details and the specifics of other aspects of that relationship. As they are essential components of the contractual relationship between the University and the Foundation, they should be subject to review and approval by the Board of Trustees.

Budgetary approval of spending levels is not equivalent to approval of specific contracts. The University’s policy of requiring Board of Trustees approval of significant contracts is a critical aspect of the University’s internal control. The memorandums of understanding between the University and the Foundation and the library subscription arrangements should be subject to this control.

Disaster Recovery Plan:

Criteria: Information technology systems provide mission critical support functions. A disaster recovery plan provides a step-by-step framework for actions to be taken in response to a disaster that affects these systems. Preparing a comprehensive plan can significantly reduce response time, minimizing the disruptive effect of a serious, unexpected impairment of data processing services on ongoing operations.

Condition: As of June 2011, the University Information Technology Services department, which maintains the University’s core systems, did not have an updated disaster recovery plan on file.

Effect: The lack of a current disaster recovery plan could seriously hamper the University’s ability to respond in a timely fashion if a disaster seriously compromised its core information technology systems, especially if key personnel necessary to the decision making process are temporarily unavailable.

Cause: The cause could not be readily determined.
Recommendation: The University should prepare a detailed plan addressing actions to be taken in the event a disaster interrupts key information technology services. The plan should be continuously updated, taking into consideration changes in the systems and in the resources available to deal with potential outages. (See Recommendation 8.)

Agency Response: “We agree with this recommendation. Management made disaster planning a priority over the next six months. We started updating all existing disaster recovery plans and will publish an updated disaster recovery plan by the end of June 2012. Currently system level recovery plans do exist and some are already updated, however, they are not assembled in a single location with consistent quality and format. By December we will have electronic and paper copies of our disaster recovery plan stored on-site and off-site. Our efforts over the next 6 months will include identifying future improvements in our ability to recover from a catastrophic disaster and seek resources to implement an alternate recovery site for critical systems (within budget limitations). We are also taking steps to reduce the risk of system failure in our existing data centers.”

Changes in the Scope of Exigent Projects:

Criteria: At its March 23, 2004 meeting, the Board of Trustees established a category of projects, titled exigent projects, requiring immediate action. The Board of Trustees authorized the University administration to negotiate with any qualified contractor currently under contract and working at the University on other, unrelated projects, to work on exigent projects.

Exigent projects were to be approved by the vice president for operations, who also had the authority to approve changes in scope that affect the cost of the project. The vice president for operations reported to the vice president and chief operating officer. Effective November 2004, the position of vice president for operations was eliminated.

Condition: In August 2007, President Austin approved an exigent project for code remediation work projected to cost $492,869. Subsequent changes in scope increased the projected cost to $2,558,060. We were unable to locate documentary evidence that the changes in scope were approved by an individual with the requisite degree of authority.

Effect: It does not appear that the changes in scope were properly approved.
Cause: We were unable to readily determine why the required authorizations were not obtained.

Recommendation: University administrators should obtain and document the required approvals for changes in the scope of exigent projects that affect the cost of the project. (See Recommendation 9.)

Agency Response: “The University agrees with this finding. Going forward, the University will endeavor to make sure that the individual with requisite degree of authority signs off on all exigent requests.”

Construction Program Subcontracts:

Criteria: Section 10a-109n, subsection (c), part (9), requires general contractors to “invite bids and give notice of opportunities to bid on project elements, by advertising, at least once, in one or more newspapers having general circulation in the state … Each bid shall be kept sealed until opened publicly at the time and place as set forth in the notice soliciting such bid. The construction manager at-risk shall, after consultation with and approval by the university, award any related contracts for project elements to the responsible qualified contractor, who shall be prequalified pursuant to section 4a-100, submitting the lowest bid in compliance with the bid requirements … .”

Condition: We reviewed three construction manager at risk projects. We did not find documentary evidence that all subcontracts were publicly let. Furthermore, for those subcontracts where documentation was on file, the documentation did not include evidence that the award process was reviewed by the University.

Effect: It is unclear whether all subcontracts were publicly let and the award processes properly reviewed.

Cause: University procedures do not provide for a formal review and sign-off on the award processes for subcontracts.

Recommendation: University procedures should be modified to incorporate a formal review and approval of the award process when construction project subcontracts are awarded. (See Recommendation 10.)

Agency Response: “The University currently uses AIA Document A133 as its form of agreement between the University (Owner) and the Construction Manager. An excerpt from Article 2 of this contract form follows which identifies the obligations of the parties:
The Construction Manager shall submit to the Owner a proposed process for pre-qualifying subcontractors, soliciting bids from subcontractors, and awarding subcontracts, on each of the elements of the Work, and implement that process upon approval by the University and in accordance with such modifications, conditions and procedures as the University may require. Once subcontractors for each such element of the Work have been pre-qualified, the Construction Manager shall submit a list of those pre-qualified to the Architect and Owner. The Owner shall reply in writing to the Construction Manager indicating its approval or disapproval of those listed to submit bids.

“The Construction Manager shall invite bids from and give notice of opportunities to bid on project elements to those subcontractors pre-qualified pursuant to the Construction Manager’s approved process referred to above, to the extent such subcontractors have been approved by the Owner. Invitations to Bid shall be made and Notice of opportunities shall be given, by advertising, at least once, in one or more newspapers having general circulation in the State of Connecticut. Each bid shall be kept sealed until opened publicly at the time and place set forth in the notice soliciting such bid. The Construction Manager will analyze all bids and proposals to verify that the proposals are complete and that no unacceptable qualifications are made. The Construction Manager shall, after consultation with and approval by the Owner, award any related contracts for Project elements to the responsible, qualified, approved subcontractor submitting the lowest bid in compliance with the bid requirements.

The University has policies, procedures and documentation within the office of Capital Projects and Contract Administration (CPCA) that conform to the Owner’s obligations within. CPCA will review and modify existing documentation procedures to ensure better documentation of the efforts initiated and controlled by the Construction Manager.”

**Auditors’ Concluding Comments:**

In the instances described above, we did not find documentary evidence that required procedures were actually carried out. We believe that a formal review and sign-off on the award process for all subcontracts is needed.

**Entities Affiliated with the University:**

**Criteria:**

Prudent business practice dictates that the University establish agreements with organizations operating within the University environment that define the rights and obligations of each party.
In prior audit reports we noted certain non-profit organizations operating in some manner at the University for which the University did not have an agreement defining the rights and obligations between the University and the non-profit organization.

The University has made some effort to identify those non-profit organizations operating in some manner at the University and put agreements in place. However, documentation provided us did not evidence a comprehensive review. Additionally, we were able to identify additional organizations that did not appear to have been addressed.

The lack of written agreements with affiliated organizations could allow University resources to be used in a manner inconsistent with University policy or expose the University to potential legal liabilities.

We were unable to readily determine why this issue has not been addressed.

The University should develop a comprehensive, centralized process for identifying affiliated organizations, determining the nature of the University’s interaction with the organizations and verifying that the appropriate written agreements are in place. (See Recommendation 11.)

“The University agrees that continued additional effort is required in this area, given its increasingly expansive scope. During the past two years, the University continued to concentrate its efforts on identifying non-profits physically located at the University or not, and ensuring that proper lease or other agreements were in place to the extent possible. (e.g. Roper Center for Public Opinion Research).

Previously, the University assigned this responsibility to the Office of Real Estate and Risk Management. That office discovered a broad array of affiliations, many of which do not involve a physical presence at the University. Accordingly, the University will develop a comprehensive, centralized process for identifying the full array of affiliated entities and ensure that the proper written agreements are in place.”

Per Section 4-32 of the General Statutes, monies in the amount of $500 or more are to be deposited within twenty-four hours of
receipt. Daily receipts of less than $500 may be held until the total receipts to date amount to $500, but not for a period of more than seven calendar days.

**Condition:**
During a review of cash advances, we noted that ten of 13 checks issued by advance holders to return unused portions of advances were not deposited in a timely manner. The checks ranged from $3 to $12,959 and were deposited from one to six months late.

**Effect:**
These incidents constituted a violation of the provisions of Section 4-32 of the general statutes and evidenced a breakdown in internal control.

**Cause:**
We were informed that an individual staff member, subsequently reassigned, did not carry out this function properly.

**Conclusion:**
It is our understanding that this matter has since been addressed by the Accounts Payable and Travel Offices and that it is departmental policy to deposit any checks over $500 within 24 hours of receipt, and all checks as soon as possible.
RECOMMENDATIONS

Status of Prior Audit Recommendations:

In our previous report on our audit examination of the University, we presented 12 recommendations pertaining to University operations. The following is a summary of those recommendations and the actions taken thereon:

- Take greater care in safekeeping important documents related to the UConn 2000 infrastructure improvement program – we did not find any instances of the condition that prompted this recommendation during our latest review.

- Increase oversight over employees on the special payroll – the Department of Human Resources implemented an electronic workflow system (SPAR) to support centralized review and action on special payroll.

- Enter into comprehensive and current agreements with nonprofit entities affiliated with the University – this recommendation has been restated and repeated. (See Recommendation 11.)

- Subject payments made to temporary part-time employees to additional scrutiny – this recommendation addressed payments made on the special payroll; the Department of Human Resources has increased oversight of the special payroll.

- Require documentation of extenuating circumstances when University personnel use premium airfare – the University has informed us that the Office of Travel Services now requires documentation of extenuating circumstances, and an exception to policy, when University personnel use premium airfare.

- Limit use of negative receiving to invoice amounts of a reasonable dollar value – no deficiencies were found in our latest review.

- Obtain the required gift and campaign certifications at contract signing, as well as during the required annual updates – new procedures were implemented; no deficiencies were found in our latest review.

- Discontinue the practice of providing paid leave time to certain unionized employees before they are eligible – the University addressed this condition.

- Transfer excess Student Organization Fund checking account cash balances to an appropriate interest bearing investment – the University did not maintain excess Student Organization Fund checking account cash balances during the audited period.

- Consider transferring responsibility for the Accounts Payable and Payroll departments to the vice president and chief financial officer to improve segregation of duties – responsibility for the Accounts Payable department was transferred to the vice president.
and chief financial officer; the University decided not to transfer responsibility for the Payroll department.

- Limit the use of emergency or exigent purchasing procedures to those circumstances in which true emergency conditions exist – we did not find any new instances of the condition that prompted this recommendation.

- Exercise greater care when calculating payments for accrued compensated absences – new controls were implemented effective with the pay period ended July 15, 2010; payments made prior to that pay period should be reviewed. (See Recommendation 4.)

**Current Audit Recommendations:**

1. **The University’s Department of Human Resources should establish salary ranges for all professional employees that are based on an analysis of market conditions. The ranges should not be exceeded for new hires or existing employees without specific board approval.**

   **Comment:**

   Compensation for University employees that fall under one of the standard state collective bargaining agreements is in accordance with sound practice. However, though the University has established hiring salary guidelines for employees that fall under the University of Connecticut Professional Employees Union, it has not established maximum rates of pay for such employees. For employees that fall under the American Association of University Professors collective bargaining agreement, primarily faculty, only minimum rates have been established. For other non-classified employees, such as managers and confidential employees, neither minimums nor maximums have been established.

2. **The University should establish, and submit to the Board of Trustees for approval, policies that clearly specify which administrators have the authority to approve staff salaries and define the limits of those administrators’ authority in this area. The authority to set the salaries of high level managerial personnel, such as University vice presidents and similar level executives, should be retained by the board.**

   **Comment:**

   In 1995, the University adopted a strategic plan titled “Beyond 2000: Change” which identified the allocation of resources as a primary strategic goal. The University addressed this goal by implementing an allocation model built on a block grant philosophy with decision making decentralized to as great a degree as possible. This resulted in the effective delegation of the authority to establish pay rates to the departmental level.
The further effective delegation of the Board of Trustees’ authority to the departmental level appears to have occurred as an indirect consequence of the University’s efforts to decentralize. We did not find any documentation on file that clearly established the Board of Trustees’ intentions in this area.

3. **The University should seek clear statutory authorization for the direct payment of wages to its food service operations staff and for their participation in separate retirement plans.**

Comment:

Section 3-25 of the General Statutes authorizes constituent units of the state system of higher education to pay certain claims directly, rather than through the State Comptroller. However, Section 3-25 specifically excludes payments for payroll. Unlike other University staff, food service operations staff are paid directly by the University instead of through the State Comptroller. They also participate in separate retirement plans, though there is no clear statutory authorization for this.

4. **The University should review payments made for accrued compensated absences made prior to the pay period ended July 15, 2010.**

Comment:

The University improved controls over payments for accrued compensated absences effective with the pay period ended July 15, 2010. However, we noted an unacceptable number of errors when we reviewed samples of payments made prior to that pay period.

5. **The payroll department should not process payroll actions unless the related payroll authorization forms are properly signed.**

Comment:

We reviewed salary payments supported by 81 payroll authorizations. We noted eight instances where the payroll authorization was not signed by two individuals identified as authorized to sign such documents for the department in the University’s online Administrative Task Authorization Tool. In one of the eight instances, there was only one signatory and the signatory was not authorized to sign for the department.

6. **The University should implement a formal process that provides for the review, approval and documentation of all cost sharing.**

Comment:

In connection with a review of time and effort reports conducted as part of Connecticut’s Federal Statewide Single Audit, we questioned 35 researchers as to the accuracy of their fall 2009 time and effort reports. We found that 25 of the reports appeared to understate
the percentage of effort devoted to sponsored research. A separate review of the key personnel compliance requirement yielded similar results. Our reviews indicated that the University may be devoting significant resources to undocumented voluntary cost sharing. All voluntary cost sharing should be subjected to a review and approval process and should be properly documented.

7. The University should revise its procedures to ensure that all contracts, express or implied, that exceed established thresholds, are submitted to the Board of Trustees for approval as required by the University’s legally adopted policy.

Comment:

We noted that University contracts with the University of Connecticut Foundation, Inc. and library subscription payments were not approved by the Board of Trustees. These contracts should have been approved by the Board of Trustees in accordance with established policy.

8. The University should prepare a detailed plan addressing actions to be taken in the event a disaster interrupts key information technology services. The plan should be continuously updated, taking into consideration changes in the systems and in the resources available to deal with potential outages.

Comment:

As of June 2011, the University Information Technology Services department, which maintains the University’s core systems, did not have an updated disaster recovery plan on file.

9. University administrators should obtain and document the required approvals for changes in the scope of exigent projects that affect the cost of the project.

In August 2007, President Austin approved an exigent project for code remediation work projected to cost $492,869. Subsequent changes in scope increased the projected cost to $2,558,060. We were unable to locate documentary evidence that the changes in scope were approved by an individual with the requisite degree of authority.

10. University procedures should be modified to incorporate a formal review and approval of the award process when construction project subcontracts are awarded.

Comment:

We reviewed three construction manager at risk projects. We did not find documentary evidence that all subcontracts were publicly let. Further, for those subcontracts where documentation was on file, the documentation did not include evidence that the award process was reviewed by the University.
11. The University should develop a comprehensive, centralized process for identifying affiliated organizations, determining the nature of the University’s interaction with the organizations and verifying that the appropriate written agreements are in place.

Comment:

The University has made some effort to identify those non-profit organizations operating in some manner at the University and put agreements in place. However, documentation provided us did not evidence a comprehensive review. Additionally, we were able to identify additional organizations that did not appear to have been addressed.
INDEPENDENT AUDITORS’ CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the University of Connecticut for the fiscal years ended June 30, 2008 and 2009. This audit was primarily limited to performing tests of the University’s compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the University’s internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the University are complied with, (2) the financial transactions of the University are properly initiated, authorized, recorded, processed, and reported on consistent with management’s direction, and (3) the assets of the University are safeguarded against loss or unauthorized use. The financial statement audits of the University of Connecticut for the fiscal years ended June 30, 2008 and 2009, are reported upon separately and are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the University of Connecticut complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements, and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Internal Control over Financial Operations, Safeguarding of Assets and Compliance:

Management of the University of Connecticut is responsible for establishing and maintaining effective internal control over financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts, and grants. In planning and performing our audit, we considered the University of Connecticut’s internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the University’s financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of expressing an opinion on the effectiveness of the University’s internal control over those control objectives. Accordingly, we do not express an opinion on the effectiveness of University of Connecticut’s internal control over those control objectives.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct on a timely basis, unauthorized, illegal or irregular transactions, or breakdowns in the safekeeping of any asset or resource. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions and/or material noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that would be material in relation to the University’s financial operations will not be prevented, or detected and corrected on a timely basis.
Our consideration of internal control over financial operations, safeguarding of assets, and compliance with requirements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the University’s financial operations, safeguarding of assets, or compliance with requirements that we consider to be material weaknesses, as defined above.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the University of Connecticut complied with laws, regulations, contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the University’s financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The University of Connecticut’s responses to the findings identified in our audit are described in the accompanying Condition of Records section of this report. We did not audit the University of Connecticut’s responses and, accordingly, we express no opinion on it.

This report is intended for the information and use of University management, the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.
CONCLUSION

We wish to express our appreciation to the staff of the University for the cooperation and courtesies extended to our representatives during this examination.

State Auditor Robert M. Ward recused himself from reviewing and signing the audit report in order to avoid the appearance of a conflict of interest. Mr. Ward served on the UConn Board of Trustees for the period of July 1, 2010 through January 5, 2011.

James K. Carroll
Principal Auditor

Approved:

John C. Geragosian
Auditor of Public Accounts
## The Office of Audit, Compliance & Ethics
### Status of External Audit Projects

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Area</th>
<th>Scope</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marcum, LLP</td>
<td>UCHC</td>
<td>Audits of the John Dempsey Hospital and Dental Clinics (Clinical Programs Fund), including the OHCA fillings, UConn Medical Group (UMG) and the University of Connecticut Health Center Finance Corporation for Fiscal Year 2012.</td>
<td>The JACC approved the hiring of Marcum, LLP to conduct this audit at a Special Meeting of the JACC on March 12, 2012. Work is underway.</td>
</tr>
<tr>
<td>BKD</td>
<td>Storrs Athletics</td>
<td>NCAA agreed upon procedures performed on all revenues, expenses, and capital expenditures for or on behalf of the University’s Athletics Program for FY 2012.</td>
<td>OACE will request JACC approval to hire BKD for FY12 at the August 9, 2012 JACC meeting.</td>
</tr>
<tr>
<td>McGladrey &amp; Pullen, LLP</td>
<td>Storrs, Regionals &amp; UCHC UCONN 2000 Expenditures for FY 2012</td>
<td>Audit of UCONN 2000 named projects substantially completed during FY 2012. Deferred maintenance with designated projects’ budgets substantially completed in FY 2012 and agreed upon procedures performed on total UCONN 2000 expenditures (named projects, deferred maintenance and equipment) for FY 2012.</td>
<td>OACE will request JACC approval to hire McGladrey &amp; Pullen, LLP for FY12 at the August 9, 2012 JACC meeting.</td>
</tr>
</tbody>
</table>
TO: Members of the Joint Audit and Compliance Committee

FROM: Kenneth Michael Walker
Chief Audit and Compliance Officer

DATE: August 9, 2012

SUBJECT: APPOINTMENT OF AUDITORS – BKD

RECOMMENDATION

It is recommended that the Joint Audit and Compliance Committee approve the re-appointment of the accounting firm BKD to provide audit services for the year ended June 30, 2012. These services include reporting on the application of agreed-upon procedures in compliance with The National Collegiate Athletic Association (NCAA) Financial Reporting Requirements. The proposed fee for the above service is $XX,XXX plus out of pocket expenses that will not exceed $XXX.

BACKGROUND AND METHODOLOGY

NCAA Constitution 3.2.4.16.1 requires that all revenues, expenses and capital expenditures for or on behalf of a Division I member institution’s intercollegiate athletic programs, including those by any affiliated or outside organization, agency, or group of individuals (two or more) shall be subject to annual agreed-upon procedures. The agreed upon procedures report should be prepared by a qualified independent accountant who is not a staff member of the institution and who is selected either by the institution’s chief executive or by an institutional administrator from outside the athletic department designated by the chief executive officer.

BKD presented their final report on the NCAA Financial Agreed-Upon Procedures for fiscal year 2011 to the Joint Audit & Compliance Committee (JACC) at their December 2011 meeting. Their report was issued final on December 15, 2011, fulfilling their obligations as described in the initial contract. In accordance with the terms of the contract, the University may elect to utilize BKD to provide NCAA financial audit services on an annual basis for up to five consecutive years; this engagement represents the second consecutive year that the University will utilize the services of BKD to conduct the NCAA Financial Agreed-Upon Procedures.

OACE seeks JACC approval to move forward with this engagement.
TO: Members of the Joint Audit & Compliance Committee

FROM: Kenneth Michael Walker
       Chief Audit & Compliance Officer

DATE: August 9, 2012

SUBJECT: APPOINTMENT OF AUDITORS – McGladrey & Pullen, LLP

RECOMMENDATION

It is recommended that the Joint Audit and Compliance Committee approve the reappointment of the accounting firm of McGladrey & Pullen, LLP as independent auditors of UCONN 2000 expenditures for the 2012 fiscal year. The engagement requires the audit of UCONN 2000 named projects and stand alone deferred maintenance projects substantially completed during the 2012 fiscal year and agreed upon procedures performed on total UCONN 2000 expenditures, including deferred maintenance and equipment for the year ending June 30, 2012. The proposed fee for the above services is $XX,XXX plus out of pocket expenses that will not exceed $XX,XXX. The engagement will commence on September 1, 2012 and is expected to be completed no later than March 31, 2013.

BACKGROUND

McGladrey & Pullen presented their final audit reports on UCONN 2000 expenditures for fiscal year 2011 to the Joint Audit & Compliance Committee at their April 2012 meeting. This fulfilled their obligations as described in the initial contract. In accordance with the terms of the contract and prevailing legislation, Public Act No. 06-134, An Act Concerning Construction Oversight at the University of Connecticut and the Prequalification of Substantial Contractor, the University may elect to utilize the services McGladrey & Pullen, LLP to conduct audits of UCONN 2000 project expenditures on an annual basis for five consecutive years. This engagement represents the second consecutive year that the University will utilize the services of McGladrey & Pullen, LLP to conduct audits of UCONN 2000 project expenditures

OACE seeks JACC approval to move forward with this engagement.
Joint Audit & Compliance Committee

OACE Charter Review

Authority

Whereas it is a primary function of the University of Connecticut Board of Trustees and University of Connecticut Health Center Board of Directors (hereinafter referred to collectively as the “Board”) to ensure effective control of the administration and operations of the University of Connecticut and University of Connecticut Health Center (hereinafter referred to collectively as the “University”), the Joint Audit and Compliance Committee (JACC) of the Board of Trustees mandates the establishment of the Office of Audit, Compliance and Ethics (OACE). It shall report functionally to the Chair of the JACC and report for administrative purposes only to the President.

Purpose

The purpose of OACE is to provide the Board and the President an independent appraisal of the adequacy and the effectiveness of the University's system of internal administrative and accounting controls and the quality of performance when compared with established standards. Further, it is established to promote a University-wide culture of compliance and ethics. OACE also serves as the centralized office for compliance with Privacy laws and Freedom of Information Act requests. The primary objective is to assist the Board, the President and Senior University Administration in the effective discharge of their responsibilities.

Standards and Independence

The Internal Audit Department will operate within the guidelines of the Institute of Internal Auditors (IIA) Professional Practices Framework which includes the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing as mandatory guidance. In addition, where applicable, the Division will follow Generally Accepted Government Auditing Standards (GAGAS).

The Compliance Department will operate within the guidelines of the various standards for conduct and professional practice for compliance professionals.

Department staff will be members of appropriate professional associations and will participate in continuing education to remain current with best practices and emerging issues in the areas of audit, compliance and ethics.

Department staff will be independent in fact and appearance by upholding the principles of integrity, objectivity, confidentiality and competency. Staff will be independent of the activities or operations they review; they will not engage in any activity which would impair their independence of judgment. It shall be independent of any other influence or control of any kind.
Scope and Responsibility

In consultation with the JACC, the Chief Audit and Compliance Officer shall plan, implement, report upon, supervise and be responsible for all internal auditing activities, compliance activities, and personnel within the framework of this Charter. These functions are prerogatives of the Chief Audit and Compliance Officer, which may not be infringed upon nor otherwise compromised. The Office of Audit, Compliance and Ethics shall be organized at the discretion of the Chief Audit and Compliance Officer for optimum effectiveness. The Department will have uninhibited access to all files, documents and related information (except as may be restricted by law) and will fulfill its responsibility to the Board and the President by:

- Developing annual audit and compliance activity plans based on a risk analysis which includes consideration of the University’s goals and objectives and the concerns of management and the Board

- Providing audit and compliance coverage that consistently meets the needs and expectations of management

- Following up on identified weaknesses, findings and recommendations from previous audit work and compliance reviews

- Participating in a program of quality assurance designed to ensure the increasing professionalism of the department and standard of the work performed

- Performing consulting services including advisory and related service activities, the nature and scope of which are agreed upon and which are intended to add value and improve the University’s governance, risk management, and control processes without assuming management responsibility. Examples include counsel, advice, facilitation, training and committee service

- Promoting awareness of the University’s Code of Conduct, compliance risk and the objectives of compliance activities through communicating with and educating the University community

- Developing effective ways to mitigate compliance risk through collaboration with the university community and the implementation of appropriate monitoring plans

- Acting as a liaison with the State of Connecticut Office of State Ethics and State Auditors of Public Accounts
Joint Audit & Compliance Committee

OACE Charter Review

The scope of audit and compliance activities will include all controls, reports and operations of the University. The Department will examine and evaluate:

• The reliability and integrity of financial and operating information and the means used to identify, measure, classify and report information

• The systems established to ensure compliance with policies, plans, procedures, laws and regulations that could have a significant impact on the University

• The means of safeguarding assets and verifying their existence

• The economy and the efficiency with which resources are employed

• The extent to which the operations and programs of the University are consistent with its objectives and goals

• The extent to which information technology governance sustains and supports the University’s strategies and objectives

• The ethics objectives and activities of the University

• The potential for fraud and the management of fraud risk

The Department will ensure:

• Develop and implement effective training programs to ensure that employees are aware of, adhere to and report potential violations of laws, regulations and policies and procedures

• Investigate potential violations of laws, regulations, and policies

• Establish a confidential safe harbor to receive and direct compliance issues for investigation and resolution

• Develop innovative and effective ways to collaborate with the University community to mitigate compliance risk
Joint Audit & Compliance Committee
OACE Charter Review

**Reporting**

Annually, the Chief Audit and Compliance Officer or his/her designee will submit information on the annual Audit and Compliance Plan, work schedule and staffing plan to the President and to the JACC for their approval. Quarterly, the Chief Audit and Compliance Officer and/or his/her designee will provide activity reports to the President and the JACC detailing progress against the annual audit and compliance plans, departmental accomplishments, and highlights of any significant audit and/or compliance findings and recommendations. The Chief Audit and Compliance Officer or his/her designee shall also report regularly to the University’s Executive Compliance Committees.

**Sign and Approve**

Approved by Joint Audit and Compliance Committee  
Date: August 9, 2012
<table>
<thead>
<tr>
<th>Issue</th>
<th>Proposed Action</th>
<th>Responsibility</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Statements</td>
<td>Additional education on analyzing financial statements. Possibly webinars or internal training options.</td>
<td>Mike Walker, JACC Committee Chair</td>
<td>TBD</td>
</tr>
<tr>
<td>Emerging compliance requirements</td>
<td>Information provided during Risk Assessment presentation, Aug 2012, and as issues arise.</td>
<td>Director of Internal Audit and Compliance Officers</td>
<td>August 2012</td>
</tr>
<tr>
<td>Communicating “bad” news quickly</td>
<td>Emphasis to Senior Administration Team by JACC, Chair.</td>
<td>JACC Committee Chair</td>
<td>Continuous</td>
</tr>
<tr>
<td>OACE oversight of management responses and remediation plans to audit findings.</td>
<td>Review of open items and management progress at each JACC meeting.</td>
<td>OACE</td>
<td>Per JACC Schedule</td>
</tr>
<tr>
<td>Ability to react quickly to effect change and take preventive measures for the future.</td>
<td>Early identification of high risk issues and disclosure by management with appropriate action plan.</td>
<td>JACC Committee Chair</td>
<td>Continuous</td>
</tr>
</tbody>
</table>
Joint Audit & Compliance Committee
Self Assessment – FY 12

In response to the University of Connecticut – Joint Audit and Compliance Committee 2011 Self Assessment Survey that was shared with the committee in December 2011, below is an Action Plan to address those items and opportunities that will strengthen the committee’s effectiveness.

<table>
<thead>
<tr>
<th>Things we do well:</th>
</tr>
</thead>
<tbody>
<tr>
<td>01. The committee understands what the Board of Trustees expects of it</td>
</tr>
<tr>
<td>02. The committee’s actions reflect independence from management</td>
</tr>
<tr>
<td>03. The committee is provided with appropriate educational materials regarding emerging compliance requirements and appropriate training</td>
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<tr>
<td>04. The committee meets often enough to address the scope of work</td>
</tr>
<tr>
<td>05. The meetings are of sufficient length to allow consideration of agenda items</td>
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<tr>
<td>06. The agenda is appropriate and relative to the responses</td>
</tr>
<tr>
<td>07. Advance materials provide the right level of detail and are received on a timely basis</td>
</tr>
<tr>
<td>08. The committee engages in open, substantive, active and direct interaction with the external auditor’s independence</td>
</tr>
<tr>
<td>09. The committee is satisfied with the external’s auditor’s independence</td>
</tr>
<tr>
<td>10. There is active consideration of the risk assessment and resulting audit plan</td>
</tr>
<tr>
<td>11. The committee reviews external engagements relative to it responsibilities</td>
</tr>
<tr>
<td>12. Private sessions held with internal and external independent auditors result in a candid discussion of relevant issues</td>
</tr>
</tbody>
</table>

Individual Responsibility, Institutional Success
TAB 8
Create Space, Save Money!
Records Management

Good records management practices provide protection against serious data breaches (and resulting PR disasters), while creating valuable space and saving both time and money.

The Assistant Director of Compliance/Privacy has developed a tool to assist departments in creating a records inventory, understanding retention obligations with respect to those records and formulating appropriate action plans for securing or destroying the records.

Simply put, records have life cycles. Understanding what must be kept versus purged, and how to properly protect or destroy, can have the following significant benefits.

Benefits of Records Management:
- Create space in physical offices and on hard drives.
- Reduce operating costs.
- Safeguard information and support identity theft prevention.
- Meet legal requirements and minimize litigation risks.
- Clarify/Organize data governance and related responsibilities.
- Improve access to information.

Be proactive in achieving those benefits for your department. Contact Rachel Krinsky Rudnick, Assistant Director of Compliance/Privacy, at 860-486-5256; Rachel.Krinsky@uconn.edu for tools, resources and training.

University Code of Conduct: Did You Know?

- Do students have a right to question faculty members and the administration staff in good faith?
- Must University employees respect the individual choices that students make for career paths?
- Must University scholars grant access to research data to co-investigators involved in generating that data?

The answers to these questions (all “yes”) and more are contained in the University’s Code of Conduct, specifically in the Education Standards and Research Principles and Standards sections. These sections cover the University’s commitment to attracting and developing scholars, educating and respecting students regardless of demographics, properly collecting and maintaining research data and appropriately acknowledging research contributors, among other important points.

Updated last summer, the Code also contains sections on ethics, campus-wide standards, public engagement and outreach, patient care, business and fiscal standards and external relations. It is the essential overarching policy that should guide us all in day-to-day decision making and activities.

Consult the Code!
http://www.audit.uconn.edu/doc/codeofconduct.pdf
University of Connecticut policies are living documents—don’t allow them to languish! Protect the integrity and relevance of your policy by updating it annually. This process is made easy through the E-Policy Library: [http://policy.uconn.edu/](http://policy.uconn.edu/).

To review, a University policy is an official statement expressing the position of the University on an issue of institution-wide importance. A University policy guides the decisions and actions of the institution and is consistent with its mission. Policies articulate requirements and restrictions, and establish standards, rights and responsibilities that apply generally throughout the University or within a Department, Office or Division.

The E-Policy Library allows faculty and staff to search for policies; browse policies by title, date and group affected; and search or browse through individual department guidelines.

To create a new policy, the procedure detailed at [http://policy.uconn.edu](http://policy.uconn.edu) must be followed. In short, a senior official must confirm the need for the new policy, and a draft must be developed and approved by the appropriate bodies, including the Vice President in conference with University governance groups and/or the Board of Trustees, as necessary. Once approved, the policy will be posted and publicized.

When policies are no longer needed, the decommissioning process includes submission of a formal request to the appropriate Vice President, who will confer with the President’s Cabinet and other relevant groups to consider the overall impact of eliminating the policy. Once decommissioning is approved, the Office of Audit, Compliance and Ethics will remove it from the E-Policy Library and provide a hard copy to the University Archives.

### HEOA
#### Not Just for Students

The Higher Education Opportunities Act (HEOA) requires colleges and Universities participating in federal student financial aid programs to disclose certain information. This “Student Consumer Information” is important for transparency and provides prospective and current students with information on, among other things:

- Student diversity;
- Services for students with disabilities;
- Institutional accreditation;
- Faculty statistics;
- Campus crime statistics;
- Student Financial Assistance; and
- Student outcomes, such as retention rates, graduation rates and job placement data.

This information can also be relevant and useful to faculty and staff. Visit the site today to learn from the comprehensive listing of resources and statistics. [http://heoa.uconn.edu/](http://heoa.uconn.edu/)

### 100% Compliance

**Congratulations, University Employees, for achieving 100% completion of the Annual Compliance Training!**

We enjoyed your attentiveness and enthusiasm during our months of in-person sessions, and applaud the commitment of those who completed the training through the online option.

We welcome suggestions for next year’s training program. If you have a topic that you would like to see included, please email your suggestion to: Compliance.training@uconn.edu.

**ENJOY YOUR SUMMER!**
A BARRAGE of Regulations
The regulatory burden that organizations face is growing. And in an increasingly global economy, many organizations face regulatory compliance challenges in multiple countries. Among the developments internal auditors must contend with are heightened enforcement of the U.S. Foreign Corrupt Practices Act and the more recent U.K. Bribery Act, the potential convergence of International Financial Reporting Standards and U.S. Generally Accepted Accounting Principles, and new regulations stemming from the U.S. Patient Protection and Affordable Care Act. There’s also the Volcker Rule section of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act and, for U.S. energy companies, at least five new Environmental Protection Agency clean water rules.

The list goes on. U.S. firms are currently grappling with recently promulgated regulations implementing the Fraud Enforcement and Recovery Act of 2009, which expands the definition of a financial institution and the Department of Justice’s authority to prosecute mortgage fraud; 2008’s Red Flag Rules, which require businesses such as banks, mortgage lenders, retailers, and utilities to develop and implement formal written programs to identify, detect, and respond to possible evidence of identity theft; and Federal Acquisition Regulation 3.1003, the Mandatory Disclosure Rule, which requires government contractors to disclose credible evidence of a violation of federal criminal law regarding fraud, conflict of interest, or bribery, or a violation of the civil False Claims Act.

But while the daunting notion of complying with an ever-expanding rule book may be dizzying to the unfamiliar, there are ways for internal auditors to help ensure their organizations are in compliance without devoting all their resources to a function they’re not actually intended to carry out. One critical step is to make sure internal audit has a seat at the strategy-setting table. Auditors also need to become familiar with the regulations with which their organization must comply. The third step is to make sure the corporate compliance function and staff are as seamlessly meshed with internal audit as possible. When it comes to auditing compliance, it’s key to let the compliance experts do their part and the audit experts do theirs.

Separate From Compliance
The bottom line for internal audit is compliance is fundamentally not its

With regulatory activity at an all-time high, auditors should be monitoring controls around compliance.

Regulations

Russell A. Jackson
responsibility. “It’s more important for internal audit to provide assurance that the compliance process works in identifying emerging regulations than to be on top of the regulations themselves,” says Scott White, vice president at M&M Consulting LLC in Windham, N.H., which performs internal audit and compliance work for small and medium-sized community banks. “Internal auditors certainly have to be familiar with new and emerging risks. However, auditors cannot be expected to be compliance professionals — without specific training and experience.” There are exceptions, he adds, in small organizations, where compliance and internal audit might be one person or department, but in all cases, “internal audit should be keeping up to date on developments with emerging regulations,” he stresses (see “Varying Compliance Roles for Audit” on page 37). Internal audit needs to provide assurance that the compliance process works so that new or revised regulations are recognized and addressed.

Those assurances, White adds, needn’t be too regulation-specific. “Internal audit’s assurances really depend on the nature of the regulations in question,” he points out. Regarding the U.S. Bank Secrecy Act of 1970 — which is still enforced vigorously today — regulated businesses need to have very specific processes in place for compliance. “The way you need to deal with compliance is to make sure the control process works,” he emphasizes. “Is there a control process in place for recognizing new regulations as they emerge? Is there a process for disseminating that information? For compliance monitoring? For training people?” The internal auditor is “the expert at recognizing where there’s a risk and whether your enterprise has appropriate controls in place to mitigate it,” White says.

The biggest regulatory challenge for U.S. banks, he explains, is the creation of the Consumer Financial Protection Bureau (CFPB). It’s hard to tell on what the bureau will focus, he says. Companies need to pay attention to the CFPB’s emerging focus, he urges, “to be ready to address the issues that arise.” Other regulations that cause banks and their auditors headaches, he adds, are changes to the Real Estate Settlement Procedures Act and to flood protection regulations.

**KEEPING TRACK OF CHANGES**

Before an internal audit department can determine the risks posed by regulatory activity, it needs to know what kind of regulations the enterprise faces. “Just as internal auditors are responsible for keeping abreast of changes in the industry in which their organization operates,” comments Susan Burch, senior manager at RTI International in Raleigh, N.C., “they should stay current on changes in regulations that may affect their organization.”

That information and insight does little good, however, if internal audit doesn’t know where the organization is headed and what it expects to do once it gets there. That’s where a seat at the policy- and strategy-setting table becomes critical, says Joe Steakley, senior vice president of internal audit and enterprise risk services at Hospital Corporation of America in Nashville, Tenn. His department has frequent communications with the audit committee and the board, including face-to-face meetings quarterly, at a minimum, and numerous phone calls during the interim between internal audit and management. Of specific concern are the volumes of regulations coming out of the U.S. Medicare and Medicaid programs. “The regulations change, literally, every quarter,” he says. “So we have teams of people, in addition to our department, to track those changes. I have a team who audits and stays on top of it, and there are hundreds of people making sure we’re compliant.”

How does an internal audit department keep up with what almost everyone in the health-care industry characterizes as a ‘tsunami’ of regulations? “We talk to the people in these areas during the year about what’s changing and what’s coming at us that we should be aware of,” he explains. “What we’re doing now is different from what we were doing three years ago; indeed, if you don’t stay on top of things, you won’t be around in three years.”

**TEAMING WITH COMPLIANCE**

Regulatory compliance is, in fact, so key that in most enterprises, corporate compliance and internal audit work together to make sure the company knows what it’s expected to do and has systems in place to ensure it does. One of internal audit’s most important challenges in assisting organizations with compliance is working with the specialists in that discipline. “Internal auditors should work closely with compliance in suggesting improvements to the process and internal controls that need to be in place to comply,” White advises. “Internal audit probably has more knowledge than any one group about the organization as a whole and can assist compliance in determining the best ways to implement processes to comply.”

Burch agrees: “There should be a close collaboration between internal audit and corporate compliance such
VARYING COMPLIANCE ROLES FOR AUDIT

Not every organization has the luxury of having both a robust internal audit function and a strong corporate compliance function. Sometimes the same person or people perform these functions, or the two departments report to the same individual. In those situations, Susan Burch of RTI International advises, “the organization may want to consider outsourcing an audit of its overall compliance program.” The major accounting firms should be able to perform that type of audit, she notes, but internal audit would still be in a position to audit compliance with specific regulatory requirements. “Any issues identified should be communicated to corporate compliance so it can improve the overall compliance program and work with management to ensure appropriate controls are in place,” she explains, adding that at small organizations, the compliance function might need internal audit’s assistance to understand how to conduct a risk assessment. Internal audit’s input could range from taking the lead and actually running the risk assessment to providing advice on whom to talk to and what questions to ask.

The opposite may be true at huge organizations, where internal audit’s role in monitoring the compliance process may be limited. “Our regulatory requirements are very well monitored by the airline and by the U.S. agencies and authorities of the different countries we fly to,” notes Delta Air Lines chief audit executive Kiko Harvey. “There are specialized groups within the company that support this work outside of corporate audit. We have an extraordinarily effective government affairs department as well.”

That internal audit is the assurance function and corporate compliance is responsible for implementation of the overall compliance program.” In some cases, she adds, internal audit also may play a consulting role, such as participation on compliance projects or new compliance initiatives.

Indeed, internal audit’s collaboration should extend beyond just the compliance department, Steakley says. “Part of my role is to make sure there’s collaboration and communications all up and down the enterprise,” he explains. “While we don’t make policy, we have an opportunity to be at the table for all committee and policy-setting events. The bottom line is you need a seat at the table. You can’t audit compliance in a vacuum.”

That need for collaboration may sound like a recipe for turf-war disaster, but internal audit executives in the field uniformly say that’s not the case. The bigger threat, they point out, is overlap. “There is a fine line, and sometimes it’s a blurry line,” White notes. “And it’s more in the minds of the stakeholders. They sometimes think that, as an internal auditor, you might be a compliance expert, too, so you have to point out that’s not the case.” Overlap can occur in situations where internal audit is looking at a compliance process or control on which corporate compliance has already commented. “That’s when it becomes inefficient and people start to wonder who’s doing what,” he says. “Both groups need to understand where to draw the line. For me, internal audit is risk assessment, understanding the process, understanding where things can go wrong, and recommending or supporting internal controls. Compliance knows the regulations. Internal audit doesn’t get into that territory.” If the two disciplines can’t identify and eliminate potential overlap before it occurs, he adds, delineation responsibility may fall on the audit committee.

Internal auditors seeking more specific guidance can find it in IIA Practice Advisory (PA) 2050-2: Assurance Maps, which “gives the common-sense solution of mapping risks and avoiding duplication,” Steakley notes. “It should be done by someone, probably the chief audit executive.” His department conducts an annual exercise to, as the PA advises, map risk and avoid duplication between functional groups, and report on such to the audit committee. Burch cites an additional IIA practice guide, Reliance by Internal Audit on Other Assurance Providers, as a source of guidance on avoiding duplication of effort.

WEIGHING THE RISKS

Internal audit can accomplish several specific functions related to regulatory compliance auditing. The most important is auditing the compliance process itself. “Internal audit should be auditing compliance from a couple different perspectives,” Burch says. “One way is to audit an organization’s compliance program, including structure, staffing, cost, policies and procedures, communication protocols, compliance training, and allocation of compliance resources.” In addition, Burch stresses, “internal audit should be incorporating compliance into its financial, operational, and compliance audit engagements, and it should be testing adherence to key high-risk regulations — such as those that carry significant penalties or those that can negatively impact the firm’s reputation.” There are guidelines for what constitutes a robust compliance program, she adds, but there isn’t any standard that says, “for this type of organization, here’s what your regulatory compliance structure should look like or how much it should
cost.” Rather, it entails considerable judgment, so it’s important that internal audit has experienced auditors when it performs that type of engagement; auditors should be familiar with what like companies do, as well.

Another key compliance function internal audit can carry out is risk-rating compliance. “When compliance areas make it into the audit plan, we approach them like any other area,” notes Kiko Harvey, vice president of corporate audit and enterprise risk management (ERM) at Delta Air Lines in Atlanta. “Usually, things show up on our risk meter when they’re not performing well or there is change in the area.”

A compliance risk assessment should consider risk by regulation and business unit, Burch adds. “The results should influence the areas where corporate compliance focuses — such as allocation of resources and training — and internal audit’s risk assessment should be used to establish its audit plan.”

Indeed, “regulatory scrutiny is a factor in all of our risk assessments for our clients,” White emphasizes. “Once we have an understanding that regulators are looking at specific areas, that weighs into the risk assessment.” In the banking industry in which his firm specializes, some areas, such as asset-liability management, require annual internal audits, and those areas become automatic high-risk components of the risk assessment.

Auditors shouldn’t get too hung up on risk-ranking when it comes to compliance, though. “With regulated business, compliance becomes a major strategic element in the ERM approach,” notes Bill Watts, a partner at Crowe Horwath in Columbus, Ohio. “But regulatory compliance should not be viewed as the key risk. Rather, emphasize the business risks themselves and internal audit’s monitoring of the risk-mitigation strategies, and then align those activities with regulatory compliance requirements.” Internal audit, Watts asserts, can assess business risk mitigation strategies and provide assurance that the regulatory compliance processes are designed and operating effectively. Indeed, he emphasizes, “internal audit should play a role in staying ahead of regulations by not just looking at the risk rate. There is typically significant coverage of new regulations, and the proposed rules are often put out for public comment, which provides plenty of warning and an opportunity for the company to comment on the proposals.” Internal audit, he says, should stay abreast of impending regulatory releases and understand the possible impact and its time line.

LENDING A HAND
Auditors shouldn’t make the mistake of trying to prove the “value” of complying with regulatory mandates, Watts advises. “As ERM becomes more prevalent in organizations,” he says, “those organizations are looking at ways to balance prevention versus impact, but not to the point of seeking a return on investment on noncompliance.” Organizations look more at that area from the perspective of the effort and cost required to lower the risk of noncompliance and minimizing the related penalty or cost. “Internal audit should assess the impact of noncompliance,” he says, “which may include penalties or fines.” That assessment may dictate how much monitoring internal audit does of the compliance strategy. Internal audit should focus its monitoring efforts on regulations that have a high impact if there is noncompliance — such as expulsion from a federal program or fines that could hobble an entire business line — and a more-than-remote likelihood of it.

Internal auditors seeking to assist their organization’s compliance activities increasingly need to be aware of third-party risk, Watts continues. “Internal audit is uniquely positioned to help a company manage those risks, and it should be looking at the enterprise’s strategy three to five years out,” he says. Is the organization entering new global markets? What are the regulations in those markets? Will the firm need third-party vendors to help it get there? Most organizations have looked at third-party risk in areas such as IT, accounting support, data privacy, and cloud computing where there is a well-defined regulatory impact. “Companies must stay on top of that impact currently and in the future, as they strategize into new geographies and new business lines,” Watts notes.

The good news about regulatory compliance audit engagements is they require exactly the skills that internal audit departments already have. And it’s a good thing, as the regulatory burden continues to grow. “A poor regulatory rating can be damaging and costly to dig out of,” White comments. “Internal auditors should provide assurance on the compliance process — auditing it if necessary — to ensure that issues are being identified proactively by management and compliance.”

RUSSELL A. JACKSON is a freelance writer based in West Hollywood, Calif.
<table>
<thead>
<tr>
<th>Agenda Item</th>
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</thead>
<tbody>
<tr>
<td><strong>Annual Agreed-Upon Procedures to the Statements of Revenues &amp; Expenses of</strong></td>
</tr>
<tr>
<td>UConn’s Athletics Program[i]</td>
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<tr>
<td>- Approval to Hire</td>
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<tr>
<td>- Present Report to the JACC</td>
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<tr>
<td><strong>State-Wide Single Audit  (Auditors of Public Accounts)[ii]</strong></td>
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<tr>
<td><strong>Biennial Departmental Audits (2-90) UConn and UCHC</strong></td>
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<tr>
<td>(Auditors of Public Accounts)[iii])</td>
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<tr>
<td><strong>Audited financial statements of UConn and UCHC –</strong></td>
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<tr>
<td>(Auditors of Public Accounts)[iv])</td>
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<tr>
<td><strong>Audited financial statements of UCHC JDH, UMG, &amp; Finance Corporation</strong></td>
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<td><strong>OACE’s Compliance Monitoring Plans</strong></td>
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<td><strong>Storrs Compliance Area Presentations</strong></td>
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<td><strong>Research Compliance</strong></td>
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[i]: Annual Agreed-Upon Procedures to the Statements of Revenues & Expenses of the UConn’s Athletics Program
[ii]: State-Wide Single Audit  (Auditors of Public Accounts)
[iii]: Biennial Departmental Audits (2-90) UConn and UCHC
[iv]: Audited financial statements of UConn and UCHC – (Auditors of Public Accounts)
## The Office of Audit, Compliance Ethics
### JACC Agenda Forecast

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<th>Agenda Item</th>
<th>09/07/11</th>
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The Office of Audit, Compliance Ethics  
JACC Agenda Forecast

[i] Athletics Agreed-Upon Procedures Audit
The financial agreed-upon procedures reporting requirements of NCAA member institutions’ (institution) intercollegiate athletics programs are mandated under the provisions of NCAA Constitution 3.2.4.16 for each division. Per those requirements, all revenues, expenses and capitalized expenditures on behalf of an institution’s intercollegiate athletics program, including those by outside entities, are reported on annually by an independent accountant from outside the institution. The independent accountant shall be selected by the institution’s chief executive or the chief executive’s designee.

NCAA member institutions should be in full compliance with the new agreed-upon procedures contained herein no later than January 15.

[ii] Auditors of Public Accounts State-Wide Single Audit
Congress passed the Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996 (the Act), to improve state and local governments’ financial management of Federal Financial Assistance (FFA) programs, to establish uniform requirements for audits of FFA, to promote efficient and effective use of audit resources and to ensure that Federal departments rely on and use the audit work performed under the Act. The Act establishes requirements for audits of the entity’s financial statements, including the Schedule of Expenditures of Federal Awards (SEFA), and for testing and reporting on internal controls and compliance with laws and regulations relevant to FFA. The Act requires independent auditors to perform the audit according to Generally Accepted Government Auditing Standards (GAGAS) as published in the GAO Yellow Book.

State and local governments must have a single audit according to the Act if they receive Federal FFA of $300,000 or more. A single audit consists of an audit of the financial statements (the General Purpose Financial Statements or GPFS), and of the FFA. Office of Management and Budget (OMB) Circular A-133 specifies that FFA programs are to be classified as either "Type A" or "Type B" depending on the total FFA expended by the entity and provides a general explanation of how to determine the dollar threshold used to distinguish between the two types of programs. All Type A and all Type B programs whose total expenditures exceed a cutoff point, the calculation of which is also specified in A-133, will be subject to a risk analysis that will determine major programs to be audited.

For major programs, the auditor is required to plan and perform tests of controls to support a low assessed level of control risk regarding the operation of internal control structure policies and procedures considered relevant in preventing or detecting material noncompliance with the applicable FFA compliance requirements. Additionally, the auditor must determine whether the auditee has complied with laws, regulations, and the provisions of contracts or grant agreements that have a direct and material effect on each of its major programs. The compliance requirements applicable to FFA programs can be found in the "OMB Circular A-133 Compliance Supplement" published by the OMB.

[iii] Auditors of Public Accounts 2-90 Report
In accordance with Section 2-90 of the Connecticut General Statutes, the Auditors of Public Accounts are authorized to perform evaluations of agency operations for effectiveness and compliance with laws and regulations.


The Auditors of Public Accounts presented their report on the University of Connecticut (including the Health Center) for the Fiscal Years ended June 30, 2008 and 2009 at the August 9, 2012 JACC Meeting.
The Auditors of Public Accounts audit: statements of net assets of the University of Connecticut and University of Connecticut Health Center; the related statements of revenues, expenses and changes in net assets; and statements of cash flows for the years then ended. Their responsibility is to express an opinion on these financial statements based on their audit. Audits are conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that they plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The Auditors of Public Accounts presented their report on the University of Connecticut and University of Connecticut Health Center for the Financial Statements as of and for the year ended June 30, 2010 at the February 17, 2011 JACC meeting.