

MEETING OF THE JOINT AUDIT AND COMPLIANCE COMMITTEE

December 7, 2005

9:00am

via Storrs Conference Room and Teleconference

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

DIRECTORS PRESENT: Ms. Leonardi

STAFF PRESENT: Messrs. Anderson, Austin, Callahan, Carlson, Deckers, DeTora, Drotch, Eaton, Geoghegan, Kleinman, McCarthy, McDowell, Nicholls, Schurin, Small, Thornton, Upton, Walker, and Wetstone; Mesdames Adams, Alexander, Aronson, Blanchette, Chiaputti, DeMao, Flaherty-Goldsmith, Greger, Liskom, Mauriello, Merritt, Nichols, Pack, Rubin, Violette, and Whetstone

STATE AUDITORS: Messrs. Carroll, Slupecki, and Rasimas

PRICEWATERHOUSECOOPERS: Mr. Barone, Ms. Sauders

BLUM SHAPIRO: Messrs. Ebersson and Hughes

KPMG: Ms. Denalsky and Mr. Pingicer

COMPLIANCE RESOURCE GROUP: Mr. Pastin

JOURNAL INQUIRER: Mr. Breen

OFFICE POLICY & MANAGEMENT: Mr. Noonan

The teleconference was called to order at 9 a.m. by Committee Chair Nayden.

TAB 1: Minutes

ON A MOTION by Mr. Nayden, and seconded by Mr. Barry the minutes of the September 8, 2005 meeting were approved.

TAB 2: Follow-up on September 8, 2005 Meeting Items

Mr. Nayden and Dr. Walker provided an update on prior issues noted in the September 8, 2005 JACC meeting minutes.

Mr. Nayden informed the JACC Committee (Committee) that the University's Ethics Statement and Code of Conduct would be addressed in Tab 6; Compliance Resource Group would be addressed in Tab 9 and that Blum Shapiro would be addressed in Tab 10. Mr. Nayden informed the Board that a memo was distributed to all employees of the University in the middle of November announcing the appointment of Ms. Rubin as the University's Ethics Liaison Officer. Mr. Nayden informed the Committee that Ms. Rubin is working on bids for the installation of a Whistleblower Hotline. Mr. Nayden asked Dr. Walker to comment on Tab 2 related to Audit, Compliance & Ethics staff. Dr. Walker indicated that this was a follow-up to a question Trustee Drotch asked at the prior JACC meeting regarding embedded compliance staff. Dr. Walker indicated that an organizational chart listing the University's embedded compliance staff would be addressed in Tab 5.

TAB 3: Significant Activities

Dr. Walker informed the committee that nine audits were completed during this reporting period. There were no significant observations or weaknesses to report. Dr. Walker summarized a few of the audits that were completed during this reporting period.

Tucker Mechanical was a whistleblower review that was addressed by the Storrs auditors. It was alleged that a subcontractor overcharged the University for water heaters for the Hilltop Apartments, however, the auditors found these allegations without merit.

Dr. Walker briefly discussed the Lab Safety Audit conducted at the University of Connecticut Health Center. Dr. Walker was happy to report that this was a good news story. Audit staff evaluated 113 labs to determine if they had an inspection process. Of the 113 labs that were evaluated, 112 had an adequate ongoing inspection process. In addition, audit staff looked at 60 different training records and found that 59 of the 60 had adequate training documented.

Dr. Walker mentioned that the compliance monitoring process is ongoing at the Health Center. This is an effort that runs parallel to and coincides with the auditing effort. Ms. Mauriello and Dr. Adams are leading the effort along with the Domain Compliance Officers at the Health Center. The intent of the Compliance Monitoring process is to develop a parallel monitoring plan by the operational managers that will provide an evaluation process to identify compliance weaknesses. The monitoring plans will go into effect around the 1st of May. Ms. Mauriello will coordinate this effort from the Health Center. Dr. Walker indicated that Ms. Rubin will begin a similar process on the Storrs Campus once the Compliance Program is up to speed.

TAB 4: Status of Audits

Dr. Walker briefly went over the contents of this section and described how the status of audits is reported.

Dr. Walker informed the Committee that twelve of the fifteen audits assigned to PWC, or approximately 80% were complete. Mr. Barone of PWC informed the Committee that they were a bit further along than the schedule indicated. The Inpatient Documentation and Coding audit indicated as a draft report on the schedule had been issued and the Research Administration report and the For-Profit and Revenue Generating Enterprise Audit at the Health Center were expected to be issued within the next couple of weeks.

Mr. Nayden asked Dr. Walker to provide an executive summary of all audits completed during the reporting period in all future JACC packets.

Dr. Walker reported that in addition to internal and external audits there was an audit conducted by the Health and Human Services Office of Inspector General (OIG). OIG reviewed Graduate Medical Education at the Health Center. This audit was one of those good news stories where a Federal level audit was conducted, our processes and procedures were evaluated, and it was determined that we were doing what we were supposed to be doing. Dr. Walker asked Dr. Deckers to comment. Dr. Deckers indicated that we effectively demonstrated to the Federal Government that this was a hospital based program and that the reimbursements we were getting for this particular program were completely appropriate. Dr. Walker indicated that we often focus on the negative aspects of audits and he wanted it to be noted that this was a significant achievement.

TAB 5 – Office of Audit, Compliance & Ethics

The information in Tab 5 reflects the building of the Audit, Compliance & Ethics Program since Dr. Walker's arrival in January of 2005. In addition to a pie chart that showed the staff's education and certifications, Dr. Walker provided contact information for all staff members of the Office of Audit, Compliance & Ethics. Dr. Walker informed that Committee that the Office is always available for questions and/or comments.

As mentioned in Tab 2, Dr. Walker also provided an organizational chart showing both Dr. Walker's direct reports as well as the embedded compliance staff at the University. In addition, Mr. Drotch asked Dr. Walker if the University also had embedded auditing staff, if so, he asked that Dr. Walker add this staff to this chart.

Mr. Nayden asked Dr. Walker to ensure that this contact information be available to the University.

TAB 6 – Board Approval

The JACC meeting schedule, the Executive Compliance Committee and the Clinical Compliance Committee Charters for University of Connecticut Health Center were

provided to the Committee for approval. Dr. Adams reviewed the Charter's with the Committee.

ON A MOTION by Mr. Drotch, and seconded by Mr. Barry the JACC meeting schedule, the Executive Compliance Committee Charter and the Clinical Compliance Committee Charter for the Health Center were approved.

Ms. Rubin discussed the Draft Ethics Statement for the University of Connecticut including regional campuses and the Health Center. Ms. Rubin indicated that all employees would be required to attend training and acknowledge receipt of the Ethics Statement and Code of Conduct. New employees would be given copies of the Ethics Statement and Code of Conduct as part of their employment packet once the Code of Conduct is fully rolled out. Mr. Nayden asked if employees would have to acknowledge receipt periodically or just one time. Ms. Leonardi indicated that having employees acknowledge this more than once is a good reminder. Mr. Nayden informed Dr. Walker and Ms. Rubin that he would like to have them do a little more research on this and come up with a procedure to ensure periodic acknowledgement. Thought should be giving to having this done electronically. Ms. Rubin informed the Committee that every year there are statutory changes to the Code of Ethics on the State level and she anticipated notifying everyone when there was a change in Statute. In addition, the State Ethics Commission issues advisory opinions interpreting the code, and whenever there is an opinion that would be applicable to all state employees, Ms. Rubin would notify everyone of those interpretations as well. With that said, Ms. Rubin believes that there will be continual reminders to everyone of the Code.

The fifth provision of the Code of Ethics states that "no employees of the University shall seek or accept employment with or compensation from any consultant, contractor, appraiser or any other organization or individual under contract or agreement with the University". This statement appears to say that no employee can receive compensation without any wiggle room; however, Ms. Rubin indicated that in some cases, employees could have outside employment with consultants, contractors, appraiser's or other organizations under contract or agreement with the University. Mr. Nayden asked Ms. Rubin to look into this matter and asked Dr. Walker to report back on this issue.

The Code of Ethics, section one, states "violations of these guidelines and prohibitions may subject an employee to sanctions from agencies or systems external to the University". Mr. Drotch asked if a statement could be added to include "termination" Mr. Nayden had no problem including that statement, but asked Dr. Walker and Ms. Rubin to include a reference of "in accordance with" and have it signed off by the legal department to ensure that individual rights are adequately protected.

Mr. Drotch has some questions regarding giving and receiving gifts. Mr. Nayden asked Mr. Drotch to email Dr. Walker and/or Ms. Rubin directly with his questions.

Mr. Nayden asked everyone to email any questions and/or comments to Ms. Rubin. He asked Ms. Rubin to recirculate the draft Ethics Statement after all changes have been

made. Ms. Rubin indicated that she would make the suggested changes and have the revised draft Ethics Statement ready for the January Board of Trustees meeting.

Ms. Leonardi asked if the University's Ethics Statement applies to members of the Board. Ms. Rubin indicated that this Ethics Statement is a summary of the State Code of Ethics and does apply to all Trustees who are appointed officials. Mr. Nayden indicated that all Board members should be made aware of this and they should be required to acknowledge on an annual basis that they are subject to the Ethics policy.

The draft Code of Conduct was presented. Ms. Rubin announced that this draft would be presenting to the Dean's Council on January 10, 2006 to obtain their input. Ms. Rubin is hoping that the Board will have the draft for review for their January meeting. The senior administrative team reviewed it at their last meeting and Ms. Rubin received some recommended changes. After all changes are received, Mr. Rubin will incorporate them into the revised draft and forward to all for review. Dr. Walker acknowledged the hard work of both Ms. Rubin and Ms. Mauriello on developing this code.

TAB 7 – External Audit Engagements

Dr. Walker informed the Committee that the information in Tab 7 is provided primarily to ensure that we continue to inform the Committee of what we are doing with external auditors. All external audit scopes will be approved by the Chair of the JACC Committee.

Dr. Walker informed the Committee that we have hired Accume Partners to provide co-sourced audit services that focus on the area of Information Technology (IT) audits.

TAB 8 – Governor's Commission on UConn Review and Accountability – Recommendations & Action Plan

Mr. Nayden informed the Committee that Mr. Rowe signed a letter and forwarded it to the Governor's Office detailing the recommendations and action plan. Dr. Walker has set up a method to ensure that we follow-up on the host of recommendations that came out of the Governor's Commission's report. A number of those recommendations are already underway. We are still waiting for formal communications back from the Governor's Office. However, there was agreement on all the recommendations and we will conclude the balance of the implementation plan. Internal Audit will be monitoring these recommendations carefully and the results will be presented to the JACC Committee at every meeting.

In addition, The Office of Audit, Compliance and Ethics will have a similar report to help monitor recommendation status of all external audit work done on prior reports from PinnacleOne, Blum Shapiro and PwC, and will update the Committee at every meeting.

TAB 9 – The University of Connecticut Corporate Compliance Program Assessment.

Mark Pastin of the Compliance Resource Group, Inc. provide a summary of his Corporate Compliance Program Assessment. A copy of this report was provided in the JACC packets.

TAB 10 – Blum Shapiro – University of Connecticut UConn 2000 – 2002 Management Letter

Mr. Hughes and Mr. Ebersol of Blum Shapiro discussed their 2002 Management letter. A copy of this report was provided in the JACC packet.

TAB 11 – KPMG – UCHC 2005 Financial Statement Audit

Ms. Denalsky and Mr. Pingicer provided a presentation of the UCHC 2005 Financial Statements. Copies were provided in the JACC packets.

There being no further questions or issues, **ON A MOTION** made by Mr. Nayden and seconded by Mr. Barry the Committee convened to Executive Session at 11:00a.m.

There being no further business, **ON A MOTION** made by Ms. Barry and seconded by Mr. Nayden, the meeting was adjourned at 11:30am.

Respectfully submitted,

Karen Violette

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Secretary to the Committee