

Minutes of the Audit Committee of the
University of Louisville Board of Trustees

May 11, 2006

In Open Session

The Audit Committee of the University of Louisville Board of Trustees met on Thursday, May 11, 2006 in the Jefferson Room of Grawemeyer Hall, Belknap Campus, with members present and absent as follows:

Present: Mr. Kevin Cogan, Chair
Mr. Nathaniel Green
Ms. Donna Tinsley Denny
Mr. Bill Forman
Mr. Grant Helman
Mr. Steve Poe

Absent: Mr. Tommie Burns

Other Trustees

Present: Ms. Marie Abrams
Mr. William Brammell, Jr.
Mr. Ulysses L. Bridgeman, Jr.
Dr. Salem George
Ms. Margaret Handmaker
Dr. Robert Curtis Hughes
Ms. Jessica Loving
Prof. Bill Pierce
Mr. J. Chester Porter
Mr. Bill Stone
Ms. Beth Worland

From the

University: Dr. James R. Ramsey, President
Dr. Shirley Willihnganz, Executive Vice President and Provost
Dr. Larry Cook, Executive Vice President for Health Affairs
Ms. Angela D. Koshewa, University Counsel
Dr. Nancy Martin, Senior Vice President for Research
Mr. Dan Hall, Vice President for External Affairs
Mr. Larry Owsley, Vice President for Business Affairs
Mr. Mike Curtin, Vice President for Finance
Dr. David Howarth, Associate University Provost
Mr. David Barker, Director of Audit Services
Mr. John Drees, Associate VP for University Advancement
Ms. Anne Rademaker, Controller's Office
Ms. Cheri Jones, Associate Director, Audit Services
Ms. Terri Rutledge, Asst. VP for Business Affairs
Ms. Carolyn Cochran, Provost's Office

Ms. Kathleen M. Smith, Assistant Secretary
Ms. Debbie Dougherty, Board Liaison

I. Call to Order

Having determined a quorum present, Chair Cogan called the meeting to order at 2:15 p.m.

Approval of Minutes

Ms. Denny made a motion, which Mr. Helman seconded, to approve the minutes of July 14, 2005. The motion passed unanimously.

II. Review from the Director of Audit Services

Mr. Barker summarized Audit Services' activities for the period of July 2005 through April 2006. Each recommendation was developed to improve internal controls or foster process improvements. Audit Services received excellent cooperation and support from all levels of management. Each recommendation has a target completion date. Audit Services performs a semi-annual (January and June) follow up on each recommendation to determine if the action plan has been implemented. The report below identifies the status of these recommendations.

July 2005 – April 2006
REPORTS ISSUED

Effort Reporting and Certification

The University is required to document and support all expenditures made from federal grants. Researchers support all salary and benefit expenditures for exempt personnel by certifying effort reports. Federal auditors use certified effort reports during audits and errors have often been the basis for large, multi-million dollar federal settlements and paybacks. Audit Services issued a report on compliance with federal Effort Reporting and Certification requirements. The objectives of the audit were to:

- Review the policies and procedures researchers use to report effort for efficiency and effectiveness.
- Test effort certification reports for completeness, accuracy, and timeliness.
- Obtain reasonable assurance the University complies with federal effort reporting and certification regulations.

This audit identified significant issues. Consequently, administration implemented the following action plans:

- Grants Management developed a procedure to provide initial benchmark data for tracking committed effort.
- Grants Management developed procedures to establish budgets for all committed cost share and to notify researchers and unit liaisons of the need for cost share at

the time of award. The Research Handbook has a clear definition of voluntary cost share.

- The University drafted a new policy and procedure requiring the University's financial records to capture all committed cost share.
- The University improved the format and information included in effort certification reports to reduce user confusion.

In addition, administration will develop and implement the following action plans:

- The School of Medicine will develop a parallel work assignment process for federally funded investigators who are also in a professional practice plan. Target Implementation: 03/30/2006
- The University has drafted a policy and procedure document to provide guidance on verifying payroll distribution and aligning salary with faculty work assignments. Target Implementation: 03/30/2006
- The University will formulate a long-term strategic plan to address the integration of the enterprise software modules. The goal of the integration will be to reflect faculty work plans accurately. Target Implementation: 07/01/2006
- Grant & Sponsored Programs Accounting will review effort reports annually to identify researchers funded 100% from sponsored programs. Target Implementation: 01/31/2006
- The University will develop a policy to clearly define institutional base salary and delineate when supplemental salaries are part of institutional base salary. Target Implementation: 01/31/2006
- The Senior Vice President of Research, in consultation with the Council for Academic Officers, will develop and implement a policy that allows researchers to be eligible for only annual merit increases except in special circumstances. Target Implementation: 01/31/2006
- The University will implement a new policy that includes procedures for validating proposed salary to institutional base salary and justifying any variances that do not agree with guidelines in the Research Handbook. Target Implementation: 03/31/2006
- Grant & Sponsored Programs Accounting will consider a plan to validate effort during project closeout. Target Implementation: 07/01/2006

Workstation Security

Audit Services performed a routine audit of workstation security at the Health Sciences Center (HSC). The objectives of the audit were to:

- Assess the adequacy of the HSC policies and procedures for workstation security.
- Evaluate compliance with the policies and procedures.

The HSC workstation security policies and procedures were evaluated for completeness and adequacy relative to industry best practices, pertinent governmental regulations, and established University policies and procedures. Interviews were conducted with technology staff in selected departments in each of the four HSC schools to evaluate

compliance with the workstation security policies. In addition, an automated survey of selected HSC workstations was conducted to evaluate the software and systems being processed.

Although the examination was focused on the policies and procedures in place at the HSC, Audit Services found that a comprehensive set of workstation security policies and procedures had not been developed for all University administrative and academic departments.

Management agreed to implement the following action plans:

- Information Technology and the Information Security Office will develop and publish a comprehensive set of workstation security policies, standards, and guidelines for all University administrative and academic departments. The policies will be developed in accordance with the requirements of pertinent governmental regulations and will encompass industry best practices. The policies will require the approval of the Provost prior to implementation. Target Implementation: 03/31/2006.
- HSC Management will strengthen the existing HSC workstation security practices and implement procedures to ensure compliance with the policies. Target Implementation: 06/30/2006.

Chartwells Food Services Contract

Audit Services performed a routine audit of Chartwells food services contract. The objectives of the audit were to:

- Determine that commissions are supported and have been paid in a timely manner.
- Determine that controls over the recording and reporting of sales are adequate.

Chartwells pays commission to the University based upon a profit and loss statement created by Chartwells. The commission is 4% of gross sales in excess of \$2,500,000. Chartwells reported total revenue of \$4,127,702 for their 2005 fiscal year. The University was paid a commission of \$65,108. The data transferred from the cash registers to the profit and loss statement was inaccurate. The inaccuracies on the profit and loss Statement caused the commission to be underpaid by approximately \$3300.00. Since the University was not performing a reconciliation of the profit and loss statement, the errors were not detected.

Management has implemented the following action plan:

- Improve quality and accuracy of sales data on Chartwells Profit and Loss Statement by verifying the accuracy of Chartwell's profit and loss statement.

Athletics Association Procurement Card and Travel Expenditures

Audit Services performed a routine audit of procurement card and travel expenditures of the Athletics Association. The objectives of the audit were to:

- Review business processes for sufficient internal control and compliance with University policy.
- Test financial transactions for documented support and accuracy.

University policy prohibits the use of procurement cards for faculty, staff, and student travel. We determined that some employees were using procurement cards for business-related lodging expenses. The use of a University procurement card for employee or student travel does not comply with University policy and increases the University's risk of inappropriate procurement card charges.

As a result of the audit, the Athletics business office will reemphasize the policy prohibiting the use of procurement cards for faculty, staff and student travel to all cardholders. Target Implementation: Implemented.

Payroll Interfaces

Audit Services performed a routine audit of the payroll system interfaces with the University's budget and general ledger processes. The objectives of the audit were to:

- Assess the efficiency and effectiveness of the process whereby payroll is updated with information from the budget system, and
- Evaluate the control mechanisms over payroll interfaces to the general ledger.

The scope of the audit was focused on the review and assessment of the annual budget load to payroll as well as the biweekly and monthly payroll processing cycles, including the posting of payroll data to the general ledger system. Reviews were performed of the PeopleSoft budget preparation system, human resources payroll system and the financials general ledger system and included the testing of certain processes and accounts, including selected transactions processed during the 2004 - 2005 fiscal year.

Based upon the results of our review, we recommended improvements be implemented to current policies, procedures and technical infrastructure to enhance the annual budget load to payroll. We also cited the need to improve the management of payroll at the department and business unit level by implementing processes and reporting mechanisms to more closely monitor the reconciliation of payroll accounts.

Because of our recommendations, the following action plan was implemented:

- The Payroll department has initiated a reporting process to provide business units with data to more effectively monitor and manage funding source changes and, thereby, reduce the number of expense transfers processed during each payroll cycle. Each month, prior to the processing of the biweekly and monthly payrolls, a report is issued to business units identifying positions for which funding will be depleted. This report specifies a deadline date by which the unit must submit to payroll an adequate source of funds for the particular positions. As part of this

process, the Payroll department will monitor salary accounts and, in situations in which units are not resolving funding issues in a timely manner, will notify the appropriate dean or vice president to address the situation.

In addition, management agreed to implement the following action plans:

- The Office of the Vice President of Finance has initiated a process re-engineering review of the payroll and budget interface. One of the objectives of this review is to determine the feasibility of integrating the budget system with the payroll system to create a more complete and accurate interface to payroll. Better integration of the systems will streamline the process, eliminate the need to enter payroll changes in both systems, and will provide the capability to keep the systems in synchronization on a consistent basis. Target Implementation: 06/30/2007
- The Office of the Vice President of Finance and the Payroll department have initiated a review of the annual budget load to payroll to determine if the process can be modified to include the transfer of all payroll changes from the budget preparation system to the payroll system. If feasible, the modifications will be implemented for the 2006-2007 payroll budgeting process. This action plan is being implemented to address budget and payroll interface issues in the near term, until the systems are integrated through the process re-engineering project. Target Implementation: 06/30/2006
- The Office of the Vice President of Finance will implement a monthly reporting mechanism to provide academic and administrative management with the appropriate data to monitor and manage deficit payroll accounts. Reports will provide the account budget, the amount of the deficit, transactions causing the deficit balance, and an aging of the deficit. These reports will be electronically distributed to the appropriate level of management (i.e., department chairs, deans, directors and vice presidents) as part of the month-end financial reporting process. Target Implementation: 06/30/2006

Clinical Trials

A clinical trial is a method for testing a drug or device on a human subject. Clinical trials are highly regulated in relation to the safety and privacy of trial participants. Audit Services performed routine audits of four clinical trials and issued a report for these sponsored projects. The objectives of these audits were to:

- Obtain reasonable assurance clinical trial agreements are compliant with University policies.
- Obtain reasonable assurance the University is compliant with sponsor guidelines.

In response to these audits, departments implemented the following action plans necessary for monitoring the quality of research and related safety of human subjects:

- Department administrators will monitor individual researchers for compliance with the University's conflict of interest policy. Researchers are required to disclose any significant conflicts of interest to the University's Research Integrity Office.

This office works with researchers to develop management plans designed to address reported conflicts.

- Research coordinators will verify human subjects on clinical trials receive and sign the most recent version of the informed consent form. The details of the procedures performed during the study are included on this form. The participant signs this form to indicate he understands the risks and benefits of participating in the clinical trial.

Departments have implemented the following action plans to address financial management of clinical trials:

- Research coordinators accurately track the time human subjects spend on clinical trials in order to support the payments made to individuals for their participation.
- Research managers ensure sponsor funding pays expenses for related sponsored research and department funding pays expenses for non-sponsored research, rather than using sponsored project funding to cover the costs of non-sponsored research.
- Researchers and research coordinators work with unit business managers, the Office of Industry Contracts and the Controller's Office to identify study changes that have a financial impact, to verify proper recording of study expenditures, and to identify billable events in accordance with the clinical trial agreement. Research coordinators follow the invoicing process established by the Controller's Office to track revenues in the University financial records.

Management agreed to implement the following action plans:

- Department administrators will work with the Human Subject Protection Program Office to obtain proper authorization for the use of a subject management database. Target Implementation: 03/31/2006
- Department administrators and research coordinators will work with the Office of Industry Contracts and the Controller's Office to clarify the University billing/accounts receivable policies and improve procedures for proper revenue recognition on industry-sponsored projects. Target Implementation: 03/31/2006.
- The Senior Vice President of Research will develop a University policy requiring research faculty salaries be charged to industry sponsored clinical trials and develop a mechanism to facilitate this process. Target Implementation: 03/31/2006

University of Louisville Hospital Affiliation Agreement

University of Louisville Hospital is the School of Medicine's primary teaching facility. In 1996, the Commonwealth of Kentucky began leasing the hospital to a partnership called University Medical Center, Inc (UMC), which is composed of the University of Louisville, Jewish Hospital Healthcare Services, and Alliant Health System, Inc. (now known as Norton Healthcare). The lessees also signed a separate affiliation agreement that details the responsibilities of the various institutions to maintain and improve the services to the University and the population of Louisville and surrounding area. In addition to one-time payments or commitments that the hospital met early in the

relationship, the agreement contained provisions for continuing financial support to the University.

Audit Services issued an audit report describing the result of an audit of the financial terms in this affiliation agreement. The objective of the audit was to obtain reasonable assurance that the University and Hospital were compliant with the agreement's financial terms. It was determined that both parties were in substantial compliance.

CVIP Laboratory – Speed School of Engineering

Audit Services performed a review of the computer systems maintained and processed by the Computer Vision and Image Processing Laboratory (CVIP Lab). This review, requested by the University Privacy Office, was conducted to assess and verify compliance with policies and procedures established by the CVIP Lab subsequent to the University's investigation of possible HIPAA noncompliance issues relative to the lab's downloading of CT scan images containing patient identifying information from Jewish Hospital Healthcare Services.

The scope of the review was focused on the following:

- Assessment of the CVIP Lab Policy.
- Evaluation of compliance with the policy by CVIP Lab personnel.
- Review and analysis of the CVIP Lab computer systems to evaluate the security of the systems and to determine the existence of images containing patient identifying information.

Audit Services reviewed and assessed the CVIP Lab policy for completeness to determine the degree to which the policies are compliant with established University policies and procedures and pertinent governmental regulations, specifically, HIPAA regulations. Additionally, programs and processes were executed on the CVIP Lab computer systems to identify image files to be reviewed for the existence of patient identifying information.

Audit Services found that since the University's investigation of the CVIP Lab no images containing patient information had been stored on the CVIP Lab computers. Assessment and evaluation of the CVIP Lab policy and analysis of the lab's computer systems resulted in the following recommendations:

- The CVIP Lab's computer usage policy should be updated to ensure adherence to established University standards and guidelines for password expiration, workstation time out, and use of anti-spy ware software on the lab's computer systems.
- All lab personnel should review the CVIP lab computer usage policy and sign the confidentiality statement.
- A review should be performed of all user logon accounts and access authorizations to the CVIP Lab's systems with the accounts of any personnel no longer affiliated with the lab disabled and removed.
- The CVIP Lab should develop and implement a departmental business continuity/disaster recovery plan to address the recovery of the lab's operations

and systems should an event occur that would render the CVIP Lab inaccessible or disable its computer systems.

- A follow up review of the CVIP Lab's procedures should be conducted in association with the lab's next approved protocol or research project involving the acquisition and use of patient data to ensure that the procedures implemented for the collection, de-identification, dissemination, and storage of data are consistently observed and in compliance with HIPAA regulations.

Emergency Medicine

Audit Services performed a routine audit of the Department of Emergency Medicine (DEM). DEM is a department of the School of Medicine housed in the University of Louisville Hospital. It is responsible for treating patients in the hospital's emergency room. The department employs a staff of nine full-time and part-time physicians and ten emergency medicine residents. The Emergency Medicine program is a three-year program offered through the School of Medicine. The objectives of the audit were to provide reasonable assurance that:

- DEM complied with University policies and procedures.
- The department captured patient encounters efficiently and effectively and sent the information to the coder and billing company timely.

Many of the issues identified during this audit were attributable to internal hospital practices. DEM and University Hospital will work closely together to resolve the following issues:

- Missing medical records that result in lost or delayed revenues estimated as \$99,700 - \$118,000 annually.
- An inability to share updated patient demographic information to improve the ability to render clean claims, improve cash flow, and reduce claim rework.
- Reports obtained from the hospital do not include all patient encounters, and do include encounters that do not "belong" to DEM, making the reports difficult to use and unreliable.

Department management implemented the following action plans:

- The department hired a full-time medical coder to improve turn around time, train physicians on required documentation, and monitor charts for timely completion.
- The department modified internal procurement card procedures and controls to comply with University policy.
- DEM enhanced disaster and business continuity planning by expanding the use of the University's network storage to protect mission critical data now kept on individual personal computers.

Management agreed to implement the following action plans:

- Management will monitor billing and collection rates to identify potential problems or negative trends. The department will request necessary reports from the billing office. Target Implementation: 03/31/2006
- Supervisors will review revenue transactions and the Bursar's Office will notify the department when the Billing Office makes deposits. Target Implementation: 01/31/2006
- The department will reconcile active general ledger (PeopleSoft) accounts. Target Implementation: 01/31/2006

Executive Expenditures

Audit Services performed a routine audit of executive expenditures that included the President's Office, vice-presidents and deans. The objective of the audit was to obtain reasonable assurance that executive expenditures are properly authorized and compliant with University policies or contractual arrangements. Procurement cards were tested for original receipts and supporting documentation. Of 100 procurement card transactions tested, 18 did not have a receipt. We also verified country club expenses for reasonableness, support, and authorization. Two of twenty country club invoices had inadequate documentation for entertainment expenses. The following action plans were implemented:

- The Provost reiterated University procurement card policy to deans and vice presidents.
- Employees are documenting country club memberships funded by the University and club guests are identified on vendor invoices. Country club membership reports are submitted annually to the Provost or President and include the business purpose, names of club guests, and personal expenses.

Student Fees

Audit Services issued a report on Student Fees. The objectives of the routine audit were to:

- Identify student fees collected by the University and determine if these fees were properly approved, assessed, and expended.
- Review business processes for sufficient internal control and compliance with University policies.

Budget and Financial Planning has created and implemented procedures for supervisory review of non-course related student fee rate calculations. The following action plans are in the process of being implemented:

- The Provost will coordinate with the Registrar, the Bursar, and the Office of Budget and Financial Planning to create written procedures for non-course related fees. The existing course fee policy will be revised. Target Implementation: 07/31/2006. The Bursar will document the procedures for fee entry. Target Implementation: 08/31/2006

- Employees who do not need security access to student fee item types in Peoplesoft will be removed. Target Implementation Date: 07/31/2006
- The Controller will create and implement procedures for reviewing student fee entry into Peoplesoft. The Bursar's Office will devote more time to training a student fee backup employee. Target Implementation: 07/31/2006

Subrecipient Monitoring

- A subrecipient is a non-federal entity that expends federal awards received through a subcontract with the University. In this arrangement, the subrecipient is accountable to the University for the use of the funds provided and compliance with any applicable federal requirements. In turn, the University is accountable to the federal sponsor for the use of the funds subcontracted to other organizations and the subcontractor's compliance with federal requirements. The federal government considers monitoring subcontractors to be a fundamental control for grants management in an organization.
- Audit Services issued a report on University compliance with federal Subrecipient Monitoring requirements. The objective of the audit was to obtain reasonable assurance that the University complies with applicable federal regulations for monitoring sub awards of sponsored agreements.

Management agreed to implement the following action plans to develop policies and provide training for subrecipient monitoring.

- The Senior Vice President of Research Office will coordinate with the Controller's Office and the Purchasing Office to develop policies, where necessary, for subrecipient monitoring activities and clarify responsibilities for existing policies. Target Implementation: 10/31/2006
- The Senior Vice President of Research and the Vice President of Finance will oversee the development of appropriate training on subrecipient monitoring for inclusion in the current Fiscal Responsibility training, mandatory for researchers on grants and contracts. Target Implementation: 01/31/2007
- The Controller's Office has begun a reorganization plan, which includes obtaining sufficient staff to perform monitoring of subrecipient audit reports as required by federal regulations. Target Implementation: 05/31/2006

Supplemental Compensation Calculations

Audit Services was requested to review the Office of the President performance of board-approved goals for 2004/2005. The objective of this review was to review reported performance results prior to the payout of incentive compensation.

University-wide team goals as well as individual goals were reviewed for the President, Executive Vice President/Provost, Executive Vice President/Health Affairs, Senior Vice President/Research, and Vice President of Athletics.

Based on this review we were able to determine that the support and documentation for the reported performance was satisfactory.

REVIEWS IN PROGRESS

Children & Youth Project

Audit Services is in process of finalizing a routine audit of the Children and Youth (C&Y) Project. C&Y is a pediatric clinic providing a wide range of health care services to primarily low-income children, aged newborn to 18 years old. Services provided include dental, well child, home health, laboratory and newborn services. The clinic performs all billing and collections in-house. The primary insurance payor is Passport/Medicaid. The objectives of the audit were to obtain reasonable assurance that:

- Patient accounts receivable are effectively controlled, managed, and collected.
- Accounting information is accurate.
- Revenue cycle activities are effective and efficient.
- Departmental processes and procedures are compliant with University policies and applicable laws and regulations.

Peoplesoft Application Security

Audit Services is finalizing a routine audit of PeopleSoft application security. PeopleSoft is the enterprise software system processed by the University for financial management, student administration, and human resources applications. The objectives of this audit are to:

- Evaluate the administration of security within the PeopleSoft financial management and student administration/human resources applications.
- Verify that accesses to PeopleSoft applications are appropriately authorized and controlled.

A draft report containing recommendations and proposed action plans has been issued to management for review and response.

Departmental E-mail Systems

Audit Services is finalizing a routine audit of e-mail systems maintained by University departments independent of the enterprise e-mail system centrally managed by information technology. The objectives of this review are to:

- Assess the management and administration of departmental e-mail systems.
- Evaluate the security of departmental e-mail systems relative to compliance with established University policies and procedures governing technology security.

Departments within the Speed School of Engineering and the School of Arts and Sciences as well as the Brown Cancer Center and the Kidney Disease Program were selected for examination.

School of Music

A routine audit of the School of Music has begun and is in the fieldwork phase. The objectives of the audit are to:

- Review internal controls over revenues and expenditures and compliance with University policies;
- Test revenue and expenditure transactions for supporting documentation and accuracy; and
- Review scholarship awards for compliance with award agreements and sufficient internal controls over the award process.

Grants Management

A routine audit of the Grants Management Office has begun and is in the fieldwork phase. The objectives of the audit are to:

- Review sponsored projects to determine if they are adequately managed from proposal through award and during the life cycle of the grant in accordance with sponsor guidelines, applicable laws and regulations, and University policy.
- Review awards entered and maintained in the PeopleSoft grants module for accuracy.
- Review the department's financial processes and procedures for compliance with University policies.

Internal Quality Assessment

Audit Services has completed a report draft of the Internal Quality Assessment (IQA). The IQA is a self-assessment of the Audit Services' department and will be used to assist in the completion of the Quality Assurance Review that will be conducted in FY 2007. The objectives of the self-assessment are to:

- Assess Audit Services' conformity to the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing and Code of Ethics,
- Evaluate its effectiveness in carrying out its mission,
- Identify opportunities to enhance its management and work processes, as well as its value to the University, and
- Prepare for an external quality assessment review to be performed in late 2006/2007.

OTHER ACTIVITIES

Institutional Compliance Risk Assessment

The Compliance Oversight Committee requested Audit Services to perform a compliance risk assessment for the University. The purpose of this assessment is to determine if the

University has sufficient resources to comply with the growing volume of federal and state regulations.

In November 2005, Huron Consulting completed a diagnostic assessment of the University relative to Institutional Compliance. This work was completed subsequent to effort reporting and certification audit completed earlier in the year. The assessment performed by Huron focused on three primary areas:

- The Organizational Structure for Compliance.
- Staffing Level, Roles Responsibilities and Delegated Authority.
- Policies, Procedures, Training and Education for Compliance.

A number of recommendations were made because of this assessment. The initial recommendation is to complete a comprehensive risk assessment for all compliance areas relevant to the University. We have begun this process and plan to have this completed later this year. The results of the risk assessment will help the University determine what steps are needed to enhance institutional compliance.

As a result of this important risk assessment we will re-schedule three audit for the next fiscal year.

Dental Oncology Clinic

The administrations of the Brown Cancer Center and the Dental Oncology Clinic asked Audit Services to review the annual accounting for the related Professional Practice Plan and the clinic. The clinic is a part of the School of Dentistry Professional Practice Plan. There is also a contractual relationship between the director of the clinic and the Brown Cancer Center. Audit Services verified the accounting as specified by the practice plan document and the contract to the clinic's financial records. The review identified differences between actual practice, the contractual obligations and the practice plan requirements. The concerned parties will negotiate the resolution of these differences and amend the contract to clarify future relationships.

Special Review of a Clinical Trial Sponsored by ACORN Cardiovascular

The former interim Dean of the School of Medicine asked Audit Services to perform a review of the financial transactions related to a clinical trial sponsored by ACORN Cardiovascular. Subsequent to this report, the responsible principal investigator resigned from the University. The School of Medicine referred the issues from this review to the Department of Public Safety for further investigation.

- Approximately 40% of the expenditures on this trial may not be related to the research performed. The principal investigator used \$150,280 from the grant to pay the salary of a temporary/casual employee who had no defined role on the project and was a close relative. The principal investigator refused to provide details of this employee's responsibilities. University policy requires a non-relative supervisor make work assignment decisions when relatives have an employee/supervisor arrangement. This policy was not enforced.

- Procedures performed by Jewish Hospital included surgery and post-surgical care for six patients, laboratory tests at various points for 14 patients and heart catheterization procedures for four patients. One patient received a left heart catheterization while three received a right and left heart procedure. Jewish Hospital had not been compensated for these procedures due to a dispute between the principal investigator and the hospital. Jewish Hospital will continue to perform laboratory testing at various stages of the trial, which has a patient follow-up period of 5 years. The written contract has no information on the compensation due Jewish Hospital, although the sponsor clearly intended some of the funding to pay the service provider for charges not covered by insurance. We recommended the Department of Medicine negotiate with Jewish Hospital to settle the amounts owed and make an agreement covering future testing that will be required.

AUDIT PLAN
Status Report
2005/2006

Athletics Procurement Cards and Travel	Complete	Foreign Visas	Fieldwork
Chartwells Food Services Contract	Complete	Grants Management	Fieldwork
Emergency Medicine	Complete	IT Change Control Process	Fieldwork
Executive Expenses	Complete	Scholarships	Fieldwork
Student Fees	Complete	School of Music	Fieldwork
Sub Recipient Monitoring	Complete	Peoplesoft Consulting	Ongoing
Supplemental Compensation	Complete	Athletics Capital Construction Funding	Pending
Internal Quality Assessment	Report Draft	Industry Contracts	Pending
Children and Youth Project	Report Draft	Brown Cancer Center	Rescheduled
E-Mail Servers	Report Draft	Firewalls	Rescheduled
Peoplesoft Application Security	Report Draft	University Reports	Rescheduled

Chair Cogan thanked Mr. Barker for an excellent and thorough report.

