Persons in attendance (not all-inclusive):

Committee members: Owen Newlin (Chair), Mary Ellen Becker, Robert Downer, David Neil, John Forsyth – ex officio

Others: Amir Arbisser, Sue Nieland, Greg Nichols, Robert Barak, Pam Elliott, Tom Evans, Deb Hendrickson, Joan Racki, Elaine Newell, Barb Boose, David Skorton, Pat Cain, Doug True, Donna Katen-Bahensky, Gregory Geoffroy, Warren Madden, Mark Chidister, Robert Koob, Tom Schellhardt, Jeanne Prickett, Jim Heuer, Luann Woodward, Andrea Anania, Carol Senneff, Sheryl Rippke, Tim McKenna, Gary Steinke

Regent Newlin called the meeting to order at 10:15 a.m.

Overview of Committee’s Rules and Responsibilities

Regent Newlin asked Tom Evans, Director, Legal Affairs and Human Resources at the Board Office to cover the basic guidelines to be followed by the Committee members. Director Evans referred members to the “Quick Reference for Committee Chairs” developed and distributed by the Board Office to each chairperson.

Director Evans outlined the basic rules to follow:

- Public notice required
- Minutes taken to record the Committee’s work
- Meetings must be open, except for key exceptions (i.e. discussions with Board’s attorney, discussion about the professional competency of individuals who work for, or may work for, the Board; discussion of collective bargaining strategy; other legal exceptions may apply.)

Closed sessions:
1. Announce the reason before taking the vote
2. Roll call vote required before entering closed session
3. Closed session discussion must stick to the topic
4. Final action must be in open session
5. Detailed minutes required

- Robert’s Rules of Order apply to all meetings of the committee (i.e. quorum, agendas, minutes read/approved, etc.)
- Remember the relationship between the Committee and the full Board –
1. “The Committee” is NOT “the Board”
2. Committee work product = reports and recommendations

Draft Committee Responsibilities

Regent Newlin suggested to the Committee that:

“State Auditor” be added to the 6th bullet under primary committee responsibilities
“Performance” be added in front of indicators to #1 of general responsibilities for all Board Committees

Regent Neil suggested the Board and the Audit and Compliance Committee should be aware of all the lawsuits and charges that are filed, including employment discrimination, civil rights complaints, etc. Committee members discussed contents of report, no names, include status, etc. The report will be presented to the Board on a semi-annual basis.

MOTION: Regent Downer moved to recommend the Board approve the changes as discussed. Regent Becker seconded the motion. MOTION CARRIED UNANIMOUSLY.

Draft Committee Work Plan

Regent Downer complimented the Board of Regents Office for their work on the Work Plans for the upcoming year. Regent Newlin expressed gratitude for the draft work plan recognizing that additions, corrections and deletions will be made as needed.

MOTION: Regent Arbisser moved the acceptance of the draft work plan. Regent Neil seconded the motion. MOTION CARRIED UNANIMOUSLY.

Proposed New Audit Policies

Committee members discussed voluntary adoption of processes associated with the Sarbanes-Oxley Act (SOX) enacted by Federal legislation in July 2003. Adjustments can be made in timing of reviews (5, 6 or 7 years). Five year cycle was chosen to coincide with current cycles, i.e. bond contracts, contracts with bond attorneys, etc.

Proposed changes to the Policy Manual relative to audit committees, audit activities – external, state, hospital, internal, etc. were presented to the Committee.

Regent Newlin asked for voluntary adoption of the key provisions of the Sarbanes-Oxley (SOX) Act.

MOTION: Regent Downer moved to recommend the Board voluntarily adopt the key provisions of the Sarbanes-Oxley (SOX) Act. Regent Becker seconded the motion. MOTION CARRIED UNANIMOUSLY.
University of Iowa Hospitals and Clinics Audit Report

The University of Iowa Hospitals and Clinics External Audit Report for fiscal years ended 6/30/03 and 6/30/02 were presented. Anthony DeFurio, Sr. Associate Director, and representatives from KPMG LLP -- Dan Koraleski and Harold Parsons covered the audit information.

KPMG stated that SOX mandates checking of controls. Various samplings have not indicated that testing should be expanded. President Skorton explained that SOX’s guidelines are used throughout the University. Differences in SOX guidelines for profit and not-for-profit entities were discussed. President Skorton stated a recent health care meeting covered this aspect. Carol Senneff, Director, Internal Audit, and President Skorton covered these guidelines for the Committee.

The University will make changes in July to make information more transparent. Contracts with physicians will be in place by July. This will benefit the UIHC and everyone involved.

Internal Audit Reports

The Committee discussed Information Technology systems. Security measures have been improved including data backup and business continuation management.

President Forsyth asked that risks, stoplights and goal times met be highlighted in future information shared with the Committee.

Note: Item #21, UNI, “Expected Completion” should be March 2005 – not March 2004.

INTERNAL AUDIT REPORTS WERE ACCEPTED BY GENERAL CONSENT.

Meeting adjourned at 11:20 a.m.

Pamela M. Elliott
Director, Business and Finance

Gregory S. Nichols
Executive Director

H:minutes/audit&compliance/051804