AUDITORS' REPORT

University of Connecticut

FISCAL YEARS ENDED JUNE 30, 2019, 2020, AND 2021

STATE OF CONNECTICUT
Auditors of Public Accounts

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August 15, 2023

INTRODUCTION

We are pleased to submit this audit of the University of Connecticut for the fiscal years ended June 30, 2019, 2020, and 2021 in accordance with the provisions of Section 2-90 of the Connecticut General Statutes. Our audit identified internal control deficiencies; instances of noncompliance with laws, regulations, and policies; and a need for improvement in practices and procedures that warrant management's attention.

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the University of Connecticut during the course of our examination.

The Auditors of Public Accounts also would like to acknowledge the auditors who contributed to this report:

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STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the University of Connecticut disclosed the following 22 findings and recommendations, of which 18 have been repeated from the previous audit:

Finding 1
Public Solicitation for Projects Exceeding $500,000

Criteria

Section 10a-109n(c)(2)(A) of the General Statutes requires the university to publicly solicit for services on construction projects estimated to cost more than five hundred thousand dollars. In addition, the university is required to post notice on its website and the state contracting portal so interested contractors can submit a project proposal or bid.

Condition

We reviewed six contracts, totaling $20,370,583, that required competitive solicitation. The university did not competitively solicit one $943,506 contract, securing the vendor utilizing a sole source procurement. After further review of this project, we identified a seventh $2,189,000 contract secured utilizing a sole source procurement. The university bypassed the competitive solicitation process, awarding $3,133,406 to a single vendor via sole source procurement.

We also reviewed five construction manager at risk (CMR) projects that required competitive solicitation. One of the five projects was not competitively solicited and was awarded to a CMR already engaged on another project. The university incurred $4,055,745 in expenditures on the project, of which, approximately $130,000 related to the construction management portion of the work.

Context

The tested contracts were judgmentally selected from a population of 40 purchase orders, totaling $80,615,142.

During the audited period, there were nine active CMR projects totaling approximately $170 million in expenditures. We judgmentally selected five CMR projects for review and examined a purchase order associated with each project. At the time of our review, the expenditures associated with the purchase orders totaled $76,512,542.

Effect

The university did not comply with Section 10a-109n of the General Statutes. Furthermore, potential vendors were denied the opportunity to bid on the project. As a result, the university's ability to obtain the most competitive price and qualified vendor may have been diminished.

Cause

The university felt that it did not have to publicly solicit for services under the circumstances.

Prior Audit Finding

This audit finding has been previously reported in the last audit report covering fiscal years ended June 30, 2016 through 2018.

Recommendation

The University of Connecticut should comply with Section 10a-109n(c)(2)(A) of the General Statutes and publicly solicit projects with costs estimated to exceed $500,000.

Agency Response

"The University is in agreement that projects with costs estimated to exceed $500,00 should generally be publicly bid, and believes that it has followed these requirements dutifully, however a state agency also has the statutory authority to sole source procurement when certain circumstances are met. Therefore, the university disagrees with this finding.

This finding identifies two different solicitations in question; one for the procurement of design services under a professional services contract and the other in regard to a Construction Manager at Risk contract. The university has broad statutory authority to procure professional services, and the professional services contract in question was awarded on a sole source basis, in a manner consistent with the University's policies and procedures established for same. The sole source award was due to unique circumstances whereby a developer commenced the design under a development agreement and the university was ultimately required to continue the design of the project under a direct contract with the design professional midway through the design process in order to maintain the schedule and avoid the loss of design fees already spent. The justification for a sole source award for the design services was documented and reviewed by the University Administration and the Board of Trustee's Buildings Grounds and Environmental Committee in June and September 2020 and the justification was accepted.

The CMR contract that was questioned in this finding relates to two projects which are companion projects as described in the response to a similar 2016 audit finding. All the trade work was competitively bid for this project in compliance with C.G.S Section 10a-109n(c)(2)(A), and the auditors have only questioned the construction management oversight cost as being at issue as work not bid. In some instances, due to the proximity and inter-related project elements relative to the larger project, decisions are made to assign the management of the enabling or companion project to one construction manager. The potential assignment of these management services was identified in the Request for Proposal wherein it stated that the bidding included the construction oversight of "site improvements, utility infrastructure and site amenities.

The university is committed to full compliance with all state requirements and will continuously strive to ensure our practices support our compliance obligations."

Auditors' Concluding Comments

We agree that a sole source procurement is appropriate when the project meets certain conditions. In this instance, we do not believe the project met the requisite conditions. Therefore, it was inappropriate for the university to use the sole source procurement.

Regarding the competitive solicitation of the construction manager at risk projects, based on our review of the supporting documentation, we believe the two projects were distinctly separate enough to require public solicitation.

Finding 2
Sabbatical Leave Program

Criteria

UConn's bylaws state that sabbatical leave is for a period of one year (two semesters). Leave may be taken for a full period (one year) at half pay or for up to half the period at full pay.

UConn's bylaws require that employees return to active service at the university for at least one year upon completion of a sabbatical. Those employees who do not fulfill this requirement must return amounts paid to them during the leave in accordance with UConn's Sabbatical Leave Request Form. The bylaws also require employees to provide a written summary of the work done during the leave to the officer who approved the leave.

Condition

Our review of 15 employees who participated in the university's sabbatical leave program identified the following exceptions:

- Two faculty members were granted a full period (one year) of sabbatical leave at full pay, with their pay totaling $711,027 and $197,298, respectively. The university overpaid the employees approximately $355,514 and $98,649, respectively.

- Four faculty members did not return to active service for a minimum of one year following their sabbatical leave. The university paid $289,569 to these employees during their sabbatical leaves. The four employees never repaid the university, which did not seek repayment.

Context

The university granted sabbatical leave to 327 employees and paid $10,736,386 for the program during the audited period. We judgmentally selected 15 employees for testing.

Effect

UConn incurred unnecessary costs not permitted by its bylaws.

Cause

The university granted sabbatical leave inconsistent with its bylaws. The lack of effective and enforceable procedures contributed to the university's inability to recoup funds when faculty members did not complete one year of active service following their sabbaticals.

Prior Audit Finding

This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2016 through 2018.

Recommendation

The University of Connecticut should adhere to its bylaws when administering the sabbatical leave program and maintain written documentation of any deviation from its formal policy.

Agency Response

"The University agrees with this recommendation and will develop a refreshed and appropriate approval process."

Finding 3
Excessive Compensation

Criteria

Compensation should be commensurate with work performed. When a managerial employee moves to a position that requires less time and effort, the agency should reduce compensation to a level appropriate to their new job duties.

Condition

We reviewed 20 employees who stepped down from management positions during the audited period. Each employee moved from a 12-month management position to a 9-month base salary faculty position. Of the 20 employees, we found four instances in which the university increased the employees' monthly compensation rate after changing positions. The 9-month base salary increases ranged from $5,433 to $25,875 for the four employees. We were not able to obtain documentation to justify the increased compensation rates.

Context

Twenty employees stepped down from their 12-month managerial positions to a 9, 10, or 11-month faculty position during the audited period. Their average managerial salary was $268,901, which was reduced to an average of $204,526 after moving to faculty positions.

Effect

The university could be incurring unnecessary costs.

Cause

The university did not have adequate controls in place to ensure that it reduced the employees' compensation to levels commensurate with their new positions.

Prior Audit Finding

This finding has been previously reported in the last two audit reports covering the fiscal years ended June 30, 2014 through 2018.

Recommendation

The University of Connecticut should compensate employees who step down from management at a level consistent with their new positions. If higher compensation rates are warranted, the university should document the appropriateness of the new salaries.

Agency Response

"The University agrees that employees should generally be paid consistent with their positions and in those circumstances where there is deviation, the reasons for any such deviation are typically documented in their appointment letters."

Finding 4
Compensatory Time

Criteria

Per the University of Connecticut Professional Employees Association (UCPEA) collective bargaining contract, Article 18.2, when an exempt employee is required by a supervisor to work extraordinary hours, the supervisor may (1) allow the employee to reduce work hours by an equivalent amount within the same pay period or (2) award compensatory time off to be used in a subsequent pay period. The first supervisor outside the bargaining unit (or designee) shall provide the employee with written confirmation of the requirement to work extraordinary hours, specifying the reason for the requirement, and identifying the anticipated reduction in schedule to account for the extraordinary hours worked. In the event that a reduced schedule within the same pay period is not possible or practical, the supervisor may instead provide the employee written authorization to accrue compensatory time for future use.

Article 18.3 states that employees shall make every effort to request the utilization of accrued compensatory time, and supervisors are encouraged to approve these requests when business needs permit. If an individual employee's accumulation exceeds a balance of 140 hours, management may opt to pay for the time over 100 hours up to a maximum of 40 hours at a time.

UConn's Compensatory Time Procedures for UCPEA Employees in Exempt Positions states that a standard approval form (Compensatory Time Accrual Request Form) is necessary when the employee is required to work extraordinary hours. Employees must complete the form prior to the commencement of the extraordinary hours, specifying the reason and indicating prior supervisory approval.

Condition

Our review of 15 employees earning a total of 9,848 hours of compensatory time disclosed that UConn did not properly approve compensatory time for nine employees. There was no documentation on file to indicate management approved the extraordinary 3,337 hours of compensatory time for five of the nine employees. For the remaining four employees, the compensatory time accrual request forms were on file, but the employees accrued 798 in unapproved compensatory leave hours.

Context

Our audit universe consisted of 1,129 employees who accrued 94,418 hours of compensatory time during the audited period. We judgmentally selected and reviewed 15 employees who accrued 9,848 hours of compensatory time, or ten percent of the total accrued compensatory time.

Effect

The university did not comply with the compensatory time provisions of the UCPEA contract. In the absence of adequate oversight and written managerial preapproval of compensatory time, there is a greater risk for impropriety and loss.

Cause

The university did not have adequate procedures in place to ensure that it followed the established compensatory time policies.

Prior Audit Finding

This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2016 through 2018.

Recommendation

The University of Connecticut should strengthen controls to ensure compliance with the compensatory time provisions set forth in the University of Connecticut Professional Employees Association contract.

Agency Response

"The University of Connecticut agrees that continuing to provide communication, guidance and training should strengthen the effort to ensure compliance with compensatory time provisions in the UCPEA contract. The University consistently provides documented guidance to management concerning when employees are entitled to earn compensatory time, the requirement for prior approval, recording and utilization of compensatory time. In addition, this guidance is posted on the Human Resources website with other guidance specifically targeted to managers and is communicated to departments using various communication efforts. This guidance and accompanying forms were updated in FY21 and specifically highlighted the requirements for pre-approval.

The current collective bargaining agreement between the University and UCPEA, approved by the General Assembly in April 2022, resulted in changes to the compensatory time provisions pertaining to the earning, recording, use and payout of compensatory time. Updated guidance concerning these changes will be communicated."

Finding 5
Separation Payments

Criteria

Under UConn's Separation Policy for Unclassified Board of Trustees Exempt Managers and Confidential Employees, management and confidential employees who are involuntarily separated from UConn for reasons unrelated to their job performance, such as lay off, position elimination, or management reorganization, may be eligible for separation benefits. To receive separation benefits, the employee must execute a separation agreement and general release in a form acceptable to the university. At UConn's discretion, it may offer advance written notice of the effective date of separation, a lump sum payment of salary in lieu of notice, or a combination of the two. Under the same policy, the university established the maximum allowable limit for combination of written notice and lump sum payments.

Unless the relationship with an employee has deteriorated to the point that the employee's continued presence on site would be a detriment, offering notice is the fiscally prudent alternative. If management determines payment in lieu of notice is the judicious alternative due to security and/or other risk concerns, it is good business practice for management to document its consideration of the applicable risk factors and clearly describe the basis for its conclusion.

Effective October 1, 2018, section 4-40b of the Connecticut General Statutes prohibits a state agency from making a payment in excess of $50,000 for the purposes of avoiding costs associated with potential litigation unless the payment is made pursuant to a settlement agreement entered into by the Attorney General on behalf of the state agency or by authorization of the Governor.

Condition

During a test of employees on leave with pay, we reviewed ten payments of salary in lieu of notice to managerial employees and identified the following exceptions:

- Seven employees were separated involuntarily for reasons unrelated to their job performance. UConn did not provide written documentation supporting management's decision to pay the employees in lieu of notice. Based on the paid leave periods and employee pay rates, UConn paid the seven employees $408,853.

- Two employees were paid out more than the maximum allowable amount based on their years of service per UConn's Separation Policy for Managers and Confidential Employees. In total, the university overpaid the two employees $27,767.

- The university paid two employees more than $50,000 to avoid litigation cost without obtaining approval from the Office of Attorney General (OAG). One employee was paid $134,240, an $84,240 overpayment. The second employee, per a signed separation agreement, was placed on paid leave for two months immediately prior to separation and was paid $20,192, the equivalent of two months' salary. By signing the separation agreement, the employee waived the right to contest the termination. However, subsequent to separation, the former employee retained a lawyer and threatened to sue for wrongful termination. In response, UConn issued a second separation agreement granting the employee an additional $52,033 lump sum payment, equal to five months of salary. In total, the university overpaid the two employees $136,273.

Context

We reviewed all ten employees who received $616,840 in separation payments during the audited period.

Effect

The separation payments may not have been a prudent use of the university's resources, and UConn lost the opportunity to benefit from the employees' services.

Cause

Management's judgement and discretion played a significant role in the decision to permit payment in lieu of notice. In addition, the university's policy did not require management to document its consideration of risk factors and basis for concluding that payment in lieu of notice was a more prudent decision than giving notice. Furthermore, the university stated it did not consider requiring such documentation to be an acceptable employee relations practice.

Prior Audit Finding

This finding has been previously reported in two prior audit reports covering the fiscal years ended June 30, 2014 through 2018.

Recommendation

The University of Connecticut should provide notice instead of separation payments in instances of involuntary separation unrelated to job performance. However, if management determines payment in lieu of notice is the prudent alternative due to security and/or other risk concerns, it should prepare written documentation of its consideration of the applicable risk factors and clearly describe the basis for its conclusion.

The university should obtain Office of the Attorney General approval for settlement agreements of more than $50,000 in accordance with Section 4-40b of the General Statutes.

Agency Response

"The University generally agrees with this finding. UConn's Separation Policy for Unclassified Board of Trustees Exempt Managers and Confidential Employees explicitly provides for notice, or payment in lieu of notice. As recognized, for business reasons, such as security concerns and other risk management issues, per university policy management has the discretion to make payment in lieu of notice.

The University agrees that it must comply with Section 4-40b of the general statutes."

Finding 6
Timesheet Approval

Criteria

Sound business practice dictates that employees should not approve the timesheets of their direct supervisors.

Condition

Our review of 11 employees who approved timesheets noted two employees who repeatedly approved their direct supervisors' timesheets.

Context

A total of 1,265 employees, or 25% of UConn's full and part-time faculty and staff, approved timesheets in Core-CT in fiscal year 2021. We judgmentally selected eleven employees who approved timesheets for testing.

Effect

The lack of supervisory approval decreased assurance that the employees provided services during the pay period.

Cause

There was a weakness in controls related to the supervisory review of employee timesheets.

Prior Audit Finding

This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2016 through 2018.

Recommendation

The University of Connecticut should improve internal controls over timesheet approval.

Agency Response

"As stated in our FY 16-17-18 audit report response, we agree that the best practice is for supervisors to take direct responsibility for the review and approval of their employees' timesheets. Although we have made significant progress across the university, we continue to engage in a methodical, area-by-area approach in reviewing time approval structures and aligning approval workflow. This includes refinement and removal of approval access where not appropriate, with specific focus on direct supervisory approval and upward delegation. We recognize that this approach is both time and resource-intensive, but it provides business continuity with respect to biweekly time and labor and payroll responsibilities; allows for the documentation of the timesheet approval process; and creates an opportunity to educate departments on best practices. We anticipate completing our review and approval realignment functions during FY23."

Finding 7
Financial System Access Controls

Background

The University of Connecticut uses the Kuali Financial System (KFS), an automated information system, to maintain its accounting records.

Criteria

Sound internal controls over information systems require that information system access granted to employees be promptly terminated upon separation from the university.

Condition

Our review of 67 employees with KFS access, who separated from university employment during the audited period, disclosed seven instances in which UConn did not promptly terminate their KFS user accounts upon separation. In the instances noted, user access was maintained 39 days to 304 days after the employee separated from UConn.

Context

As of February 2021, the university had 1,732 active KFS user accounts. We reviewed all separated employees from the Core-CT Employee Changes Report that were also included on the university's Active KFS User List.

Effect

Unnecessary or inappropriate access to information systems could increase the risk of financial data system errors or fraud.

Cause

The Information Technology Services (ITS) department, which is responsible for disabling KFS user access, was not consistently notified when employees separated from the university. However, the university implemented measures in July of 2020, which reduced the number of separated employees whose access was not promptly terminated.

Prior Audit Finding

This finding has been previously reported in the last two audit reports covering the fiscal years ended June 30, 2014 through 2018.

Recommendation

The University of Connecticut should promptly deactivate information system access upon an employee's separation from employment. The university should periodically review information system access privileges to determine whether access is still appropriate.

Agency Response

"Management agrees with this finding. The additional measures put in place in 2020 resulted in a significant reduction in the number of accounts remaining active in Kuali Financials after separation. However, there are still unique scenarios whereby student employees and staff retain affiliations resulting in those accounts not being flagged for removal. We have therefore engaged with our Identity Management and Human Resource partners to develop additional checks which will result in the remediation of this finding by December 2022."

Finding 8
University Housing Policy

Criteria

The University of Connecticut provides and manages short and long-term housing options for the recruitment and retention of faculty, staff, visiting scholars, and other university guests. The UConn housing policy provides guidance for this type of rental arrangement. The policy states that the Provost's Office, with the help of the Office of Residential Life, receives housing applications and prioritizes them based on application date and length of stay.

Sound business practices dictate that rental agreements should be in writing and signed by an authorized UConn representative and the tenant.

Condition

During our review of eight rental units, which encompassed 22 university tenants, 27 distinct rental periods and 19 housing request forms (applications), we identified the following conditions:

- We could not determine the housing request form (application) receipt dates and awarding processes, as the university lacked a tracking system.
- One tenant did not file a housing request form (application).
- Three housing request forms (applications) did not have the required department head's approval signatures.

Context

During the audited period, the university offered between 21 to 41 rental units. We judgmentally selected six university houses and two apartments for testing.

Effect

Without a system monitoring receipt dates of housing request forms (applications), the university could not affirm it fairly and transparently managed rental properties and awarded them on a first come first served basis.

Cause

The university did not follow established housing policies and procedures. Processing request forms without the required approval signatures contributed to bypassing the university's internal controls.

Prior Audit Finding

This finding has been previously reported in the prior audit report covering the fiscal years ended June 30, 2016 through 2018.

Recommendation

The University of Connecticut should follow its established housing policies and procedures to ensure all rental arrangements are documented and in compliance with existing laws and regulations.

Agency Response

"The University agrees with the recommendation and has implemented corrective action. Improvements have been made to the business processes to ensure compliance with policies and procedures. The following actions have been taken:

- Housing request forms are submitted and tracked through a shared Facilities Operations (FO) email box and overseen by the Residential Rental Property Administrator. Requests are electronically filed. As such, housing options are prioritized based on application date.
- An internal review was conducted in FY22 of all current tenants to ensure that both housing request forms were completed, and license agreements were executed with required signatures. In May 2022, the university signature authority policy was revised. As such, updated delegation

and approval procedures have been implemented into the license agreements.

- A link on the Rental Properties website remains to inform guests of potential tax implications. A statement has been added to the Housing Request form directing departments paying on behalf of tenant to complete the Supplemental Information Request for Tax Compliance Form found on the tax website.

- At the initiation of the pandemic in early 2020, the university rental program needs declined dramatically. FO remained responsive to all rental inquiries, engaged in a market analysis through a licensed appraiser for all properties to reassess the current rental rates based on market trends, and monitored revenue and expenses to avoid further reduction in university income.

- The future of the Residential Rental Program continues to be reevaluated. The number of units leased from the Oaks on the Square has been reduced from 20 to ten with the intent to phase out these units entirely by the end of the agreement term 7/31/23. Discussions of sales of houses have begun for off-campus properties. Remaining houses are intended for long-term occupancy not to exceed a year."

Finding 9
Service Organization Control Reports

Criteria

Service organization control (SOC) reports are used to gain assurance over outsourced operations. SOC 1 reports focus on internal control over financial reporting. SOC 2 and SOC 3 reports focus on compliance or operational controls relevant to security, availability, confidentiality, processing integrity, and privacy. An effective way of managing the risk of utilizing service organizations is by obtaining and reviewing the appropriate SOC reports. Documentation of the review process should include follow-up action taken in response to any reported deficiencies.

Condition

During the audited period, the university lacked a centralized process to effectively track the collection and review of SOC reports.

Context

The university outsources several integral business activities to service organizations.

Effect

Failure to obtain and review SOC reports reduces UConn's assurance that proper safeguards are in place at prospective and current service organizations. Consequently, transactions processed and data maintained by service organizations may put UConn at a greater risk.

Cause

UConn has not assigned specific responsibility for acquiring and reviewing SOC reports.

Prior Audit Finding

This finding has been previously reported in the last two audit reports covering the fiscal years ended June 30, 2014 and 2018.

Recommendation

The University of Connecticut should continue to develop a process to monitor and obtain assurance over external vendors by obtaining and reviewing their service organization control reports.

Agency Response

"The University of Connecticut agrees with the recommendation to evaluate risk on an ongoing basis. We are happy to report that in August 2021 we implemented a robust automated Vendor Risk Management (VRM) process and platform to manage the SOC2 and standardized vendor assessment surveys.

During new vendor setup, this process evaluates vendor responses to standardized security questions and gathers relevant documents that include SOC2 reports for review and action. UConn's Information Security reviews and evaluates these responses to ensure proper protection and risk mitigation.

To further improve the management of risk, UConn is currently in the process of evaluating software solutions to provide real time risk analysis of critical, highly sensitive applications."

Finding 10
Employee Tuition Waivers

Criteria

UConn offers employee, spousal, and dependent child tuition waivers and reimbursement to certain eligible personnel. The employee tuition waiver requires employees taking classes during regular work hours to complete a Temporary Flexible Schedule form, which their supervisor must approve. The form is completed and approved to document that there are no conflicts in an employee's schedule.

Condition

During our review of 15 individuals who received a tuition reimbursement or waiver, we noted that nine employees took classes during regular work hours. Of those nine employees, five did not complete a Temporary Flexible Work Schedule form.

Context

UConn provided tuition waivers to approximately 130 employees per semester and spent approximately $1.2 million a year on tuition waivers for employees. We judgmentally selected 15 employees who received tuition waivers for testing.

Effect

UConn did not comply with its employee tuition waiver policies, which weakened internal controls over these waivers.

Missing Temporary Flexible Work Schedules forms increase the risk an employee will be inappropriately compensated for time spent in class.

Cause

A lack of administrative oversight over employee tuition waivers resulted in this condition.

Prior Audit Finding

This finding has been previously reported in the prior audit report covering the fiscal years ended June 30, 2016 through 2018.

Recommendation

The University of Connecticut should strengthen internal controls to ensure employees with tuition waivers who attend classes during regularly scheduled work hours complete the required Temporary Flexible Work Schedule form and ensure their work and class schedules do not conflict.

Agency Response

"The university agrees with this recommendation. Managers of employees and employees with tuition waivers who attend classes during regularly scheduled work hours must ensure that a Temporary Flexible Work Schedule is completed and that their work and class schedules do not conflict. The university will continue to train and communicate this guidance to departments."

Finding 11
Construction Expenditure Authorization

Criteria

Proper internal controls require that management review and approve all purchase orders and any subsequent amendments prior to the commencement of construction services.

Condition

Our review of 92 invoices, totaling $22,355,050, disclosed nine instances, totaling $115,832, in which the university did not obtain proper approvals prior to the commencement of services.

Context

During the audited period, there were 452 invoices, totaling $103,894,949, associated with the construction projects we reviewed. We judgmentally selected 92 invoices for testing.

Effect

Failure to provide proper approvals prior to the commencement of services lessens the assurance that they are consistent with UConn's expectations.

Cause

In certain instances, it can be difficult to obtain proper approvals prior to the commencement of services.

Prior Audit Finding

This finding has been previously reported in the last audit report covering fiscal years ended June 30, 2016 through 2018.

Recommendation

The University of Connecticut should strengthen internal controls to ensure it approves purchase orders and associated amendments prior to the commencement of construction services.

Agency Response

"While the University of Connecticut generally agrees with this recommendation, the university believes that adequate project management and contractual controls are in place to authorize work before it is undertaken in most cases. Our response therefore is effectively the same as in 2019. Practically, not all change requests can be processed before work proceeds and stopping or delaying the start of change order work can be extremely detrimental and create large liabilities to projects in certain instances. The university believes that the appropriate balance between "good faith" project management and cost risk has been attained.

All of the instances noted in this finding involve continuing work on active projects under an on-call or stand-alone project contract. The university's contracts are clear that any work performed prior to written authorization is at that party's sole risk and that the university is not liable for any expense until a written authorization is received for same. The university has the unilateral ability to accept or reject proposed costs even if the work was commenced.

The university already has robust preauthorization of work processes in place. These processes include Construction Change Directives (CCD) for construction work and Architectural Services – Notice to Proceed (AS-NTP) for professional services and increase the likelihood that work will be authorized in advance of being commenced. Nonetheless, there are instances in which preauthorization is not possible, for example, in cases where life safety or unforeseen conditions are encountered in the field. In those instances, proceeding with necessary work is ultimately beneficial to the project and the university, avoids schedule delays and/or limits unnecessary expenses and risk due to delayed work.

The university is committed to full compliance with all state requirements and will continuously strive to ensure our practices support our compliance obligations."

Finding 12
On-Call Professional Services Program

Background

The Capital Projects and Facilities Procurement (CPFP) department has an on-call professional services program in which prequalified firms perform work under specific categories of professional services. Per the university's policy, there are two ways to select a firm under this program.

The first is to solicit the entire pool of firms in a particular services category using a solicitation process. The assignment is awarded to the firm with the lowest cost.

The second is to assign a firm through the equalization rotational process. CPFP reviews the requirements of the task with the initiating department, including the estimated design budget, and assigns the next available firm using established guidelines.

Criteria

The CPFP policy to monitor and assign firms based on the equalization rotational process includes a review of the following criteria when selecting a professional firm:

a) The number and value of previous task orders under the firm's contract within the relevant subcategory

b) The size and complexity of the related assignment

c) The firm's ability and resources to complete the assignment in a timely manner

d) Impact of other current assignments by the firm

e) Any other criteria deemed to be in the university's best interests

If the university selects a firm based on the equalization rotational process, the estimated design budget cannot exceed $500,000.

When using the equalization process, it is good business practice to formally document the decision-making process and rationale for contractor selection.

Condition

We reviewed 14 on-call professional services program contracts, totaling $5,320,839, and noted 11 contract files, totaling $4,582,888, lacking the requisite documentation to support that the university adhered to the equalization rotational process when selecting the professional firm.

Context

There were approximately $71 million on-call professional service program contracts initiated during the audited period. We judgmentally selected ten on-call service vendors and 14 associated contracts for testing.

Effect

The university could not demonstrate that it followed the established on-call professional services program policy. This lessens the assurance that UConn rotated awards in a rational manner in the absence of a competitive environment.

Cause

The university failed to formally document the criteria used to assign professional firms from the on-call professional services program.

Prior Audit Finding

This finding has been previously reported in the last audit report covering the fiscal years ended 2016 through 2018.

Recommendation

The University of Connecticut should adhere to its on-call professional services program policy when selecting a contractor and formally document its criteria when assigning a contractor from the on-call professional services program under the equalization rotational process.

Agency Response

"The University of Connecticut agrees that the university should adhere to the on-call professional services program policy when selecting a contractor. There have been times when the communication between CPFP and the end-user department is through email or verbal conversations. The university updated the on-call policies and procedures in the Capital Projects and Facilities Procurement Policies and Procedures Manual in September 2019 for selecting appropriate professional service firms using the rotational equalization method. The university has also developed procedures to better document which of the manual's criteria was used to assign firms from the On-Call Professional Services program.

The university is committed to full compliance with all state requirements and will continuously strive to ensure our practices support our compliance obligations."

Finding 13
Lack of Conflict-of-Interest Policy

Criteria

It is good business practice to require all contracted construction project managers to sign a conflict-of-interest form disclosing actual and potential conflicts of interest.

Condition

The university does not require contractors or consultants to complete conflict of interest disclosure forms.

Context

The university negotiated a 10-year contract with a company for project management services. The University, Planning, Design & Construction department estimates there are approximately 20 of the company's consultants working in its department. The consultants may be responsible for managing and developing budgets, verifying payments to contractors, evaluating pricing, and validating change orders.

Effect

Failing to disclose potential conflicts of interest increases the risk that UConn will not detect individuals with conflicts while they are working at the university. Individuals with an undisclosed conflict may make bias or compromised decisions unbeknownst to the university.

Cause

The university believes its current policies and procedures meet the state's requirements related to the avoidance of conflicts of interest.

Prior Audit Finding

This finding has been previously reported in the last audit report covering the fiscal years ended 2016 through 2018.

Recommendation

The University of Connecticut should implement policies and procedures to ensure that contractors and consultants disclose potential conflicts of interest.

Agency Response

"The university continues to disagree with this finding and maintains that the recommendation's "policies and procedures to ensure that contractors and consultants disclose potential conflicts of interest" are in place. The university's current policies and procedures meet the State of Connecticut's requirements related to the avoidance of conflicts of interest. University employees are educated regarding their ethical obligations as State of Connecticut employees and are expected to advise the university when a conflict or potential conflict arises.

The university incorporates State of Connecticut statutes and Office of State Ethics provisions within its agreements and contracting processes. As such, and upon execution, vendors/contractors and their employees supporting such contractual services (which include the consultants referenced in the condition of this finding) are required to inform the university of any potential conflicts of interest. There are no state statutes or provisions that require employees of vendors/contractors to individually complete conflict of interest disclosure forms.

The university is committed to full compliance with all state requirements and will continuously strive to ensure our practices support our compliance obligations."

Auditors' Concluding Comments

We believe contractors and consultants assigned to work at the university for an extended period would benefit from the same formal ethics training as employees, which requires the disclosure of actual and potential conflicts of interest.

Finding 14
Conflict-of-Interest Disclosure

Background

The university uses special payroll for certain short term, part-time, or temporary professional staffing needs associated with its programs and activities. The initial temporary appointments should not exceed six months, but it can be renewed. In general, appointees to the special payroll do not receive benefits.

Criteria

UConn's Employment and Contracting for Services of Relatives policy requires employees, when confronted with an employee decision or action involving a relative, to complete a conflict-of-interest disclosure form. The employee submits the form to the supervisor, who forwards it to the appropriate senior manager for approval. The purpose of the senior manager's review and signature is to ensure that a senior manager outside of the immediate hiring process is aware and approves of the arrangement.

Condition

Our review of 20 special payroll employees, who have relatives working for UConn, disclosed the following exceptions:

- Two employees did not file the required conflict of interest disclosure forms.
- Of the 18 filed conflict of interest disclosure forms, three were missing a senior manager's signature.
- Of the 15 conflict of interest disclosure forms containing a senior manager's signature, one was approved by a senior manager who was also the hiring manager. University policy requires a senior manager outside of the immediate hiring situation to review and sign the conflict-of-interest disclosure form.

Context

During the audited period, there were 151 special payroll employees with relatives working for UConn. We judgmentally selected 20 employees for testing.

Effect

Controls over conflict-of-interest disclosures were weakened. When conflict of interest forms are not filed or filed without senior management's review and approval, potential conflicts may go undetected.

Cause

Hiring administrators within individual departments are responsible for asking special payroll candidates if they have relatives working at UConn. However, due to the university's decentralized hiring processes, if hiring administrators do not indicate there is a conflict of interest in the Special Payroll Authorization Request system, human resources may not be aware of the relationship.

Some UConn personnel utilized a different conflict of interest form than specified in the policy. The UConn form did not call for senior management review, as the policy requires.

Prior Audit Finding

This finding has been previously reported in the prior audit report covering the fiscal years ended June 30, 2016 through 2018.

Recommendation

The University of Connecticut should follow its policy on Employment and Contracting for Services of Relatives to ensure that any employment actions are reviewed for possible conflicts of interest. A senior manager outside the immediate hiring situation should approve the conflict-of-interest form, as required by the policy.

Agency Response

"The university agrees with this recommendation. The finding exceptions have been corrected and the two missing forms have since been collected from these employees. Additional training and communication has occurred which is intended to prevent, in good faith, this human error in continuing."

Finding 15
Software Inventory

Criteria

In accordance with Chapter 7 of the State Property Control Manual, each state agency must establish a software inventory to track and control all software media and license agreements. The agency must produce an annual software inventory report and conduct an annual physical inventory of the software library.

Condition

Our review disclosed that the university does not have an inventory to track and control its software media and license agreements. The university was unable to provide a complete software inventory report for the audited period.

Context

As of June 30, 2021, UConn had a $13,283,297 net capitalized software book value.

Effect

The lack of a software inventory reduces the university's ability to adequately monitor, control, and track software use and ownership.

Cause

The university does not have adequate internal controls over licensed software. The university's decentralized nature allows individual departments to purchase software, making it difficult to properly monitor and track its software inventory.

Prior Audit Finding

This finding has been previously reported in the last audit report covering the fiscal years ended 2016 through 2018.

Recommendation

The University of Connecticut should strengthen internal controls to ensure it maintains software inventory records and reports them in accordance with the State Property Control Manual.

Agency Response

"The University of Connecticut agrees with the recommendation to comply with the software inventory requirements contained in the State Property Control Manual. UConn has put together a task force that is working toward the goal of identifying an effective software inventory control system to meet the requirements of the manual, while also taking into consideration the academic community. UConn Procurement in coordination with UConn's Information Technology Services (ITS) has formalized guidelines for software and cloud services acquisition and renewals for all system and software acquisitions of all dollar values. All software purchases are coded to a Kuali Financial System object code to easily identify and account for software purchases. UConn's ITS manages and tracks enterprise software licenses associated with the university's mission critical information systems also known as the "crown jewels."

Finding 16
Food Service Employees

Background

Several large dining halls, operated by UConn's Department of Dining Services of the Division of Student Affairs, provide dining services to UConn students. The approximately 440 food service operations employees at UConn are generally referred to as dining services employees to distinguish them from other UConn employees. However, the Department of Dining Services is a unit of the university and the state. Accordingly, the employees of UConn's food service operation are employed by the state.

Criteria

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 Comptroller, but it specifically excludes payroll.

Section 10a-108 of the General Statutes grants UConn's board of trustees the authority to employ the faculty and other personnel needed to operate the university and fix their compensation. However, this authority does not cover employees in state classified service. The work performed by UConn's dining services employees is consistent with work in state classified service.

Condition

UConn is paying approximately 384 full-time dining services employees directly rather than through the Office of the State Comptroller.

UConn's dining services employees are excluded from participating in the state employees retirement system and limited to participating in the Department of Dining Services Purchase Pension Plan or the University of Connecticut Department of Dining Services 403(b) Retirement Plan.

Context

UConn had approximately 5,062 full and part-time faculty and staff as of June 30, 2021.

Effect

Internal controls over payroll disbursements may be weakened. Dining services employees cannot participate in the state employees retirement system.

Cause

UConn did not seek clear statutory authority to compensate its dining services employees in this manner.

Prior Audit Finding

This finding has been previously reported in the last five audit reports covering the fiscal years ended June 30, 2008 through 2018.

Recommendation

The University of Connecticut should seek clear statutory authority for the direct payment of wages to its dining services employees and their participation in separate retirement plans.

Agency Response

"In response to the Auditors' concerns, a workgroup was formed to review the issue and make recommendations to university administration. Review and consideration of the issue is ongoing."

Finding 17
Guaranteed Maximum Price

Criteria

Section 10a-109n(c)(9) of the General Statutes requires that a construction manager at-risk contract include the maximum guaranteed price for the cost of construction, which must be determined no later than when the university receives and approves the contractor bids. Furthermore, it mandates, that, except for site preparation and demolition, construction cannot begin prior to the establishment of the maximum guaranteed price.

To mitigate the university's risk associated with construction manager at-risk (CMR) construction projects and the related costs, the guaranteed maximum price (GMP) should be established at the project's outset for all phases of a construction project.

Condition

We reviewed five CMR projects, and in two instances, the GMP set by the university did not reflect the entire construction project. The university instead established the GMP by construction phase.

- The university established an initial GMP of approximately $280,000 for the first project, well below the budgeted cost of the construction project. As the project progressed, the university amended the GMP four times, with a current estimated $128 million GMP for a project with an anticipated $240 - $260 million budget.

- The university established an initial GMP of approximately $3.4 million for a second project, which was well below the budgeted cost of the construction project. As the project progressed, the university amended the GMP five times, with a current estimated $31.5 million GMP for the $25 million budgeted project.

Context

During the audited period, there were nine active CMR projects totaling approximately $170 million. We judgmentally selected five CMR projects for testing.

Effect

The university may be exposed to unnecessary risk and cost overruns.

Cause

The university established the GMP by phase.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The University of Connecticut should establish a guaranteed maximum price consistent with the scope and cost of the entire construction project and attempt to limit amendments to the guaranteed maximum price.

Agency Response

"The University disagrees with this finding and this recommendation. For large projects anticipated to be constructed over many years, it is both advisable and reasonable to proceed in phases. As in the specific case reviewed in this finding, each phase was contracted under a Guaranteed Maximum Price amendment and each met statutory requirements for procurement. We disagree that the effect of phasing projects increases the risks to the state, and in fact, believe that not phasing large multi-year projects would pose additional risk, create inflated GMPs and ultimately be more costly. Additionally, proceeding in phases allowed the university to incorporate lessons learned from earlier phases of the work.

The university is committed to full compliance with all state requirements and will continuously strive to ensure our practices support our compliance obligations."

Auditors' Concluding Comments

Failing to establish a guaranteed maximum price consistent with the cost of the entire construction project and continually amending the GMP throughout the project negates the purpose and benefit of establishing a GMP, which is to mitigate the university's risk of cost overruns.

Finding 18
Working Excessive Consecutive Days

Background

UConn's Central Utility Plant and Cogeneration Facility in Storrs is the primary source of steam, chilled water, and electricity for the campus. The facility requires staffing 24-hours per day, seven days a week.

Criteria

Sound staffing practices call for procedures to monitor and limit employees' consecutive workdays to prevent adverse effects on employee safety and work quality.

Condition

We reviewed ten facility operations employees who earned $1,269,974 in overtime during the audited period and noted that five employees worked between 17 and 65 consecutive days. All five employees were power plant operators in the Utility Plant Operations Department.

Context

The university paid $18,323,817 in overtime to 1,692 employees during the audited period. We judgmentally selected ten employees for review, which represented 0.6% of the number of employees earning overtime and accounted for 7% of the university's overtime expenditures.

Effect

Excessive consecutive workdays may interfere with work quality and employee safety.

Cause

The university indicated that the facility has been significantly understaffed due to below market-rate salaries, a nationwide shortage of qualified applicants, and the retirement of long-term staff. This resulted in additional overtime hours to meet operational needs.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The University of Connecticut should implement policies and procedures limiting the number of consecutive workdays to ensure employee safety and quality of work in its Utility Plant Operations Department.

Agency Response

"The university agrees fully that the quality of work, hours worked, and employee safety at these facilities are paramount. The university has worked diligently for years with the State of Connecticut Department of Administrative Services (DAS) and the Office of Labor Relations (OLR) to address pay and classification in order to be able to recruit and retain qualified individuals to staff these facilities. The operations cited are the University's Central Utility Plant and Cogeneration Facility in Storrs and the Water Reclamation Facility which are continuous operations 24/7/365. The university has brought in outside contractors to address staffing where appropriate. While some gains have been made, the university will continue to work with the state to address these issues in a very tight and competitive labor market."

Finding 19
Reporting Requirements

Criteria

The university is required to comply with numerous reporting requirements set forth by the Connecticut General Statutes. An adequate system of internal controls should include a method for management to track and monitor the submission of mandated reports or propose legislative changes to eliminate obsolete or duplicate reporting requirements.

Condition

The university was unable to locate four of 43 reports required by statute, including the following:

- The report of new programs and program changes required by Sections 10a-35a(b) and 10a-104(a)(5) for fiscal years 2018-2019 and 2020-2021

- The biennial fundraising report required by Section 10a-104(a)(9) for fiscal year 2019-2020

- The biennial plan for increase of full-time faculty required by Section 10a-154c for fiscal year 2019-2020

Context

During the audited period, the university was required to produce 43 statutorily mandated reports.

Effect

Intended recipients are not receiving or not promptly receiving required information.

Cause

Some of the reporting requirements appear unclear or have become obsolete. The remaining reporting requirements may have been overlooked due to staff turnover.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The University of Connecticut should comply with its statutory reporting requirements or propose legislative changes to eliminate obsolete or duplicate reporting requirements.

Agency Response

"The university agrees with the recommendation. Effective July 1, 2021, CT General Statute Section 10a-34h establishes the requirement of a database which impacts the reporting of new programs and program changes required by Sections 10a-35a(b) and 10a-104(a)(5). Reporting requirements for Credential Engine, which will be provided into the Veoci system utilized by The Office of Higher Education (OHE) to manage data between individual institutions of higher education and to provide data for Credential Engine, mean that there is now a detailed requirement for reporting for all programs, which will all be reported through Veoci. We will work to clarify the single reporting requirement.

The UConn Foundation submits a report annually pursuant to CT General Statutes section 4-37f(9). We believe 10a-104 (a) (9) is obsolete. OHE used to have a role in the state funded endowment matching grant programs. While they still do have some statutory authority in this area, the state endowment matching programs have not been funded in over a decade. Additionally, the Board of Regents statutes – which were more recently updated (circa 2011) due to the merger of CSU and CCCs --have no such requirement likely due to the recognition of OHE's diminished role in this area and the lack of state funding for state matching grants. We are including a removal of the reporting requirement under 10a-104 (a) (9) as part of our legislative session planning.

It appears that the report required under 10a-154c is covered under the Faculty Hiring Plan report submitted pursuant to 10a-104c. We are including a removal of the reporting requirement under 10a-154c as part of our legislative session planning so that the duplicate reporting requirement is eliminated."

Finding 20
Asset Management

Criteria

The university's Capital Equipment Tagging and Physical Inventory Policy requires that all capital equipment with a value greater than $5,000 be tagged with a university barcode at the time of receipt.

Condition

Our review of 26 capital equipment purchases during the fiscal years ended June 30, 2020 and 2021 disclosed that six pieces of equipment, totaling $172,776, were tagged and assigned asset numbers 139 to 399 days after payment. The university occasionally needs to test new equipment prior to payment, to ensure it works as intended. As such, we utilized the payment date rather than the receipt date when assessing the timeliness of asset tagging.

Context

Capital equipment expenditures totaled approximately $22 million and $13 million for the fiscal years ended June 30, 2020 and 2021, respectively. We randomly selected 26 capital equipment purchases for testing.

Effect

Delayed tagging of capital equipment increases the risk of loss, theft, and inaccurate reporting.

Cause

The decentralization of equipment tagging and the pandemic remote work environment attributed to the delayed tagging of capital assets.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The University of Connecticut should strengthen internal controls to ensure that it promptly tags newly purchased capital equipment and adds it to its inventory system.

Agency Response

"The University of Connecticut agrees that the pandemic attributed to some untimely tagging of capital equipment. Within two months after the pandemic started, the Inventory Control staff were approved to come back on campus to continue tagging new equipment and inventory existing equipment. There were some locations on the main campus and at the regional campuses where the Inventory Control staff were not able to enter sites due to COVID reasons. Inventory Control maintains an Access data base for equipment purchases that have not been tagged. This data base is constantly monitored to ensure that capital equipment is eventually tagged and added to the inventory system. The tagging of the equipment is a centralized process within the controller's operations. Inventory Control is now able to enter all sites on main campus and at the regional campuses and have resumed their timely tagging of capital equipment."

Finding 21
Conflict of Interest – Board of Trustees

Criteria

It is good business practice to require that all university board of trustee members disclose actual, potential, or perceived conflicts of interest.

Condition

The board of trustees does not require its members to disclose actual, potential, or perceived conflicts of interest. During our review, we identified a board member who did not disclose the appearance of a conflict of interest. After review, it was determined an actual conflict of interest did not exist.

Context

The board of trustees has 21 members, 12 appointed by the Governor, two elected by alumni, and two elected by students. The board also has five ex-officio members, including the Governor; the chair of the UConn Health Board of Directors; and the commissioners of Agriculture, Economic and Community Development, and Education.

Effect

Failing to disclose potential conflicts of interest increases the risk that the board will not detect members' actual, potential, or perceived conflicts during their board service. Failing to disclose the appearance of a conflict of interest may negatively impact the board's public trust.

Cause

The board of trustees lacks a member conflict of interest policy.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The University of Connecticut Board of Trustees should implement conflict of interest policies and procedures to ensure its members disclose actual, potential, or perceived conflicts.

Agency Response

"The university agrees with the recommendation. All appointed Board of Trustee members are subject to the State Code of Ethics and provided with a copy of the Guide to the State Code of Ethics. Although not technically subject to the State Code of Ethics, the elected student and alumni representatives to the board are asked to follow the same guidelines.

The university's administration will draft a separate conflict of interest policy that the board can consider. The draft policy will be submitted to the Joint Audit & Compliance Committee of the Board of Trustees for review. Upon its recommendation, it will be sent to the full board for its consideration and vote."

Finding 22
Awarding of Contracts

Criteria

In accordance with Section 10a-109n(c)(3) of the General Statutes, the university shall not award any construction contract, including any total cost basis contract, after public letting, except to the responsible qualified contractor submitting the lowest bid or proposal in compliance with the requirements of the solicitation document.

Condition

We reviewed six contract awards, totaling $20,370,583, and noted that the university did not award one $5,473,239 contract to the lowest responsible qualified bidder. During the award process, the university evaluated bids by considering the base bid and five alternate services, which could be included in the contract at the university's discretion. The university selected the lowest bidder after removing one of the five alternate service numbers but added the service back via a change order after awarding the contract. If the service was included in the initial award process, the university should have selected a different vendor.

Context

We judgmentally selected our tested contracts from a population of 40 purchase orders totaling $80,615,142.

Effect

The university incurs additional costs when it does not award a contract to the lowest responsible qualified bidder.

Cause

The university did not appear to consider the full scope of the project and improperly excluded an alternate service when evaluating contractor bids.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The University of Connecticut should select construction contractors in accordance with the procurement requirements in Section 10a-109n of the General Statutes.

Agency Response

"The university agrees with this recommendation but disagrees with this finding. The university awarded the project to the lowest qualified bidder based on the available information at the time of the bid and as outlined in the award process in the Request for Proposal. The subsequent decision to undertake the alternate work five months after the commencement of the contract, neither serves to reverse the award decision nor has any relevancy.

The university is committed to full compliance with all state requirements and will continuously strive to ensure our practices support our compliance obligations."

Auditors' Concluding Comments

Had the full scope of the project been properly considered at the time of the award, based on the available information at the time of the bid, a different vendor would have been selected as the lowest qualified bidder.

STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our prior audit report on the University of Connecticut contained 28 recommendations. Ten have been implemented or otherwise resolved and 18 have been repeated or restated with modifications during the current audit.

Prior Recommendation	Current Status
The University of Connecticut should comply with Section 10a-109n(c)(2)(A) of the General Statutes and publicly solicit projects with costs estimated to exceed $500,000, by posting them on the university's website and Department of Administrative Services State Contracting Portal.	REPEATED Modified Form Recommendation 1
The University of Connecticut should adhere to its policies and publicly solicit design projects with costs greater than $500,000.	REPEATED Modified Form Recommendation 1
The University of Connecticut should establish the scope and costs of construction projects to ensure that their actual costs are reasonable and consistent with a properly developed original budget.	REPEATED Modified Form Recommendation 17
The University of Connecticut should adhere to its bylaws when administering the sabbatical leave program, document any deviation from its formal policy in writing, and vet sabbatical leave via an appropriate approval process.	REPEATED Modified Form Recommendation 2
The University of Connecticut should compensate employees who step down from management positions at a level consistent with their new position. If a higher compensation rate is warranted, the university should document the appropriateness of the new salary.	REPEATED Recommendation 3
The University of Connecticut should strengthen control procedures to ensure compliance with the compensatory time provisions set forth in the University of Connecticut Professional Employees Association contract.	REPEATED Recommendation 4

Prior Recommendation	Current Status
The University of Connecticut should provide notice instead of separation payments in instances of involuntary separation unrelated to job performance. However, if, due to security and/or other risk concerns, management determines that payment in lieu of notice is the prudent alternative, it should prepare written documentation of its consideration of the applicable risk factors and clearly describe the basis for its conclusion. The university should not make separation payments to employees who were terminated for poor job performance.	REPEATED Recommendation 5
The University of Connecticut should follow all applicable policies, procedures, and contracts when making vacation leave payouts upon an employee's separation.	RESOLVED
The University of Connecticut should review each user's Core-CT access and, if appropriate, adjust the level of employee access to improve the segregation of duties between the payroll and human resources functions. The university should submit a CO-1092 form with appropriate justification for all employees with dual access.	RESOLVED
The University of Connecticut should improve internal controls over timesheet approval.	REPEATED Recommendation 6
The University of Connecticut should not rehire its retired employees for more than three 120-day periods, in accordance with university policy. The university should ensure that compensation for rehired retirees is consistent with its policy.	RESOLVED
The University of Connecticut should ensure that supervisors review employee timesheets properly prior to approval, and the Payroll Department should verify that valid time reporting codes were used. The university should perform periodic reviews of employees who charged holiday time on non-holidays to ensure they accurately reported their time.	RESOLVED
The University of Connecticut should institute procedures to ensure the carryover of vacation leave is monitored and approved in accordance with university policy.	RESOLVED
The University of Connecticut should follow its established policies and remove data center access when it is no longer required. The university should conduct periodic reviews of all users with data center access to ensure they still require access.	RESOLVED

Prior Recommendation	Current Status
The University of Connecticut should promptly deactivate information system access upon an employee's separation from employment. The university should periodically review information system access privileges to determine whether access is still appropriate.	**REPEATED** Recommendation 7
The University of Connecticut should follow its established housing policies and procedures to ensure all rental arrangements are documented and in compliance with existing laws and regulations.	**REPEATED** **Modified Form** Recommendation 8
The University of Connecticut should continue to develop a process to monitor and obtain assurance over external vendors by obtaining and reviewing their service organization control reports.	**REPEATED** Recommendation 9
The University of Connecticut should require that purchasing card logs be approved by the cardholder's supervisor.	**RESOLVED**
The University of Connecticut should obtain ethics certifications in a manner consistent with Section 4-252 of the General Statutes.	**RESOLVED**
The University of Connecticut should ensure that employees with tuition waivers who attend classes during regularly scheduled work hours complete the required Temporary Flexible Work Schedule form and ensure that their work and class schedules do not conflict.	**REPEATED** Recommendation 10
The University of Connecticut should strengthen internal controls to ensure it approves change order requests prior to the commencement of services.	**REPEATED** **Modified Form** Recommendation 11
The University of Connecticut should adhere to its on-call professional services program policy when selecting a contractor. The university should formally document its criteria when it assigns a contractor from the on-call professional services program under the equalization rotational process.	**REPEATED** Recommendation 12
The University of Connecticut should implement policies and procedures to ensure that contractors and consultants disclose potential conflicts of interest.	**REPEATED** Recommendation 13

Prior Recommendation	Current Status
The University of Connecticut should consider price as a criterion when evaluating bids during the competitive procurement process. The university also should document its consideration and evaluation of costs associated with subcontractors hired to perform a significant amount of the work on a contract.	RESOLVED
The University of Connecticut should follow its policy on Employment and Contracting for Services of Relatives to ensure that any employment actions are reviewed for possible conflicts of interest. A senior manager outside the immediate hiring situation should approve the conflict of interest form, as required by the policy.	REPEATED Recommendation 14
The University of Connecticut should strengthen internal controls to ensure it maintains software inventory records and reports them in accordance with the State Property Control Manual.	REPEATED Recommendation 15
The University of Connecticut should comply with Section 10a-109bb(a) of the General Statutes to ensure that committee members with the requisite professional experience review UConn 2000 projects.	RESOLVED
The University of Connecticut should seek clear statutory authority for the direct payment of wages to its dining services employees and their participation in separate retirement plans.	REPEATED Recommendation 16

OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the University of Connecticut (UConn) in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2019, 2020, and 2021. The objectives of our audit were to evaluate the university's:

1. Internal controls over significant management and financial functions;

2. Compliance with policies and procedures internal to the university or promulgated by other state agencies, as well as certain legal provisions; and

3. Effectiveness, economy, and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of UConn, as well as certain external parties; and testing selected transactions. Our testing was not designed to project to a population unless specifically stated. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying Financial Information is presented for informational purposes. This information was obtained from various available sources, including but not limited to, the university's management and the state's information systems, and was not subjected to the procedures applied in our audit of the university. For the areas audited, we identified:

1. Deficiencies in internal controls;

2. Apparent noncompliance with laws, regulations, internal policies and procedures; and

3. A need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents any findings arising from our audit of the University of Connecticut.

ABOUT THE AGENCY

Overview

The University of Connecticut, 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. UConn 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 makes rules for the government of the university and determines the general policies of the university pursuant to duties set forth in Section 10a-104 of the General Statutes. The members of the board as of June 30, 2021, were:

Ex officio members:

Ned Lamont, Governor
Bryan P. Hurlburt, Commissioner of Agriculture
David Lehman, Commissioner of Economic and Community Development
Charlene M. Russell-Tucker, Acting Commissioner of Education
Sanford Cloud, Jr., Chairperson of UConn Health's Board of Directors

Appointed by the Governor:

Daniel D. Toscano, Darien, Chairman – effective August 2019
Thomas D. Ritter, Hartford, Interim Chairman from April 2019 to August 2019
Andrea Dennis-LaVigne, Simsbury, Vice-Chair and Secretary
Andy F. Bessette, West Hartford
Mark L. Boxer, Glastonbury
Charles F. Bunnell, Waterford
Shari G. Cantor, West Hartford
Marilda L. Gandara, Hartford
Rebecca Lobo, Granby
Kevin J. O'Connor, Greenwich
Philip E. Rubin, Fairfield

Elected by alumni:

Jeanine A. Gouin, Durham
Brian K. Pollard, Middletown

Elected by students:

Justin Fang, Storrs
Ethan Werstler, Storrs

Other members who served during the audited period include the following:

Diane R. Wentzell, Former Commissioner of Education
Miguel Cardona, Former Commissioner of Education
Denis J. Nayden, Stamford
Thomas Kruger, Cos Cob
Richard T. Carbray, Jr., Rocky Hill
Samuel Surowitz, Storrs

Renukanandan Tumu, Storrs

Pursuant to Section 10a-108 of the General Statutes, the board of trustees appoints a university president to be the chief executive and administrative officer of the university. Susan Herbst served as the president of the university during the audited period until July 2019. Thomas Katsouleas served as the president of the university from August 2019 through June 2021.

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

Avery Point:

Undergraduate and Graduate Programs
Connecticut Sea Grant College Program

Farmington:

UConn Health

Greater Hartford:

Undergraduate and Graduate Programs
School of Law
School of Social Work
Graduate Business Learning Center

Stamford:

Undergraduate and Graduate Programs
Connecticut Information Technology Institute

Waterbury:

Undergraduate and Graduate Programs

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

Autonomy

Statutes governing the state's constituent institutions of higher education provide UConn notable autonomy and flexibility. This independence is most notable with respect to procurement. Institutions of higher education may, under Section 10a-151b of the General Statutes, purchase equipment, supplies and contractual services, execute personal services agreements or lease personal property without the approval of the Comptroller, the Secretary of the Office of Policy and Management, or the Commissioner of the Department of Administrative Services. Personal services agreements are not subject to the restrictions codified under Sections 4-212 through 4-219 of the General Statutes. As a compensating measure, personal services agreements executed by 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 issues being an exception) directly instead of through the Comptroller. UConn 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 operating fund (a civil list fund) to a Treasurer's cash management account. These advances are recorded as higher education operating expenses on the Comptroller's records. The Treasurer transfers funds from the cash management account to UConn's zero-balance direct disbursement checking account as needed to satisfy checks that have cleared.

UConn makes all payments through the zero-balance checking account, except for certain transactions involving student receipts. UConn's operating fund is reimbursed on a daily basis for payments made on behalf of UConn's non-civil list funds (UConn 2000 bond proceeds and UConn's special local fund). The University of Connecticut Research Foundation Fund reimburses the operating fund on a monthly basis. The reimbursements are posted to the operating fund by crediting higher education operating expenses.

Although Section 3-25 clearly states "payments for payroll…shall be made solely by the Treasurer…," UConn pays the majority of its food service employees directly. This arrangement is discussed in more detail in the State Auditors' Findings and Recommendations section of this report.

UConn also has 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 the faculty and other personnel needed to operate and maintain the institutions under its jurisdiction and establish the terms and conditions of employment. Section 10a-154b allows institutions of higher education to establish positions and approve the filling of vacancies within 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 UConn. Subsection (c) of Section 7 of the act, codified as Section 10a-109g(c) of the General Statutes, provided that the securities issued to fund this program are to be issued as general obligations of UConn. However, the act committed the state to fund the debt service on these securities, both principal and interest, almost entirely from General Fund resources. Per subsection (c) of Section 5 of the act, codified as Section 10a-109e(c) of the General Statutes, "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, to the extent that related debt service is funded from the state debt service commitment, are considered for the bond limitation established by Section 3-21 of the General Statutes. However, they are not considered to be a state bond issue as referred to in Section 3-25 of the General Statutes. Therefore, UConn can make payments related to the program directly, rather than through the Comptroller.

UConn 2000 Authorizations

As of June 30, 2021, the General Assembly authorized $4,619,300,000 in projects under the UConn 2000 enabling legislation. The estimated costs do not represent spending caps at the project level or in the aggregate.

Authorizing Legislation	Authorized Amount	Cumulative Estimated Costs	Cumulative Funding		
			UConn Bonds	State Bonds[a]	Other
PA 95-230	1,250,000,000	1,250,000,000	962,000,000	18,000,000	270,000,000
PA 02-3	1,348,400,000	2,598,400,000	2,262,000,000	18,000,000	318,400,000
PA 10-104	207,000,000	2,805,400,000	2,469,000,000	18,000,000	318,400,000
PA 11-75	262,900,000	3,068,300,000	2,731,900,000	18,000,000	318,400,000
PA 13-233	1,551,000,000	4,619,300,000	4,282,900,000	18,000,000	318,400,000

[a] Under Section 5 (b) of Public Act 95-230, the funding for UConn 2000 included $18,000,000 in state general obligation bonds authorized under Section 1 of Public Act 95-270 and $962,000,000 in UConn bonds authorized under Section 4(a) of Public Act 95-230.

The legislature authorized additional funding through the issuance of state general obligation bonds. These bonds are obligations of the state and are not included as debt in the UConn financial statements. Several projects were funded in this manner. The most significant was the approval of up to $169,500,000 for the development of a technology park at the university, under Section 92 of Public Act 11-57, as amended by Section 30 of Public Act 14-98.

Public Act 17-2 extended the UConn 2000 program by three years, from 2024 to 2027. It also deferred $185.8 million in bonds currently authorized under the program for fiscal years 2018 to 2023 to fiscal years 2024 to 2027 and adjusted the program's annual bond caps.

Public Act 20-1 revised the amounts of bonds secured by the state debt service commitment that UConn could issue in years 2020 to 2027. However, the act did not change the aggregate amount of bonds secured by the state debt service commitment that could be issued.

Significant Legislation:

The following notable legislative changes took effect during or around the audited period:

- Public Act 18-137, effective October 1, 2018, limits state agencies from paying a departing employee more than $50,000 as part of a non-disparagement agreement or to avoid litigation costs. The act allows such a payment if it is made under a settlement agreement the Attorney General enters on the agency's behalf or if the Attorney General recommends and the Governor authorizes it to settle a disputed claim by or against the state.

- Public Act 19-154, effective July 1, 2019, made several changes to entrepreneurship and economic development at UConn. The changes include requirements to: a) develop a new recruitment plan for research faculty, b) foster a culture of innovation and entrepreneurship among students, and c) solicit input from the CTNext Board of Directors and the Higher Education Entrepreneurship in developing a plan to reform UConn's technology transfer program.

- Public Act 21-111 authorized the issuance of $41,600,000 in State General Obligation Bonds over fiscal years 2022 through 2026 for the university to commence a research faculty recruitment and hiring program. This program is expected to support economic development in the state through faculty research and promote core sectors of the state's economy by accelerating the pace of applied research and development.

Enrollment Statistics

Statistics compiled by the University of Connecticut's Office of Institutional Research and Effectiveness present the following enrollment totals during the audited period and prior fiscal year:

Student Status	Fall 2017	Fall 2018	Fall 2019	Fall 2020
Undergraduates	23,845	23,978	23,900	24,371
Graduates	7,098	7,004	7,097	6,928
Professional (School of Law and Doctor of Pharmacy)	647	664	690	724
Medical – Students	411	425	444	449
Dental – Students	181	186	202	197
Total Enrollment	32,182	32,257	32,333	32,669

Financial Information

Under the provisions of Section 10a-105(a) of the General Statutes, tuition is set by the board of trustees. The following summary presents annual tuition charges during the audited period and prior fiscal year.

	2017 - 2018			2018 - 2019		
Student Status	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduates	$11,998	$34,016	$20,416	$12,848	$35,216	$21,566
Graduates	$14,500	$35,812	$24,796	$15,350	$36,962	$25,946
School of Law	$28,554	$58,996	$49,386	$29,404	$60,146	$50,536

	2019 - 2020			2020 - 2021		
Student Status	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduates	$13,798	$36,466	$22,816	$14,406	$37,074	$23,424
Graduates	$16,300	$38,212	$27,196	$16,908	$38,820	$27,804
School of Law	$30,354	$61,396	$51,786	$30,354	$61,396	$51,786

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

- General Fund appropriation accounts
- The University of Connecticut Operating Fund
- The University of Connecticut Research Foundation Fund
- Accounts established in other funds for appropriations financed primarily with bond proceeds

UConn maintains additional accounts that are 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 proceeds of UConn 2000 bonds and related expenditures.

UConn also maintains a special local fund, used to account for various locally administered balances and activities. Governor William A. O'Neill authorized the fund under Section 4-31a of the General Statutes in 1987 to encompass existing local funds that had traditionally been controlled by UConn.

UConn's financial statements are prepared in accordance with all relevant Governmental Accounting Standards Board (GASB) pronouncements. UConn utilizes the proprietary fund method of accounting, whereby revenue and expenses are recognized on the accrual basis.

UConn's financial statements are adjusted as necessary and incorporated into the state's Annual Comprehensive Financial Report. The financial balances and activity of the university are combined with those of UConn Health, including the John Dempsey Hospital, and included as a proprietary fund.

UConn employment grew slightly during the audited period. UConn reported 4,857, 4,969, 5,032, and 5,099 full and part-time faculty and staff (excluding adjunct faculty and other special payroll employees, graduate assistants, dining services employees and student labor) as of the 2017, 2018, 2019, and 2020 fall semesters, respectively.

Operating Revenues

Operating revenues consist of student tuition and fees, grants and contracts (federal, state and local, and nongovernmental), auxiliary enterprises revenue, and other sources of revenue that generally have the characteristics of exchange transactions.

Operating revenues, as presented in UConn's audited financial statements for the audited period and previous fiscal year, are as follows:

($ in thousands)	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021
Tuition and Fees	$ 386,921	$ 396,780	$ 422,519	$ 397,237
Grants and Contracts	144,388	163,129	166,922	183,923
Auxiliary Enterprises Revenue	210,990	211,036	169,016	73,577
Other Sources	37,717	52,460	47,648	52,298
Total Operating Revenue	$ 780,016	$ 823,405	$ 806,105	$ 707,035

Operating revenues totaled $823 million, $806 million, and $707 million during the fiscal years ended June 30, 2019, 2020, and 2021, respectively, compared to $780 million during the fiscal year ended June 30, 2018. These revenues increased $43 million (6%) in fiscal year 2018-2019, decreased $17 million (2%) in fiscal year 2020 and decreased $99 million (12%) in fiscal year 2020-2021.

The growth in operating revenues during the fiscal year ended June 30, 2019 was primarily due to an additional $18.7 million in federal and nongovernmental grants and/or contracts, after being offset by a $1.5 million decrease in state and local grants. Other sources of revenue increased by $14.8 million, since UConn changed its accounting method to report certain payments from UConn Health as operating revenues under other sources beginning in fiscal year 2018-2019. Prior to this change, UConn reported the payments as a reduction to operating expenses. Tuition revenue increased by $10 million, which stemmed mainly from planned rate increases.

The decrease in fiscal year 2019-2020 operating revenues was largely caused by the University's closure and suspension of housing, dining services, and athletic events due to health and safety measures related to the COVID-19 pandemic. The University refunded $33.6 million of housing and dining fees to students when the campuses closed in March of 2020. Other sources of revenue decreased by $4.8 million due to pandemic-related restrictions on programs such as education abroad, orientation, and other educational fees for services. The decreases were partially offset by an increase of $26 million in tuition and fee revenue, which was primarily due to increases to the tuition rate and student enrollment. Federal grants and contracts revenue also increased by approximately $4 million.

Operating revenues declined the most in fiscal year 2020-2021, as the University continued to implement COVID-19 mitigation strategies. The university reduced student housing capacity to approximately 40 percent, which decreased student housing revenues. A lower student population, combined with other measures to ensure student and staff safety, also negatively impacted dining services, sporting events, and parking revenues. Tuition and fee revenue decreased by $25 million, mainly attributed to a decrease in international student enrollment. The decline in operating revenues was partially offset by a $17 million increase in federal grant revenues from the Departments of Defense, Health and Human Services, and Transportation.

Operating Expenses

Operating expenses result from payments made for services to achieve the university's mission of instruction, research, and public service. These expenses include employee compensation and benefits, supplies and other expenses, utilities, depreciation and amortization, and scholarships/fellowships.

Operating expenses, as presented in UConn's audited financial statements for the audited period and previous fiscal year, are as follows:

($ in thousands)	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021
Salaries and Wages	$ 569,359	$ 569,872	$ 602,873	$ 617,225
Fringe Benefits	338,545	417,689	597,737	685,126
Supplies and Other Expenses	264,456	279,602	257,977	226,404
Utilities	19,655	21,063	20,167	17,295
Depreciation and Amortization	108,185	119,346	117,870	122,695
Scholarships and Fellowships	8,870	11,409	23,367	28,866
Total Operating Expenses	$ 1,309,070	$ 1,418,981	$ 1,619,991	$ 1,697,611

Operating expenses totaled $1,419 million, $1,620 million, and $1,698 million for the fiscal years ended June 30, 2019, 2020, and 2021, respectively, compared to $1,309 million for the fiscal year ended June 30, 2018. These expenses increased $110 million (8%), $201 million (14%), and $78 million (5%) respectively, in fiscal years 2019, 2020, and 2021.

Operating expenses increased by $110 million in fiscal year 2018-2019 with a majority of the increase coming from fringe benefits. The $79 million increase in fringe benefits was primarily caused by one-time benefit changes related to the SEBAC 2017 agreement that reduced expenses in fiscal year 2017-2018. The $15 million increase in supplies and other expenses was driven mainly by an accounting change for services provided to UConn Health, and increases in software licensing fees, consulting services, and electronic library purchases. The increase in depreciation was a result of completed construction projects (the Technology Quadrant Innovation Partnership Building, the Engineering and Science Building, and the Hartford Relocation Acquisition and Renovation) being depreciated for a full year.

Operating expenses increased by $201 million in fiscal year 2019-2020. The $33 million increase in salaries and wages was a result of a collective bargaining agreement rate increase combined with a slight addition of full-time employees. The $180 million increase in fringe benefits relates to the accounting for actuarial assumption changes related to other postemployment benefits (OPEB) and increases in UConn's share of the state's net pension and OPEB liabilities. Scholarships and fellowships increased $12 million due to increased tuition, student financial aid, and the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding provided to students.

Operating expenses grew by $78 million in fiscal year 2020-2021. The increase was due, in large part, to an increase in fringe benefits caused by accounting adjustments required to recognize UConn's share of the state's unfunded pension and OPEB liabilities. Salary expenses grew by $14 million, a result of the collective bargaining agreement salary increases, which was partially offset by managerial furloughs and a reduction in student labor expenses. The decrease in Supplies and Other Expenses came primarily from the reduction of auxiliary enterprise activities, pandemic travel restrictions, and other savings.

Non-Operating Revenues and Expenses

Non-operating revenues and expenses are those not attributable to the sale, exchange, or purchase of goods and services supporting the operations of the university. Non-operating revenues include items such as appropriations from the State of Connecticut for general operations, the state's debt service commitment for interest, federal and state financial aid, noncapital gifts, investment income, and interest income.

Non-operating revenues and expenses, as presented in UConn's financial statements for the audited period and the prior fiscal year, are as follows:

($ in thousands)	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021
State Appropriation	$ 342,987	$ 356,898	$ 376,866	$ 397,910
State Debt Service Commitment for Interest	70,740	77,333	78,963	74,170
Federal and State Financial Aid	37,986	42,222	64,549	115,892
Gifts and Investment Income	25,791	40,142	29,671	25,509
Interest and Other Expenses	(68,671)	(72,060)	(72,807)	(63,523)
Net Non-Operating Revenues	$ 408,833	$ 444,535	$ 477,242	$ 549,958

Net non-operating revenues totaled $445 million, $477 million, and $550 million during the fiscal years ended June 30, 2019, 2020, and 2021, respectively, compared to $409 million during the fiscal year ended June 30, 2018. These revenues increased $36 million (9%) in fiscal year 2018-2019, $33 million (7%) in fiscal year 2019-2020, and $73 million (15%) in fiscal year 2020-2021.

The $36 million growth in net non-operating revenues for the fiscal year ended June 30, 2019 was primarily due to an increase in state appropriations and gifts and investment income revenues. The increase in state appropriated revenue was caused by a higher reimbursement for fringe benefits associated with the 567 employees that transferred from the Alternate Retirement Plan to the State Employees' Retirement System, in accordance with the State Employees' Bargaining Agent Coalition grievance award. Gifts and investment income grew, as the UConn Foundation increased its reimbursement of eligible expenses and investment income.

Net non-operating revenues increased $33 million in fiscal year 2019-2020. Revenue from state appropriations increased due to collective bargaining contract salary increases and related fringe benefit reimbursements. The majority of the increase in federal and state financial aid was derived from emergency funding provided by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the Higher Education Emergency Relief Fund. Gifts and investment income partially offset the increase in net non-operating revenues, as requests associated with the UConn Foundation's reimbursement of eligible expenses and investment income decreased.

Net non-operating revenues increased $73 million in fiscal year 2020-2021. The increase primarily came from state appropriations and federal and state financial aid. The increase in state appropriations was caused by collective bargaining contract salary increases and related fringe benefit reimbursements. The growth in federal and state financial aid was due to additional COVID-19 funding under the Coronavirus Relief Fund, the Coronavirus Response and Relief Supplemental Appropriations Act, and the Governor's

Emergency Education Relief Fund. The university also reduced its interest expense by refunding bonds in fiscal year 2020-2021.

Other Changes in Net Position

Other changes in net position are comprised primarily of the state's debt service commitment for principal and capital grants and gifts.

Other changes in net position, as presented in UConn's audited financial statements for the audited period and previous fiscal year, are as follows:

($ in thousands)	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021
State Debt Service Commitment for Principal	$ 187,269	$ 154,405	$ -	$ 140,295
Capital Grants and Gifts	5,099	3,906	2,276	11,640
Additions to Permanent Endowments	338	171	171	164
Athletic Conference Exit/Entrance Fee	-	-	(16,436)	(3,500)
Transfer to Affiliate	-	-	-	(2,000)
Other Changes in Net Position	$ 192,706	$ 158,482	$ (13,989)	$ 146,599

Other changes in net position totaled $158 million, ($14) million, and $147 million during the fiscal years ended June 30, 2019, 2020, and 2021, respectively, compared to $193 million during the fiscal year ended June 30, 2018. Other changes in net position decreased $34 million (18%) in fiscal year 2018-2019, decreased again by $172 million (109%) in fiscal year 2020, and increased by $161 million (1148%) in fiscal year 2020-2021.

Typically, the other changes in net position balance are primarily comprised of the state's debt service commitment for principal for the issuance of general obligation bonds under the UConn 2000 Infrastructure Program (UConn 2000). The state committed to pay an annual amount of debt service on securities issued as general obligations of the university. UConn did not issue general obligation bonds in fiscal year 2019-2020, which caused a significant decrease in the balance. In addition, UConn paid a $16.4 million exit fee in fiscal year 2019-2020 when leaving the American Athletic Conference.

Changes in capital grants and gifts reflect changes in the UConn Foundation's gifts for various capital improvement projects. In fiscal year 2020-2021, the increase of $9.4 million was due to gifts associated with the Athletics District Development Project, which was partially offset by a reduction in gifts received for smaller construction projects when compared to prior years. UConn also paid a $3.5 million entrance fee when joining the Big East Conference and transferred $2 million to UConn Health to upgrade its Nuclear Magnetic Resonance Facility in fiscal year 2020-2021.

Net Position

Net position includes investments in capital assets net of liabilities, restricted funds, and unrestricted funds. Net position, as presented in UConn's financial statements for the audited period and prior fiscal year, is presented below:

($ in thousands)	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021
Net Investment in Capital Assets	$ 1,682,317	$ 1,681,657	$ 1,763,712	$ 1,820,249
Restricted Nonexpendable	15,044	15,005	15,132	14,164
Restricted Expendable:				
Research, Instruction, Scholarships, Others	32,273	21,716	16,582	25,824
Loans	2,566	2,608	2,180	1,981
Capital Projects	134,453	176,785	48,870	78,961
Debt Service	0	0	11	0
Unrestricted	(1,786,425)	(1,798,911)	(2,098,260)	(2,486,971)
Total Net Position	$ 80,228	$ 98,860	$ (251,773)	$ (545,792)

UConn's net position balance totaled $99 million, ($252) million, and ($546) million as of June 30, 2019, 2020, and 2021, respectively, compared to $80 million as of the fiscal year ended June 30, 2018. Net position increased $19 million (23%) in fiscal year 2019 and decreased $351 million (355%) and $294 million (117%) in fiscal years 2020 and 2021, respectively.

In fiscal year 2018-2019, the restricted expendable category increased by $32 million mainly due to higher amounts of unspent general obligation bonds at year-end and the sale of the West Hartford campus. Unrestricted net position decreased $12.5 million due to higher pension and other post-retirement benefits.

In fiscal year 2019-2020, net investment in capital assets grew by $82 million due to a $70 million net increase in capital assets combined with a $12 million decrease in capital-related debt. Capital projects under the restricted expendable category decreased $128 million, due in large part to UConn spending down $125 million in general obligation bond funds designated for UConn 2000 projects. Unrestricted net position decreased $299 million, which was primarily the result of pension and other post-retirement benefit adjustments.

In fiscal year 2020-2021, net investment in capital assets grew by $57 million due to an $85 million net increase in capital assets, which was partially offset by a $28 million net increase in capital-related debt. The restricted expendable category increased by approximately $39 million, $30 million of which related to capital projects derived from new funding received from general obligation bonds designated for UConn 2000 projects. The other $9 million related to research, instruction, scholarship, and other. The $388 million decrease in unrestricted net position was largely caused by adjustments to pension and other post-retirement benefits.

Related Entities

UConn did not hold significant endowment and similar fund balances during the audited period, as it has been the university's longstanding practice to deposit donations with the University of Connecticut Foundation, Inc. (UConn Foundation) or the University of Connecticut Law School Foundation, Inc. (Law School Foundation). The Law School Foundation was dissolved as of June 30, 2017, and all remaining assets, including endowed funds, restricted non-endowed funds, and other investment funds, were distributed to the UConn Foundation to be managed in accordance with all donor restrictions and for the sole benefit of the University's Law School. The UConn Foundation provides support for UConn and the UConn Health Center. Its financial statements reflect balances and transactions associated with both entities. A summary of the UConn Foundation's assets, liabilities, net position, revenue and support, and expenses, as per the audited financial statements, follows:

($ in thousands)	University of Connecticut Foundation			
	2017 - 2018 (Restated*)	**2018 - 2019**	**2019 - 2020**	**2020 - 2021**
Assets	$ 575,449	$ 597,610	$ 617,492	$ 769,782
Liabilities	41,019	47,566	40,993	39,032
Net Position	534,430	550,044	576,499	730,750
Revenue and Support	109,727	75,008	75,586	210,568
Expenses	50,873	59,393	49,130	56,317

* It is the Foundation's policy to reclassify, where appropriate, prior year financial statements to conform to the current year presentation, and as such, with the implementation of ASU 2016 -14 in fiscal year 2018-2019, the fiscal year 2017-2018 financial statements were restated.