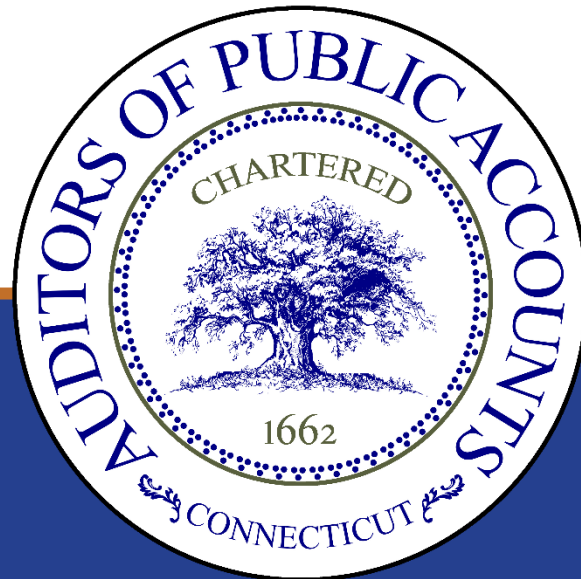


AUDITORS' REPORT

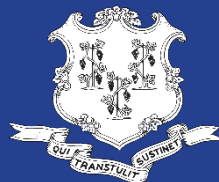
University of Connecticut

FISCAL YEARS ENDED JUNE 30, 2022 AND 2023



STATE OF CONNECTICUT
Auditors of Public Accounts

JOHN C. GERAGOSIAN
State Auditor



CRAIG A. MINER
State Auditor

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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June 16, 2025

INTRODUCTION

We are pleased to submit this audit of the University of Connecticut (UConn) for the fiscal years ended June 30, 2022 and 2023 in accordance with the provisions of Section 2-90 of the Connecticut General Statutes. Our audit identified internal control deficiencies and instances of noncompliance with laws, regulations, or policies.

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:

Lisa Drzewiecki
Jason Grauer
John Harrison
Austin Holden
Anabelle Periche
Jack Soto

A handwritten signature in black ink that reads "John Harrison".

John Harrison
Principal Auditor

Approved:

A handwritten signature in black ink, appearing to be "John C. Geragosian".

John C. Geragosian
State Auditor

A handwritten signature in black ink that reads "Craig A. Miner".

Craig A. Miner
State Auditor

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the University of Connecticut disclosed the following seven recommendations, of which six were repeated from the previous audit.

Finding 1

Compensatory Time

Criteria

The University of Connecticut Professional Employees Association's (UCPEA) collective bargaining contract and guidelines for management states employees may be required to work hours beyond their regularly scheduled workweek. Prior to working additional hours, the employee must complete the Compensatory Time Authorization Form, which must be approved by the first supervisor outside of the UCPEA bargaining unit. Each instance of compensatory time must be approved in writing. Supervisors cannot approve blanket authorization forms.

Condition

Our review of 15 employees earning a total of 1,148 hours of compensatory time disclosed that UConn did not properly approve time for all 15 employees, totaling 1,049.5 hours. The following instances were noted:

- In nine instances, totaling 738.25 hours, departments failed to use or could not locate the required compensatory time authorization forms.
- In five instances, totaling 224.75 hours, departments inappropriately utilized blanket authorizations to approve compensatory time for the entire fiscal year.
- In three instances, totaling 86.50 hours, employees accrued more than their approved compensatory time.

Context

Our audit universe consisted of 812 employees who accrued 47,316 hours of compensatory time during the audited period. We judgmentally selected 15 employees who accrued 6,527 hours of compensatory time, or 14 percent of the total accrued compensatory time. From each of the 15 employees' total accrued hours, we selected and reviewed two months of compensatory time earned, totaling 1,148 hours.

Effect	The university did not comply with the provisions of the UCPEA contract and the Compensatory Time Guidelines for Management. Without 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 to ensure that it followed the established compensatory time policies.
Prior Audit Finding	This finding has previously been reported in the last two audit reports covering the fiscal years 2016 through 2021.
Recommendation	The University of Connecticut should strengthen controls to ensure compliance with the provisions set forth in the University of Connecticut Professional Employees Association's contract and Compensatory Time Guidelines for Management.
Agency Response	"The University of Connecticut agrees that ongoing efforts in communication, guidance, and training will further enhance compliance with the compensatory time provisions of the UCPEA contract. The University will continue to provide documented guidance and reminders to management concerning when employees are entitled to earn compensatory time, the requirement for prior approval, recording, and utilization of compensatory time. The University is developing a central repository for all compensatory time supervisor approvals."

Finding 2

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	Our review disclosed that the university does not have a process to support an ongoing review of all major technology vendor relationships, including a review of SOC reports. The university assesses vendor relationships at their inception, and typically reassesses during a contract renewal or modification.

Context	The university outsources several integral business activities to service organizations.
Effect	Failure to have an ongoing review of SOC reports reduces UConn's assurance that its service organizations have proper safeguards. Consequently, transactions processed, and data maintained by service organizations may put UConn at a greater risk.
Cause	The university implemented a vendor risk management process that includes the collection and review of SOC reports at the inception of the relationship but does not include regular reviews.
Prior Audit Finding	This finding has previously been reported in the last three audit reports covering the fiscal years 2014 through 2021.
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 in principle with the finding that regular review of third-party technology vendor relationships is an effective risk management control. The Information Security Office (ISO) continues to evaluate risk associated with technology purchases and renewals on a rolling basis, most often triggered by a new purchase or renewal requisition. In response to the finding, ISO will 1.) undertake efforts to define and enumerate "major third-party technology relationships", 2.) track time elapsed since last evaluation for those relationships, 3.) proactively initiate follow up reviews/data collection as needed without dependency on a trigger of purchase or renewal for these relationships, 4.) Report on the status of biennial review for these vendor relationships."

Finding 3

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.
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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, seven did not have a Temporary Flexible Work Schedule form on file. Of the two employees who had a form on file, one form did not address the employee's two additional scheduled classes.
Context	UConn provided tuition waivers to approximately 135 employees taking classes during the audited period and spent approximately \$1.1 million a year on tuition waivers for those 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.
Cause	A lack of administrative oversight over employee tuition waivers resulted in this condition.
Prior Audit Finding	This finding has previously been reported in the last two audit reports covering the fiscal years 2016 through 2021.
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. Human Resources will modify the employee tuition waiver system (ETWS) to 1) Include detailed course information, including course days and times, in the ETWS directly from the Student Administration system; and 2) require employees to provide their regular working hours within the ETWS. The language in the ETWS will be updated to clearly state that employees must submit their requested flexible schedule within the ETWS if the course days and times are during their regular work hours. Subsequently, Human Resources will conduct a post audit following the 10th day of classes each semester."

Finding 4

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

Our review of contract files associated with 14 purchase orders procured under the equalization-rotational method found that four files, totaling \$190,085, lacked the requisite documentation to support that the university adhered to the equalization-rotational procurement process when selecting the professional firm.

Context	There were approximately \$27 million on-call professional service program contracts initiated during the audited period. We judgmentally selected 20 on-call professional services program purchase orders for review, totaling \$5,582,384. Fourteen of the 20 purchase orders, totaling \$711,792, were procured under the equalization-rotational procurement process.
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 lacked a formal process to ensure it documented the request and assignment of vendors.
Prior Audit Finding	This finding has previously been reported in the last two audit reports covering the fiscal years 2016 through 2021.
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 it should adhere to the on-call professional services program policy when selecting a contractor. To ensure that a purchase order is not issued unless the contractor is assigned according to the rotational equalization process, the university will now require the assignment email be uploaded as an attachment to the requisition record."

Finding 5

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, 2023, UConn had a \$13,672,565 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 previously been reported in the last two audit reports covering the fiscal years 2016 through 2021.
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 that a complete software inventory has not been maintained. The Controller's Division will work with the Information Technology area to create a new software librarian position. The software librarian's role will be to ensure compliance with the requirements of the State Property Control Manual for software inventory. The software librarian will also be responsible for developing a University of Connecticut Software Asset Policy."

Finding 6

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 437 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	<p>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.</p> <p>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.</p>
Condition	<p>UConn is paying approximately 379 full-time dining services employees directly rather than through the Office of the State Comptroller.</p> <p>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.</p>
Context	<p>UConn had approximately 5,059 full and part-time faculty and staff as of June 30, 2023.</p>
Effect	<p>Internal controls over payroll disbursements may be weakened. Dining services employees cannot participate in the state employees retirement system.</p>
Cause	<p>UConn did not seek clear statutory authority to compensate its dining services employees in this manner.</p>
Prior Audit Finding	<p>This finding has previously been reported in the last six audit reports covering the fiscal years 2008 through 2021.</p>
Recommendation	<p>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.</p>
Agency Response	<p>“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.”</p>

Finding 7

Annual Physical Inventory

Criteria	The State Property Control Manual requires each agency to conduct a complete physical inventory of all property by the end of the fiscal year to ensure accurate property control records.
Condition	Our review of UConn’s capital assets as of June 30, 2023, disclosed that UConn had not inventoried 684 capital assets totaling \$4.3 million in over one year, including 53 equipment items that had not been inventoried in over ten years. In fiscal year 2024, UConn inventoried 206 of these assets and retired 44.
Context	UConn’s annual physical inventory list as of June 30, 2023, included 12,294 items totaling \$142 million. We reviewed the physical inventory dates for all 12,294 items.
Effect	When UConn does not promptly conduct physical inventories, there is an increased risk of inaccurate reporting and loss of state assets.
Cause	UConn’s asset management team notifies a department when it identifies missing items during the annual physical inventory and removes items only after receiving a response. For the issues noted, various departments did not respond. Due to a lack of follow up, the university did not update its records.
Prior Audit Finding	This finding has not been previously reported.
Recommendation	The University of Connecticut should strengthen its internal controls to ensure compliance with physical inventory requirements in the State Property Control Manual.
Agency Response	“The University of Connecticut agrees with this finding. Inventory Control has an annual physical inventory schedule which allows for every UConn department and building to be cycled within the calendar year. However, due to departmental constraints such as availability of staff, area inaccessibility, or department relocation and/or renovations, the schedule may be adjusted causing the last date found on some equipment to be greater than 1 year. These fluctuations usually resolve themselves within 6 months. The goal is to cycle 99% within a 2-year period, which has been achieved by Inventory Control as of the date of this response. Since this audit, Inventory Control has also been able to resolve 51 of the 53 assets that had not been inventoried in over 10 years.”

STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our [prior audit report](#) on the University of Connecticut contained 22 recommendations. Sixteen have been implemented or otherwise resolved and 6 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.	RESOLVED
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.	RESOLVED
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.	RESOLVED
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.	REPEATED Recommendation 1
<p>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.</p> <p>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.</p>	RESOLVED
The University of Connecticut should improve internal controls over timesheet approval.	RESOLVED

<p style="text-align: center;">Prior Recommendation</p>	<p style="text-align: center;">Current Status</p>
<p>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.</p>	<p style="text-align: center;">RESOLVED</p>
<p>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.</p>	<p style="text-align: center;">RESOLVED</p>
<p>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.</p>	<p style="text-align: center;">REPEATED</p> <p style="text-align: center;">Recommendation 2</p>
<p>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.</p>	<p style="text-align: center;">REPEATED</p> <p style="text-align: center;">Recommendation 3</p>
<p>The University of Connecticut should strengthen internal controls to ensure it approves purchase orders and associated amendments prior to the commencement of construction services.</p>	<p style="text-align: center;">RESOLVED</p>
<p>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.</p>	<p style="text-align: center;">REPEATED</p> <p style="text-align: center;">Recommendation 4</p>
<p>The University of Connecticut should implement policies and procedures to ensure that contractors and consultants disclose potential conflicts of interest.</p>	<p style="text-align: center;">RESOLVED</p>
<p>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.</p>	<p style="text-align: center;">RESOLVED</p>
<p>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.</p>	<p style="text-align: center;">REPEATED</p> <p style="text-align: center;">Recommendation 5</p>

<p style="text-align: center;">Prior Recommendation</p>	<p style="text-align: center;">Current Status</p>
<p>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.</p>	<p style="text-align: center;">REPEATED</p> <p style="text-align: center;">Recommendation 6</p>
<p>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.</p>	<p style="text-align: center;">RESOLVED</p>
<p>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.</p>	<p style="text-align: center;">RESOLVED</p>
<p>The University of Connecticut should comply with its statutory reporting requirements or propose legislative changes to eliminate obsolete or duplicate reporting requirements.</p>	<p style="text-align: center;">RESOLVED</p>
<p>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.</p>	<p style="text-align: center;">RESOLVED</p>
<p>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.</p>	<p style="text-align: center;">RESOLVED</p>
<p>The University of Connecticut should select construction contractors in accordance with the procurement requirements in Section 10a-109n of the General Statutes.</p>	<p style="text-align: center;">RESOLVED</p>

OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the University of Connecticut 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, 2022 and 2023. The objectives of our audit were to evaluate the:

1. University's internal controls over significant management and financial functions;
2. University's 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.

In planning and conducting our audit, we focused on areas of operations based on assessments of risk and significance. We considered the significant internal controls, compliance requirements, or management practices that in our professional judgment would be important to report users. The areas addressed by the audit included payroll and personnel, revenue, purchasing and expenditures, asset management, reporting systems, information technology, capital projects, statutory compliance associated with the university's foundation, and employee housing. We also determined the status of the findings and recommendations in our prior audit report.

Our methodology included reviewing written policies and procedures, financial records, meeting minutes, and other pertinent documents. We interviewed various personnel of the university and certain external parties. We also tested selected transactions. This 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 the 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. We obtained this information from various available sources including the university's management and state information systems. It was not subject to our audit procedures. For the areas audited, we:

1. Identified deficiencies in internal controls;
2. Identified apparent noncompliance with laws, regulations, contracts and grant agreements, policies, or procedures; and

3. Did not identify 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 findings arising from our audit of the University of Connecticut.

ABOUT THE AGENCY

Overview

[The University of Connecticut \(UConn\)](#), 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.

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. Andrew Agwunobi served as the interim president of the university during the audited period until February 2022. Radenka Maric served as the interim president of the university from February 2022 through September 2022, at which time, she was appointed President. President Maric continues to serve in that capacity.

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, 2023, the General Assembly authorized \$4,632,300,000 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
PA 21-2	25,000,000	4,644,300,000	4,307,900,000	18,000,000	318,400,000
PA 23-1	(12,000,000)	4,632,300,000	4,295,900,000	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 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.

Public Act 21-2 increased the state debt service commitment amount for fiscal year 2022 by \$25 million to \$215.5 million, which increased the fiscal year 1996 to 2027 total state debt service commitment amounts to \$4,307.9 million.

Public Act 23-1 decreased the authorized funding amount for bonds secured by the state debt service commitment for fiscal year 2025 by \$12 million to \$44 million, which decreased the total authorization for fiscal year 1996 to 2027 total state debt service commitment amounts to \$4,295.9 million.

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 2020	Fall 2021	Fall 2022
Undergraduates	24,557	23,991	24,218
Graduates	6,742	6,769	6,533
Professional (School of Law and Doctor of Pharmacy)	724	733	690
Medical - Students	449	452	453
Dental - Students	197	201	202
Total Enrollment	32,669	32,146	32,096

Significant Legislative Changes

Notable legislative changes that took effect during the audited period are presented below:

- Public Act 22-16**, effective July 1, 2022, requires the Board of Trustees of UConn to adopt a policy requiring newly appointed governing board members to complete specified training within a year after their appointment. Training topics include financial, legal, and ethical matters, student and general higher education issues, and institutional operations.
- Public Act 23-204** (Section 430), effective June 12, 2023, the act allows, for UConn construction manager at-risk (CMR) projects that involve renovating existing buildings or facilities, (1) certain work to begin before the project’s guaranteed maximum price (GMP) is set and (2) a separate GMP to be set for each phase of a multi-phase project. The act also allows a separate GMP to be set for each phase of a multi-phase project that involves renovating an existing building while it remains occupied. Under prior law, one GMP was set for the entire project.

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.

Student Status	2020 - 2021			2021 - 2022			2022 - 2023		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduates	\$14,406	\$37,074	\$23,424	\$15,030	\$37,698	\$24,048	\$15,672	\$38,340	\$24,690
Graduates	\$16,908	\$38,820	\$27,804	\$17,532	\$39,444	\$28,428	\$18,174	\$40,086	\$29,070
School of Law	\$30,354	\$61,396	\$51,786	\$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 remained relatively consistent during the audited period. UConn reported 5,099, 5,127, and 5,059 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 2020, 2021, and 2022 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:

Fiscal Year Ended June 30,			
	2021	2022	2023
Tuition and Fees	\$ 397,237,083	\$ 427,959,312	\$ 461,623,971
Grants and Contracts	183,922,936	190,712,134	212,733,734
Auxiliary Enterprises Revenue	73,577,211	171,753,062	195,671,790
Other Sources	52,298,157	53,432,056	49,774,832
Total	\$ 707,035,387	\$ 843,856,564	\$ 919,804,327

Total operating revenues increased by \$136.8 million (19%) in fiscal year 2022. The growth was primarily attributed to the restoration of certain auxiliary services, which had been reduced in fiscal year 2021 due to the COVID-19 pandemic. In fiscal year 2022, student housing capacity was approximately 88 percent, whereas, in fiscal year 2021 it was 40% due to COVID-19 restrictions. Increased revenues related to athletics and parking services caused by the normalization of operations also contributed to the increase. A board-approved tuition rate increase also contributed to the overall increase in operating revenues.

Total operating revenues increased by \$75.9 million (9%) in fiscal year 2023. Like in fiscal year 2022, the 2023 growth was primarily attributed to an increase in student housing capacity increasing from 88 percent to 98 percent and an increase in the board-approved tuition rate. Increases in federal grant revenue also contributed to the overall increase.

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:

Fiscal Year Ended June 30,			
	2021	2022	2023
Salaries and Wages	\$ 617,225,377	\$ 674,458,106	\$ 685,254,347
Fringe Benefits	685,124,518	515,739,475	247,698,927
Supplies and Other Expenses	226,403,531	248,545,398	294,184,162
Utilities	17,294,407	22,475,298	27,551,991
Depreciation and Amortization	122,694,716	135,566,482	139,628,477
Scholarships and Fellowships	28,866,115	50,947,977	33,944,623
Total	\$ 1,697,608,664	\$ 1,647,732,736	\$ 1,428,262,527

Total operating expenses decreased by approximately \$49.8 million in fiscal year 2022 and primarily relates to a reduction in fringe benefits expense caused by adjustments related to GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The decrease was partially offset by an increase in salaries and wages, which increased, in part, due to lump sum bonuses and average mandatory wage increases required under collective bargaining agreements.

Total operating expenses decreased by approximately \$219.5 million in fiscal year 2023. As in fiscal year 2022, the 2023 reduction primarily relates to GASB Statement No. 68 and GASB Statement No. 75 adjustments within the fringe benefit line item. The decrease was offset, in-part, by an increase in supplies and other expenses, which grew due to increased travel, noncapitalizable project costs, and a general increase in business operations.

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:

	Fiscal Year Ended June 30,		
	2021	2022	2023
State Appropriation	\$ 379,909,575	\$ 459,787,829	\$ 420,505,286
State Debt Service Commitment for Interest	74,169,561	75,947,232	78,622,502
Federal and State Financial Aid	115,892,150	134,740,601	93,248,524
Gifts and Investment Income	25,509,209	35,244,451	58,458,689
Interest and Other Expenses	(63,523,996)	(75,914,728)	(70,598,278)
Total	\$ 549,956,499	\$ 629,805,385	\$ 580,236,723

The \$79.8 million (15%) fiscal year 2022 increase in non-operating revenues and expenses relates primarily to an increased appropriation, due to a higher salary base covered by the State's annual block grant, and larger federal and state financial aid, mainly caused by increased federal COVID-19 relief funding.

The \$49.6 million (8%) reduction in fiscal year 2023 can primarily be attributed to decreases in the state appropriation and federal and state financial aid. The decrease in the state appropriation relates to a decrease in the General Fund receivable accrual, a result of state legislative changes passed in June 2023. The 2023 decrease in federal and state financial aid is largely due to a reduction in COVID-19 funding received. The overall decrease was partially offset by an increase in gifts and investment income, which increased due to scholarship aid and reimbursements received from the University of Connecticut Foundation, the receipt of large one-time gifts, and higher Short-Term Investment Fund rates.

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:

	Fiscal Year Ended June 30,		
	2021	2022	2023
State Debt Service Commitment for Principal	\$ 140,295,316	\$ 214,185,000	\$ -
Capital Grants and Gifts	11,639,723	1,975,804	3,607,691
Additions to Permanent Endowments	164,175	1,996,032	9,525
Athletic Conference Exit/Entrance Fee	(3,500,000)	-	-
Transfer to Affiliate	(2,000,000)	(228,081)	-
Total	\$ 146,599,214	\$ 217,928,755	\$ 3,617,216

In fiscal year 2022, state debt service commitment for principal increased by \$73.9 million (53%) due to a larger par amount of general obligation bonds issued when compared to the prior fiscal year. Capital

grants and gifts decreased because in the prior fiscal year the university received gifts from the UConn Foundation related to the University Athletics District Development project.

Fiscal year 2023 saw a significant decrease in state dept service commitment for principal as no general obligation bonds were issued during the fiscal year.

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:

	Fiscal Year Ended June 30,		
	2021	2022	2023
Net Investment in Capital Assets	\$ 1,820,249,457	\$ 877,499,237	\$ 925,880,576
Restricted Nonexpendable	14,163,972	16,186,737	16,219,034
Restricted Expendable:			
Research, Instruction, Scholarships, Others	25,824,457	22,316,305	30,552,417
Loans	1,980,991	1,821,618	1,794,069
Capital Projects	78,961,246	5,621,655	2,787,815
Debt Service	248	1,179,339,965	1,087,353,173
Unrestricted	(2,486,970,434)	(2,603,003,952)	(2,486,373,997)
Total	\$ (545,790,063)	\$ 500,218,435)	\$ (421,786,913)

Prior to fiscal year 2022, the state debt service commitment for principal receivable was incorrectly included within net investment in capital assets. In fiscal year 2022 and thereafter, the receivable was reclassified to its proper classification under the restricted expendable category. This reclassification is the cause of the large changes within net investment in capital assets, restricted expendable - capital projects, and restricted expendable - debt service.

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. The foundation provides support for UConn and the UConn Health Center. Its financial statements reflect balances and transactions associated with both entities, not only those exclusive to UConn.

A summary of the foundation's assets, liabilities, net position, revenue and support, and expenses, as per the audited financial statements, follows:

	University of Connecticut Foundation, Inc.		
	Fiscal Year Ended June 30,		
	2021	2022	2023
Assets	\$ 769,781,925	\$ 744,592,901	\$ 791,405,326
Liabilities	39,032,465	36,818,794	39,453,139
Net Position	730,749,460	707,774,107	751,952,187
Revenue and Support	210,567,612	36,883,923	120,908,684
Expenses	56,316,987	59,859,276	76,730,604