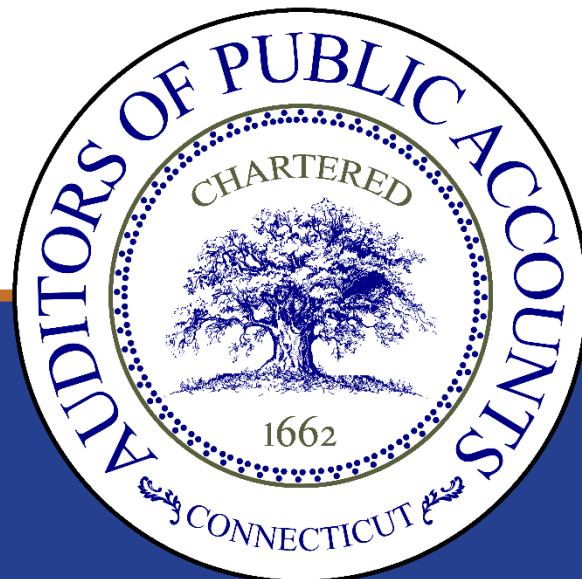


AUDITORS' REPORT

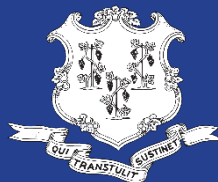
University of Connecticut Health Center

FISCAL YEARS ENDED JUNE 30, 2021 AND 2022



STATE OF CONNECTICUT
Auditors of Public Accounts

JOHN C. GERAGOSIAN
State Auditor



CLARK J. CHAPIN
State Auditor

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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CLARK J. CHAPIN

November 9, 2023

INTRODUCTION

We are pleased to submit this audit of the University of Connecticut Health Center (UConn Health) for the fiscal years ended June 30, 2021 and 2022 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, or 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 Health Center during the course of our examination.

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

Akeem Agbede
Jamie Drozdowski
Antonio Furtado
Kaitlyn Lucas
Dominick Parisi

Handwritten signature of Jamie Drozdowski in black ink.

Jamie Drozdowski
Principal Auditor

Approved:

Handwritten signature of John C. Geragosian in black ink.

John C. Geragosian
State Auditor

Handwritten signature of Clark J. Chapin in black ink.

Clark J. Chapin
State Auditor

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

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

Finding 1

Faculty Incentive Payments

Criteria	Sound business practice dictates that employers and employees document their agreement on compensation, including incentive payments. In cases where incentive payments are offered, the terms that must be met should be clearly outlined and agreed to by both parties.
Condition	Our review of \$328,432 in clinical incentive payments to five faculty members in the School of Dental Medicine found that, in all instances, the employment letters did not contain adequate language detailing the terms of these payments.
Context	The School of Dental Medicine issued incentive payments totaling \$1,118,689 during the audited period. We judgmentally selected five faculty members for review.
Effect	Verbal agreements did not provide faculty members with a sufficient understanding of the incentive payment terms.
Cause	Past practice of the School of Dental Medicine has not required written agreements with faculty members for clinical incentive payments. Budget uncertainty was also a factor for the lack of written compensation agreements.
Prior Audit Finding	This finding has been previously reported in the last two audit reports covering the fiscal years ended June 30, 2017 through 2020.
Recommendation	The University of Connecticut Health Center and its employees should agree on compensation terms and document them in the employee's personnel files.

Agency Response

"We agree with this finding. Management's engagement with the external consulting group on the dental faculty practices was protracted due to pandemic-related issues and work continues on the review of compensation models."

Finding 2**Special Payroll for Temporary Non-Faculty Employees****Background**

UConn Health requires the use of project based, seasonal, durational, and temporary professional personnel to meet staffing needs in research support, limited assignment managerial support, and grant and research project activities. To meet these needs, UConn Health hires temporary, non-faculty employees and pays them through its special payroll.

Criteria

Proper internal controls dictate that, at a minimum, department heads sign off on the hiring, termination, and continuation of employment for personnel within their departments.

Condition

We noted that UConn Health's candidate selection process lacked segregation of duties for three out of ten temporary non-faculty employees reviewed. The employees were hired by the same people who conducted the interviews without the department head's consultation or approval. In addition, UConn Health did not have documentation on file to support how it selected two other employees.

Context

UConn Health employed approximately 231 temporary, non-faculty employees during the audited period with gross salaries totaling \$14,205,758. We judgmentally selected ten individuals for testing.

Effect

There is an increased risk that temporary, non-faculty employees could be added to UConn Health's special payroll without being properly vetted.

Cause

UConn Health informed us that it requires a non-faculty justification form for budgetary approval to be submitted with the related personnel transaction request form. UConn Health management considers the department head's signature on the non-faculty justification form to be sufficient.

Due to staff turnover, UConn Health could not locate documentation to support the two employees' hiring process.

Prior Audit Finding	This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2019 through 2020.
Recommendation	The University of Connecticut Health Center should strengthen controls over personnel decisions concerning temporary, non-faculty employees to provide sufficient segregation of duties and transparency in the decision-making process.
Agency Response	"We agree with this finding. UConn Health is currently upgrading existing software to implement a paperless process within the applicant tracking system. The new process will create a workflow within the system to ensure that a hiring manager is responsible for the review and selection of a candidate."

Finding 3

Lack of Timesheet Approval

Criteria	Sound business practice dictates that employees certify time worked and managers approve employee timesheets prior to issuing payment. UConn Health policies require managers to review and sign off on their employees' timesheets every pay period.
Condition	Our review of timecards for nine employees during the audited period disclosed that managers did not approve between 70% and 100% timesheets for five salaried, non-faculty employees.
Context	We reviewed all employees with 20 or more unapproved timesheets during the audit period. UConn Health paid \$979,804 to the nine employees.
Effect	There was reduced assurance that UConn Health paid employees for the time they actually worked.
Cause	UConn Health personnel did not always follow timesheet approval procedures.
Prior Audit Finding	This finding has been previously reported in the last two audit reports covering the fiscal years ended June 30, 2017 through 2020.
Recommendation	The University of Connecticut Health Center should follow established timesheet review and approval procedures.

Agency Response

"We agree with this finding in part. In this case, there appears to be an issue with the time approvers identified. In FY 2022, 98.2% of the total 126,001 timecards were reviewed and approved by an authorized timecard approver. An email was sent to the identified timecard approvers reminding of the requirement to approve timecards. HR has established recurring report of any timecard approver that did not approve timecards. That report will be generated and distributed to executive leadership for follow up quarterly."

Finding 4**Starting Salaries for Managers****Criteria**

UConn Health establishes job descriptions for all positions, which include salary ranges.

Condition

Our review of starting salaries for 15 new managers disclosed three instances in which their starting salary was higher than the established pay range. In the instances noted, starting salaries were three to seven-percent higher than the position's maximum pay range.

Context

We identified 105 managers that were hired by UConn Health during the audited period. We judgmentally selected 15 managers for review.

Effect

UConn Health did not follow the established pay ranges for positions when hiring new managers. In effect, it incurred an additional \$26,945 in initial annual salary costs by hiring these managers at more than their maximum pay range. This could also lead to additional salary increases and retirement liability costs.

Cause

UConn Health informed us that it has not updated the salary ranges for various management positions in years and the existing ranges do not reflect current market salaries. UConn Health indicated that it hired the identified management employees at starting salaries consistent with the current market.

Prior Audit Finding

This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2019 through 2020.

Recommendation

The University of Connecticut Health Center should follow established pay ranges when hiring. If UConn Health believes its pay

ranges are outdated, it should perform the necessary steps to appropriately update and comply with them.

Agency Response

"We agree with this finding. The managerial salary ranges were reviewed, revised and posted on May 1, 2023. Going forward, pay ranges will be adjusted based on any general wage increase or cost of living adjustments for the year."

Finding 5

Overtime Management

Criteria

It is good business practice to schedule employees in a manner that reduces unnecessary overtime costs, when possible.

Condition

We selected one pay period for each of the top 15 overtime-earning employees, which totaled approximately 915 hours and \$54,424. We identified the following exceptions:

- Three employees earned excessive overtime during the audited period. Two of these employees earned excessive overtime in both fiscal years and one in only one fiscal year. These three employees earned between 102% and 133% of their normal salaries in overtime.
- Four employees worked an excessive number of overtime hours during the selected pay periods. Overtime hours ranged between 87.50 and 121.75 hours.

Context

During the audited period, employees earned \$17,715,912 in overtime. We selected the top 15 employees who earned \$1,585,071 in overtime during the audited period.

Effect

UConn Health incurred significant overtime costs to cover its scheduling needs which affected its budgeting and cash flow.

Cause

UConn Health appears to lack adequate staffing and has not been able to fill available positions.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The University of Connecticut Health Center should work to increase its staffing levels to ensure it can meet scheduling requirements without incurring significant overtime costs.

Agency Response

"We agree with this finding in part. The organization will continue to recruit talent to fill vacancies. However, UConn Health struggled along with other healthcare organizations nationally, to hire and retain talent throughout COVID. Upon investigation into the individuals identified, all were working additional hours to help the organization manage staffing challenges during the pandemic."

Finding 6**Compensatory Time****Criteria**

UConn Health's Leave Benefits Policy for Management and Confidential Employees allows for its clinical operations managers to be paid out for compensatory time earned prior to its expiration. Non-clinical managers may earn only holiday compensatory time and are eligible for payout of unexpired holiday compensatory time upon separation.

Condition

During our review of ten managers who received compensatory time payouts, we noted one active non-clinical manager who received \$6,391 in compensatory time payouts while working in a managerial position.

Context

During the audited period, UConn Health paid \$83,020 in compensatory time payouts to managers and confidential employees and \$4,556,509 to bargaining unit employees. We randomly selected ten employees with \$97,647 in payouts during the audit period for review, which included \$38,195 paid to managers and confidential employees and \$59,452 paid to bargaining unit employees.

Effect

UConn Health incurred unnecessary costs for compensatory time payouts that were not consistent with its policy.

Cause

Limitations in UConn Health's compensatory time tracking system made it difficult to ensure proper oversight and payment of compensatory time.

Prior Audit Finding

This finding has been previously reported in the last four audit reports covering the fiscal years ended June 30, 2013 through 2020.

Recommendation

The University of Connecticut Health Center should not make compensatory time payouts to managers that do not conform with its policy.

Agency Response

"We agree with this finding. Payment was made to the employee in error after a recent policy changed. Management instituted new protocols which will eliminate this error from occurring going forward."

Finding 7**Purchasing Cards****Criteria**

The Office of the State Comptroller's Purchasing Card Cardholder Work Rules and UConn Health's Purchasing Card Procedure Manual govern purchasing card (P-Card) transactions. P-Card purchases require a properly approved form and the organization's authorization.

The manual requires cardholders to maintain documents supporting the legitimate business use of P-Cards. Cardholders are also required to promptly reconcile monthly statements.

UConn Health is exempt from the Connecticut sales tax. UConn Health policy requires cardholders to ensure that they are not charged Connecticut sales tax, dispute sales tax charges incorrectly billed to the account, and make a diligent effort to promptly obtain a sales tax credit.

Condition

We examined six months of P-Card purchases by six departments, totaling \$156,855, during the audited period and noted the following:

- One department reconciled its purchasing logs for the reviewed six months after the ten business-day deadline. The department reconciled the logs between one and 24 months late.
- UConn Health paid sales tax in 14 out of 600 transactions, totaling \$902, despite its tax-exempt status.
- One \$30 P-Card purchase lacked sufficient support including a vendor invoice and receipt documentation.

Context

UConn Health's P-Card purchases totaled \$612,269 in fiscal year 2021 and \$783,964 in fiscal year 2022. We judgmentally selected six monthly statements, totaling \$469,322, for review and then selected six departments.

Effect	Without adequate documentation of purchases, proper oversight, and timely reconciliation statements, there is less assurance that UConn Health made purchases for legitimate purposes and fully complied with purchasing card policies. UConn Health incurs unnecessary expenses when cardholders fail to secure sales tax exemptions.
Cause	UConn Health did not properly execute established internal control procedures over purchasing cards.
Prior Audit Finding	This finding has not been previously reported.
Recommendation	The University of Connecticut Health Center should promptly review and reconcile purchasing card monthly statements to ensure cards are used properly in accordance with established policies. UConn Health should ensure that sales tax exemptions are in place prior to purchase.
Agency Response	<p>"We agree with this finding. UConn Health will take the following steps to address the issues identified by the auditors:</p> <ol style="list-style-type: none"> 1. All departments with an assigned P-Card will be reminded that non-compliance with P-Card program requirements may result in the temporary suspension or loss of P-Card privileges. 2. Because it may be difficult or impossible for departments to have sales tax excluded from certain purchases (especially on-line transactions), UConn Health will look into alternate processes from either the retailer that charged the tax or the State of Connecticut Department of Revenue Services. Any alternate processes that are feasible will be incorporated into UConn Health's P-Card manual."

Finding 8

Residency Training Program Cash Receipts

Background

The Graduate Medical Education (GME) Residency Training Programs (RTP) at UConn Health exist in the School of Medicine (SOM) and School of Dental Medicine (SODM). They have approximately 800 residents and fellows in both schools across approximately 75 programs. SOM is approximately 700 residents and fellows while SODM has just over 100 resident trainees. UConn residents and fellows are considered frontline workers receiving

education while treating patients primarily at six Hartford area hospitals that make up the Capital Area Health Consortium (CAHC).

The Capital Area Health Consortium is a 501(c)(3) non-profit organization and is considered the employer of all residents and fellows in the program. As such, CAHC coordinates the payroll and benefit services for the residency training programs and pays all residents. UConn Health pays CAHC on a biweekly schedule (26 payments) for related costs. CAHC has separate contracts with the medical and dental schools. These contracts result in significant annual fringe benefit savings for all CAHC hospitals.

UConn Health has agreements with other consortium hospitals to reimburse UConn Health for salaries, fringe benefits, and program expenses of residents and fellows assigned by UConn Health to the other consortium member site for rotations in various programs. One of these consortium hospitals reimburses UConn Health by mailing paper checks to pay each invoice.

Criteria

The payment terms in UConn Health's contract with one of the consortium hospital members are net 30 days from receipt of an invoice. Payments after 30 days may result in a 1% late fee.

It is good business practice to document remittances completely and accurately during the cash receipt and deposit process.

Condition

We reviewed all cash receipts from one consortium hospital member during the audited period and identified the following:

1. Five of 24 payments were not received within 45 days of the invoice date. Payments ranged from four to 17 days late and UConn Health did not assess a fee for the late payments.
2. Twelve of 24 remittance advices did not contain all the required information, missing deposit date and deposit slip number information.

Context

During the audited period, UConn Health received 24 checks from the consortium hospital totaling \$35,336,269. We selected all receipts for review.

Effect

Untimely receipt of payments negatively affects UConn Health's cash flow. Incomplete documentation reduces UConn Health's ability to monitor cash receipts and increases the risk of loss or theft.

Cause

UConn Health has not historically charged late fees, in part based on its relationships with consortium hospitals. There appeared to be an oversight of proper document completion and maintenance for cash receipt procedures.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The University of Connecticut Health Center should ensure that it promptly receives the Capital Area Health Consortium hospital payments in accordance with its member agreements. UConn Health should ensure that it accurately documents deposit dates for all remittances.

Agency Response

"We agree with this finding.

1. UConn Health will review the current contractual arrangements and reiterate the importance of timely payments with the Consortium Hospital members. We will also review our current contractual arrangements to determine if and when it would be to UConn Health's benefit to invoke a late charge in consideration with existing contractual relationships between all entities involved.
2. The incomplete remittance advices identified were likely an administrative error that has been rectified. In our review of the current FY23 documentation, we found accurate remittance advices and have corrected any errors that have occurred in the past."

Finding 9**Asset Management and Property Control Records****Criteria**

UConn Health's Asset Inventory Control Manual sets forth the policies and procedures to record and track capital and controllable inventory. These policies require, among other things, that equipment with a value greater than \$5,000 be capitalized, and biannual physical inventories be performed. It also identifies the information to be recorded in the inventory records for proper tracking.

Condition

An analysis of UConn Health's controllable and capital equipment inventory records disclosed the following:

- UConn Health did not locate 1,339 controllable assets costing \$1,318,556 during physical inspections performed in the last two years.
- We found that 1,548 controllable assets, totaling \$2,305,327, had incomplete or missing pertinent

information such as cost, purchasing source, or purchase order number.

- The controllable asset inventory records included 82 items costing \$5,000 or more with a total cost of \$3,057,795.

Context

UConn Health listed approximately 12,037 items as controllable property.

Effect

UConn Health did not fully comply with the policies and procedures set forth in its asset inventory control manual. Inaccurate property control records and the absence of annual physical inspections increase the risk of loss or theft of equipment occurring and going undetected.

Cause

UConn Health did not always follow controllable asset procedures in its Property Control Manual.

Prior Audit Finding

This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2019 through 2020.

Recommendation

The University of Connecticut Health Center should strengthen controls over asset management, maintain accurate inventory records, and perform physical inspections in accordance with its policies.

Agency Response

"We agree with this finding. The need for controllable assets expanded during the pandemic as UConn Health rapidly shifted towards remote working options. The rapid and decentralized efforts required during this phase of the pandemic coincided with the repurposing of Logistics staff towards pandemic relief efforts. We continue working with the UConn Health community to conduct physical inventories, strengthen controls, and implement automated processes to include pertinent purchasing information within the inventory records. While we acknowledge that having additional demographic information would be ideal, the missing or incomplete information in question for many of the identified assets is no longer available in a manner that would be cost effective to update and, therefore, while we will continue to track these assets, we do not anticipate updating the additional demographic information."

Finding 10

Software Inventory Records

Criteria	The State Property Control Manual states that state agencies must establish a software library (or inventory) to track and control their software media, licenses or end user license agreements, applicable certificates of authenticity, documentation and related items. The manual also provides a list of minimum data agencies must include in their inventory listing.
Condition	Our review of software inventory disclosed that UConn Health's software inventory does not include all the data required by Chapter 7 of the State Property Control Manual.
Context	As of June 30, 2022, UConn Health had \$91,445,727 in software and software licenses with related accumulated depreciation of \$53,102,658.
Effect	The lack of proper accountability increases the risk that inventory may be lost, stolen, or improperly used. The state may also be at a higher risk of litigation from software companies for violation of licensing and copyright agreements.
Cause	There appears to be inadequate internal controls over software inventory.
Prior Audit Finding	This finding has not been previously reported.
Recommendation	The University of Connecticut Health Center should ensure that its software inventory includes all data required by Chapter 7 of the State Property and Control Manual.
Agency Response	"We agree with this finding. UConn Health will add the data fields to its existing software inventory tool and develop a procedure to include this information when new software is added to the database. We will work to update existing entries to include available data to existing software."

Finding 11

Disaster Recovery Plan

Criteria	UConn Health maintains a disaster recovery plan to help minimize the risks of negative business impacts in the event of an interruption to information technology services. The National Institute of Standards and Technology (NIST) recommends within Special Publication 800-53 that contingency plans should be tested regularly to ensure that, if a restart is necessary, the entity can adequately and promptly return its information technology services to normal operation.
Condition	Our review revealed that UConn Health has not formally and fully tested its disaster recovery plan.
Context	UConn Health's disaster recovery plan provides essential emergency procedures for information technology services.
Effect	Failure to test the disaster recovery plan reduces assurance that it would adequately minimize negative business impacts in the event of an interruption to information technology services.
Cause	UConn Health's plans to fully test its disaster recovery plan have been delayed for several years due to excessive expenses.
Prior Audit Finding	This finding has not been previously reported.
Recommendation	The University of Connecticut Health Center should routinely test its information technology plan disaster recovery plan in accordance with recommendations from the National Institute of Standards and Technology.
Agency Response	"We agree with this finding. UConn Health is committed to developing disaster recovery testing and conducting such tests of select mission critical systems periodically. Further testing plans will be developed to test other mission critical systems either annually or biannually depending upon the criticality, impact to mission operations and ability to test."

Finding 12

Telecommuting Policy Enforcement

Criteria	UConn Health’s telecommuting policy requires employees with regularly scheduled telework to have an approved agreement on file. The agreement must include a description of the employee’s work hours and remote site and must be approved by the employee’s supervisor, manager, human resources representative, and agency head or designee.
Condition	A department director regularly worked from home from approximately August 2021 through December 2022 without an approved telecommuting agreement on file.
Context	The director’s supervisor was aware that she was working remotely but did not submit a fully approved telecommuting agreement until December 2022.
Effect	A lack of consistent enforcement of the telecommuting policy reduced UConn Health’s ability to verify employee work hours and alternative work sites, fostering inconsistencies within the organization.
Cause	The lack of enforcement of the telecommuting policy in this instance appears to be the result of management override of established internal controls.
Prior Audit Finding	This finding has not been previously reported.
Recommendation	The University of Connecticut Health Center should follow its telecommuting policy and prohibit employees from working remotely without an approved agreement.
Agency Response	“We agree with this finding. UConn Health currently has procedures for telework requests and expects management to abide by those guidelines. UConn Health will send a reminder to all managers reinforcing the policy.”

STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our [prior audit report](#) on the University of Connecticut Health Center contained ten recommendations. Four have been implemented or otherwise resolved and six have been repeated or restated with modifications during the current audit.

Prior Recommendation	Current Status
<p>The University of Connecticut Health Center and its employees should agree on compensation terms and document them in the employee's personnel files.</p>	<p>REPEATED</p> <p>Recommendation 1</p>
<p>The University of Connecticut Health Center should conduct annual performance evaluations and maintain them in personnel files.</p>	<p>RESOLVED</p>
<p>The University of Connecticut Health Center should not process timesheets for payment that lack employee and manager approvals.</p>	<p>REPEATED Modified Form</p> <p>Recommendation 3</p>
<p>The University of Connecticut Health Center should follow established pay ranges when hiring. If UConn Health believes its pay ranges are outdated, it should perform the necessary steps to appropriately update and comply with them.</p>	<p>REPEATED</p> <p>Recommendation 4</p>
<p>The University of Connecticut Health Center should eliminate long-term disability insurance coverage for managerial employees and renegotiate bargaining contracts to avoid payments for benefits that are included in the State Employees' Retirement System.</p>	<p>RESOLVED</p>
<p>The University of Connecticut Health Center should not include unused compensatory time in payments to separating managerial and confidential employees.</p>	<p>REPEATED Modified Form</p> <p>Recommendation 6</p>
<p>The University of Connecticut Health Center should request the full amount it is owed through the Residency Training Program each year to maximize its operational cash flow.</p>	<p>RESOLVED</p>

<p style="text-align: center;">Prior Recommendation</p>	<p style="text-align: center;">Current Status</p>
<p>The University of Connecticut Health Center should strengthen controls over personnel decisions concerning temporary, non-faculty employees to provide sufficient segregation of duties and transparency in the decision-making process.</p>	<p style="text-align: center;">REPEATED</p> <p style="text-align: center;">Recommendation 2</p>
<p>The University of Connecticut Health Center should perform periodic assessments of its purchasing power and available product offers to determine whether it is prudent to continue procuring from group purchasing organizations.</p>	<p style="text-align: center;">RESOLVED</p>
<p>The University of Connecticut Health Center should strengthen controls over capital assets, maintain accurate inventory records, and perform physical inspections in accordance with its policies. It should also ensure that it promptly capitalizes equipment.</p>	<p style="text-align: center;">REPEATED</p> <p style="text-align: center;">Modified Form</p> <p style="text-align: center;">Recommendation 9</p>

OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the [University of Connecticut Health Center](#) (UConn Health) 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, 2021 and 2022. The objectives of our audit were to evaluate the:

1. Health center's internal controls over significant management and financial functions;
2. Health center's compliance with policies and procedures internal to the department 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 the health center; 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 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. This information was obtained from various available sources including, but not limited to, the Health Center's management and the state's information systems, and was not subjected to the procedures applied in our audit of the health center. For the areas audited, we identified:

1. Deficiencies in internal controls;
2. Apparent non-compliance with laws, regulations, contracts and grant agreements, policies, or 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 findings arising from our audit of the University of Connecticut Health Center.

ABOUT THE AGENCY

Overview

The [University of Connecticut](#) and [University of Connecticut Health Center](#) operate primarily under the provisions of Title 10a, Chapter 185, where applicable; Chapter 185b, Part III; and Chapter 187c of the General Statutes. The university and UConn Health are 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 of trustees makes rules for the governance of the university and health center and sets policies for the administration of the university and health center pursuant to duties set forth in Section 10a-104 of the General Statutes. The members of the board of trustees as of June 30, 2022, 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, Commissioner of Education
Sanford Cloud, Jr., Chairperson of UConn Health's Board of Directors

Appointed by the Governor:

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

Elected by alumni:

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

Elected by students:

Justin M. Fang, Willington
Noah S. Frank, Storrs

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

Miguel A. Cardona, Commissioner of Education
Ethan Werstler, Storrs

Section 10a-104(c) of the General Statutes authorizes the Board of Trustees of the University of Connecticut to create a board of directors for the governance of UConn Health and delegate such duties and authority, as it deems necessary and appropriate. The members of the board of directors as of June 30, 2022, were:

Ex officio members:

Dr. Radenka Maric, President, University of Connecticut
Claudio Gaultieri, Hartford
Manisha Juthani, Hartford

Appointed by the Chair of the Board of Trustees:

Sanford Cloud Jr., Chairperson, West Hartford
Andy F. Bessette, West Hartford
Mark L. Boxer, Glastonbury

Appointed by the Governor:

Patricia Baker, Cheshire
Joel Freedman, South Glastonbury
Teresa M. Ressel, New Canaan

Members at Large:

Dr. Kenneth Alleyne, Bloomfield
Francis X. Archambault, Jr., Hartford
Richard M. Barry, Avon
Richard T. Carbray, Jr., Rocky Hill
Cheryl A. Chase, Hartford
Britt-Marie Cole-Johnson, Hartford
Timothy A. Holt, Glastonbury
Dr. Wayne Rawlins, Cromwell

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

Dr. Andrew Agwunobi, Interim President, University of Connecticut
John F. Droney, West Hartford
Dr. Deidre Gifford, Hartford
Thomas Katsouleas, President, University of Connecticut
Mike Walsh, Hartford
Kathleen D. Woods, Avon

Pursuant to Section 10a-108 of the General Statutes, the Board of Trustees of the University of Connecticut appoints a president of the university and health center to be the chief executive and administrative officer of the university, health center, and the board of trustees. Thomas Katsouleas served as president until resigning in June 2021. Dr. Andrew Agwunobi served as interim president from July 2021 through February 2022. Radenka Maric served as interim president beginning in February 2022 and was appointed President of the University of Connecticut in September 2022 by the university's board of trustees.

The UConn Health Farmington complex houses John Dempsey Hospital, the School of Medicine, the School of Dental Medicine, and related research laboratories. Additionally, the medical and dental schools provide health care to the public through the UConn Medical Group and the University Dentists at facilities located on the Farmington campus and in neighboring towns.

The University of Connecticut Health Center Finance Corporation, a body politic and corporate, constituting a public instrumentality and political subdivision of the state, operates generally under the provisions of Title 10a, Chapter 187c of the General Statutes. The finance corporation exists to provide operational flexibility with respect to hospital operations, including the clinical operations of the schools of medicine and dental medicine.

The finance corporation is empowered to acquire, maintain, and dispose of hospital facilities and to make and enter into contracts, leases, joint ventures, and other agreements and instruments. It also acts as a procurement vehicle for the clinical operations of UConn Health. The Hospital Insurance Fund (otherwise known as the John Dempsey Hospital Malpractice Fund), which accounts for a self-insurance program covering claims arising from health care services, is administered by the finance corporation in accordance with Section 10a-256 of the General Statutes. Additionally, Section 10a-258 of the General Statutes gives the finance corporation the authority to determine which hospital accounts receivable shall be treated as uncollectible.

The finance corporation acts as an agent for UConn Health and is administered by a board of directors, consisting of members appointed under the provisions of Section 10a-253 of the General Statutes. The members of the board of directors as of June 30, 2022, were:

Ex officio members:

Jeffrey Beckham, Secretary of the Office of Policy and Management
Andy F. Bessette, West Hartford
Dr. Bruce Liang, Executive Vice President for Health Affairs UConn Health
Dr. Radenka Maric, President, University of Connecticut

Appointed by the Governor:

Daniel Toscano, Chairman

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

Dr. Andrew Agwunobi, Interim President, University of Connecticut
Thomas Katsouleas, President, University of Connecticut
Melissa McCaw, Secretary, Office of Policy and Management

Significant Legislative Changes

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

- **Public Acts 21-111 and 21-2** - Sections 96-98 and 479-481 of these acts, respectively, altered the bond authorizations for two existing UConn 2000 Phase III projects at the UConn Health Center, resulting in a net increase of \$25 million.
- **Public Act 22-118** - Section 16 of this act authorized the state to transfer \$20 million from the General Fund to the University of Connecticut Health Center Medical Malpractice Trust Fund.

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	2019-2020		2020-2021		2021-2022	
	Fall	Spring	Fall	Spring	Fall	Spring
Medicine - Students	444	441	449	448	452	449
Medicine - Residents	683	683	685	680	690	680
Dental - Students	202	203	197	197	201	200
Dental - Residents	102	101	99	100	104	104
Totals	1,431	1,428	1,430	1,425	1,447	1,433

Financial Information

Under the provisions of Section 10a-105(a) of the General Statutes, fees for tuition were fixed by the university's board of trustees. The following summary presents annual tuition charges including professional fees during the audited period and prior fiscal year.

Student Status	School of Medicine			School of Dental Medicine		
	2019-2020	2020-2021	2021-2022	2019-2020	2020-2021	2021-2022
In-State	\$41,495	\$42,947	\$44,357	\$38,437	\$39,782	\$41,174
Out-of-State	\$75,575	\$77,027	\$77,027	\$76,191	\$77,536	\$80,250
Regional	\$70,434	\$73,162	\$73,162	\$65,294	\$67,580	\$69,945

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

- General Fund appropriation accounts;
- The University of Connecticut Health Center Operating Fund;
- The University of Connecticut Health Center Research Foundation Fund;
- The University Health Center Hospital Fund;
- The John Dempsey Hospital Malpractice Fund; and
- Accounts established in capital project and special revenue funds for appropriations financed primarily with bond proceeds.

During the audited period, patient services were UConn Health's largest source of revenue, with John Dempsey Hospital being the largest single source. The UConn Medical Group generated significant patient services revenues as well.

The UConn Medical Group functions similarly to a private group practice for faculty clinicians providing patient services in a variety of specialties. The UConn Medical Group's operation is considered essential for the education and training of medical students in the School of Medicine.

Other significant sources of revenue included state General Fund appropriations, federal and state grants, and payments for services related to the Residency Training Program.

Under the Residency Training Program, residents appointed to local health care organizations are paid through the Capital Area Health Consortium. UConn Health reimburses the consortium for personnel service costs and the participating organizations reimburse UConn Health.

Health care providers and support staff of UConn Health are granted statutory immunity from any claim for damage or injury caused in the discharge of their duties or within the scope of their employment, unless it is wanton, reckless, or malicious. Any claims paid for actions brought against the state as permitted by waiver of statutory immunity are charged against UConn Health's malpractice self-insurance fund. UConn Health developed a methodology by which it allocates malpractice costs between the hospital, UConn Medical Group, and University Dentists.

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

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

UConn Health employment remained relatively stable during the audited period. UConn Health position summaries show that permanent full-time filled positions totaled 4,486 as of June 2020; 4,567 as of June 2021; and 4,608 as of June 2022.

Operating Revenues

Operating revenue results from the sale or exchange of goods and services that relate to UConn Health's mission of instruction, research, and patient services. Major sources of operating revenue include patient services, federal and state grants, contracts, and other operating revenues. Operating revenue as presented in UConn Health's financial statements for the audited period and prior fiscal year follows:

	2019-2020	2020-2021	2021-2022
Student Tuition and Fees (net of scholarship allowances)	\$ 21,635,605	\$ 23,474,837	\$ 23,870,606
Patient Services (net of charity care)	513,607,719	628,899,358	743,493,317
Federal Grants and Contracts	58,055,210	68,185,125	96,325,962
Non-Governmental Grants and Contracts	27,872,359	24,977,125	26,357,110
Contract and Other Operating Revenues	162,724,699	152,990,203	158,365,341
Total Operating Revenue	\$ 783,895,592	\$ 898,526,648	\$ 1,048,412,336

Total operating revenue increased by \$114.6 million (14.6%) in fiscal year 2021 as compared to the prior fiscal year, and \$149.9 million (16.7%) in 2022.

The growth in fiscal year 2021 was primarily due to a \$115.3 million (22.4%) increase in patient services revenue resulting from rebounding clinical volume in the second year of the pandemic. Also in fiscal year 2021, UConn Health Pharmacy Services Incorporated (UHPSI) began providing pharmaceuticals to outpatients primarily from various clinics related to UConn Health, which accounted for approximately \$37.4 million of increased patient service revenue.

The further growth in total operating revenue in 2022 was primarily due to a \$114.6 million (18.2%) increase in patient services revenue, which can be attributed to continued rebounding of clinical volume and continuation of the UHPSI pharmaceutical services. In addition to growth in patient service revenue, federal grants and contracts rose by \$28.1 million (41.3%) due to increased research grants with the National Science Foundation and National Institutes of Health.

Operating Expenses

Operating expenses generally result from payments for goods and services to assist in achieving UConn Health's mission of instruction, research, and patient services. Operating expenses do not include interest

expense or capital additions and deductions. Operating expenses include employee compensation and benefits, supplies, services, utilities, depreciation, and amortization.

Operating expenses by functional classification as presented in UConn Health's financial statements for the audited period and prior fiscal year follows:

	2019-2020	2020-2021	2021-2022
Education and General			
Instruction	\$ 170,525,552	\$ 178,909,761	\$ 175,455,903
Research	55,173,426	57,554,262	77,186,457
Patient Services	846,525,783	964,235,433	974,932,682
Academic Support	20,086,425	24,986,382	22,123,706
Institutional Support	89,592,285	159,055,048	143,483,634
Operations and Maintenance	25,112,128	26,885,693	27,615,989
Depreciation	72,892,965	72,487,228	71,282,597
Student Aid	25,051	38,735	98,388
Total Operating Expenses	\$ 1,279,933,615	\$ 1,484,152,542	\$ 1,492,179,356

The largest source of operating expenses relates to patient services, followed by instruction expenses. Total operating expenses increased \$204.2 million (16.0%) in fiscal year 2021 as compared to 2020 and increased \$8.0 million (0.5%) in 2022.

The growth in operating expenses in fiscal year 2021 was primarily caused by a \$117.7 million (13.9%) increase in patient service expenses due to the recognition of increased pension and other post-employment benefit (OPEB) expenses under Government Accounting Standards Board (GASB) No. 68 and 75.

The growth in operating expenses in fiscal year 2022 was primarily due to a \$10.7 million (1.1%) increase in patient services expenses attributed to increased pharmaceutical volume for specialty drug costs in UHPSI and medical supplies for the hospital from surgical volumes in fiscal year 2022.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses include items such as the state's General Fund appropriation, gifts, investment income, and interest expense. Nonoperating revenues and expenses as presented in UConn Health's financial statements for the audited period and prior fiscal year follows:

	2019-2020	2020-2021	2021-2022
State Appropriations (including fringe benefits)	\$ 296,519,926	\$ 330,871,924	\$ 344,028,889
Transfer to State and Outside Programs	-	-	20,000,000
Gifts	6,949,604	3,495,568	4,417,503
Covid-19 Relief Revenue	22,518,407	15,598,519	87,427,577
Interest Income	-	339,599	357,631
Lease Revenue	-	2,248,872	2,711,653
Investment Income	599,816	31,048	128,648
Interest on Capital Assets - Related Debt	(9,353,457)	(9,424,042)	(9,935,037)
Net Nonoperating Revenue	\$ 317,234,296	\$ 343,161,488	\$ 449,136,864

State appropriations, which include fringe benefits, increased \$34.4 million (11.6%) from fiscal year 2020 to 2021, and \$13.2 million (4.0%) in fiscal year 2022.

The increase in 2021 was primarily due to one-time funding from the State Comptroller to pay a portion of the state's unfunded accrued liabilities assigned to UConn Health and additional in-kind fringe benefits

recognized as the result of higher overall fringe benefit costs. In 2022, the increase was attributed to the funding from the State Comptroller to pay a portion of the SEBAC wage increases as well as the state's unfunded accrued liabilities charged to UConn Health and additional in-kind fringe benefits recognized as the result of higher overall fringe benefit costs.

Investment income is derived primarily from UConn Health's unspent cash balances and endowments. The gift component of nonoperating revenue is comprised of amounts received from the University of Connecticut Foundation, private organizations, and individuals.

Other Changes in Net Position

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

	2019-2020	2020-2021	2021-2022
Transfer from Affiliate	\$ -	\$ 2,000,000	\$ 228,081
Capital Appropriations	-	679,684	13,000,000
Loss on Disposal	(332,304)	(196,001)	(778,669)
Net Other Changes in Net Position	\$ (332,304)	\$ 2,483,683	\$ 12,449,412

The capital appropriations of approximately \$680,000 in 2021 and \$13.0 million in 2022 are for UCONN 2000 bond funds. The transfer from affiliate of \$2.0 million in 2021 was for support of UConn Health's Nuclear Magnetic Resonance Facility Upgrade project in fiscal year 2021.

Net Position

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

	2019-2020	2020-2021	2021-2022
Invested in Capital Assets, Net of Related Debt	\$ 731,729,607	\$ 690,037,098	\$ 646,630,491
Restricted for Non-expendable:			
Scholarships	61,451	61,451	61,451
Restricted for Expendable:			
Research	1,791,744	1,106,638	1,093,243
Loans	283,089	243,649	283,313
Capital Projects	4,363,025	3,443,829	26,184,806
Unrestricted	(2,037,542,537)	(2,234,750,570)	(2,196,291,953)
Total Net Position	\$(1,299,313,621)	\$(1,539,857,905)	\$(1,522,038,649)

Amounts listed as invested in capital assets, net of related debt, reflect the value of capital assets such as buildings and equipment after subtracting the outstanding debt used to acquire such assets. Decreases in this category reflect reductions in capital and intangible assets, which is the result of depreciation outpacing new capital investments.

Related Entities

UConn Health did not hold significant endowment and similar fund balances during the audited period, as its longstanding practice has been to deposit funds raised with the University of Connecticut Foundation, Inc. The foundation provides support for the university and UConn Health. Its financial

statements reflect balances and transactions associated with both entities, not only those exclusive to UConn Health.

A summary of the foundation's assets, liabilities, support and revenues, and expenditures for the audited period and prior fiscal year follows:

University of Connecticut Foundation, Inc.			
Fiscal Year Ended			
	June 30, 2020	June 30, 2021	June 30, 2022
Assets	\$ 617,492,296	\$ 769,781,925	\$ 744,592,901
Liabilities	\$ 40,993,461	\$ 39,032,465	\$ 36,818,794
Net Position	\$ 576,498,835	\$ 730,749,460	\$ 707,774,107
Support and Revenue	\$ 75,585,766	\$ 210,567,612	\$ 36,883,923
Expenditures	\$ 49,130,404	\$ 56,316,987	\$ 59,859,276