# STATE OF CONNECTICUT

**AUDITORS' REPORT**
**UNIVERSITY OF CONNECTICUT HEALTH CENTER**
**FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2012**

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

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October 16, 2013

We examined the financial records of the University of Connecticut Health Center (Health Center) for the fiscal years ended June 30, 2011 and 2012. The Health Center is a component unit of the University of Connecticut system, which also includes the University of Connecticut, the University of Connecticut Foundation, Inc. and the University of Connecticut Law School Foundation, Inc. This report on that examination consists of the Comments, Recommendations and Certification that follow.

Financial statement presentation and auditing are done on a Statewide Single Audit basis to include all state agencies. This audit has been limited to assessing the Health Center's compliance with certain provisions of financial related laws, regulations and contracts, and evaluating the Health Center's internal control structure policies and procedures established to ensure such compliance.

## COMMENTS

### FOREWORD:

The university and the 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 the Health Center 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 the Health Center and sets policies for the administration of the university and the 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, 2012, were:

Ex officio members:
Dannel P. Malloy, Governor
Steven K. Reviczky, Commissioner of Agriculture
Catherine H. Smith, Commissioner of Economic and Community Development
Stefan Pryor, Commissioner of Education
Sanford Cloud, Jr., Chairperson of the Health Center's Board of Directors

Appointed by the Governor:
Lawrence D. McHugh, Middletown, Chair
Louise M. Bailey, West Hartford, Secretary
Peter S. Drotch, Framingham, Massachusetts
Marilda L. Gandara, Hartford
Lenworth M. Jacobs, M.D., West Hartford
Thomas E. Kruger, Stamford
Rebecca Lobo, Granby
Denis J. Nayden, Stamford
Thomas D. Ritter, Hartford
Wayne J. Shepperd, Danbury
Richard Treibick, Greenwich

Elected by alumni:
Francis X. Archambault, Jr., Storrs
Richard T. Carbray, Jr., Rocky Hill

Elected by students:
Brien T. Buckman, Stamford
Adam Scianna, Norwalk

Other members who served during the audited period include the following:
M. Jodi Rell, Governor
Mark K. McQuillian Commissioner of Education
Joan McDonald, Commissioner of Economic and Community Development
F. Philip Prelli, Commissioner of Agriculture
George A. Coleman, Commissioner of Education
Gerard N. Burrow, Chairperson of the Health Center's Board of Directors
Michael A. Bozzuto, Avon
Michael J. Martinez, East Lyme
Andrea Dennis-LaVigne, D.V.M., Simsbury
Corey M. Schmitt, Storrs
Robert M. Ward, Northford

Section 10a-104 subsection (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 the Health Center and delegate such duties and authority as it deems necessary and appropriate to said board of directors. The members of the board of directors as of June 30, 2012, were:

Ex officio members:
Susan Herbst, President, University of Connecticut
Robert Dakers, designee of the Secretary of the Office of Policy and Management
Jewel Mullen, Commissioner, Department of Public Health

Appointed by the Chair of the Board of Trustees:
Sanford Cloud Jr., Chairperson, Farmington

Francis X. Archambault, Jr., Storrs
Wayne J. Shepperd, Danbury

Appointed by the Governor:
Karen Christiana, West Hartford
Kathleen Woods, Avon
Teresa Ressel, Stamford

Members at Large:
Richard Barry, Avon
Andy F. Bessette, Orono, Minnesota
Cheryl Chase, Hartford
John Droney, Farmington
Tim Holt, Glastonbury
Wayne Rawlins, Hartford
Robert T. Samuels, West Hartford
Charles Shivery, Hartford

Other members who served during the audited period include the following:
Philip Austin, Interim President, University of Connecticut
J. Robert Galvin, Commissioner, Department of Public Health
Gerald N. Burrow, Chairperson, Hamden
Lenworth M. Jacobs, Hartford
Mark Bertolini, Avon
Francisco Borges, Farmington

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 the Health Center to be the chief executive and administrative officer of the university, the Health Center and the board of trustees. Michael J. Hogan served as president until he resigned in June of 2010. Philip E. Austin was appointed interim president, effective June 11, 2010. Susan Herbst was appointed as the President of the University of Connecticut on December 20, 2010 by the university's board of trustees.

The Health Center's Farmington complex houses the John Dempsey Hospital, the School of Medicine, the School of Dental Medicine, and related research laboratories. Additionally, the Schools of Medicine and Dental Medicine provide health care to the public, through the UConn Medical Group (including its UConn Health Partners unit) and the University Dentists, in facilities located at 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 the Health Center. 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 the Health Center. In the past, it operated on a pass-through basis; it did not accumulate any significant assets or liabilities. However, construction of the Health Center's new Medical Arts and Research Building during the fiscal years ended June 30, 2004 and 2005 was administered through the finance corporation. The building is an asset of the finance corporation and the associated debt a liability. Similarly, the Health Center's acquisition of the facility located at 16 Munson Road during the fiscal year ended June 30, 2005 was administered through the newly incorporated UCHCFC Munson Road Corp., a wholly owned subsidiary of the finance corporation.

The finance corporation is administered by a board of directors, consisting of five members appointed under the provisions of Section 10a-253 of the General Statutes. The members of the board of directors as of June 30, 2012, were

Ex officio members:
Susan Herbst, President, University of Connecticut
Frank Torti, Executive Vice President for Health Affairs
Benjamin Barnes, Secretary of the Office of Policy and Management

Appointed by the Governor:
Lawrence D. McHugh, Middletown
Wayne J. Shepperd, Danbury

Other members who served during the audited period include:
Philip Austin, Interim President, University of Connecticut
Cato T. Laurencin Executive Vice President for Health Affairs

**Recent Legislation:**

During the period under review and thereafter, legislation was enacted by the General Assembly affecting the Health Center. The most noteworthy items are presented below:

- Public Act 11-75, effective July 1, 2011, increased existing bond authorizations by $254.9 million for the purposes of constructing a new bed tower and renovation of academic, clinical, and research space at the John Dempsey Hospital. It also requires the Health Center to (1) contribute $69 million from operations, special gifts, or other sources toward the new

construction and renovation project and (2) provide for the construction of a new ambulatory care center through private funding.

- Public Act 11-2, passed in the October Special Session, created the Connecticut Bioscience Collaboration program within Connecticut Innovations, Inc. to support establishment of a bioscience cluster anchored by a research lab at the Health Center.

- Public Act 12-1, passed in the June Special Session, placed the Office of the Chief Medical Examiner within the Health Center for administrative purposes only effective July 1, 2012.

- Public Act 12-1, passed in the June Special Session, requires for the fiscal year ending June 30, 2014 and for each fiscal year thereafter, that the State Comptroller fund, in an amount not to exceed $13,500,000, the fringe benefit cost differential between the average rate for fringe benefits for employees of private hospitals in the state and the fringe benefit rate for employees of the University of Connecticut Health Center.

**Enrollment Statistics:**

Statistics compiled by the Health Center's registrar present the following enrollments in the Health Center's credit programs during the audited period and prior fiscal year.

| Student Status | 2009-2010 | | 2010-2011 | | 2011-2012 | |
|---|---|---|---|---|---|---|
| | Fall | Spring | Fall | Spring | Fall | Spring |
| Medicine – Students | 346 | 346 | 352 | 352 | 355 | 355 |
| Medicine – Residents | 585 | 585 | 591 | 591 | 611 | 611 |
| Dental – Students | 170 | 170 | 178 | 178 | 176 | 176 |
| Dental – Residents | 111 | 111 | 115 | 115 | 112 | 112 |
| Totals | 1212 | 1212 | 1236 | 1236 | 1254 | 1254 |

## RÉSUMÉ OF OPERATIONS:

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

| | School of Medicine | | | School of Dental Medicine | | |
|---|---|---|---|---|---|---|
| Student Status | 2009-2010 | 2010-2011 | 2011-2012 | 2009-2010 | 2010-2011 | 2011-2012 |
| In-State | $20,824 | 21,865 | $22,740 | $19,592 | 20,572 | $21,395 |
| Out-of-State | $43,869 | 46,062 | $47,905 | $45,120 | 47,376 | $49,271 |
| Regional | $36,442 | 38,264 | $39,795 | $34,285 | 36,001 | $37,441 |

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

- General Fund appropriation accounts.
- The University of Connecticut Health Center Operating Fund (Section 10a 105 of the General Statutes).
- The University of Connecticut Health Center Research Fund (Section 10a-130 of the General Statutes).
- The University Bond Liquidation Fund (Special Act 67 276, Section 26, and others - used for both the university and the Health Center).
- The University Health Center Hospital Fund (Section 10a-127 of the General Statutes).
- The John Dempsey Hospital Malpractice Fund (Section 10a-256 of the General Statutes).
- Accounts established in capital project and special revenue funds for appropriations financed primarily with bond proceeds.

During the audited period, patient revenues were the Health Center's largest source of revenue, with John Dempsey Hospital patient revenues being the largest single component of patient revenues. Other operations that generated significant patient revenues were the Correctional Managed Healthcare Program and the UConn Medical Group.

Under the Correctional Managed Healthcare Program, the Health Center entered into an agreement, effective August 11, 1997, with the Department of Correction to provide medical care to inmates incarcerated in the state's correctional facilities. Medical personnel at the correctional facilities, formerly paid through the Department of Correction, were transferred to the Health Center's payroll.

Under the agreement, while the program was to be managed by the Health Center, the Commissioner of the Department of Correction retained the authority for the care and custody of inmates and the responsibility for the supervision and direction of all institutions, facilities and activities of the department. The purpose of the program was to enlist the services of the Health Center to carry out the responsibility of the commissioner for the provision and management of comprehensive medical care.

The agreement called for the Health Center to provide to Department of Correction inmates comprehensive medical, mental health, dental services and medical support services such as laboratory, pharmacy and radiology at a capitated, or fixed, cost. However, as implemented, the program functions on a cost reimbursement basis. This was recognized in a new memorandum of agreement executed in March 2006.

The UConn Medical Group functions similarly to a private group practice for faculty clinicians providing patient services.

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

Under the Residency Training Program, interns and residents appointed to local health care organizations are paid through the Capital Area Health Consortium. The Health Center reimburses the Capital Area Health Consortium for the personnel service costs incurred and is, in turn, reimbursed by the participating organizations.

Health care providers and support staff of the Health Center are granted statutory immunity from any claim for damage or injury, not wanton, reckless or malicious, caused in the discharge of their duties or within the scope of their employment. Any claims paid for actions brought against the state as permitted by waiver of statutory immunity have been charged against the Health Center's malpractice self-insurance fund. Effective July 1, 1999, the Health Center developed a methodology by which it could allocate malpractice costs between the Hospital, the UConn Medical Group and University Dentists. For the years ended June 30, 2011 and 2012, these costs are included in the statement of revenues, expenses and changes in net assets.

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

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

Health Center employment remained relatively stable during the audited period. Health Center position summaries show that permanent full-time filled positions totaled 4,722 as of June 2010; 4,762 as of June 2011; and 4,956 as of June 2012.

**Operating Revenues:**

Operating revenue results from the sale or exchange of goods and services that relate to the Health Center's mission of instruction, research and patient services. Major sources of operating revenue include patient services, federal grants, state grants, contract and other operating

revenues. Operating revenue as presented in the Health Center's financial statements for the audited period and prior fiscal year, follows:

| ($ in thousands) | 2009-2010 | 2010-2011 | 2011-2012 |
|---|---|---|---|
| Student Tuition and Fees (net of scholarship allowances) | $ 12,163 | $ 13,095 | $ 13,746 |
| Patient Services (net of charity care) | 405,660 | 422,094 | 429,546 |
| Federal Grants and Contracts | 59,357 | 60,127 | 56,904 |
| Non-Governmental Grants and Contracts | 28,673 | 25,885 | 27,690 |
| Contract and Other Operating Revenues | 64,591 | 71,694 | 93,730 |
| Total Operating Revenue | $570,444 | $592,940 | $621,616 |

The largest source of operating revenue, patient services, is derived from fees charged for patient care. Patient services revenue increased 4.1 percent in the fiscal year ended June 30, 2011 followed by an increase of 1.8 percent in fiscal year 2012.

**Operating Expenses:**

Operating expenses generally result from payments made for goods and services to assist in achieving the Health Center'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, and depreciation and amortization.

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

| ($ in thousands) | 2009-2010 | 2010-2011 | 2011-2012 |
|---|---|---|---|
| Educational and General | | | |
| Instruction | $ 126,206 | $ 129,793 | $ 129,217 |
| Research | 59,967 | 58,892 | 63,080 |
| Patient Services | 469,340 | 492,788 | 506,720 |
| Academic Support | 14,469 | 16,355 | 20,200 |
| Institutional Support | 55,730 | 58,421 | 53,059 |
| Operations and Maintenance | 26,335 | 27,653 | 28,031 |
| Depreciation | 28,881 | 30,075 | 30,875 |
| Loss on Disposal | 38 | 482 | 7 |
| Student Aid | 480 | 416 | 165 |
| Total Operating Expenses | $ 781,446 | $ 814,875 | $ 831.354 |

The largest source of operating expenses relates to patient services. Patient services expenses increased 5 percent in the fiscal year ended June 30, 2011 followed by an increase of 2.8 percent

in fiscal year 2012. Instruction expenses, the second largest operating expense, increased 2.8 percent in the fiscal year ended June 30, 2011 and decreased .4 percent in the fiscal year ended June 30, 2012.

**Non-operating Revenues and Expenses:**

Non-operating revenues and expenses are neither operating revenues/expenses nor capital additions/deductions. Non-operating revenues and expenses include items such as the state's General Fund appropriation, gifts, investment income and interest expense.

Non-operating revenue (expenses) as presented in the Health Center's financial statements for the audited period and prior fiscal year follows:

| ($ in thousands) | 2009-2010 | 2010-2011 | 2011-2012 |
|---|---|---|---|
| State Appropriations (including fringe benefits) | $ 218,484 | $ 225,268 | $ 202,997 |
| Transfers to State | (10,000) | (10,807) | 1,312 |
| Gifts | 1,602 | 2,554 | 7,435 |
| Investment Income | 2,506 | 134 | 101 |
| Interest on Capital Assets - Related Debt | (2,364) | (1,570)) | (1,095) |
| Net Non-operating Revenue | $ 210,228 | $ 215,579 | $ 210,750 |

State appropriations, which includes fringe benefits, increased in the fiscal year ended June 30, 2011, by 3.1 percent when compared to the fiscal year ended June 30, 2010. State appropriations decreased in the fiscal year ended June 30, 2012, by 9.9 percent when compared to the fiscal year ended June 30, 2011.

Investment income is derived primarily from the Health Center's unspent cash balances and endowments. The gifts component of non-operating revenue is comprised of amounts received from the University of Connecticut Foundation and other non-governmental organizations and individuals.

**Capital Appropriations:**

Capital appropriations, as presented in the Health Center's financial statements for the audited period and prior fiscal year, follows:

| ($ in thousands) | 2009-2010 | 2010-2011 | 2011-2012 |
|---|---|---|---|
| Total Capital Appropriations | $ 35,610 | $ 170 | 62,500 |

The capital appropriations amounts for the fiscal years ended June 30, 2011 and 2012 are primarily related to amounts allocated to the Health Center under the UCONN 2000 capital improvement program.

**Net Assets:**

Net assets represent assets less liabilities. Net assets, as presented in the Health Center's financial statements for the audited period and prior fiscal year, follows:

| ($ in thousands) | 2009-2010 | 2010-2011 | 2011-2012 |
|---|---|---|---|
| Invested in Capital Assets, Net of Related Debt | $243,089 | $277,865 | $301,969 |
| Restricted for Non-expendable | | | |
| Scholarships | 61 | 61 | 61 |
| Restricted for Expendable: | | | |
| Research | 4,359 | 4,047 | 3,436 |
| Loans | 1,864 | 875 | 1,081 |
| Capital Projects | 30,649 | 5,758 | 51,287 |
| Unrestricted | 65,819 | 51,004 | 45,288 |
| Total Net Assets | $345,841 | $339,610 | $403,122 |

Amounts listed above 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. Restricted non-expendable assets are primarily comprised of permanent endowments. Restricted expendable assets are assets whose use by the Health Center is subject to externally imposed stipulations. Unrestricted assets are assets not subject to externally imposed restrictions.

**Related Entities:**

The Health Center did not hold significant endowment and similar fund balances during the audited period, as it has been the Health Center's longstanding practice to deposit funds raised with the University of Connecticut Foundation, Inc. The foundation provides support for the university and the Health Center. Its financial statements reflect balances and transactions associated with both entities, not only those exclusive to the Health Center.

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

| ($ in thousands) | University of Connecticut Foundation, Inc. | | |
|---|---|---|---|
| | Fiscal Year Ended | | |
| | June 30, 2010 | June 30, 2011 | June 30, 2012 |
| Assets | $348,244 | $396,314 | 398,655 |
| Liabilities | 13,329 | 18,207 | 14,715 |
| Net Assets | 334,915 | 378,107 | 383,940 |
| Support and Revenue | 66,289 | 83,176 | 50,489 |
| Expenditures | 36,771 | 39,984 | 44,656 |

## CONDITION OF RECORDS

Our review of the financial records of the Health Center disclosed certain areas requiring attention, as discussed in this section of the report.

**Failure to Return from Sabbatical:**

*Criteria:* Health Center bylaws require that, upon completion of sabbatical leave, employees are obligated to return to active service at the Health Center for a minimum of one year.

*Condition:* We noted an instance in which a Health Center employee was granted six months of paid sabbatical leave at a cost of approximately $73,000. The employee failed to return from sabbatical leave. Furthermore, correspondence indicates that the employee had accepted a full-time faculty position at another institution shortly after being granted sabbatical leave.

*Effect:* The Health Center incurred costs without receiving the intended benefit.

*Cause:* No control is in place to ensure that the Health Center receives the intended benefit of sabbatical leave.

*Recommendation:* The Health Center should revise its sabbatical leave request form to incorporate a requirement that employees granted sabbatical leave agree to return amounts paid during the sabbatical leave if they do not return to the service of the Health Center for a period of one year following the expiration of the sabbatical leave. (See Recommendation 1.)

*Agency Response:* "The Health Center revised the sabbatical request form in June 2013. The revised form includes a faculty agreement which requires the faculty member to return amounts paid during the sabbatical leave if he/she does not return to full-time service of the Health Center for a period of one year following expiration of the sabbatical leave."

**Inadequate Purchasing Process:**

*Background:* In our audit report dated December 13, 2010, we noted the Health Center's use of convenience contracts, a contracting process that results in contract awards to all qualified vendors that submit proposals. We requested that the Health Center seek an opinion

from the Attorney General to determine whether the use of convenience contracts was in accordance with statutory provisions.

Group purchasing contracts are contracts that have been solicited and negotiated by purchasing intermediaries known as group purchasing organizations (GPO) for their members.

*Criteria:* Health Center personnel have an obligation to make an effort to confirm that prices paid for items purchased have been obtained in the most favorable manner possible.

*Condition:* During our tests of expenditures, we noted the following:

- The purchase of medical equipment from a vendor totaling approximately $650,000 that was solicited and negotiated by a GPO. We were unable to obtain any evidence that Health Center procurement department personnel attempted to determine that the items purchased were obtained at the most favorable price.

- The purchase of medical equipment from a vendor totaling approximately $600,000 using a convenience contract. We were unable to obtain any evidence whether procurement department personnel attempted to determine that the items purchased were obtained at the most favorable price.

- Several large purchases for the Health Center library, totaling in excess of $700,000. We were unable to obtain any evidence that procurement department personnel attempted to determine that the items purchased were obtained at the most favorable price.

*Effect:* The Health Center may have paid more than necessary for the acquired items.

*Cause:* Health Center personnel have stated they have not been required to maintain formal documentation of their efforts to confirm that they have obtained the most favorable price for purchases of goods under existing contracts.

*Recommendation:* The Health Center should prepare and retain evidence to demonstrate efforts to obtain the most favorable price when purchasing items of significant cost. (See Recommendation 2.)

*Agency Response:* "The Health Center agrees that it is important to obtain the most favorable terms possible for our purchases. The Health Center's

Procurement Department issues a competitive bid and/or negotiates pricing pursuant to statutory requirements and also whenever the Procurement Department determines that it is in the Health Center's best interest to do so (even if not statutorily required). Although price is always a factor in determining whether the purchase of a particular item is a good deal for the Health Center, it is not always the only factor. Variables such as quality, experience, compatibility, warranty coverage, vendor stability, and contract terms are often important considerations as well when selecting a product or a supplier.

Effective August 1, 2013, Procurement Department staff will maintain documentation of efforts to confirm that the Health Center is paying the most favorable price possible for purchases of goods costing $500,000 or greater, regardless of whether the purchase is being made using an existing contract."

**Intellectual Property Costs:**

*Criteria:* The Health Center operates in an environment of limited resources and should reduce costs when possible.

*Condition:* During our review of payments made relating to the Health Center's Office of Technology Commercialization, we noted fees for legal services totaling approximately $747,000 and $1,205,000 for the fiscal years ended June 30, 2011 and 2012, respectively. Upon further review, we identified that the fees for the legal services were for the purpose of representing the Health Center's interests in the area of intellectual property matters. The legal fees were billed at rates as high as $820 per hour.

*Effect:* The legal fees incurred by the Health Center may be higher than necessary.

*Cause:* The Health Center has been using the traditional approach of using outside law firms to protect its intellectual property.

*Recommendation:* The Health Center, in an effort to reduce costs, should investigate the feasibility of using current staff, or hiring new staff, with the requisite abilities to perform the work related to intellectual property matters that are currently being performed by outside law firms. (See Recommendation 3.)

*Agency Response:* "This review of patent expenses is timely. We have recently instituted practices to better utilize this budget including:

- Industry liaisons on staff to market patents and gather industry data to better inform researchers and patent decisions.
- Filing more low cost and/or internally generated provisional patents while validating technical viability and markets prior to large expenditures.
- Making tougher decisions earlier on with a rigorous review that includes estimating total cost given the unique nature of the technology and patent coverage required.
- Not converting provisional patents into non-provisional patents unless (1) the inventor has made progress with the invention during this one year period, (2) a clear market opportunity is identified including potential licensees.
- Arranging for licensees to pay patent expenses directly.
- Eliminating routine work done by the firms so that the University is only paying for specialized and valuable work.
- Paying Patent and Trademark Office fees directly which were formerly paid by the firms.
- Arranging with firms for less-expensive, simpler provisional patent applications.
- Eliminating certain actions until we take a fresh look at an invention.

The use of staff attorneys would still require contracts with outside law firms to cover scientific areas where staff attorneys would not have the requisite specialized knowledge and for foreign filings. We employ a registered patent agent on staff that files selected applications and manages law firm interactions. Rates vary within firms based on attorney, function and contract.

The patent budget includes legal fees and fees paid to the United States Patent and Trademark Office and its international counterparts. The budget covers all UConn campuses.

We continuously pursue methods for utilizing firms more efficiently. A growing demand for IP protection resulting from UConn's expanding research portfolio and faculty makes improved productivity of this budget critical. NextGen CT will cause more pressure. We believe that the steps above meet the substance of the Auditors' recommendation and University needs."

**Review of Payments for Conformity with Contract Terms:**

*Criteria:* Health Center personnel have an obligation to monitor the terms of contracts to protect the state's financial interests.

*Condition:* During our tests of expenditures we noted the following:

- In fiscal year 2012, approximately $3,800,000 was paid to a vendor under a multi-year contract that limited payments to $16,000,000 for the entire term of the contract. The contract contained a number of variables that affected the amount of the payment to the vendor. These variables included the vendor's cost of goods, labor costs and certain sales.

We concluded that Health Center personnel were reviewing the details for the vendor's cost of goods but were performing only analytical reviews of the vendor's labor costs and sales.

*Effect:* The failure to independently verify the details of all the variable components of the contract increases the likelihood of improper payments.

*Cause:* The complexities of the contract make monitoring the variable components difficult.

*Recommendation:* The Health Center should develop procedures to verify the details of any contracts that have variable components. (See Recommendation 4.)

*Agency Response:* "The following actions will take place on a quarterly basis to ensure transparency and accuracy of financial aspects for the vendor contract which provides clinical dieticians for inpatient and outpatient care, retail cafés and catering for UCHC. The obligations of the audit are described below. Other areas audited on a bi-weekly basis are service standards, quality of food, patient perception of food and, department of health standards and other regulatory requirements. Three main categories shall be audited: 1) Cost of Goods Sold, 2) Labor/Payroll and 3) Retail Receipts.

Costs of Goods Sold:

The vendor shall provide the weekly transmittal reports for the selected period and one week of product invoices that support the transmittal.

The JDH Director shall review invoices as reported on the transmittal, compare the transmittal totals to JDH's monthly invoice and address any variances with an action plan and timeline including accountable parties. This action plan shall be reviewed with the COO, JDH and other Sr. leaders as warranted.

Labor/Payroll:

The vendor shall provide a list of employee names, hours worked during the period, and labor paid during the period will be provided.

The JDH Director shall compare the expenses to the monthly invoices and evaluate staffing for accuracy. Any variances will be addressed with an action plan and timeline including accountable parties. This action plan shall be reviewed with the COO, JDH and other Sr. leaders as warranted.

Retail Receipts:

The vendor shall provide one month of cash management reports and supporting data to the register worksheet report.

JDH Director shall verify cash management reports match monthly billing 1 month per quarter and verify register worksheet report to data 1 day per quarter. Any variances will be addressed with an action plan and timeline including accountable parties. This action plan shall be reviewed with the COO, JDH and other Sr. leaders as warranted."

**Excessive Payment Upon Separation:**

*Criteria:* The prevailing State of Connecticut policy on managerial compensatory time states "Compensatory time earned during the twelve months' of the calendar year must be used by the end of the succeeding calendar year and cannot be carried forward. In no event will compensatory time be used as the basis for additional compensation and shall not be paid as a lump sum at termination of employment".

*Condition:* We noted an instance in which, upon termination of a managerial employee, the Health Center paid the employee $24,534 for 39.5 days of compensatory time, some of which was earned as far back as 2004.

*Effect:* Health Center resources were wasted.

*Cause:* The Health Center has adopted a more generous managerial compensatory time policy than other state agencies.

*Recommendation:* The Health Center should require that managerial compensatory time be used within a reasonable time frame and should not make payments to managerial employees upon termination for unused compensatory time. (See Recommendation 5.)

*Agency Response:* "While in principle, the concept of requiring use of compensatory time in a reasonable time frame with no payout is generally sound management practice, in a health care environment, it is not always practical or desirable to have a policy mandating this. Particularly in clinical areas, areas experiencing staff shortage or areas dealing with significant management issues, it may be in the organization's best interest to request that an employee delay use of compensatory time to meet organizational need. For example, if requiring an employee to use their compensatory time by a specific date results in overtime paid to another employee to cover their responsibilities, the organization does not benefit financially and may incur additional financial costs due to such a policy. With respect to payout upon termination, there may be circumstances where it is in the organization's best interest at the time a manager resigns to keep them on the job to provide coverage, training and transitional help during their final weeks at the institution rather than granting them leave to use earned compensatory time. In that instance, payout of earned compensatory time would be in the best interest of the organization. Therefore, we believe it would be preferable to have a policy that encourages use of compensatory time in a reasonable time frame with managerial discretion to allow carry forward of this time or payout upon termination."

**Limitations on Employee Reimbursements:**

*Background:* When courses are taken at an institution other than the University of Connecticut, the University of Connecticut-Storrs has established a tuition reimbursement rate for managerial employees that limit reimbursements to the lesser of the university's tuition rate or the rate of the other institution.

*Criteria:* Reimbursement of employee expenses should be limited to reasonable amounts.

*Condition:* During our tests of employee reimbursements, we noted instances in which tuition reimbursements to Health Center employees appeared excessive. In one instance, an employee received $6,250 in tuition reimbursements, which, based upon our calculations, exceeded the University of Connecticut's tuition rate by $2,850.

*Effect:* The Health Center is providing benefits to its employees in excess of what is deemed customary.

*Cause:* The establishment of a maximum tuition reimbursement rate for managerial employees has not been deemed a priority.

*Recommendation:* The Health Center should establish a tuition reimbursement policy for managerial employees similar to the one established by the University of Connecticut-Storrs. (See Recommendation 6.)

*Agency Response:* "We agree that a more defined policy for tuition reimbursement similar to that established by the University of Connecticut-Storrs would be of benefit and will begin development and approval of such a policy."

**Failure to Keep Adequate Property Control Records:**

*Background:* The Health Center has an equipment inventory containing an estimated 28,000 items with a book value of over $60,000,000.

*Criteria:* Accurate equipment inventory records are important for financial statement reporting purposes as well as to assist in safeguarding equipment from theft, loss and destruction. Periodic physical inspection of the condition and the confirmation of location of equipment items is a standard technique to assist in maintaining an accurate equipment inventory.

*Condition:* During our tests of the Health Center's equipment inventory records, we noted more than 10,000 items that had not been identified as inspected and located in over two years.

*Effect:* The Health Center's ability to safeguard equipment is compromised when inventory records do not reflect periodic inspection and confirmation of location.

*Cause:* Noted communication errors between the inventory system and the fixed asset subsystem were not repaired ahead of the implementation of a new general ledger system and fixed asset module causing delays in performing inventory and updating inventory records.

*Recommendation:* The Health Center should perform a complete physical inspection and confirmation of location of equipment items in a timely manner. (See Recommendation 7.)

*Agency Response:* "We agree with this finding. This issue stemmed from system communication issues with our old general ledger system and the inventory management system. The feeds were not immediately rewritten due to the change in general ledger systems. Management has worked on correcting this issue after the implementation of the Banner Fixed Asset module by rewriting the data feeds. UCHC has successfully updated nearly 40% of the total assets noted above since turning on the revised data feeds and resuming inventory activities. We anticipate that by the end of fiscal 2014 the process of inventorying and updating assets will be substantially complete."

**Inability to Locate Documents Supporting Vendor Selection:**

*Criteria:* State of Connecticut record retention policies require that documents relating to procurement transactions be retained, at a minimum, until audited.

*Condition:* During our review of expenditure transactions, we noted an instance in which the Health Center was unable to provide documentation related to a bid that resulted in the purchase of an $879,438 laser scanning microscope. In addition, we noted another instance in which documentation was not available to support the selection committee's recommendation to award a bid to a vendor for a multi-year contract worth up to $7,500,000 in which the criteria for award included factors in addition to price.

*Effect:* In these instances, we were unable to verify that the lowest responsible proposals were selected.

*Cause:* Health Center Procurement Department personnel were unable to locate the requested procurement documents.

*Recommendation:* The Health Center should take greater care in safekeeping important procurement documents. (See Recommendation 8)

*Agency Response:* "The Health Center agrees with this recommendation. Current Procurement Department procedures require copies of bid responses and a selection summary form to be retained and scanned for all Requests for Proposals (RFPs), where vendor selection is based on factors in addition to price."

**Monitoring of Service Organizations :**

*Criteria:* When the Health Center uses outside service organizations to facilitate significant financial tasks, it should obtain assurance that

the service organization's internal controls are functioning in an appropriate manner. The standard method of obtaining such assurance is by acquiring and reviewing the service organization's Service Organization Control Report.

*Condition:* GE Healthcare provides the Health Center with significant computer-based services that include owning and operating critical software and the servers that support the software. The Health Center did not acquire the Service Organization Control Reports for GE Healthcare for the fiscal years ended June 30, 2011 or June 30, 2012.

*Effect:* The Health Center may be exposed to more risk in areas such as security and privacy of data than it deems acceptable.

*Cause:* The duty of periodically acquiring and reviewing Service Organization Control Reports has not been properly assigned.

*Recommendation:* The Health Center should periodically acquire Service Organization Control Reports from its outside service organizations. Those reports should be reviewed by the Health Center's Audit Services Unit. (See Recommendation 9.)

*Agency Response:* "Management will include language in contracts that will request that vendors that have a "Service Organization Control Report" (formerly known as a SAS 70 report) completed provide the Health Center with such report. Annually, the Office of Audit, Compliance and Ethics (OACE) will request that outside service organizations that facilitate significant financial tasks at the Health Center submit their "Service Organization Control Report" (formerly known as a SAS 70 report) if available. OACE will review these reports with the managing Department as part of its ongoing risk assessment process. OACE requested the GE Healthcare's 2012 and 2013 Service Organization Control Report in June 2013. In addition, OACE is working with the Heath Center's IT department to identify other externally hosted systems that facilitate financial transactions."

**Computerized Perpetual Inventory System:**

*Criteria:* The use of a computerized perpetual inventory system may assist the Health Center in managing inventory effectively, monitoring inventory shrinkage and aid in accurate financial reporting.

*Condition:* The Health Center operates two pharmacies, of which one serves John Dempsey Hospital and the other serves the Corrections

Managed Care Program. Together, they spend in excess of $20,000,000 on pharmaceutical products per year. Based upon discussion with Health Center personnel, we concluded that approximately 30% and 50% of non-controlled pharmaceuticals for the John Dempsey and Correction Managed Care pharmacies, respectively, are not tracked using a computerized perpetual inventory system.

*Effect:* The Health Center may not be using the most effective approach for tracking inventory.

*Cause:* Unknown.

*Recommendation:* The Health Center should investigate the benefits of installing a computerized perpetual inventory system for the non-controlled pharmaceuticals currently not being monitored by such a system. (See Recommendation 10.)

*Agency Response:* "The John Dempsey Hospital currently uses two perpetual inventory software programs. The first program is called CII Safe from Pyxis®. All controlled substances within the pharmacy are tracked and recorded through this software platform.

Our other perpetual pharmacy software which is called AutoPharm from Talyst® currently controls non-controlled pharmaceuticals that can be stored at room temperature and do not require special handling precautions (such as antineoplastic agents). Due to the special nature of pharmaceutical storage, we recognize the need to have a more mobile perpetual inventory software program. The hospital went out to bid seeking a mobile software solution in February 2013 addressing this deficiency. Our selection committee will have a decision this summer and our plan is to build and implement a software perpetual inventory solution for all non-controlled pharmaceuticals within the pharmacy, regardless of the storage requirements, by January 2014.

CMHC uses the CII Safe from Pyxis to track and record all controlled substances within the pharmacy. For non-controlled pharmaceuticals, we have been reviewing potential inventory tracking options since March and are preparing to put together a Request for Proposal to look at various computerized products. We expect to put out an RFP in November 2013 and evaluate the cost/benefits of a computerized solution by January 2014 and if cost effective, select a vendor in January for implementation by March 2014."

**Collection of Delinquent Accounts Receivables:**

*Criteria:* The maximization of accounts receivable collections is a component of sound financial management.

Connecticut General Statutes Section 12-742 establishes a process for the withholding of state income tax refunds of those persons or entities owing debts to the state. This process is commonly referred to as the State Tax Intercept Program.

*Condition:* The Health Center uses a variety of techniques in an effort to collect delinquent patient accounts receivable. These techniques include the use of in-house staff, outside collection agencies and consultation with staff of the Office of the Attorney General. After exhausting the above collection techniques, the Health Center ultimately writes off approximately $4,000,000 in patient accounts receivable per year.

The Health Center does not currently use the State Tax Intercept Program as one of its collection techniques. It is our understanding that the State Tax Intercept Program has been used successfully at other state agencies.

*Effect:* The Health Center may not be maximizing patient accounts receivable collections.

*Cause:* The Health Center has been using traditional collection techniques.

*Recommendation:* The Health Center should investigate whether the use of the State Tax Intercept Program will assist in maximizing accounts receivable collections. (See Recommendation 11.)

*Agency Response:* "Management agrees with the above comment insofar as utilizing all collection techniques should be considered. UCHC previously reached out to both the Office of Attorney General and Department of Administrative Services about the potential to use the program. Currently, questions exist over whether UCHC is entitled to use this program. We will continue to pursue a definitive ruling and then evaluate the feasibility of participating. We hope to obtain a ruling on our participation by January of 2014."

**Health Center Paid Long-Term Disability Insurance:**

*Background:* In our prior audit report, we noted that the Health Center was providing long-term disability coverage for Health Center employees who were members of the State Employee Retirement

System (SERS). We observed that this coverage was excessive because the SERS plan contains provisions for disability retirement.

*Criteria:* The Health Center should not incur unnecessary expenses.

*Condition:* Although the Health Center ceased long-term disability coverage for managerial employees hired after November 1, 2011, they continue to provide long-term disability coverage for approximately 50 managerial employees hired prior to that date.

*Effect:* We estimate the cost of providing the long-term disability coverage to SERS managerial employees is approximately $18,000 annually.

*Cause:* Unknown.

*Recommendation:* The Health Center should eliminate SERS managerial employees from their employer provided long-term disability plan. (See Recommendation12)

*Agency Response:* "We believe these findings are comparing two different benefits – disability retirement vs. long-term disability. Long-term disability is primarily structured to provide income protection for long-term absences from work whereas disability retirement is intended to provide retirement benefits and retiree health insurance for individuals suffering from a permanent disability that prevents the individual from ever returning to work. Employees in SERS have the ability to apply for disability retirement if the employee has a disability that would permanently prevent the employee from returning to work. If the disability is not work-related the employee must have 10 years of service to be eligible to apply for disability retirement. If the disability is work-related, the employee can apply for disability retirement regardless of how much service the individual has.

If long-term disability benefits are removed from SERS members with less than 10 years of service and an individual becomes disabled due to a non-work related injury/illness, that individual would not have the ability to apply for disability retirement and would also lose the income protection s/he would have received as part of the long-term disability benefit. Additionally, if a SERS member becomes disabled for a period of time, but is ultimately able to return to work following recovery, s/he may have qualified for long-term disability benefits but not have been able to apply for disability retirement if the disability didn't reach the threshold of

permanency that is required for the SERS disability retirement plan.

Therefore, we do not believe this plan duplicates coverage for these employees. We have discontinued offering this plan to managerial employees hired after November 1, 2011 despite the fact that this creates a gap in their disability coverage because such employees are aware of this fact at the time of hire. However, we have concerns about withdrawing a benefit that was part of the terms and conditions of hire for managerial employees hired before November 1, 2011 and creating this coverage gap."

## RECOMMENDATIONS

*Status of Prior Audit Recommendations:*

In our previous report of the Health Center, we presented eleven recommendations pertaining to Health Center operations. The following is a summary of those recommendations and the actions taken thereon:

- The Health Center should investigate whether the use of the State Tax Intercept Program will assist in maximizing accounts receivable collections. This recommendation is being repeated. (See Recommendation 11.)

- The Health Center should eliminate SERS employees from its employer provided long-term disability plan. This recommendation is being repeated in a revised format. (See Recommendation 12.)

- The Health Center should not authorize contractors to begin work prior to the execution of a contract. The Health Center has made a significant effort towards implementing this recommendation. The recommendation is not being repeated.

- The Health Center should require that persons wishing to attend executive MBA courses during their normal working hours charge either their vacation time or unpaid leave. We did not identify the conditions on which this recommendation was based during the current audit. This recommendation is not being repeated.

- The Health Center should establish a tuition reimbursement policy similar to the one established by the University of Connecticut-Storrs. The recommendation is being repeated. (See Recommendation 6.)

- The Health Center should establish the scope and price of consulting contracts prior to establishing a contractual relationship. In those instances in which the scope or price of a project significantly changes, consideration should be given to soliciting new proposals in an open and competitive process. We did not identify the conditions upon which this recommendation was based during the current audit. This recommendation is not being repeated.

- The Health Center should consider seeking legislation changing the requirements for the quarterly hypothecation reports. This recommendation has been implemented. The recommendation is not being repeated.

- The periodic request of SAS 70 reports and the review of such reports should be assigned to the Health Center's Audit Services Unit. This recommendation is being repeated. (See Recommendation 9.)

- The Health Center should revise Finance Corporation policies and procedures for purchasing and contracting to mandate that all non-competitive procurement actions be

reported to the boards of the Finance Corporation and the Health Center, regardless of amount. Furthermore, all competitive procurement actions that do not include the open and public solicitation and consideration of bids or proposals, should be defined as non-competitive. This recommendation has been implemented. The recommendation is not being repeated.

- When purchasing items of significant cost, the Health Center should attempt to seek competition among qualified vendors. This recommendation is being repeated in a revised format. (See Recommendation 2.)

*Current Audit Recommendations:*

1. **The Health Center should revise its sabbatical leave request form to incorporate a requirement that employees granted sabbatical leave agree to return amounts paid during the sabbatical leave if they do not return to the service of the Health Center for a period of one year following the expiration of the sabbatical leave.**

   Comment:

   We found an instance in which a faculty member was paid in excess of $70,000 while on sabbatical leave but failed to return to the institution.

2. **The Health Center should acquire and retain evidence to demonstrate having attempted to obtain the most favorable price when purchasing items of significant cost.**

   Comment:

   We found several instances in which evidence was not available to demonstrate that Health Center procurement department personnel had attempted to obtain the most favorable price for items purchased.

3. **The Health Center, in an effort to reduce costs, should investigate the feasibility of using current staff, or hiring new staff, with the requisite abilities to perform the work related to intellectual property matters that are currently being performed by outside law firms.**

   Comment:

   We noted a significant amount of payments to external organizations for legal services relating to intellectual property matters.

4. **The Health Center should develop procedures to verify the details of any contracts that have variable components.**

   Comment:

We noted an instance in which a contract with a variety of variable components was not subject to detailed scrutiny of those variable components.

5. **The Health Center should require managerial compensatory time be used within a reasonable time frame and should not make payments to employees upon termination for unused compensatory time.**

   Comment:

   We noted an instance in which the Health Center paid an employee $24,534 for unused compensatory time.

6. **The Health Center should establish a tuition reimbursement policy similar to the one established by the University of Connecticut-Storrs.**

   Comment:

   We noted an instance in which reimbursement to an employee for tuition was overly generous.

7. **The Health Center should perform a complete physical inspection and confirmation of location of equipment items in a timely manner.**

   Comment:

   The Health Center's equipment inventory records have not been properly updated.

8. **The Health Center should take greater care in safekeeping important procurement documents.**

   Comment:

   Health Center personnel were unable to locate certain documents relating to vendor selection.

9. **The Health Center should periodically acquire Service Organization Control Reports from its outside service organizations. Those reports should be reviewed of by the Health Center's Audit Services Unit.**

   Comment:

   Service Organization Control Reports should be acquired in any instance in which service organizations provide significant services to the Health Center. Additionally, these reports should be scrutinized by appropriate Health Center personnel.

10. **The Health Center should investigate the benefits of installing a computerized perpetual inventory system for the non-controlled pharmaceuticals currently not being monitored by such a system.**
    Comment:

    The use of a computerized perpetual inventory may assist in achieving economic efficiencies.

11. **The Health Center should investigate whether the use of the State Tax Intercept Program will assist in maximizing accounts receivable collections.**

    Comment:

    Other state agencies have found the use the State Tax Intercept Program an effective way of assisting in the collection of delinquent accounts receivable.

12. **The Health Center should eliminate SERS managerial employees from their employer provided long-term disability plan.**

    Comment:

    The inclusion of SERS managerial employees in the Health Center's employer provided long-term disability plan is an unnecessary expense.

## INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the University of Connecticut Health Center for the fiscal years ended June 30, 2011 and 2012. This audit was primarily limited to performing tests of the Health Center's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the Health Center's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the Health Center are complied with, (2) the financial transactions of the Health Center are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the Health Center are safeguarded against loss or unauthorized use. The financial statement audits of the Health Center for the fiscal years ended June 30, 2011 and 2012, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Health Center complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements, and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

**Internal Control over Financial Operations, Safeguarding of Assets and Compliance:**

Management of the Health Center is responsible for establishing and maintaining effective internal control over financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts, and grants. In planning and performing our audit, we considered the Health Center's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Health Center's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of expressing an opinion on the effectiveness of the Health Center's internal control over those control objectives. Accordingly, we do not express an opinion on the effectiveness of the Health Center's internal control over those control objectives.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct on a timely basis, unauthorized, illegal or irregular transactions, or breakdowns in the safekeeping of any asset or resource. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions and/or material noncompliance with certain provisions of laws, regulations,

contracts, and grant agreements that would be material in relation to the Health Center's financial operations will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance with requirements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the Health Center's financial operations, safeguarding of assets, or compliance with requirements that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Health Center complied with laws, regulations, contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Health Center's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards

The Health Center's response to the findings identified in our audit is described in the accompanying Condition of Records section of this report. We did not audit the Health Center's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Health Center's management, the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

## CONCLUSION

We wish to express our appreciation to the staff of the Health Center for the cooperation and courtesies extended to our representatives during this examination.

State Auditor Robert M. Ward recused himself from reviewing and signing the audit report in order to avoid the appearance of a conflict of interest. Mr. Ward served on the University of Connecticut Board of Trustees for the period of July 1, 2010 through January 5, 2011.

Gregory J. Slupecki
Principal Auditor

Approved:

John C. Geragosian
Auditor of Public Accounts