

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
UNIVERSITY OF CONNECTICUT HEALTH CENTER  
FISCAL YEARS ENDED JUNE 30, 2019 AND 2020*

**AUDITORS OF PUBLIC ACCOUNTS**  
JOHN C. GERAGOSIAN ❖ CLARK J. CHAPIN

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February 22, 2022

**EXECUTIVE SUMMARY**

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of the University of Connecticut Health Center (UConn Health) for the fiscal years ended June 30, 2019 and 2020. Our audit identified internal control deficiencies; instances of noncompliance with laws, regulations, and policies; and a need for improvement in practices and procedures that warrant the attention of management. The significant findings and recommendations are presented below:

<a href="#"><u>Page 11</u></a>	Our review of \$555,955 in clinical incentive payments to five faculty members in the School of Dental Medicine disclosed that, in all instances, the employment letters did not contain adequate language detailing the terms of these payments. The University of Connecticut Health Center and its employees should agree on compensation terms and document them in the employee’s personnel file. (Recommendation 1.)
<a href="#"><u>Page 12</u></a>	We noted 21 instances in which annual performance evaluations were not completed for managerial employees. Of those, 19 received \$290,492 in salary increases during the audit period. The University of Connecticut Health Center should conduct annual performance evaluations and maintain them in personnel files. (Recommendation 2.)
<a href="#"><u>Page 13</u></a>	Our review of timesheets for 30 employees during the audited period disclosed that 29 of them had multiple instances in which proper approval was not obtained. UConn Health paid these 29 employees \$7,126,847 for the pay periods their timesheets were not approved. The University of Connecticut Health Center should not process timesheets for payment that lack employee and manager approvals. (Recommendation 3.)
<a href="#"><u>Page 14</u></a>	We noted four instances in which UConn Health hired management employees at a salary higher than the established pay range. In these instances, starting salaries ranged from four to 17 percent higher than the maximum of the pay range. 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 If UConn Health believes its pay ranges are outdated, it should perform the necessary steps to appropriately update and comply with them. (Recommendation 4.)
<a href="#"><u>Page 15</u></a>	UConn Health provided long-term disability insurance coverage to several managers hired prior to November 2011, and to union employees who receive disability retirement benefits through the State Employees’ Retirement System. 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. (Recommendation 5.)
<a href="#"><u>Page 18</u></a>	During the audited period, UConn Health only requested \$800,000 of the \$1,177,542 it was owed through the Residency Training Program, leaving \$377,542 with the Capital Area Health Consortium. 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. (See Recommendation 7.)

# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

State Capitol  
210 Capitol Avenue  
Hartford, Connecticut 06106-1559

CLARK J. CHAPIN

February 22, 2022

### **AUDITORS' REPORT UNIVERSITY OF CONNECTICUT HEALTH CENTER FISCAL YEARS ENDED JUNE 30, 2019 AND 2020**

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, 2019 and 2020. The objectives of our audit were to:

1. Evaluate the health center's internal controls over significant management and financial functions;
2. Evaluate the 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. Evaluate the 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 Résumé of Operations is presented for informational purposes. This information was obtained from various available sources including, but not limited to, UConn Health's management and the state's information systems, and was not subjected to the procedures applied in our audit of UConn Health. For the areas audited, we:

1. Identified deficiencies in internal controls;
2. Identified apparent non-compliance with laws, regulations, contracts and grant agreements, policies, and procedures; and
3. Identified 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.

## **COMMENTS**

### **FOREWORD**

The University of Connecticut and the University of Connecticut Health Center (UConn Health) 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, 2020, were:

Ex officio members:

Ned Lamont, Governor  
Bryan Hulburt, Commissioner of Agriculture  
David Lehman, Commissioner of Economic and Community Development  
Miguel Cardona, Commissioner of Education  
Sanford Cloud, Jr., Chairperson of UConn Health's Board of Directors

Appointed by the Governor:

Daniel D. Toscano, Darien, Chairman  
Andrea Dennis-La Vigne, Simsbury, Vice-Chairman and Secretary  
Andy F. Bessette, West Hartford  
Mark L. Boxer, Glastonbury

Charles F. Bunnell, Waterford  
Shari G. Cantor, West Hartford  
Marilda L. Gandara, Hartford  
Rebecca Lobo, Granby  
Kevin J. O'Connor, Greenwich  
Thomas D. Ritter, Hartford  
Philip E. Rubin, Fairfield

Elected by alumni:

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

Elected by students:

Justin M. Fang, Willington  
Renukanandan Tumu, Storrs

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

Dannel P. Malloy, Governor  
Steven K. Reviczky, Commissioner of Agriculture  
Catherine H. Smith, Commissioner of Economic and Community Development  
Dianna R. Wentzell, Commissioner of Education  
Denis J. Nayden, Stamford  
Richard T. Carbray, Jr., Rocky Hill  
Samuel Surowitz, Storrs  
Thomas E. Kruger, Cos Cob

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, 2020, were:

Ex officio members:

Thomas Katsouleas, President, University of Connecticut  
Mike Walsh, Hartford  
Dr. Deidre Gifford, Hartford

Appointed by the Chair of the Board of Trustees:

Sanford Cloud Jr., Chairperson, Farmington  
Andy F. Bessette, West Hartford  
Richard T. Carbray, Jr., Rocky Hill

Appointed by the Governor:

Kathleen D. Woods, Avon  
Teresa M. Ressel, New Canaan  
Joel Freedman, South Glastonbury

Members at Large:

Dr. Kenneth Alleyne, Bloomfield  
Francis X. Archambault, Jr., Storrs  
Richard M. Barry, Avon  
Cheryl A. Chase, Hartford  
John F. Droney, West Hartford  
Timothy A. Holt, Glastonbury  
Dr. Wayne Rawlins, Cromwell

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

Susan Herbst, President, University of Connecticut  
Anne Foley, Hartford  
Paul Rino, Commissioner, Department of Public Health  
Renee Coleman-Mitchell, Department of Public Health  
Robert Dakers, Designee of the Secretary of the Office of Policy and Management

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. Susan Herbst served as president until resigning in July 2019. Thomas Katsouleas was appointed as the President of the University of Connecticut in August 2019 by the university's board of trustees and served the remainder of the audited period.

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, 2020, were:

Ex officio members:

Andrew Agwunobi, Executive Vice President for Health Affairs UConn Health  
Thomas Katsouleas, President, University of Connecticut  
Melissa McCaw, Secretary of the Office of Policy and Management

Appointed by the Governor:

Daniel Toscano, Chairman

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

Susan Herbst, President, University of Connecticut  
Benjamin Barnes, Secretary of the Office of Policy and Management  
Thomas Kruger, Cos Cob

### **Significant Legislation**

**Public Act 19-117**, Effective July 1, 2019 – Section 44 of this act required the State Comptroller to fund the portion of the State Employees’ Retirement System (SERS) fringe benefit recovery rate that is attributable to the unfunded liability of the system for certain employees. The act requires the State Comptroller to fund, for the UConn Health Center in fiscal year 2020, the portion of the SERS fringe benefit recovery rate that is attributable to the system’s unfunded liability. The funding, totaling \$33,200,000, (1) covers employees who are not supported by General Fund resources, and (2) must be provided from the amounts appropriated to the Comptroller for SERS unfunded liability.

### **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	2017-2018		2018-2019		2019-2020	
	Fall	Spring	Fall	Spring	Fall	Spring
Medicine – Students	411	411	425	425	444	441
Medicine – Residents	661	660	674	673	683	683
Dental – Students	181	181	186	186	202	203
Dental – Residents	102	102	98	98	102	101
<b>Totals</b>	<b>1,355</b>	<b>1,354</b>	<b>1,383</b>	<b>1,382</b>	<b>1,431</b>	<b>1,428</b>

## RÉSUMÉ OF OPERATIONS

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 during the audited period and prior fiscal year.

Student Status	School of Medicine			School of Dental Medicine		
	2017-2018	2018-2019	2019-2020	2017-2018	2018-2019	2019-2020
In-State	\$34,706	\$40,092	\$41,495	\$32,599	\$37,137	\$38,437
Out-of-State	\$67,318	\$74,172	\$75,575	\$68,726	\$74,891	\$76,191
Regional	\$60,735	\$67,791	\$70,434	\$57,048	\$63,086	\$65,294

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 (formerly Comprehensive Annual 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 4,314 as of June 2018; 4,376 as of June 2019; and 4,486 as of June 2020.

### **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:

	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>
Student Tuition and Fees (net of scholarship allowances)	\$ 18,613,210	\$ 20,655,478	\$ 21,635,605
Patient Services (net of charity care)	580,697,001	534,494,221	513,607,719
Federal Grants and Contracts	50,747,542	58,196,455	58,055,210
Non-Governmental Grants and Contracts	29,337,407	30,015,553	27,872,359
Contract and Other Operating Revenues	127,188,189	159,744,536	162,724,699
<b>Total Operating Revenue</b>	<b>\$ 806,583,349</b>	<b>\$ 803,106,243</b>	<b>\$ 783,895,592</b>

Total operating revenue decreased by \$3.5 million (0.4%) in fiscal year 2019 as compared to the prior fiscal year, and \$19.2 million (2.4%) in 2020.

The decrease in fiscal year 2019 was primarily due to a \$46.2 million (8%) reduction in patient services revenue resulting from the discontinuance of the Correctional Managed Health Care Program. This decrease was mostly offset by a \$32.6 million (25.6%) increase in contract and other operating revenues primarily due to the UConn Medical Group’s increased patient mix. The

UConn Medical Group also received \$10 million in supplemental payments from the Department of Social Services during 2019.

The reduction in total operating revenue in 2020 was primarily due to the decrease in patient service revenue of \$20.9 million (3.9%), which can be attributed to the temporary halt of elective procedures caused by the coronavirus pandemic. This decrease was slightly offset by increases in contract and other operating revenues of \$3 million (1.9%) and student tuition and fees.

### **Operating Expenses**

Operating expenses generally result from payments made 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.

The largest source of operating expenses relates to patient services, followed by instruction expenses. Total operating expenses decreased \$80 million (6.6%) in fiscal year 2019 as compared to 2018, and increased \$153.6 million (13.6%) in 2020.

The decrease in operating expenses in fiscal year 2019 was primarily caused by a \$83.9 million (11.2%) reduction in patient services expenses due to the discontinuance of the Correctional Managed Health Care Program in June 2018.

The increase in operating expenses in fiscal year 2020 was due in large part to a \$182.8 million (27.5%) growth in patient services expenses attributed to recognition of increased pension and other post-employment benefit (OPEB) expenses under Government Accounting Standards Board (GASB) No. 68 and 75. The increase was slightly offset by decreases of \$37.3 million (29.3%) and \$12.5 million (33.3%) in institutional support and operations and maintenance expenses, respectively.

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

	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>
Education and General			
Instruction	\$ 179,948,363	\$ 157,395,671	\$ 170,525,552
Research	56,101,543	52,832,264	55,173,426
Patient Services	747,636,888	663,701,483	846,525,783
Academic Support	19,322,369	15,172,782	20,086,425
Institutional Support	112,126,363	126,921,544	89,592,285
Operations and Maintenance	38,222,827	37,659,200	25,112,128
Depreciation	52,636,977	72,575,091	72,892,965
Student Aid	363,550	71,015	25,051
<b>Total Operating Expenses</b>	<b>\$ 1,206,358,880</b>	<b>\$ 1,126,329,050</b>	<b>\$ 1,279,933,615</b>

**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:

	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>
State Appropriations (including fringe benefits)	\$ 279,513,429	\$ 250,845,544	\$ 296,519,926
Transfer to State and Outside Programs	-	(1,991,106)	-
Gifts	5,705,886	6,146,116	6,949,604
Covid-19 Relief Revenue	-	-	22,518,407
Investment Income	653,917	1,384,904	599,816
Interest on Capital Assets - Related Debt	(9,908,469)	(9,618,027)	(9,353,457)
<b>Net Non-operating Revenue</b>	<b>\$ 275,964,763</b>	<b>\$ 246,767,431</b>	<b>\$ 317,234,296</b>

State appropriations, which include fringe benefits, decreased \$28.7 million (10.3%) from fiscal year 2018 to 2019, and increased \$45.7 million (18.2%) in fiscal year 2020.

The increase in 2020 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 increased 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:

	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>
Capital Appropriations	\$ 88,805,966	\$ 13,000,000	\$ -
Loss on Disposal	(3,092,398)	(1,897,952)	(332,304)
<b>Net Other Changes in Net Position</b>	<b>\$ 85,713,568</b>	<b>\$ 11,102,048</b>	<b>\$ (332,304)</b>

The capital appropriations are primarily made up of UCONN 2000 bond funds. The reductions in fiscal years 2019 and 2020 were caused by the completion of UCONN 2000 funded construction projects. UConn Health received \$13 million from the UCONN 2000 bond issuances in fiscal year 2019, which was the final payment under this phase of the program

**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:

	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>
Invested in Capital Assets, Net of Related Debt	\$ 867,913,301	\$ 784,279,882	\$ 731,729
Restricted for Non-expendable:			
Scholarships	61,451	61,451	61,451
Restricted for Expendable:			
Research	(127,423)	1,588,339	1,791,744
Loans	523,294	588,979	283,089
Capital Projects	37,659,646	7,881,415	4,363,025
Unrestricted	(1,920,983,795)	(1,914,577,657)	(2,037,542,537)
<b>Total Net Position</b>	<b>\$(1,014,953,526)</b>	<b>\$(1,120,177,590)</b>	<b>\$(1,299,313,621)</b>

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:

<b>University of Connecticut Foundation, Inc.</b>			
	<b>Fiscal Year Ended</b>		
	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2020</b>
Assets	\$ 575,448,524	\$ 597,609,541	\$ 617,492,296
Liabilities	\$ 41,018,971	\$ 47,566,068	\$ 40,993,461
Net Position	\$ 534,429,553	\$ 550,043,473	\$ 576,498,835
Support and Revenue	\$ 110,040,723	\$ 75,007,415	\$ 75,585,766
Expenditures	\$ 51,186,359	\$ 59,393,495	\$ 49,130,404

**STATE AUDITORS' FINDINGS AND RECOMMENDATIONS**

Our examination of the records of the University of Connecticut Health Center (UConn Health) disclosed the following ten recommendations, of which six have been repeated from the previous audit:

**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 \$555,955 in clinical incentive payments to five faculty members in the School of Dental Medicine disclosed 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 \$1,174,118 during the audited period.

*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 audit report covering the fiscal years ended June 30, 2017 through 2018.

*Recommendation:* The University of Connecticut Health Center and its employees should agree on compensation terms and document them in the employee's personnel files. (See Recommendation 1.)

*Agency Response:* "Management agrees with the recommendation. Management has been working with an external consulting group to develop a supplemental compensation plan for the various groups within the Dental Faculty Practice Group. Once a new compensation model(s) are developed, appropriate documentation will be generated for the personnel files. We anticipate implementation of changes recommended by the consultant to commence by Q4 of the 2021 calendar year."

## **Lack of Performance Evaluations for Managers**

<i>Criteria:</i>	Sound business practice and UConn Health’s policy require that an annual evaluation be completed for each permanent employee at least three months prior to their annual salary increase or performance bonus date. Such annual performance evaluation should be included in the employee’s personnel file for transparency and performance monitoring.
<i>Condition:</i>	Our review of 25 managerial employees disclosed 21 instances in which annual performance evaluations were not completed. Of those employees, 19 received salary increases.
<i>Effect:</i>	<p>In the instances noted, UConn Health awarded \$290,492 in pay increases to employees during the audited period without a performance evaluation to indicate that those increases were warranted.</p> <p>In addition, UConn Health did not always comply with its own performance evaluation policies.</p>
<i>Cause:</i>	A high turnover rate with the management team contributed to the lack of annual performance evaluations.
<i>Prior Audit Finding:</i>	This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2017 through 2018.
<i>Recommendation:</i>	The University of Connecticut Health Center should conduct annual performance evaluations and maintain them in personnel files. (See Recommendation 2.)
<i>Agency Response:</i>	“Management agrees with this recommendation. UConn Health is committed to ensuring that annual performance evaluations are conducted for its management employees. In the past performance evaluations were more routinely conducted in concert with performance-based wage increases. UConn Health will follow up to ensure that completed performance evaluations are maintained in the personnel file and that any outstanding performance evaluations are completed. It should be noted that promotional increases or a salary increase related to increased responsibility are not strictly tied to the performance evaluation process. Some of the increases for individuals identified were related to changes in the individual’s scope of responsibility, a change in position or a promotion. Salary increases that are associated with a cost of living increase or a market adjustment are not tied to the performance evaluation process.”

## **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 non-faculty employees to certify their timesheets each biweekly pay period. Faculty employees are required to sign their timesheets every four weeks. In all instances, managers are required to review and sign off on their employees' timesheets every pay period.

*Condition:* Our review of timecards for 30 employees during the audited period disclosed that 29 of them had multiple instances in which proper approval was not obtained. UConn Health paid these 29 employees \$7,126,847 for the pay periods their timesheets were not approved.

*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 audit report covering the fiscal years ended June 30, 2017 and 2018.

*Recommendation:* The University of Connecticut Health Center should not process timesheets for payment that lack employee and manager approvals. (See Recommendation 3.)

*Agency Response:* "Management disagrees with this recommendation. There is no UConn Health policy that requires non-faculty employees to certify their timesheets. It is recommended that salaried timekeepers approve their timesheets, but only the time approver is required to approve. In fact, hourly employees have no access to their timesheets and can only swipe at Kronos badge readers. Faculty are leave reporters and are not required to report their time worked.

We have controls to elicit compliance from managers to approve their timecards. Reminders are routinely sent out to managers who have timesheet approvals that are needed before payroll close. In addition, those managers who have not approved receive a targeted email with the employees needing approval. In certain instances, if payroll has closed, a manager will provide email confirmation of approval to payroll.



We do not agree that unapproved timesheets should remain unprocessed as it equates to non-payment to the employee. Non-payment for hours worked and recorded is against federal and state law.”

*Auditors’ Concluding  
Comments:*

Best practices require employees and supervisors to certify the accuracy of work hours on timesheets. Furthermore, it is inconsistent to require only certain groups of employees to certify their time. UConn Health should not pay its employees for hours they did not work.

**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 four instances in which their starting salary was higher than the established pay range. In the instances noted, starting salaries ranged from four to 17-percent higher than the maximum of the pay range for the position.

*Context:* We identified 96 managers that were hired by UConn Health during the audited period.

*Effect:* UConn Health did not follow the established pay ranges for positions when hiring new managers. In effect, it incurred an additional \$58,590 in initial annual salary costs by hiring these managers at rates higher than their maximum pay range. This could also lead to increased future costs caused by salary increases and retirement liabilities.

*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 not been previously reported.

*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. (See Recommendation 4.)

*Agency Response:* “Management agrees with this recommendation. The current managerial salary ranges have been in effect since June 14, 2013. In May of 2014, in conjunction with the University, a salary assessment of executive management compensation was conducted by Sibson Consulting. The 2014 assessment did not include all managerial

positions, nor did it result in any changes to the executive manager salary ranges.

UConn Health often utilizes the data from the Connecticut Hospital Association salary survey to determine the market rate for a particular position. The data has indicated in some cases that we are behind the current market.

Management agrees that it needs to review and update its salary ranges for certain managerial job classes and positions in order to reflect the current market conditions.”

### **Payments for Long-Term Disability Insurance Coverage**

*Background:* UConn Health has historically provided long-term disability coverage for its employees, including those that are members of the Connecticut State Employees’ Retirement System (SERS). However, because the SERS plan contains provisions for disability retirement, additional long-term disability coverage appears to be unnecessary.

*Criteria:* Sound business practice dictates that costs be incurred only when necessary. Applying this to UConn Health, it should not incur additional expenses beyond the state’s comprehensive fringe benefits package.

*Condition:* Although UConn Health ceased long-term disability coverage for managerial employees hired after November 1, 2011, it continued to provide coverage for nine managerial employees hired prior to that date at a cost of \$6,122 per year.

In addition, our review of state bargaining unit contracts and comparison with other state universities identified that only a small segment of state university and board of regents’ employees received long-term disability insurance coverage. Conversely, UConn Health paid for long-term disability insurance coverage for approximately 67% of its workforce (approximately 3,379 employees) during the audited period. Approximately 1,800 (53%) of these employees participated in SERS, which includes disability retirement benefits.

*Context:* UConn Health paid \$871,650 for employee long-term disability insurance in fiscal year 2019 and \$1,214,080 in fiscal year 2020.

*Effect:* UConn Health incurred additional costs by providing long-term disability insurance coverage for SERS employees. SERS contains disability retirement provisions.

*Cause:* UConn Health believes the SERS coverage is inadequate. In addition, one UConn Health bargaining unit contract included a long-term disability insurance coverage provision.

*Prior Audit Finding:* This finding has been previously reported in the last three audit reports covering the fiscal years ended June 30, 2013 through 2018.

*Recommendation:* 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. (See Recommendation 5.)

*Agency Response:* "Management disagrees with the recommendation. UConn Health currently has eight (8) managerial employees who are covered by the long-term disability insurance coverage. All eight employees were hired prior to November 1, 2011 and UConn Health no longer provides this benefit to managerial and confidential employees who are participants in SERS retirement plans. UConn Health is currently in negotiations with its bargaining units over a successor collective bargaining agreement, however, the parties have not reached agreement and the details of those negotiations are not public."

### **Payment for Compensatory Leave Balances**

*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."

The University of Connecticut and UConn Health's Leave Benefits for Managerial and Confidential Exempt Employees allows the payout of unexpired holiday compensatory time upon leaving state service or returning to a faculty position.

*Condition:* Our review of payments for compensatory leave balances during the audited period disclosed 36 payouts to managers and confidential employees totaling \$140,195. We were unable to determine whether the payments were consistent with UConn Health's policies. Because holiday and compensatory time are combined in the payouts, we could not determine how much of the \$140,195 in compensatory time payouts were proper.

*Effect:* The practice of paying out for accrued managerial and confidential employee compensatory leave balances is not consistent with state or UConn Health policy. In effect, UConn Health incurred costs for unnecessary payouts of compensatory time.

*Cause:* Limitations in UConn Health’s compensatory time tracking system made it difficult to ensure that payouts of compensatory leave balances were only for holiday time.

*Prior Audit Finding:* This finding has been previously reported in the last three audit reports covering the fiscal years ended June 30, 2013 through 2018.

*Recommendation:* The University of Connecticut Health Center should not include unused compensatory time in payments to separating managerial and confidential employees. (See Recommendation 6.)

*Agency Response:* “Management disagrees with the recommendation. Analysis of the paid compensatory time is complex and the determination as to what portion of the payout is “legacy” non-holiday compensatory time earned prior to the policy change and the payment of holiday compensatory time is difficult.

It should be noted that managers earn compensatory time for working on a holiday in accordance with UConn Health’s policy for management and confidential employees adopted and effective on 7/1/2019. Compensatory time earned prior to the effective date of the new policy does not expire and is, under the former policy, eligible for payout to employees who are separating from UConn Health or in certain circumstances upon request. UConn Health after 7/1/2019 routinely monitors to ensure that managers are not credited with non-holiday compensatory time. The new policy does require holiday compensatory time to expire at the end of the calendar year in the year after it was earned, i.e. if earned on 11/11/2021 it would expire on 12/31/2022. If a management or confidential employee separates with unexpired holiday compensatory time “on the books” the employee per the policy is entitled to be paid for such earned time.

For managers in the clinical operations UConn Health, per the policy, are paid out for compensatory time that is earned prior to its expiration. The decision regarding paying out compensatory time for clinical managers is a cost saving measure for UConn Health based on staffing needs in the clinical operations. Further, clinical managers who had compensatory time as bargaining unit employees are entitled to be paid out for their time accrued when they were hourly employees and entitled to overtime.”

*Auditors' Concluding*

*Comments:*

UConn Health's response notes that legacy non-holiday compensatory time is difficult to identify in its system during payout. Our finding and recommendation seek to resolve this issue.

**Residency Training Program Operations**

*Background:*

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 just under 700 residents while SODM has approximately 100 residents and fellows. 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.

*Criteria:*

The School of Dental Medicine and Capital Area Health Consortium contract requires CAHC to perform and provide SODM with an annual reconciliation of actual program costs to UConn Health funding. The contract also requires CAHC to refund any amounts received from UConn Health that were not expensed under the program during the year.

*Condition:*

Our review of the Residency Training Program reconciliations within the audited period disclosed that School of Dental Medicine did not request the full amount it was owed for overpayments. Based on our review, the Capital Area Health Consortium owed SODM \$875,856 for unexpended funds during fiscal year 2019. CAHC rolled these funds forward into fiscal year 2020. At the end of the 2020 fiscal year, CAHC owed SODM \$1,177,542 in refunds of unexpended funds. Of the \$1,177,542, SODM requested an \$800,000 refund.

*Effect:*

UConn Health reduced its available cash flow by \$377,542 during the audited period by not requesting the CAHC full refund.

- Cause:* UConn Health informed us that the School of Dental Medicine is in discussions with the Capital Area Health Consortium about increasing resident salaries and wanted to ensure it had a robust reserve to cover a potential increase.
- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* 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. (See Recommendation 7.)
- Agency Response:* “Management agrees with the recommendation. We agree that each year, after analysis of potential changes within the programs, the School of Dental Medicine should request the full amount refundable excluding our working capital balance. At this time we are still in discussion about the calculation and potential accuracy of the dollar magnitude on cash flow. When this analysis is complete, any adjustments will be made if needed.”

### **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:* UConn Health utilizes the personnel transaction request (PTR) form when hiring and continuing employment for temporary, non-faculty employees. PTR forms do not require an approval signature from the relevant department head or their supervisor.
- Context:* UConn Health employed 184 temporary, non-faculty employees during the fiscal year ended June 30, 2020, who earned approximately \$1,400,000 in gross pay.
- 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.

*Prior Audit Finding:* This finding has not been previously reported.

*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. (See Recommendation 8.)

*Agency Response:* "Management disagrees with this recommendation. Temporary, non-faculty employees on special payroll are vetted in the same manner as regular payroll positions. No PTR (Personnel Transaction Request) form for temporary, non-faculty personnel is processed if it is not accompanied by the Non-Faculty Position Justification Form which must be signed by the department head, and approved at the Division Level/AVP if applicable, and the senior leader for the operational unit. All positions, with the exception of those that are 100% grant funded, are reviewed by the PTR Committee and budget, and the PTR committees' recommendations are approved by the Executive Vice President and/or the Dean. Grant funded positions do not require a PTR form because they are supported by external funding, however, the class of position must be approved by HR before it can be filled."

*Auditors' Concluding Comments:* Department heads use the non-faculty position justification form solely for budgetary purposes. We recommend that department heads utilize and approve position justification forms to document that temporary, non-faculty personnel have been vetted and approved.

## **Participation in Group Purchasing Organizations**

*Background:* A group purchasing organization (GPO) is marketed as an arrangement in which members expect to benefit from vendor discounts due to collective purchasing power. GPOs rank its members by tiers based on monthly spending and provide higher discount percentages to members with larger monthly spending.

*Criteria:* To maximize savings, sound business practice requires UConn Health to perform regular qualitative and quantitative assessments of the benefits of its participation in group purchasing organizations.

*Condition:* We reviewed six equipment purchases, totaling \$740,256, made through group purchasing organizations during the audited period. Our review disclosed five instances, totaling \$596,056, in which UConn Health

could not provide evidence that it compared and considered pricing from the different vendors included in the GPO before making the purchases. In addition, we were unable to verify that UConn Health performed periodic quantitative and qualitative assessments to evaluate the benefits from purchasing through GPOs rather than directly from other medical suppliers.

*Effect:* Continuous participation in group purchasing organizations without UConn Health sufficiently assessing its potential purchasing power and other available offers could result in higher costs.

*Cause:* Purchasing through group purchasing organizations was convenient due to established distribution channels and employee familiarity with the ordering process. Limited procurement resources may have prevented UConn Health from reviewing other alternatives.

*Prior Audit Finding:* This finding has been previously reported in the last two audit reports covering the fiscal years ended June 30, 2015 through 2018.

*Recommendation:* 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. (See Recommendation 9.)

*Agency Response:* “Management agrees with this recommendation. Management will seek the services of a third party to perform periodic assessments of UConn Health’s purchasing power and available product offers to determine whether it is prudent for UConn Health to continue procuring from group purchasing organizations.

UConn Health strongly believes that utilizing GPOs is beneficial and the most cost-effective way to do business. This belief is based, in part, on the fact that the vast majority of other hospitals utilize GPOs for their clinical purchasing, meaning that UConn Health would be an outlier and would diverge from industry best practices if it did not utilize GPOs.

In the case of the five equipment purchases specifically identified above, UConn Health utilized a recognized benchmarking tool (ECRI) to obtain the price comparisons that were available. In each case, UConn Health also attempted to negotiate the price of the equipment; in these instances, the vendors would not agree to further price reductions beyond the discounts that had already been offered. UConn Health cannot always consider purchasing another vendor’s equipment in place of the equipment being requested because of standardization within clinical departments on specific equipment for patient care, system integration, staff training, and other considerations.”



## **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:

- The controllable asset records included 1,773 items with incomplete or missing information, such as cost and purchasing source.
- The controllable asset inventory records included 30 items costing \$5,000 or more with a total cost of \$2,323,910.
- UConn Health has not conducted a physical inspection of 972 controllable assets costing \$838,833 in more than two years (at the time of our review in January 2021).
- UConn Health did not promptly capitalize 73 equipment items costing \$1,994,162 from the time the items were put in service. Differences between the in-service dates and capitalization dates ranged from 31 to 361 days.

*Effect:* Inaccurate property control records and the absence of annual physical inspections increases the risk of loss or theft of equipment occurring and going undetected.

UConn Health did not fully comply with the policies and procedures set forth in its asset inventory control manual.

*Cause:* UConn Health’s existing controls were not always being followed. In addition, UConn Health informed us that some of these issues were caused by data entry errors, which it corrects.

*Prior Audit Finding:* This finding has not been previously reported.

*Recommendation:* 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. (See Recommendation 10.)

*Agency Response:* “Management agrees with the recommendation.

Many of the 1,773 assets noted with incomplete purchasing and demographic data resulted from a change in capitalization thresholds. After capitalization thresholds were increased to \$5,000 there was a period of time where UConn Health did not deem computers controllable and therefore procurement data did not flow through to our fixed asset system. This oversight was rectified however, there was no cost-effective way to populate the data retroactively. UConn Health has restored the flow of procurement information into its tracking database for all new assets. UConn Health will continue to track the other assets until they fully depreciate and are disposed, which generally occurs in three to five years.

Management has reviewed the 30 assets mentioned above. All assets have been corrected. We have also reviewed our procedures to minimize the potential for this error to recur.

The number of total controllable assets managed currently exceed 11,000. Management continues to pursue the list of 972 items that were not inspected to reduce the number of missing controllable assets. We continue to seek and identify these assets during our annual inventory sweeps and continue to refine procedures to capture more controllable assets each year.

In regards to the delay in capitalization of assets, we note that several assets were delayed due to the start of the pandemic and resources were redistributed to emergency operational needs. Management is working to refine its processes to allow for more timely capitalization.”

## RECOMMENDATIONS

### Status of Prior Audit Recommendations:

Our prior audit report on the University of Connecticut Health Center (UConn Health) contained 14 recommendations. Eight have been implemented or otherwise resolved and six have been repeated or restated with modifications during the current audit.

- The University of Connecticut Health Center should consider limitations on consulting activities and require managers with a faculty title to use leave time for their consulting activities. UConn Health should conduct annual performance evaluations and maintain them in personnel files. **Our current audit disclosed some improvement in this area; however, further improvement is needed. The recommendation is being repeated with modification. (Recommendation 2.)**
- The University of Connecticut Health Center should review its telecommuting policy, practice, and enforcement tools to support measurable productivity, consistency in implementation, transparent attendance records, and the ability to monitor the program's benefits. The University of Connecticut Health Center should report its annual approval of telecommuting arrangements to the Department of Administrative Services. **The recommendation has been implemented and will not be repeated.**
- The University of Connecticut Health Center should improve coordination among various departments to take advantage of prompt payment discounts. The University of Connecticut Health Center should hold vendors to their payment and discount terms. **Our current audit disclosed that sufficient improvement was made in this area. The recommendation is not being repeated.**
- The University of Connecticut Health Center should ensure that invoice prices and quantities are supported and can be verified for accuracy and compliance with contract terms. Invoice approvers should have direct knowledge of services ordered and received. **Our current audit disclosed that sufficient improvement was made in this area. The recommendation is not being repeated.**
- The University of Connecticut Health Center should require employees to use compensatory time within a reasonable period and should not include unused compensatory time in payments to separating managerial and certain bargaining contract employees. **Our current audit disclosed that further improvement is needed. The recommendation is being repeated with modification. (Recommendation 6.)**
- The University of Connecticut Health Center should stop paying for long-term disability insurance for managerial employees and renegotiate bargaining contracts to avoid payments for benefits that are already part of the State Employees' Retirement System. **Our current audit disclosed that this issue still exists. The recommendation is being repeated. (Recommendation 5.)**

- The University of Connecticut Health Center should complete employee disciplinary investigations in a timely manner. **Our current audit disclosed sufficient improvement in this area. The recommendation is not being repeated.**
- The University of Connecticut Health Center should ensure that changes to employee compensation plans in excess of \$1 million are presented to the board of directors for approval. UConn Health and its employees should agree on compensation terms and include them in the employee's personnel file. **Our current audit disclosed some improvement in this area. However, further improvement is needed. The recommendation is being repeated with modification. (See Recommendation 1.)**
- The University of Connecticut Health Center should institute mandatory procurement training for new managers and managers who failed to comply with UConn Health procurement policies. When there is a substantial change in service needs, UConn Health should competitively bid for new services rather than amending existing contracts. **Our current audit disclosed sufficient improvement in this area. The recommendation is not being repeated.**
- The University of Connecticut Health Center should not process timesheets that lack employee and manager approvals for payment. Managers should periodically review employee vacation leave balances and discuss the lack of vacation leave with employees who record little or no leave. **Our current audit disclosed some improvement. However, further improvement is needed. The recommendation is being repeated with modification. (See Recommendation 3.)**
- The University of Connecticut Health Center should plan and coordinate large information technology projects using UConn Health employees rather than consultants. UConn Health should hold vendors to their contractual terms. **Our current audit disclosed that the recommendation has been implemented. The recommendation is not being repeated.**
- The University of Connecticut Health Center should consider centralizing its recordkeeping of user training and service history of expensive equipment to ensure that records are retained despite staffing changes. **Our current audit disclosed that sufficient improvement was made in this area. The recommendation is not being repeated.**
- 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. **Further improvement is needed in this area. The recommendation is being repeated. (See Recommendation 9.)**
- The University of Connecticut Health Center should clearly promulgate the State Comptroller's procedures related to student activity funds. Student groups should maintain their records using methods and systems that are consistent with UConn Health electronic data retention policies. **Sufficient improvement was made in this area. The recommendation is not being repeated.**

**Current Audit Recommendations:**

- 1. The University of Connecticut Health Center and its employees should agree on compensation terms and document them in the employee's personnel files.**

Comment:

Our review of \$555,955 in clinical incentive payments to five faculty members in the School of Dental Medicine disclosed that, in all instances, the employment letters did not contain adequate language detailing the terms of these payments.

- 2. The University of Connecticut Health Center should conduct annual performance evaluations and maintain them in personnel files.**

Comment:

Our review of 25 managerial employees disclosed 21 instances in which annual performance evaluations were not completed. In the instances noted, 19 received \$290,492 in salary increases.

- 3. The University of Connecticut Health Center should not process timesheets for payment that lack employee and manager approvals.**

Comment:

Our review of timesheets for 30 employees during the audited period disclosed that 29 of them had multiple instances in which proper approval was not obtained. UConn Health paid these 29 employees \$7,126,847 for the pay periods their timesheets were not approved.

- 4. 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.**

Comment:

Our review of 15 newly hired managers disclosed four instances in which UConn Health hired new managers at starting salaries above the established pay range.

- 5. 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.**

Comment:

UConn Health provided long-term disability insurance coverage to several managers hired prior to November 2011, and to union employees who receive disability retirement benefits through the State Employees' Retirement System.

- 6. The University of Connecticut Health Center should not include unused compensatory time in payments to separating managerial and confidential employees.**

Comment:

UConn Health paid for compensatory leave balances beyond what was required. In doing so, it incurred additional payout costs. We were unable to determine whether the payments were consistent with UConn Health's policies.

- 7. 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.**

Comment:

During the audited period, UConn Health only requested \$800,000 of the \$1,177,542 it was owed through the Residency Training Program, leaving \$377,542 with the Capital Area Health Consortium.

- 8. 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.**

Comment:

UConn Health utilizes a personnel transaction request form when hiring temporary, non-faculty employees. The form does not require approval from the relevant department head as part of the hiring process.

- 9. 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.**

Comment:

Capital equipment purchases totaling \$596,056 did not include evidence that UConn Health considered competitive pricing. Additionally, we did not find evidence that UConn Health performed periodic quantitative and qualitative assessments to evaluate the benefits of purchasing through group purchasing organizations rather than directly from other medical suppliers.

- 10. 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.**

Comment:

Our audit disclosed that UConn Health did not always include all required information in its property control records and did not always capitalize equipment in a timely manner. Furthermore, we noted that UConn Health did not perform all of the physical inspections required by its policies during the audited period.

**ACKNOWLEDGMENTS**

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:

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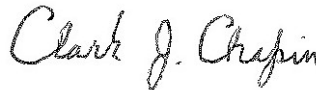
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