

**INTERDEPARTMENTAL MEMORANDUM  
AUDITORS OF PUBLIC ACCOUNTS**

**DATE:** January 22, 2009

**TO:** John M. Biancamano, Chief Financial Officer  
University of Connecticut Health Center

**FROM:** James K. Carroll, Principal Auditor Telephone 679-4504  
Auditors of Public Accounts

**SUBJECT:** Draft of Preliminary Audit Findings and Completion of Management Representation Letter

We are in the final stages of our field work in connection with our Statewide Single Audit of the State of Connecticut and are preparing a report on that audit covering the fiscal year ended June 30, 2008. In order to complete that report, auditing standards require that we obtain certain written responses from the management of the various State agencies administering major segments of State financial operations, particularly those Federal financial assistance grants determined to be major programs. The University of Connecticut Health Center (Health Center) administered a major Federal program during the 2007-2008 fiscal year, and accordingly, we must seek from you the necessary responses in that regard.

A draft of our audit findings, as related to the major Federal program administered by the Health Center during the fiscal year ended June 30, 2008, is enclosed for your review and comment. The Federal Office of Management and Budget Circular A-133 requires that a Corrective Action Plan be filed with the Auditors' Report as part of the State Reporting Package. The Corrective Action Plan shall provide the name(s) (and telephone number(s)) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date of the corrective action for each audit finding. If the auditee does not agree with a finding or believes corrective action is not required, then the Corrective Action Plan shall explain the specific reasons for the auditee's belief. The responses should be limited to information that is directly relevant to the finding, explain clearly and succinctly what corrective action the agency has taken or plans to take, and clearly identify the auditee's agreement or disagreement with the finding. In preparing your comments, please use the following headings for each audit finding:

- Corrective Action Planned by the University of Connecticut Health Center:
- Anticipated Completion Date:
- Department Contact Person and Phone Number:

Under the heading "Corrective Action Planned by the University of Connecticut Health Center," each comment must begin with one of the following three statements:

- We agree with this finding.
- We do not agree with this finding.
- We agree with this finding in part.

Please provide me with your written comments for the Corrective Action Plan component of the State Reporting Package by January 30, 2009.

The management staff of the Auditors of Public Accounts (APA) will forward the Corrective Action Plan to the Office of Policy and Management, which is responsible for submitting the State Reporting Package. Under reporting procedures required by government auditing standards, the APA will also include your responses that disagree with our findings with each applicable finding in our audit report. Please note that if your response is not received on a timely basis, it could result in an inability on the part of the State to submit the State Reporting Package by the Federally mandated time limit and could thus result in an interruption of funding for Federal programs.

The management staff of the APA will review my audit work, including these preliminary findings, and that review could result in changes to these findings or the addition of new findings. You will have an opportunity to review and comment on any changed or additional findings. The APA reserves the right to provide additional comments following the auditee's comments if the APA believes that these comments are incorrect or misleading.

Also, we have enclosed a representation letter that should be signed and dated by you and Dr. Laurencin and returned to me by January 30, 2009. Professional auditing standards of the American Institute of Certified Public Accountants (AICPA) require that written representations be obtained from auditees in order to confirm oral representations and to reduce the possibility of errors or misunderstandings on matters that may be material to the auditee's basic financial statements and the State of Connecticut's general purpose financial statements and reporting. In essence such standards require management to confirm that it: (1) is responsible for financial statements and/or financial records, compliance with State laws and regulations, and establishment and maintenance of internal controls; (2) has made all pertinent information available to us; and, (3) believes in the accuracy and completeness of that information. If your agency administers Federally funded programs that are classified as "major" programs, the standards also require that we obtain certain written representations regarding such "major" Federal assistance programs.

The representation letter is similar to others you may have signed in the past and has been designed specifically for agencies such as yours that participate in major programs. You should be aware that professional auditing standards stress that management's failure to furnish such a representation letter constitutes a limitation on the scope of the audit and would result in a qualified opinion in the audit report.

Space is provided at the end of the representation letter to add on and explain any "except for" matters. Any such comments that you believe are necessary should be numbered to correspond to the applicable item on the letter.

If you would like to discuss any of the preliminary findings or if you need specific information on any of their subject matters, please feel free to contact me.

Enc. - Draft Findings  
Draft Representation Letter

cc: Cato T. Laurencin, M.D., Ph.D., Vice President for Health Affairs and Dean, School of Medicine  
Mike Walker, Chief Audit and Compliance Officer  
Jeffrey Geoghegan, Controller  
Jeffrey H. Small, Associate Vice President, Research Finance  
Cheryl Chiaputti, Director of Audit Services  
David Larkin, Director-Research Finance, Research Finance  
Julie Schwager, Director-Research Services, Research Finance

# University of Connecticut Health Center Draft Findings for Inclusion in the Federal Reporting Package

## III.G.1. Allowable Costs/Cost Principles – Time and Effort Reporting (University of Connecticut Health Center)

**Federal Award Agency: Department of Health and Human Services**

**Award Year: State Fiscal Year Ended June 30, 2008**

**Research and Development Programs:**

**Nursing Research (93.361):**

**Account # 522903 – “Resource Use and Patient Outcomes in Medicare Home Care” – 5R01NR005081-06 from the National Institute of Health, project period April 1, 1999 through July 31, 2009**

**Cardiovascular Diseases Research (93.837):**

**Account # 522986 – “Phospholipid Signaling in Myocardial Ischemic Injury” – 5R01HL034360-19 from the National Institute of Health, project period September 1, 1994 through July 31, 2010**

**Account # 522944 – “Transgenic/Knockout Animals in Myocardia Preservation” – 5R01HL056322-11 from the National Institute of Health, project period August 1, 1996 through November 30, 2008**

*Criteria:* Per OMB Circular A-21, the distribution of salaries and wages must be supported by after-the-fact activity reports signed by responsible persons who have used suitable means of verification to verify that the work was performed. The majority of the charges to Federal Research and Development Programs are for personal service costs. Accordingly, the accuracy and integrity of the time and effort system is crucial.

The Health Center maintains an electronic time and effort reporting system that, on a quarterly basis, identifies the percentage of effort applied each month by employee and account. Passwords are used to confirm the identity of those responsible for review and certifying the charges. Though Circular A-21 doesn't address electronic signatures, they should be acceptable as long as they are functionally equivalent to the traditional “ink on paper” signature, i.e. they are unique and verifiable as executed by the signer.

*Condition:* We reviewed electronically filed time and effort reports for 40 individuals covering \$91,509 of the \$28,000,815 in salary payments charged to Federal Research and Development Programs accounts during the 2007-2008 fiscal year. When we started our review in June 2008 we found that three charges for work performed at least three months previously had not yet been certified. They included a charge of \$2,639 for one individual to award 5R01NR005081-06 and charges for another individual of \$644 to award 5R01HL056322-11 and \$644 to award 5R01HL034360-19. There were associated fringe charges of \$826 to award 5R01NR005081-06, \$202

to award 5R01HL056322-11 and \$202 to award 5R01HL034360-19. Though certifications were subsequently provided to us, the fact that they had not been completed three months after the end of quarter raises questions as to their authority. Additionally, we found that the integrity of the certifications made by one researcher had been compromised, as his password had been shared.

*Effect:* The conditions described above lessen the reliability of the documentation produced by the time and effort reporting system. A reviewer's ability to accurately recall the amount of effort devoted to various tasks can only deteriorate with the passage of time.

*Cause:* The Health Center monitors time and effort reports in process and follows up on incomplete reports. However, it appears that some researchers do not assign a high enough priority to completing them. Similarly, though the Health Center has made efforts to educate staff members as to the importance of maintaining the integrity of electronic signatures, not all researchers realize the importance of maintaining the security of their passwords.

*Recommendation:* The University should take whatever steps are required, including disciplinary action as necessary, to impress on staff the importance of quickly completing time and effort reports and discourage the sharing of passwords.

*Agency Response:* "We agree with this finding."

*Corrective Action Plan:* Ongoing. First we educate our staff and faculty with online reminders regarding the use of passwords and through periodic educational sessions. When the sharing of passwords is detected, the names of those who shared are provided to the Office of Research Compliance which is responsible for remediation and if necessary, disciplinary action. Additionally, staff is aware of the deadlines for timely filing and is sent reminders. We will continue these efforts.

Research Compliance: Joan Caron, PhD 679-2845.

### **III.G.2. Cash Management (University of Connecticut Health Center)**

Federal Award Agency: Department of Defense

Award Year: State Fiscal Year Ended June 30, 2008

Research and Development Programs:

**Military Medical Research and Development (CFDA 12.420)**

**Basic Scientific Research (CFDA 12.431)**

*Criteria:* The timing and amount of cash advances should be as close as administratively feasible to the actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs (31 CFR 205.33).

*Condition:* In previous reports we noted that, for direct Department of Defense awards, the University was holding enough cash to cover an entire year's worth of expenditures. Though there has been noticeable improvement in this area, the University continued to receive scheduled payments even though balances held were already excessive. The aggregate cash balance held for direct Department of Defense awards decreased from \$2,473,442 as of June 30, 2007, to \$1,968,816 as of June 30, 2008. This decrease is primarily attributable to an increase in the level of expenditures, which, per the Schedule of Expenditures of Federal Awards increased by \$449,675 from \$2,324,858 for the 2006-2007 fiscal year to \$2,775,384 for the 2007-2008 fiscal year. <sup>F19 p7-7</sup>

*Effect:* Excess cash balances were maintained for Department of Defense awards.

*Cause:* Most of the June 30, 2008, cash balance involved four awards under which excess cash balances had accumulated because program expenditures were not incurred at the levels envisioned when predetermined schedules were established. Efforts were made during the audited period to get the Department of Defense to adjust predetermined payment schedules to a more realistic level, but the University did not return funds already received because:

- It was known that the principal investigators for two of the awards planned to leave the University and their awards would be transferred to other institutions.
- It was felt that the level of expenditures for another had increased to a degree sufficient to expend the funds in a reasonable amount of time.
- The Federal grant administrators responsible for the fourth award did not respond to the University's efforts to take corrective action.

*Recommendation:* The University should continue its efforts to reduce the excess cash balances accumulated under Department of Defense awards.

*Agency Response:* We agree with this finding, however, as stated in the Cause, the Health Center can not make unilateral changes to payment schedules. The Health Center continues to request revisions to payment schedules on DOD grants as appropriate, but these efforts are dependent upon the cooperation of the DOD. As required by DOD contracts, the Health Center annually remits any accrued interest earnings on DOD cash balances.

Since June 30, 2008, the Health Center's cash balance on DOD grants has decreased \$838,665, from \$1,968,816 at June 30, 2008 to \$1,130,151 at January 30, 2009 (after adjustment for a pending transfer). The decrease is due to \$585,134 in transfers to other institutions that have or will take place as a result of faculty departures, and grant expenditures exceeding cash receipts by \$253,531.

*Corrective Action Plan:* The Health Center will continue to monitor cash balances and work with the DOD to reduce cash balances to levels that do not exceed an average of one year's anticipated grant expenditures.

Completion date: Ongoing. Patricia Young 679-3315

### **III.G.3. Procurement and Suspension and Debarment (University of Connecticut Health Center)**

**Federal Award Agency: Department of Education**

**Award Year: State Fiscal Year Ended June 30, 2008**

**Research and Development Programs:**

**Special Education - Personnel Development to Improve Services and Results for Children with Disabilities (CFDA 84.325):**

**Account # 522643 – “Early Intervention Credential” –**

**H325A000021-04 from the Office of Special Education and Rehabilitative Services, project period October 1, 2000 through June 1, 2008.**

**Account # 522777 – “Center for Personnel Preparation in EI/E ECSE” –**

**H325J020002-06 from the Office of Special Education and Rehabilitative Services, project period January 1, 2003 through December 31, 2008.**

**Federal Award Agency: Department of Health and Human Services**

**Award Year: State Fiscal Year Ended June 30, 2008**

**Research and Development Programs:**

**University Centers for Excellence in Developmental Disabilities Education Research and Service (CFDA 93.632):**

**Account #523050 – “University Centers for Excellence” –**

**90DD0576/04 from the National Institute of Justice, project period July 01, 2003 through June 30, 2008.**

**Account #523092 – “University Centers for Excellence” –**

**90DD0576/05 from the Administration for Children and Families, project period July 01, 2003 through June 30, 2008.**

*Criteria:* OMB Circular A-110 sets forth standards for use by recipients in establishing procedures for procuring goods and services with Federal funds. These standards call for all procurement transactions to be conducted in a manner to provide, to the maximum extent practical, open and free competition. Section 10a-151b of the General Statutes, which governs purchases by the State's constituent units of higher education, implements procedures that address this requirement. Per Section 10a-151b, all purchases greater than \$10,000 must be based, when possible on at least three competitive quotations. A more formal solicitation process must be followed for purchases greater than \$50,000 in amount.

*Condition:* We conducted a special review of contracts funded from restricted grant accounts to determine if they were awarded under a process that complied with the requirements of Section 10a-151b of the General Statutes. During that review we noted seven contracts with three vendors having an aggregate value of \$210,000 that had been awarded noncompetitively and were charged to Federal grants. The contract amounts included \$90,000 for award H325A000021-04, \$89,200 for award H325J020002-06, \$25,000 for award 90DD0576/04 and \$6,000 for award 90DD0576/05.

*Cause:* It appears that staff responsible were not aware that the requirements for competition set forth in Section 10a-151b applied to procurements funded from grant funds. This may have reflected confusion regarding the different requirements pertaining to subgrants made from grant funds and contracts for the purchase of goods and services that are charged to grants.

*Effect:* The Health Center was not in compliance with the standards set forth in OMB Circular A-110 and Section 10a-151b of the General Statutes, which are intended to ensure that materials and services are obtained in a cost effective manner and in compliance with the provisions of applicable laws and regulations.

*Recommendation:* The University should award all procurement contracts under a competitive process that complies with the provisions of OMB Circular A-110 and Section 10a-151b of the General Statutes.

*Agency Response:* "We agree with this finding."

*Corrective Action Plan:* The University will notify investigators and their administrative staff of the rules governing procurement contracts under a competitive process that complies with the provisions of OMB Circular A-110 and Section 10a-151b of the General Statutes. The University will also notify investigators and their administrative staff of the University policy regarding sole source exemptions (#2006-32) and the process used to apply for such.

Ongoing. Jeffrey Small 679-4684

### **III.G.4. Reporting (University of Connecticut Health Center)**

**Federal Award Agency: Department of Health and Human Services**

**Award Year: State Fiscal Year Ended June 30, 2008**

**Research and Development Programs:**

**Research Related to Deafness and Communication Disorders (CFDA 93.173):**

**Account # 522541 – “Comparisons of Binaural Processing at Low & High Frequencies” – 5R01-DC004147-6 from the National Institute on Deafness and Other Communication Disorders, project period August 1, 2000 through June 7, 2007**

**Mental Health Research Grants (CFDA 93.242):**

**Account # 522860 – “Mental Health Research Infrastructure in Corrections” – 5R24-MH067030-03 from the National Institute of Mental Health, project period February 3, 2004 through January 31, 2009, reporting period through January 31, 2007**

**ALCOHOL RESEARCH PROGRAMS (CFDA 93.273):**

**Account # 522692 – “Aftercare for Adolescents with Substance Use Disorders” – 5K24-AA013442-05 from the National Institute on Alcohol Abuse and Alcoholism, project period February 1, 2002 through January 31, 2008**

**Extramural Research Programs in the Neurosciences and Neurological Disorders (CFDA 93.853):**

**Account # 522763 – “Neuroglial Interactions at the Node of Ranvier” – 5R01-NS044916-05 from the National Institute of Neurological Disorders and Stroke, project period September 30, 2002 through July 31, 2007**

**Aging Research (CFDA 93.866):**

**Accounts # 522657 and # 539179 – “Testosterone for Prevention of Fracture in Men” – 3R01-AG018887-05S1 from the National Institute on Aging, project period September 30, 2001 through June 30, 2007**

*Criteria:* Per the NIH Grants Policy Statement, grantees must submit a final Financial Status Report within 90 days of the end of grant support, unless an extension is granted.

*Condition:* None of the five Financial Status Reports we tested were filed on a timely basis. Award 5R01-DC004147-6 ended June 7, 2007; the final Financial Status Report was filed July 9, 2008. The reporting period for award 5R24-MH067030-03 ended January 31, 2007; the final Financial Status Report was filed September 27, 2007. Award 5K24-AA013442-05 ended January 31, 2008; the final Financial Status Report was filed May 28, 2008. Award 5R01-NS044916-05 ended July 31, 2007; the final Financial Status Report was filed May 8, 2008. Award 3R01-AG018887-05S1

ended June 30, 2007; the final Financial Status Report was filed June 4, 2008.<sup>F43p2</sup>

*Cause:* Adequate resources were not assigned to the task.

*Effect:* Per the NIH Grants Policy Statement (12/03), failure to submit timely and accurate final reports may affect future funding to the organization or awards with the same principal investigator.

*Recommendation:* The University should assign resources as necessary to assure that reports are completed within the required timeframe.

*Agency Response:* "We agree with this finding"

*Corrective Action Plan:* Reporting was reviewed as part of an institutional process improvement procedure. While a number of steps have been taken to improve the process, the reporting process is constrained by the lack of available personnel to accurately prepare and review Financial Status Reports on a timely basis.

We are currently reviewing staffing requirements and hope that with additional personnel and continued systemic improvements, financial reports will be properly filed within 90 days of the end of the grant period.

Anticipated Completion Date: With adequate staffing, December 31, 2010.

David Larkin 679-8816

### **III.G.6. Special Tests and Provisions - Key Personnel (University of Connecticut Health Center)**

Federal Award Agency: Department of Health and Human Services

**Award Year: State Fiscal Year Ended June 30, 2008**

**Research and Development Programs:**

**Oral Diseases and Disorders Research (CFDA 93.121):**

**Account # 522989 - "Uconn Craniofacial Tissue Repair Regeneration Program" - 5U24-DE016495-02 from the National Institute of Dental & Craniofacial Research, project period September 21, 2004 through August 31, 2008**

Federal Award Agency: Department of Health and Human Services

**Award Year: State Fiscal Year Ended June 30, 2008**

**Research and Development Programs:**

**National Center for Research Resources (CFDA 93.389):**

**Account # 523064 - "Creating Multi-Gene Reporter Mice Via "Recombineering" - 5R21-RR021707-02 from the National Center for**

## Research Resources, project period August 17, 2006 through July 31, 2009

- Criteria:* Per NIH Notice Number NOT-08-065, award recipients may hold concurrent support from K (career development) awards and a competing research grant under certain conditions. In other words, the portion of their salary equivalent to the percentage of effort devoted to the research grant may be charged to the K award. The notice establishes a requirement for prior approval, stating that, for submissions to NIH, a letter must accompany the research grant application providing evidence that certain requirements related to the researcher's career development will be met. NIH has not established a policy authorizing award recipients to hold concurrent support from other grant types.
- Condition:* We reviewed the committed effort for key personnel on five awards. The committed effort requirement on one of the five awards, award 5R21-RR021707-02, included 50 percent effort from a researcher other than the principal investigator during the budget period from August 1, 2007 through July 31, 2008. The award was subsequently extended to July 31, 2009 with the researcher's committed effort requirement reduced to 5 percent effective August 1, 2008. The researcher's employment start date was September 30, 2007. Per the time and effort system, the only effort devoted to award 5R21-RR021707-02 during that period was 4 percent during June 2008 and 5 percent during July 2008. The researcher continued at that percentage through December 2008.
- We were informed that it was intended that the researcher's effort on award 5R21-RR021707-02 commitment of effort be concurrent with effort on award 5U24-DE016495-02. Prior approval was not obtained and, in any case, NIH has not authorized concurrent support from U24 awards, which are made to support cofunded research projects to improve the capacity of resources that serve biomedical research. In January 2009, the principal investigator asked the grantor to retroactively approve this action.
- As discussed in the preceding paragraph, the time and effort reporting system did not evidence the effort devoted towards award 5R21-RR021707-02. The principal investigator did not prepare supplementary documentation to substantiate that the committed effort requirement was met.
- Effect:* Acting in a manner that is inconsistent with Federal guidelines could affect an institution's ability to secure grants in the future.
- Cause:* We were told that the grantor had previously approved a similar request. It is possible that the principal investigator involved may have misinterpreted this as constituting blanket approval for the practice.

Concurrent support is not common at the Health Center. Accordingly, the time and effort reporting system was not designed to document it and procedures addressing the preparation of supplementary documentation were not developed.

*Recommendation:* The University should obtain prior approval from grantors when required.

*Agency Response:* "We agree with the finding."

*Corrective Action Plan:* Researchers and administrators will continue to be reminded of the need for prior approval. This will be done during Research Administration training sessions and using on-line resources.

David Larkin (860) 679-8816 6/30/2009

### **III.G.6. Special Tests and Provisions - Committed Effort (University of Connecticut Health Center)**

Federal Award Agency: Department of Health and Human Services

**Award Year: State Fiscal Year Ended June 30, 2008**

**Research and Development Programs:**

**Various**

*Criteria:* Per the NIH Grants Policy Statement, "Commitment overlap occurs when an individual's time commitment exceeds 100 percent, whether or not salary support is requested in the application. ...commitment of an individual's effort greater than 100 percent, is not permitted. Any overlap will be resolved by the IC with the applicant and the PI at the time of award."

*Condition:* It came to our attention that a researcher that received a relatively large number of grants appeared to have allocated more than 100 percent of their effort during prior years. At the time of our review, in December 2008, the Health Center was attempting to deal with this problem as part of the grant closeout process.

As of December 2008, the bulk of the researcher's time and effort for the period from April 2003 through December 31, 2003, was in uncertified status. Though time and effort reports for subsequent periods were certified in a timely manner, those for the period from April 2004 through June 2005 were certified from 11 to 36 months after the end of the quarter.

Additionally, it appeared that time and effort reports that were in certified status as of December 2008, had been revised after they had been initially approved, necessitating several cost transfers and at least one refund to the Federal government for a closed grant.

Time and effort reports need to be accurately completed in a timely manner based on work actually performed without regard to salary distribution or level of effort commitments. There is unlikely to be a legitimate reason to postpone completing time and effort reports; significant delays may make it impossible to construct an accurate record of the actual distribution of effort. The situation described in the preceding paragraph creates the impression that the researcher is delaying the completion of and/or adjusting time and effort reports so that, when finalized, they will show committed effort percentages that satisfy, insofar as possible, all committed effort requirements that are identified during the grant closeout process.

We also found that the researcher's time and effort reports allocated no effort or, beginning in January 2007 and extending through the quarter ended October 31, 2008, the last period on file at the time of our review, one percent of effort to departmental administration. As these allocations for departmental administration do not appear adequate, they raise serious questions regarding the accuracy of the percentages of the researcher's time and effort allocated to grant awards, both during the prior periods discussed above and currently.

The researcher needs to provide a reasonable estimate of the actual percentage of effort devoted to departmental administration. If this results in a reduction of percentages previously allocated to grant awards to the point that committed effort requirements were not met, and/or salary support for the researcher was excessive, grantors should be notified and other appropriate actions taken.

Health Center administrators have been aware that there were problems with this researcher's committed effort for some time; these problems should have been fully addressed as soon as they became apparent. The retrospective approach taken is not in accordance with the NIH Grants Policy Statement, which directs that any overlap be resolved at the time of the award.

*Effect:*

The Federal government approves applications based on various factors, one being the commitment of key personnel to devote a specified percentage of their effort to the project. Failure to maintain promised level of effort commitments could affect an institution's ability to secure grants in the future.

*Cause:* It appears that the researcher in question received a large number of awards in a relatively short period of time. Monitoring efforts were hampered, as, though the Health Center maintains a committed effort log, it does not maintain a monitoring system that aggregates all of a researcher's committed effort at all points in time.

*Recommendation:* The University should enhance recordkeeping systems and practices as necessary to adequately monitor committed effort and address problems at the time of the award, as required by NIH. Time and effort reports should be completed quickly and accurately and, absent extraordinary circumstances, should not be altered after they are certified.

*Agency Response:* “We agree with this finding. The investigator in question received a large increase in the number of grants in a short period of time. During the period in question (April – December 2003), there was extensive communication between the university to the sponsor agencies to document her effort, as well as any potential overlap in funding. This led to complications in reporting and documenting her direct effort and cost-share commitments within the time & effort system.

Since that time, considerable effort has been made to document effort as appropriate, using companion accounts to document cost share commitments as necessary. Administration and the researcher have recently developed a committed effort matrix that documents effort requirements for all awards and proposals. Adjustments to effort, when required, were made in conjunction with approval of the sponsor as appropriate.

Because the current Time & Effort system ties payroll allocation to effort, a cost transfer is required when effort is reported differently than the payroll allocation. Since January 2007, quarterly time & effort reports have been filed on a timely basis.

*Corrective Action:* A new Time & Effort system is scheduled to go on-line in FY 2010. Among the enhancements to the current system is a more comprehensive committed effort log. The system will also facilitate the process of monitoring uncertified effort reports (pending 7/1/2009 implementation of updated T&E system: 12/31/2009).

Director of Research Administration and Finance will review salary allocation and effort certification for compliance with effort commitments as appropriate (ongoing).

David Larkin (860) 679-8816

# University of Connecticut Health Center Sample Representation Letter

Kevin P. Johnston/Robert G. Jaekle  
State Auditors  
Auditors of Public Accounts  
State Capitol  
Hartford, CT 06106-1628

Gentlemen:

We are providing this letter in connection with your audit of the State of Connecticut's general purpose and civil list financial statements and the Schedule of Expenditures of Federal Awards, which are prepared in part from the records of the University of Connecticut Health Center (Health Center), a component unit of the University of Connecticut system, which includes the University of Connecticut, the University of Connecticut Health Center, the University of Connecticut Foundation, Inc. and the University of Connecticut Law School Foundation, Inc., as of June 30, 2008, and for the fiscal year then ended, for the purpose of expressing an opinion as to whether such financial statements and/or schedule present fairly, in all material respects, 1) the financial position of the State of Connecticut and the results of its operations and the cash flows of its proprietary and similar trust fund types in conformity with United States generally accepted accounting principles, 2) the financial position of the State's civil list funds and cash transactions of such funds in conformity with the modified cash basis of accounting, and 3) the expenditure of Federal awards by the State of Connecticut in conformity with the requirements of OMB Circular A-133.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgement of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audits.

1. We are responsible for:
  - a. The execution and processing of the Health Center's financial transactions in conformity with legal and regulatory requirements, including the State accounting policies and procedures contained in the State Comptroller's State Accounting Manual.

- b. The preparation of the Health Center's year-end generally accepted accounting principles (GAAP) closing packages in conformity with the State Comptroller's requirements, including those contained in the State Accounting Manual and the Comptroller's memoranda.
  - c. The Health Center's compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to it, including debt limits and debt contracts; and we have identified and disclosed to you, all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the Health Center's financial operations, including legal and contractual provisions for reporting specific activities in separate funds.
  - d. The effectiveness of the internal controls that affect the Health Center's ability to record, process, summarize, and report financial data consistent with the assertions embodied by the Comptroller in preparing the State's financial statements or affect the Health Center's ability to safeguard the State's resources.
  - e. The design and implementation of programs and controls to prevent and detect fraud.
2. We have made available to you all -
- a. Financial records and related data, and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Minutes of meetings of the Board of Trustees of the University of Connecticut Board of Trustees and of the Board of Directors of the University of Connecticut Health Center, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. We have no knowledge of any communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. We have no knowledge of any material transactions that have not been properly recorded in the accounting records underlying the financial statements and the Schedule of Expenditures of Federal Awards.
5. We have no knowledge of any fraud or suspected fraud affecting the Health Center involving:
- a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
6. We have no knowledge of any allegations of material fraud or suspected material fraud affecting the Health Center received in communications from employees, former employees, analysts, regulators or others.
7. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity. Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.
8. We have disclosed to you the existence of all entities related to the agency such that any transactions conducted with those entities were related party transactions. If, during the audited

period, this agency has had any related party transactions and related amounts receivable or payable, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, we confirm that it is our policy to disclose such to the Comptroller or Attorney General, as applicable.

9. We confirm that it is our policy to disclose the following, if any, to the Comptroller or Attorney General, as applicable:
  - a. Guarantees, whether written or oral, under which the Health Center or the State of Connecticut is contingently liable.
  - b. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances, consistently applied and adequately disclosed.
  - c. All financial arrangements the Health Center has had with institutions, corporations, or other organizations involving repurchase or reverse repurchase agreements, compensating balances, or other arrangements involving restrictions on cash balances, the managing of interest rates, cash flows related to bonds guaranteed by the State, line-of-credit or similar arrangements or agreements to repurchase assets previously sold.
10. We have no knowledge of any:
  - a. Violations or possible violations of laws and regulations (including those pertaining to adopting and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency or for reporting on noncompliance.
  - b. Unasserted claims or assessments that the Attorney General has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
  - d. Reservations or designation of fund equity that were not properly authorized and approved.
11. We confirm that the Health Center has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except for the pledges made in conjunction with the issuance of University of Connecticut Bonds.
12. We confirm that the Health Center has complied with all aspects of laws, regulations and provisions of contracts and grant agreements that would have a significant effect on the financial operations of the Health Center in the event of noncompliance.
13. With respect to Federal award programs, we confirm that:
  - a. We are responsible for complying and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
  - b. We have, in accordance with OMB Circular A-133, identified in the Schedule of Expenditures

of Federal Awards, expenditures made during the audit period for all awards provided by Federal agencies in the form of grants, Federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.

- c. We are responsible for complying with and have complied with in all material respects the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our Federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- d. We are responsible for establishing and maintaining and have established and maintained effective internal control over compliance requirements applicable to Federal programs that provides reasonable assurance that we are managing our Federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our Federal programs. We believe the internal control system is adequate and functioning as intended. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.
- e. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with Federal agencies or pass-through entities relating to each major Federal program. (e.g. Federal Inspector General auditors, Federal program people, CPAs doing Federal reviews).
- f. We have received no requests from a Federal agency to audit one or more specific programs as a major program.
- g. We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in *OMB Circular A-133 Compliance Supplement*, relating to Federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of Federal awards, including the results of other audits or program reviews.
- h. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-21, "*Cost Principles for Educational Institutions*," and OMB's Circular A-110, "*Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*."
- i. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- j. We have made available to you all documentation related to the compliance requirements, including information related to Federal program financial reports and claims for advances and reimbursements.
- k. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared, and are prepared on a basis consistent with the Schedule of Expenditures of Federal Awards.

- l. The copies of Federal program financial reports we provided to you are true copies of the reports submitted, or electronically transmitted, to the respective Federal agency, or pass-through entity, as applicable.
- m. We have monitored subrecipients to determine that the subrecipients have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.
- n. We have taken appropriate corrective action on a timely basis after receipt of audit reports of our subrecipients that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements to ensure that subrecipients have taken the appropriate and timely corrective action on findings.
- o. We have considered the results of subrecipient audits and made any necessary adjustments to our agency's own books and records.
- p. We have disclosed to you all contracts or other agreements, if any, with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.
- q. We understand that we are responsible for creating and implementing a corrective action plan for each audit finding identified in your report.
- r. We have charged costs to Federal awards in accordance with applicable cost principles.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements and/or schedule.

Signed \_\_\_\_\_  
 Title \_\_\_\_\_  
 Date \_\_\_\_\_

Signed \_\_\_\_\_  
 Title \_\_\_\_\_  
 Date \_\_\_\_\_