



## UNIVERSITY OF CONNECTICUT HEALTH CENTER

**STATUS: Significant deficiencies in the internal control process**

**2015-550      Equipment and Real Property Management**

**Federally-Sponsored Research and Development Programs**

**Federal Award Agency: Various Federal Agencies**

**Award Year: State Fiscal Year Ended June 30, 2015**

**Federal Award Numbers: Various**

*Criteria:*

Title 2 Code of Federal Regulations (CFR) Part 215.34 (g) and(f)(1)(ix) states that if the recipient has no need for certain equipment items, the recipient shall request disposition instructions from the federal awarding agency. For equipment with a current per-unit fair market value of \$5,000 or more, the recipient may retain the equipment for other uses provided that compensation is made to the original federal awarding agency or its successor. The amount of compensation shall be computed by applying the percentage of federal participation in the cost of the original project or program to the current fair market value of the equipment.

The recipient's property management standards for equipment acquired with federal funds and federally-owned equipment shall include disposition data, including the date of disposal and sales price, or specify the method used to determine current fair market value when a recipient compensates the federal awarding agency for its share.

2 CFR Part 200.313 (d)(3) states that a control system must be developed to ensure adequate safeguards are in place to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.

*Condition:*

During our testing of the University of Connecticut Health Center (UConn Health) equipment inventory we noted the following exceptions:

One item which may have had a fair market value greater than \$5,000 dollars was not presented to the federal awarding agency for disposal instructions prior to disposition. UConn Health does not have an established control process in place which provides adequate documentation that a fair market valuation was performed on federal equipment which has a possible fair market value greater than \$5,000 prior to the disposal.

There were 41 federal equipment items disposed of that were classified as either lost, stolen or misplaced and not investigated as required by the federal awarding agency. The original cost of the items ranged from \$5,405 to \$55,675. We noted three of these items had book value ranging from



\$111 to \$3,919. During further review, we estimated that seven of these items may have had fair market value greater than \$5,000.

*Effect:* UConn Health's equipment inventory disposal records do not demonstrate compliance with the cost principals and administrative requirements established by 2 CFR Part 215.34 (g) and (f)(1)(ix) and Part 200.313 (d)(3).

*Cause:* UConn Health was not fully aware of the federal compliance requirement pertaining to disposal of federal equipment.

*Recommendation:* The University of Connecticut Health Center should ensure that it performs the required fair market valuations on items with an estimated fair market value of \$5,000 or more, and contacts the federal awarding agency for disposition instructions on items meeting this threshold. Steps should also be taken to ensure that all safeguards are in place to prevent loss or theft of federal equipment and any missing equipment must be investigated.

*Agency Response:* "UConn Health followed guidance related to processes for state entities which required we follow existing State guidelines issued by the Comptroller of the State of Connecticut. These guidelines include provisions for tracking of assets, proper disposal, and taking of inventory. After reviewing with the Auditors of Public Accounts, we agree that that the provisions related to Institutions of Higher Education, including provisions over fair value of disposed items funded by Federal Agencies, are also applicable. In addition, UConn Health will add procedures that establish review criteria for federally funded assets including an evaluation as to their current estimated fair value as required for Institutions of Higher Education. Assets estimated to meet the \$5,000 threshold will be held for review and further instruction by the awarding agency as prescribed. We will also continue our efforts to streamline asset reporting and staff education to prevent improper disposals."