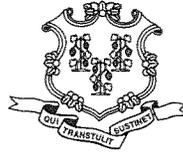


STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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JOHN C. GERAGOSIAN

ROBERT M. WARD

May 1, 2015

Governor Dannel P. Malloy
State Capitol
Hartford, Connecticut

Dear Governor Malloy:

In accordance with Section 2-90 of the Connecticut General Statutes, we are reporting to you the following matter.

During the course of our audit at the University of Connecticut (UConn) in February 2015, it came to our attention that a number of National Science Foundation (NSF) awards to UConn were frozen in connection with an NSF investigation related to a privately held company, Aquatic Sensor Network Technology LLC (AquaSeNT). AquaSeNT was founded by UConn faculty and had participated in UConn's Technology Incubation Program (TIP) from May 1, 2009 through April 30, 2014. This program provides startup companies with facilities and access to university resources. The purpose of TIP is to support startup companies until they are self-sufficient.

UConn administrators were aware of this matter as early as November 2014 and were formally notified of the suspension by NSF in a letter dated December 19, 2014. The university did not report this matter to the Auditors of Public Accounts or the Office of the State Comptroller as required under Section 4-33a of the General Statutes. Furthermore, when our office inquired about this matter on February 20, 2015, we were initially told that the investigation only involved AquaSeNT and that the UConn awards had only been frozen because the principal investigators (PI) or co-PIs on the awards had interests in AquaSeNT. The agency did not disclose to our office that this matter involved funds administered by UConn until we made it clear to UConn that we were already aware that it did.

We have completed our initial review of this matter. The following summarizes our conclusions.

The NSF investigation initially focused on funds awarded directly to and administered by AquaSeNT. During the course of the investigation, it was discovered that NSF funds administered by UConn had been used to purchase 15 specialized acoustic modems from AquaSeNT between April and August of 2013 at a total cost of \$253,500.

The transactions were processed as sole source purchases and were initiated by UCONN faculty who had a significant financial interest in AquaSeNT. Three purchase requisitions were involved. Two of the three purchase requisitions, which included the statement "I certify ... that I have no financial or other beneficial interest in the vendor," were signed by faculty that did, in fact, have interests in AquaSeNT.

The sole source transactions appear to violate provisions of Section 1-84 of the General Statutes, which address such conflicts of interest and require an open and public procurement process for any procurement actions involving businesses that state employees are associated with. They also appear to violate the Code of Federal Regulations, 2 CFR 215.42, which prohibits the involvement of individuals in the procurement process if they have an interest in the firm selected.

The two faculty members involved stated that they did not read the portion of the sole source justification form they signed that contained the certification that they had no interest in the vendor. They subsequently submitted amended Significant Financial Interest forms that disclosed their conflicts of interest to UConn's Sponsored Program Services department prior to the procurement action.

It should be noted that the Significant Financial Interest forms the faculty members initially completed, during the proposal stage of the award process, did not disclose their conflicts of interest. They told us that, due to time constraints, mistakes were made because they rushed through the proposal documentation, which included the initial financial interest forms. The faculty should have been aware of what they were signing.

Although amended forms were submitted, it appears that these transactions may be indicative of control deficiencies at UConn. First, it does not appear that there is a mechanism in place for the Sponsored Program Services department to communicate conflicts of interest to the purchasing department, which handles the procurement process. Although the purchasing department should be able to rely on the statements made on the sole source procurement forms, communication of known conflicts would provide an additional level of assurance.

Second, NSF requires grantee institutions to "review financial disclosures, determine whether a conflict of interest exists, and determine what conditions or restrictions, if

any, should be imposed by the institution to manage, reduce or eliminate such conflict of interest." UConn's Financial Conflict of Interest in Research Committee (FCOIRC) did conduct a review; however, the recommendations only addressed disclosure to collaborators and in resulting publications. It does not appear the FCOIRC adequately addressed the financial aspects of the conflicts of interest.

In conclusion, UConn should have reported the suspension of the NSF grants and the fact that purchase requisitions were approved on the basis of inaccurate disclosure of the financial interests of the faculty requesting the purchases. We anticipate issuing findings regarding this matter as part of our ongoing audit of UConn.

Sincerely,



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts

JCG;RMW:lg

- cc: Susan Herbst, President, University of Connecticut
Attorney General George C. Jepsen
Comptroller Kevin Lembo
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Clerk of the House
Legislative Program Review and Investigations Committee
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