University of Connecticut

Report to the Board of Trustees and Joint Audit and Compliance Committee

February 13, 2013

McGladrey

Assurance ▪ Tax ▪ Consulting

McGladrey LLP

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February 13, 2013

Board of Trustees and Joint Audit and Compliance Committee
University of Connecticut
352 Mansfield Road
Storrs, CT 06269

Attention: Board of Trustees and Joint Audit and Compliance Committee

We are pleased to present this report related to our audit of University of Connecticut's construction expenditures for UCONN 2000 projects substantially completed for the year ended June 30, 2012. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for University of Connecticut's financial reporting process.

This report is intended solely for the information and use of the Board of Trustees and Joint Audit and Compliance Committee and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to be of service to University of Connecticut.

McGladrey LLP

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Required Communications

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Area	Comments
Auditor's Responsibility Under Professional Standards	Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated October 23, 2012.
Accounting Practices	**Adoption of, or Change in, Accounting Policies** Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Company. The Company did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period. **Significant or Unusual Transactions** We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. **Alternative Treatments Discussed with Management** We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.
Management's Judgments and Accounting Estimates	Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Accounting Estimates."
Financial Statement Disclosures	There were no significant items as they relate to the neutrality, consistency, and clarity of the disclosures in the financial statements that require discussion.
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatements	There were no uncorrected misstatements in the financial statements.

Area	Comments
Disagreements with Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed with Management	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
Difficulties Encountered in Performing the Audit	We did not encounter any difficulties in dealing with management during the audit.
Certain Written Communications Between Management and Our Firm	Copies of certain written communications between our firm and the management of the University are attached as Exhibit A.

University of Connecticut

Summary of Accounting Estimates

Year Ended June 30, 2012

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the University's June 30, 2012 financial statements.

Area	Accounting Policy	Estimation Process	Comments
Project Budgets/Anticipated Remaining Costs	Project budgets are measured by comparing estimated contract costs required to be incurred for the specific project. The anticipated remaining costs are measured by comparing the total estimated contract costs to completion (project budget) to the estimated contract costs incurred to date.	Management analyzes contract costs on a periodic basis which includes material, engineering services and other indirect costs associated with the project. These costs are extrapolated over the duration of the contract and periodic adjustments are made for changes in estimates.	We tested the underlying information contained in the University's construction expenditures paid and approval of budgets and change orders to the original contract. We obtained and tested management's estimating process as it related to contract costs and estimated costs to complete. In addition, we tested the consistency of management's estimating process and we concluded that management's process is reasonable, consistent and conservative.
Allocation of Payroll Costs	The University allocates to each project the amount of payroll costs from the clearing account equal to 1.75 percent (changed from 1.00 percent on July 1, 2010) of the total costs for that project for each fiscal quarter.	Management analyzes the payrolls costs on a periodic basis in order to determine if the allocation is reasonable.	We tested the consistency of management's estimating process and we conclude that management's process is reasonable, consistent and conservative.

Exhibit A – Significant Written Communications Between Management and Our Firm

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McGladrey

October 23, 2012

Ms. Susan Herbst
President
University of Connecticut
352 Mansfield Road
Storrs, CT 06269

Attention: Ms. Herbst

This letter is to explain our understanding of the arrangements for the services we are to perform for University of Connecticut (the University) for the year ended June 30, 2012. We ask that you confirm this understanding.

Our acceptance of this engagement is subject to our satisfactorily completing our normal engagement acceptance procedures. We will notify you promptly if we become aware of anything during our acceptance procedures or the review of audit documentation that results in our not being able to continue this engagement.

Audit Services

We will perform an audit of UCONN 2000 projects other than deferred maintenance and equipment and UCONN 2000 deferred maintenance projects, substantially completed during the year ended June 30, 2012. We understand that the financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America. The objective of an audit of financial statements is to express an opinion on those statements.

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the board of trustees are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements.

An audit of financial statements includes obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to management and the board of trustees any significant deficiencies or material weaknesses that we become aware of during the course of the audit.

We will also communicate to the board of trustees *(a)* any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, *(b)* any illegal acts that we become aware of during the audit (unless they are clearly inconsequential), *(c)* various matters related to the entity's accounting policies and financial statements, and *(d)* should any arise, disagreements with management and other serious difficulties encountered in performing the audit.

We will maintain our independence in accordance with the standards of the American Institute of Certified Public Accountants (AICPA). If the University of Connecticut should wish to include our reports or otherwise make reference to us in any public securities offering, we would be required to be independent under the rules of the Securities Exchange Commission (SEC) for all of the periods to be presented in the offering document. The rules of the SEC are different from those of the AICPA. Examples of services allowed under the AICPA rules that would impair independence under the SEC rules include preparation of the tax provision, implementing financial information systems, internal audit outsourcing, and performance of tax services for a contingent fee. If our independence were determined to be impaired under SEC rules for any of the periods included in the filing, the University of Connecticut would be required to have the impacted periods re-audited, at the University of Connecticut's expense, by another firm for the filing to be declared effective by the SEC. As a result, it is imperative that if the University of Connecticut is contemplating a public offering in the future, we be promptly notified of those plans.

University of Connecticut's Responsibilities

Management is responsible for the financial statements, including the selection and application of accounting policies, adjusting the financial statements to correct material misstatements, and for making all financial records and related information available to us. Management is responsible for providing us with a written management representation letter confirming certain representations made during the course of our audit of the financial statements and affirming to us that it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge.

Management is responsible for identifying and ensuring that the entity complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others.

The board of trustees is responsible for informing us of its views about the risks of.fraud within the entity, and its knowledge of any fraud or suspected fraud affecting the entity.

The University agrees that it will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent. Any request to consent is also a matter for which separate arrangements will be necessary. After obtaining our consent, the University also agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the University seeks such consent, we will be under no obligation to grant such consent or approval.

The University of Connecticut acknowledges that is shall be solely liable for the acts and omissions of its employees acting within the scope of their employment. This provision shall survive the termination of this arrangement for services.

University's Records and Assistance

If circumstances arise relating to the condition of the University's records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion, issue a report, or withdraw from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the University's books and records. The University will determine that all such data, if necessary, will be so reflected. Accordingly, the University will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by University personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Kimberly Rourke, Manager – Project Accounting. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

If, in connection with our audit, you request us to perform accounting services necessary for the preparation of the financial statements (such as maintaining depreciation schedules, computing the provision for income taxes, drafting the financial statements, etc.), you agree to designate an appropriate individual to oversee the services, make all management decisions involved in those services, evaluate the adequacy and results of the services, and accept responsibility for the results of the services.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In addition, we may utilize financial information you have provided to us in connection with this engagement for purposes of creating benchmarking data to be used by McGladrey LLP professionals and other clients. This benchmarking data is aggregated with data from a minimum of five other entities so that users of the data are unable to associate the data with any single entity in the database.

Fees, Costs, and Access to Workpapers

Our fees for the audit described above are $50,000 plus indirect expenses not to exceed $6,000. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. This fee estimate will be subject to adjustments based on unanticipated changes in the scope of our work and/or the incomplete or untimely receipt by us of the information on the client participation list. All other provisions of this letter will survive any fee adjustment.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, the University agrees it will compensate McGladrey LLP for any additional costs incurred as a result of the University's employment of a partner or professional employee of McGladrey LLP.

In the event we are requested or authorized by the University of Connecticut or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the University of Connecticut, the University of Connecticut will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

Claim Resolution

The University of Connecticut waives any claim for punitive damages.

This letter, in conjunction with the original RFP and McGladrey's proposal constitute the complete and exclusive statement of agreement between McGladrey LLP and the University of Connecticut, superseding all oral or written, and all other communications, with respect to the terms of the engagement between the parties. In the event that any conflicts arise between any terms or conditions of the RFP, proposal and this arrangement letter, the terms and conditions of this arrangement letter shall prevail.

If this letter defines the arrangements as the University understands them, please sign and date the enclosed copy and return it to us.

McGladrey LLP

Mark Bloom

Mark Bloom, Partner

Confirmed on behalf of the University of Connecticut:

Susan Herbst, President

10/26/12

Date

University of Connecticut
Office of the President

Susan Herbst
President

February 13, 2013

McGladrey LLP
One South Wacker Drive
Suite 800
Chicago, IL 60606

Ladies and Gentlemen:

In connection with your audit of University of Connecticut's construction expenditures for UCONN 2000 projects substantially complete for the year ended June 30, 2012, we confirm that we are responsible for the fair presentation in the financial statements of UCONN 2000 projects substantially completed and reported project values in conformity with accounting principles generally accepted in the United States of America.

We confirm, to the best of our knowledge and belief, as of February 13, 2013, the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have made available to you all:
   a. Financial records and related data.
   b. Minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. We have no knowledge of fraud or suspected fraud affecting the entity involving:
   a. Management.
   b. Employees who have significant roles in the internal control.
   c. Others where the fraud could have a material effect on the financial statements.
4. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.

Gulley Hall
352 Mansfield Road Unit 2048
Storrs, Connecticut 06269-2048

Telephone: (860) 486-2337
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5. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, analysts, regulators, short sellers, or others.
6. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Company's ability to record, process, summarize, and report financial data.
7. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
8. The following have been properly recorded and/or disclosed in the financial statements:
    a. Amounts of contractual obligations for plant construction and/or purchase of real property, equipment, other assets, and intangibles.
    b. All significant estimates and material concentrations known to management that are required to be disclosed in accordance with the Risks and Uncertainties Topic of the FASB Accounting Standards Codification. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year.
9. There are no:
    a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
    b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.
    c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification.
    d. Significant amounts of idle property and equipment or permanent excess plant capacity.
    e. Plans or intentions to discontinue the operations of any subsidiary or division or to discontinue any significant product lines.
    f. Debt securities classified as "held to maturity."

g. Investments and other assets that have permanently declined in value to their realizable values.

h. Long-lived assets, including intangibles, that are impaired or to be disposed of have been recorded at the lower of their cost or fair value.

i. Related-party relationships, transactions, and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, all of which have been recorded in accordance with the economic substance of the transactions.

j. Guarantees, whether written or oral, under which the Company is contingently liable.

k. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.

l. Lines of credit or similar arrangements.

m. Agreements to repurchase assets previously sold.

n. Security agreements in effect under the Uniform Commercial Code.

o. Liens or encumbrances on assets and all other pledges of assets.

p. Investments in debt and equity securities, including their classification as trading, available for sale, and held to maturity.

q. Liabilities that are subordinated to any other actual or possible liabilities of the Company.

r. Leases and material amounts of rental obligations under long-term leases.

s. Derivative financial instruments.

t. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification.

u. Current and deferred assets and liabilities related to the accounting for income taxes.

10. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with the Contingencies Topic of the FASB Accounting Standards Codification.

11. The Company has satisfactory title to all owned assets.

12. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

13. We are responsible for determining that significant events or transactions that have occurred since the balance sheet date and through February 13, 2013, have been

recognized or disclosed in the financial statements. No events or transactions other than those disclosed in the financial statements have occurred subsequent to the balance sheet date and through February 13, 2013 that would require recognition or disclosure in the financial statements. We further represent that as of February 13, 2013, the financial statements were complete in a form and format that complied with accounting principles generally accepted in the United States of America, and all approvals necessary for issuance of the financial statements had been obtained.

14. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Sincerely,

Susan Herbst
President

Richard Gray
Executive Vice President for Administration
and Chief Financial Officer