



OHIO AUDITOR OF STATE  
**KEITH FABER**





**THE UNIVERSITY OF TOLEDO  
LUCAS COUNTY  
AGREED-UPON PROCEDURES REPORT**

**FOR THE YEARS ENDED JUNE 30, 2015, 2016, 2017, 2018,  
2019, AND THE NINE MONTHS ENDED MARCH 31, 2020**

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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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Lucas County  
2801 W. Bancroft Street  
Mail Stop 964  
Toledo, OH 43606-3390

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of the University of Toledo (the University or UT), on the provided statements and schedules for the years ended June 30, 2015, 2016, 2017, 2018, 2019, and the for the period July 1 2019 through March 31, 2020 for the University of Toledo Medical Center (UTMC) and The University of Toledo College of Medicine and Life Sciences. The University is responsible for the statements and schedules for the listed years. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions equal to or exceeding \$1,000.

### **Procedure 1**

For fiscal years ending June 30, 2015, 2016, 2017, 2018, 2019, and for the nine month period ending March 31, 2020 we obtained the unaudited income statements for The University of Toledo Medical Center (UTMC) (see Exhibit 1A) and performed the following:

- a) Recalculated the statements and agreed the statement totals to the unaudited accounting record support totals listed below.

In recalculating the statements, we identified the following variances:

- Fiscal Year 2017 – the statement reported total expenses of \$312,203,000; our calculation totaled to \$312,202,000 for a variance of \$1,000.
- Fiscal Year 2017 – the statement reported an operating margin of \$5,845,000; our calculation totaled to \$5,844,000 for a variance of \$1,000.
- Fiscal Year 2018 – the statement reported an operating margin of \$1,204,000; our calculation totaled to \$1,205,000 for a variance of (\$1,000).

Once these discrepancies were identified, the University (and their auditing firm) made the appropriate corrections and provided an updated income statement for UTMC (see Exhibit 1B). The updated document footed without exception and no additional exceptions were identified in recalculating the statements.

**Procedure 1 (Continued)**

- i) Annual Financial Statement Format with Eliminations Excel spreadsheets (CAFR to Trial Balance crosswalk).

This procedure was not completed for the nine months ending March 31, 2020 since audited financial statements have not yet been received. We identified no exceptions in tracing to the June 30, 2015, 2016, 2017, 2018, 2019 spreadsheets.

- ii) Trial Balance with ORG Excel Spreadsheets.

- Fiscal Year 2015 – the statement reported Supplies & Other Expenses of \$130,001,000; however, the Trial Balance showed \$133,001,274 for a variance of \$3,000,274, which included a \$3,000,000 dividend from the University of Toledo Medical Assurance Company LLC (UTMAC).

Once this discrepancy was identified, the University (and their auditing firm) researched the source of the variance and determined a dividend received in 2015 was recorded in the Supplies & Other Expense line item which decreased the line item amount. This dividend, which was requested as a result of UTMAC shortfalls, was inadvertently excluded in the original draft. As a result of this variance, the total expenses and operating margin amounts for fiscal year 2015 were misstated by the corresponding amounts; the operating margin percentage was understated by 1%. They provided an updated income statement for UTMAC (see Exhibit 1B). The updated document agreed without exception.

- Fiscal Year 2016 – the statement reported Supplies & Other Expenses of \$130,877,000; however, the Trial Balance showed \$130,869,299 for a variance of (\$7,701). As a result of this variance, the total expenses and operating margin amount for fiscal year 2016 were misstated by the corresponding amounts; the operating margin percentage was overstated by less than 1%. No adjustments were made to the 2016 income statement for UTMAC.

No additional exceptions were identified.

- iii) University General Ledger, University Trial Balance, and UTMAC Internal Board Financials for the UTMAC Adjustments (shown below the operating margin).

We found no exceptions.

- b) Traced the Annual Financial Statement Format with Eliminations Excel spreadsheets to the audited financial statement totals for the University of Toledo, as submitted to the Auditor of State as part of the regular annual audits.

This procedure was not completed for the nine months ending March 31, 2020 since audited financial statements have not yet been received. No exceptions were found as a result of applying the procedure to the June 30, 2015, 2016, 2017, 2018, 2019 financial statements.

## **Procedure 2**

For fiscal years ending June 30, 2015, 2016, 2017, 2018, 2019, and for the nine month period ending March 31, 2020 we obtained the Schedule of Annual Affiliation Agreement Payments (see Exhibit 2) related to the ProMedica payments to and from the University/College of Medicine and performed the following:

- a) Recalculated the schedules.

We found no exceptions.

- b) Agreed the total payments in the provided schedules to the totals of the underlying vendor Affiliation Agreement dated August 26, 2015.

We found no exceptions.

- c) Agreed the total amounts collected by the University/College of Medicine to the University's General Ledger.

We found no exceptions.

- d) Agreed the totals on the schedules to the totals for each applicable UT / ProMedica schedule of affiliation agreement payments.

We found no exceptions.

- e) Agreed the University's estimated 2020 payment amount to ProMedica to the AAOG 2019-2020 schedule (the Academic Affiliation Payment Budget 2019-2020).

We found no exceptions.

- f) Haphazardly selected two collections for each fiscal year from the General Ledger and agreed them to deposits in the University of Toledo (UT) bank statements (Huntington Bank);

We found no exceptions.

## **Procedure 3**

For fiscal years ending June 30, 2015, 2016, 2017, 2018, 2019, and for the nine month period ending March 31, 2020 we obtained the unaudited Income Statement for the UT College of Medicine and Life Sciences (see Exhibit 3) and performed the following:

- a) Recalculated the statements and agreed the statement totals to the unaudited accounting record support totals listed below.

- i) Annual Financial Statement Format with Eliminations Excel spreadsheets (CAFR to Trial Balance crosswalk).

This procedure was not completed for the nine months ending March 31, 2020 since audited financial statements have not yet been received. No exceptions were found as a result of applying the procedure to the June 30, 2015, 2016, 2017, 2018, 2019 spreadsheets.

**Procedure 3 (Continued)**

ii) Trial Balance with ORG Excel spreadsheets.

We found no exceptions.

iii) College of Medicine tuition and fees schedules.

We found no exceptions.

b) Traced the Annual Financial Statement Format with Eliminations Excel spreadsheets to the audited financial statement totals for the University of Toledo, as submitted to the Auditor of State as part of the regular annual audits.

This procedure was not completed for the nine months ending March 31, 2020 since audited financial statements have not yet been received. No exceptions were found as a result of applying the procedure to the June 30, 2015, 2016, 2017, 2018, 2019 financial statements.

The University has responded to the issues discussed in this report. You may obtain a copy of their response from Matthew J. Schroeder, Executive Vice President for Finance and Administration, at (419) 530-1448.

This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' Government Auditing Standards. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the University's statements and schedules. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is for the use of the University in evaluating The University of Toledo Medical Center and The University of Toledo College of Medicine and Life Sciences operations and is not suitable for any other purpose.

The Auditor of State recommended the University conduct a full performance audit of the UTMC and the ProMedica affiliation agreement; however, such work could not be performed within the University's timeline. A performance audit may have elicited additional information and provided the Auditor of State with the ability to make meaningful observations and recommendations regarding the financial status and operations of the medical center and affiliation agreement. The Auditor of State was not asked to opine and does not express here an opinion regarding the University's business decision relative to the medical center or affiliation agreement.



Keith Faber  
Auditor of State

Columbus, Ohio

June 22, 2020



**Exhibit 1A (relates to Procedure 1)**  
**Income Statements for The University of Toledo Medical Center (unaudited)**

Amounts in Thousands

# UTMC Income Statement Analysis

	March YTD 2020	2019	2018	2017	2016	2015
<b>Revenue</b>						
Net Patient Revenue	\$ 176,815	\$ 263,981	\$ 279,994	\$ 298,035	\$ 295,410	\$ 283,862
Pharmacy Revenue	18,908	21,950	15,590	9,810	3,608	-
Other Revenue	9,172	10,103	9,893	10,202	11,430	12,644
<b>Total Revenue</b>	<b>204,895</b>	<b>296,034</b>	<b>305,477</b>	<b>318,047</b>	<b>310,448</b>	<b>296,506</b>
<b>Expenses</b>						
Salaries & Benefits	112,015	148,860	152,678	158,988	157,291	149,951
Supplies & Other	105,523	139,850	134,514	134,640	130,877	130,001
Interest	2,546	3,508	3,776	4,064	4,344	4,641
Depreciation	8,594	12,038	13,304	14,510	14,906	15,418
<b>Total Expenses</b>	<b>228,678</b>	<b>304,256</b>	<b>304,272</b>	<b>312,203</b>	<b>307,418</b>	<b>300,011</b>
<b>Operating Margin</b>	<b>(23,783)</b>	<b>(8,222)</b>	<b>1,204</b>	<b>5,845</b>	<b>3,030</b>	<b>(3,505)</b>
<b>Operating Margin %</b>	<b>-11.6%</b>	<b>-2.8%</b>	<b>0.4%</b>	<b>1.8%</b>	<b>1.0%</b>	<b>-1.2%</b>
<b>Adjustments</b>						
Operating Margin	(23,783)	(8,222)	1,204	5,845	3,030	(3,505)
Add Back: Depreciation	8,594	12,038	13,304	14,510	14,906	15,418
Less: Principal	(1,416)	(2,350)	(6,729)	(6,226)	(6,115)	(6,606)
Less: Transfers, Net	-	(6,939)	(10,030)	(11,877)	(14,912)	(14,451)
Less: Capital	(1,374)	(1,543)	(1,288)	(3,500)	(4,884)	-
<b>Adjusted Margin</b>	<b>(\$17,979)</b>	<b>(\$7,016)</b>	<b>(\$3,539)</b>	<b>(\$1,248)</b>	<b>(\$7,975)</b>	<b>(\$9,144)</b>

March 2020 YTD data cannot be annualized due to the significant impact of the COVID pandemic in subsequent months. Amounts are in thousands.



## Exhibit 1B (relates to Procedure 1)

### Revised Income Statements for The University of Toledo Medical Center (unaudited) Amounts in Thousands

# UTMC Income Statement Analysis

	March					
	YTD 2020	2019	2018	2017	2016	2015
<b>Revenue</b>						
Net Patient Revenue	\$ 176,815	\$ 263,981	\$ 279,994	\$ 298,035	\$ 295,410	\$ 283,862
Pharmacy Revenue	18,908	21,950	15,590	9,810	3,608	-
Other Revenue	9,172	10,103	9,893	10,202	11,430	12,644
<b>Total Revenue</b>	<b>204,895</b>	<b>296,034</b>	<b>305,477</b>	<b>318,047</b>	<b>310,448</b>	<b>296,506</b>
<b>Expenses</b>						
Salaries & Benefits	112,015	148,860	152,678	158,988	157,291	149,951
Supplies & Other	105,523	139,850	134,514	134,640	130,877	133,001
Interest	2,546	3,508	3,776	4,064	4,344	4,641
Depreciation	8,594	12,038	13,304	14,510	14,906	15,418
<b>Total Expenses</b>	<b>228,678</b>	<b>304,256</b>	<b>304,272</b>	<b>312,202</b>	<b>307,418</b>	<b>303,011</b>
<b>Operating Margin</b>	<b>(23,783)</b>	<b>(8,222)</b>	<b>1,205</b>	<b>5,845</b>	<b>3,030</b>	<b>(6,505)</b>
<b>Operating Margin %</b>	<b>-11.6%</b>	<b>-2.8%</b>	<b>0.4%</b>	<b>1.8%</b>	<b>1.0%</b>	<b>-2.2%</b>
<b>Adjustments</b>						
Operating Margin	(23,783)	(8,222)	1,205	5,845	3,030	(6,505)
Add Back: Depreciation	8,594	12,038	13,304	14,510	14,906	15,418
Add: UTMAC Dividend	-	7,100	4,450	-	-	3,000
Less: Principal	(1,416)	(2,350)	(6,729)	(6,226)	(6,115)	(6,606)
Less: Transfers, Net	-	(6,939)	(10,030)	(11,877)	(14,912)	(14,451)
Less: Capital	(1,374)	(1,543)	(1,288)	(3,500)	(4,884)	-
<b>Adjusted Margin</b>	<b>(\$17,979)</b>	<b>\$84</b>	<b>\$912</b>	<b>(\$1,248)</b>	<b>(\$7,975)</b>	<b>(\$9,144)</b>

March 2020 YTD data cannot be annualized due to the significant impact of the COVID pandemic in subsequent months. Amounts are in thousands.



Create Opportunities

## Exhibit 2 (relates to Procedure 2)

### Schedule of Annual Affiliation Agreement Payments Related to ProMedica (unaudited)

Amounts in Thousands

# Schedule of Annual Affiliation Agreement Payments

	March				
	YTD 2020	2019	2018	2017	2016
Revenue Recognized by the College of Medicine	\$ 28,957	\$ 32,004	\$ 20,000	\$ 12,500	\$ -
Revenue Recognized by the University	-	-	-	-	40,000
Requirement Payments under the Agreement	33,750	35,000	20,000	12,500	40,000
Deficiency	\$ (4,793)	\$ (2,996)	\$ -	\$ -	\$ -

Under the agreement, \$45M was to be received for fiscal 2020 but the University is anticipating the 2020 payment will be \$38.6M based on the cumulative number of residents transferred to ProMedica resulting in a deficiency of \$6.4M. The deficiency in the 2019 payment is also due to fewer cumulative residents transferred to ProMedica as compared to the agreement. The College of Medicine utilized the funds for faculty, faculty recruitment, training and other costs.



**Exhibit 3 (relates to Procedure 3)**  
**Income Statements for The UT College of Medicine and Life Sciences (unaudited)**  
**Amounts in Thousands**

# College of Medicine Income Statement

	March YTD					
	2020	2019	2018	2017	2016	2015
<b>Operating Revenues</b>						
Student Tuition and Fees	\$ 35,238	\$ 34,898	\$ 34,257	\$ 35,794	\$ 37,440	\$ 37,455
Direct Student Fees	870	1,006	832	819	761	541
Academic Affiliation Agreement	28,957	32,004	20,000	12,500	-	-
Residency Reimbursement	21,685	19,031	14,116	10,585	9,179	8,713
Grant Indirect Cost Recovery and Other	3,088	4,351	3,844	3,880	4,293	5,455
Private Gifts, Grants & Contracts Operating	387	1,252	1,193	1,642	1,759	1,592
Sales and Services	93	256	203	189	150	-
<b>Total Operating Revenues</b>	<b>90,318</b>	<b>92,798</b>	<b>74,445</b>	<b>65,409</b>	<b>53,582</b>	<b>53,756</b>
<b>Operating Expenses</b>						
Salaries and Wages	47,289	52,032	46,529	42,997	40,757	42,416
Benefits	16,639	17,346	15,047	13,347	12,135	12,076
Outside purchased services	8,849	18,075	17,625	15,973	9,607	8,194
Scholarships & Fees	1,969	2,499	2,074	1,973	1,877	1,134
Supplies	1,888	2,935	2,155	2,378	2,126	2,099
Travel & entertainment	1,174	2,059	1,545	1,826	1,619	1,341
Information and Communication	857	1,065	952	1,073	830	786
Occupancy	435	264	142	78	134	60
Provision for Bad Debt	4	6	22	-	-	-
<b>Total Operating Expenses</b>	<b>79,104</b>	<b>96,281</b>	<b>86,091</b>	<b>79,645</b>	<b>69,085</b>	<b>68,106</b>
<b>Net Operating before Nonoperating and Transfers</b>	<b>11,214</b>	<b>(3,483)</b>	<b>(11,646)</b>	<b>(14,236)</b>	<b>(15,503)</b>	<b>(14,350)</b>
<b>Nonoperating Revenues/(Expenses)</b>						
State Grants and Contracts Non Operating	4,716	6,521	6,659	6,999	6,979	6,992
Other Non-operating	(1)	(14)	-	-	-	-
<b>Total Nonoperating Revenues</b>	<b>4,715</b>	<b>6,507</b>	<b>6,659</b>	<b>6,999</b>	<b>6,979</b>	<b>6,992</b>
<b>Net Transfers In (out)</b>	<b>(2,222)</b>	<b>1,545</b>	<b>12,108</b>	<b>8,209</b>	<b>14,942</b>	<b>11,926</b>
<b>Net Income</b>	<b>\$ 13,707</b>	<b>\$ 4,569</b>	<b>\$ 7,121</b>	<b>\$ 972</b>	<b>\$ 6,418</b>	<b>\$ 4,568</b>



OHIO AUDITOR OF STATE  
**KEITH FABER**



**UNIVERSITY OF TOLEDO**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 22, 2020**