



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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18-12 UC Health Contract Compliance

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Purpose

The purpose of this audit was to determine whether the City and the University of Colorado Health System (UC Health) complied with the terms of the lease agreement related to Memorial Health System. At the time of the lease, UC Health agreed to provide funding for various purposes that were specified in the agreement. The purpose of this audit included confirming that funding has occurred as specified during the first five years of the lease.

Conclusion

We conclude that UC Health and the City of Colorado Springs have complied with key contractual requirements as defined in the Integration and Affiliation Agreement and Health System Operating Lease. We conclude that funding has occurred as specified during the first five years of the lease agreement.

Background

The City of Colorado Springs entered into a voter approved 40 year operating lease agreement with the University of Colorado Health System for the independent operation and management of Memorial Health System. The parties agreed to an arrangement in which the City would lease Memorial Health System facilities and transfer its operating assets to the University of Colorado Health System and related parties. An Integration and Affiliation Agreement along with the Health System Operating Lease were entered into as of July 2, 2012 by the City of Colorado Springs and University of Colorado Health, a nonprofit corporation. UC Health began operating Memorial Health System on October 1, 2012. All Memorial Health System employees became employees of UC Health.

To accomplish our audit objectives, we reviewed the Integration and Affiliation Agreement as well as the Health System Operating Lease to identify the primary financial obligations and other significant contractual requirements. We reviewed financial transactions and related documents to confirm compliance with the following requirements:

- Monthly support payments from UC Health to the University of Colorado School of Medicine
- Monthly lease payments from UC Health to the City of Colorado Springs
- Margin sharing payments to the City of Colorado Springs
- Capital improvements by UC Health
- Transfer of funds from the City of Colorado Springs to the Colorado Springs Health Foundation
- Covenants pertaining to community outreach and maintenance of purpose

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors.