

# STATE OF CONNECTICUT

**AUDITORS' REPORT  
BOARD OF TRUSTEES FOR THE  
CONNECTICUT STATE UNIVERSITY  
CENTRAL CONNECTICUT STATE UNIVERSITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**AUDITORS OF PUBLIC ACCOUNTS  
KEVIN P. JOHNSTON ♦ ROBERT G. JAEKLE**

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April 17, 2002

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**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

We have examined the financial records of Central Connecticut State University (University) for the fiscal year ended June 30, 2000.

Financial statement presentation and auditing are being done on a Statewide Single Audit basis to include all State agencies. This audit has been limited to assessing the University's compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating the University's internal control structure policies and procedures established to ensure such compliance.

This report on that examination consists of the Comments, Condition of Records, Recommendations and Certification that follow.

**COMMENTS**

**FOREWORD:**

Central Connecticut State University is one of four institutions that collectively form the Connecticut State University, and is responsible to the Board of Trustees for the Connecticut State University, a constituent unit of the State system of higher education. The University is located in New Britain, Connecticut.

The University operates primarily under the provisions contained in Sections 10a-87 through 10a-101 of the General Statutes. Dr. Richard L. Judd served as President of Central Connecticut State University during the audited period.

**Recent Legislation:**

The following notable legislative changes took effect during or around the audited period:

Public Act 99-285, Section 8, codified as Section 10a-99a, subsection (a), of the General Statutes, revamps the distribution of the State endowment fund matching grants for the Connecticut State University (CSU) system and its individual institutions. Section 9, codified as Section 4-37f, subsection (9)(D) of the General Statutes, requires CSU endowments to adhere to investment and spending policies that conform to the prudent investor standards of the Connecticut Uniform Management of Funds Act. Section 11, codified as Section 10a-151b, subsection (b), of the General Statutes, gives public higher education constituent unit and institution heads more flexibility when they purchase equipment, supplies, and contractual services, allowing them to use competitive negotiations and raising the minimum cost thresholds over which competitive bidding or competitive negotiations are required. This act was effective on July 1, 1999.

Public Act 00-187, Section 24, codified as Section 10a-20a, subsection (c), of the General Statutes, increased the maximum State matching grant for CSU endowed chairs from \$750,000 to \$1,000,000, effective on May 26, 2000.

Public Act 00-204, Section 11, codified as Section 10a-99, subsection (d), of the General Statutes, requires CSU to waive tuition for dependent children of any State or municipal employee killed in the line of duty. This Section was effective June 1, 2000.

**Enrollment Statistics:**

Enrollment statistics compiled by the University showed the following enrollments for full-time and part-time students during the audited period and the preceding fiscal year:

	<u>Fall 1998</u>	<u>Spring 1999</u>	<u>Fall 1999</u>	<u>Spring 2000</u>
Full-time undergraduate	5,939	5,452	6,207	5,737
Full-time graduate	<u>483</u>	<u>427</u>	<u>513</u>	<u>484</u>
	<u>6,422</u>	<u>5,879</u>	<u>6,720</u>	<u>6,221</u>
Part-time undergraduate	3,214	3,118	3,057	2,949
Part-time graduate	<u>2,050</u>	<u>2,288</u>	<u>2,126</u>	<u>2,079</u>
	<u>5,264</u>	<u>5,406</u>	<u>5,183</u>	<u>5,028</u>
	<u>11,686</u>	<u>11,285</u>	<u>11,903</u>	<u>11,249</u>

As reflected above, total enrollment remained relatively stable during the audited period, although there was a slight increase in full-time enrollment and slight decrease in part-time enrollment, when comparing the audited period to the preceding fiscal year.

**RÉSUMÉ OF OPERATIONS:**

Operations of the University were primarily supported by appropriations from the State's General Fund and by tuition and fees credited to the University Operating Fund. During the 1999-2000 fiscal year, a General Fund appropriation was not made to the University directly. Rather, a General Fund appropriation for the entire Connecticut State University (CSU), primarily for personal services and related fringe benefits, was made available to the System's Central Office, where allocations of this amount were calculated, and transfers of these funds were made periodically to the campuses' Operating Funds.

This report also covers the operations of the University's two fiduciary funds, the Student Activity Fund and the Institutional General Welfare Fund.

**Operating Fund:**

Receipts of the Operating Fund, as reflected on the records of the State Comptroller, during the audited period and the preceding fiscal year are shown below.

	<u>1998-1999</u>	<u>1999-2000</u>
Miscellaneous educational fees	\$34,889,389	\$36,882,540
Federal aid-miscellaneous	17,483,490	20,317,626
Miscellaneous private donations	2,923,783	3,310,531
Sale of property	9,050	4,475
Refunds of expenditures	196,681	217,667
Other grants and transfers-restricted	<u>51,376,158</u>	<u>59,546,558</u>
Total receipts	<u><b>\$106,878,551</b></u>	<u><b>\$120,279,397</b></u>

As shown above, receipts for Operating Fund accounts totaled \$120,279,397 for the fiscal year ended June 30, 2000, compared to \$106,878,551 for the fiscal year ended June 30, 1999. The increase of \$13,400,846 in the 1999-2000 fiscal year was mainly within the receipts category of Other grants and transfers—restricted, a category largely made up of General Fund appropriation transfers from the CSU central office to the University's Operating Fund. The CSU central office received a larger appropriation in the audited period, compared to the preceding fiscal year, to cover an additional pay-period. Furthermore, the State legislature granted a supplemental appropriation to CSU to offset a tuition freeze as shown below. The University's portion of the allotment was \$2,175,922.

The following summary shows annual tuition charges for full-time students set by the Board of Trustees for the Connecticut State University during the audited period and the preceding fiscal year.

	<u>1998-1999</u>	<u>1999-2000</u>
Undergraduate:		
In-State	\$ 2,062	\$ 2,062

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Out-of-State	6,674	6,674
Graduate:		
In-State	2,568	2,568
Out-of-State	7,156	7,156

Besides full-time tuition, Operating Fund receipts included student payments for continuing education course programs and summer session courses. In addition, the Operating Fund was used to account for income derived from auxiliary activities and business operations, such as dormitories and dining facilities. Receipts generated by the General Fee, which is set annually by the Board of Trustees for the Connecticut State University, were also credited to the Operating Fund. Also, the State University fee, fixed by the Board of Trustees under authority granted in Section 10a-99 of the General Statutes, was assessed on all full-time students during the audited period and accounted for within the Operating Fund. Furthermore, the Information Technology fee was assessed on all full-time students and included in the Operating Fund receipts.

The following summary shows the annual General, State University, and Information Technology fee during the audited period and the preceding fiscal year.

	<b><u>1998-1999</u></b>	<b><u>1999-2000</u></b>
General Fee:	775	850
University Fee:		
In-State	615	637
Out-of-State	1,512	1,565
Information Technology Fee:	120	125

Expenditures of the Operating Fund, as recorded by the State Comptroller during the audited period and the preceding fiscal year, are shown below.

	<b><u>1998-1999</u></b>	<b><u>1999-2000</u></b>
Personal services	\$55,262,720	\$60,661,314
Contractual services	15,375,306	15,413,517
Commodities	2,127,363	2,400,370
Revenue refunds	6,866,174	-
Sundry charges	16,586,516	28,258,574
Land	661,468	1,116,341
Equipment	2,716,793	3,698,437
Buildings and improvement	<u>202,604</u>	<u>1,166,463</u>
Total Expenditures	<b><u>\$99,798,944</u></b>	<b><u>\$112,715,016</u></b>

Expenditures from Operating Fund accounts totaled \$112,715,016 for the audited period, and were primarily for personal services and employee fringe benefits, various University operating costs and equipment. The increase of \$5,398,594 for personal services in the 1999-2000 fiscal year was primarily the result of an additional payroll period, which occurs every ten years. There were 27 pay periods in the audited period, compared to 26 in the preceding fiscal year. The category of sundry charges increased by \$11,672,058 primarily due to an accounting adjustment in the 1999-2000 fiscal year. The adjustment included items that were not previously recorded as sundry charges in the previous year. During the 1998-1999 fiscal year the sub-category of student grants and aid was understated due to a programming error. The program that was used to compile these figures only included physical checks and did not include internal payments or transfers. According to a University official, the decrease in the category of revenue refunds was primarily the result of a coding change. In the 1999-2000 fiscal year, the University began to code revenue refunds to the Operating Fund category of miscellaneous educational fees.

**Grants Fund:**

The University accounted for certain grants, other than Federal, in the Inter-agency/Intra-agency Grants - Tax-Exempt Proceeds Fund. This fund was used to record receipts and disbursements related to grant transfers financed by State of Connecticut tax-exempt bonds in accordance with Sections 3-24a through 3-24h of the General Statutes.

Receipts of the fund totaled \$7,413,314 during the fiscal year ended June 30, 2000, and consisted primarily of transfers of funds from the Department of Public Works. Grant expenditures totaled \$4,401,693 during the audited year. The major portion of expenditures during the audited period was coded to general plant equipment and institution buildings.

**State Capital Projects:**

Capital project fund expenditures during the fiscal year ended June 30, 2000, totaled \$29,329,341, and included transfers from the Department of Public Works that were charged to the University's capital project funds and credited to the Inter-agency/Intra-agency Grants - Tax Exempt Proceeds Fund.

Expenditures were primarily for the construction of new buildings and facilities on campus and for the renovation and improvement of existing structures. The most significant capital project during the audited period was the development of a facility for the School of Business.

**Fiduciary Funds:**

During the audited period, the University was responsible for the operation of a Student Activity and Institutional General Welfare Fund. The descriptions of each fund and its corresponding balances, as prepared by the University, are as follows:

**Student Activity Fund:**

Established and operated under the provisions of Sections 4-52 through 4-55 of the General

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Statutes, the Student Activity Fund is used for the benefit of the student body and contains accounts whose funds are largely under the control of the University's Student Government Association (SGA). During the audited period, the SGA consisted of students elected or appointed to its legislative, executive, and judicial branches and also included one appointed faculty member.

Revenues during the audit period totaled \$1,088,103. Revenues consisted primarily of student activity fees and funds raised from various student functions and activities.

Expenditures for the same period totaled \$980,128. Expenditures charged to this fund supported the student organizations and their related activities. These were coded primarily to contractual services.

### **Institutional General Welfare Fund:**

The Institutional General Welfare Fund operated under the provisions of Sections 4-56 and 4-58 of the General Statutes. The fund was established to record the financial activities of any gifts, donations or bequests, including scholarships made to benefit students of the University.

Revenues during the audit period totaled \$454,871. A major source of revenues was scholarship funds.

Expenditures for the same period totaled \$378,220. Expenditures were primarily coded to grants and financial aid and disbursed in the form of scholarships.

### **CCSU Foundation, Inc.:**

The CCSU Foundation, Inc. (Foundation) is a private nonstock corporation established to secure contributions, bequests and donations from private sources for the purposes of support, promotion and improvement of the educational activities of Central Connecticut State University.

Sections 4-37e through 4-37j of the General Statutes set requirements for organizations such as the Foundation. The requirements include and deal with the annual filing of an updated list of board members with the State agency for which the foundation was set up, financial record keeping and reporting in accordance with generally accepted accounting principles, financial statement and audit report criteria, written agreements concerning use of facilities and resources, compensation of State officers or employees and the State agency's responsibilities with respect to foundations.

An audit of the books and accounts of the Foundation was performed by an independent certified public accounting firm for the fiscal year ended June 30, 2000, in accordance with Section 4-37f, subsection (8) of the General Statutes. Their report disclosed no material inadequacies in Foundation records and indicated compliance, in all material respects with Sections 4-37e through 4-37i of the General Statutes.



## CONDITION OF RECORDS

Our review of the financial records of Central Connecticut State University revealed certain areas requiring attention, as discussed in this section of the report.

### **Internal Control over Student Payroll**

*Background:* Our testing of payments to student employees has revealed a breakdown in internal control over payments made to students for work performed. The examination disclosed the following:

*Criteria:* University policy prohibits student employees from working during their scheduled class times. Such conflicts could negatively impact both performance and academic achievement.

*Condition:* Our review of 15 student workers revealed that five showed conflicts between their work and class schedules.

*Effect:* These conditions lessen the University's assurance that a student is not working during scheduled class times.

*Cause:* With respect to the cases cited, established control procedures in the area of supervisory review and approval were not adequately carried out.

*Recommendation:* The University should take steps to improve internal control procedures established to assure that a student's work and class schedule are not in conflict. (See Recommendation 1.)

*Agency Response:* "The University agrees. University policies are clear. The University requires all supervisors to sign a certification form for each student they employ. One of the statements on the certification form that the supervisor must agree to is as follows: "I have verified that the student's work and class schedules are not in conflict with each other." Further, in Fall, 2001 a notice was sent to all student employee supervisors reminding them that they may not allow students to work during their scheduled class times. Exceptions to the policy, e.g. class was cancelled, must be documented and kept on file until payroll records are audited."

### **Compensatory Time**

*Criteria:* Management is responsible for establishing effective internal controls to assure that compensatory time record keeping is in compliance with laws, regulations, and collective bargaining agreements.

*Condition:* The Personnel Department's record keeping and monitoring of compensatory time needs improvement. From a sample of 15 employees'

accruing compensatory time, we found errors in the records of ten different employees. The deficiencies included inaccuracies of recorded data on bi-weekly attendance records, time and attendance reports, compensatory time balance sheets, and compensatory time reporting forms.

*Effect:* Internal controls over compensatory time are weakened. In addition, the University may not be in compliance with applicable bargaining agreement provisions pertaining to compensatory time.

*Cause:* Internal control policies were not being followed.

*Recommendation:* The University should monitor and improve controls over the record keeping of compensatory time. In addition, the Personnel Department should perform a current review of its employees' compensatory time records to ensure that the balances are accurate, complete and in agreement with the bi-weekly attendance report and compensatory time reporting form. (See Recommendation 2.)

*Agency Response:* "The University agrees. In FY01 the Personnel Office began periodic self-audits of compensatory time records to address reported errors. The attendance clerk's work has been more closely monitored and repeated instructions provided regarding review of compensatory time reports. In addition, the Personnel Office has also implemented numerous corrective actions to minimize inaccuracies of recorded data in all time and attendance areas.

The Personnel Department continues to work actively on the implementation of the Banner Time and Attendance module. Once in place senior managers and supervisors will be re-educated on the policies and contractual obligations regarding accrual, reporting and use of compensatory time."

### **Internal Control over Payroll**

*Background:* Our testing of payroll has revealed a breakdown in internal control over personal service expenditures at several University departments. The examination disclosed the following:

*Criteria:* A key control over personal service expenditures is that hours worked should be evidenced by a positive-type time report, which contains a signature documenting supervisory review. For the key control to be effective, the attendance reports should be submitted and reviewed in a timely manner by appropriate personnel.

*Condition:* We found that several University departments were submitting their bi-weekly attendance reports in an untimely manner.

*Effect:* The late submission of bi-weekly attendance reports precludes a timely review by the Personnel Department and may result in unauthorized payments.

*Cause:* Internal control policies were not being followed.

*Recommendation:* The University should monitor and review the bi-weekly submission of attendance reports in a timely manner. (See Recommendation 3.)

*Agency Response:* “The University agrees. In spite of repeated reminders to University departments by Personnel Office staff, some departments have been chronically tardy and supervisory oversight at the departmental level lax. The Chief Personnel Officer has elevated the concern about and attention to this matter by briefing the University’s Executive Committee on several occasions. In addition, bi-weekly reports of departmental attendance submission are produced. Vice Presidents and Senior Officers are informed of tardy reports so that follow up and accountability issues are addressed. The President has also repeatedly endorsed and underscored the importance of timely submission of time sheets to senior management. With these actions, the University believes the problem has been corrected. The Personnel Office will, however, continue to review and monitor the submission of attendance reports in a timely manner and is document its monitoring efforts.”

**Purchasing Compliance Issue:**

*Criteria:* Section 10a-151b of the General Statutes governs the purchase of equipment, supplies, contractual services, and execution of personal service agreements by constituent units of higher education. Section 10a-151b, subsection (b), mandates a formal competitive bidding process whenever the expenditure is estimated to exceed \$50,000. The formal process requires that competitive bids be solicited by public notice inserted at least once in two or more publications, at least one of which shall be a major daily newspaper published in the State and shall be posted on the Internet, and at least five calendar days before the final date of submitting bids or proposals.

*Condition:* We noted eight instances, where the University could not document that bid proposals for purchases exceeding \$50,000 were publicly advertised on the Internet in accordance with provisions set forth in the General Statutes.

*Effect:* The condition lessens the assurance that the General Statutes were fully complied with.

*Cause:* The University did not maintain evidence to document compliance with the General Statutes.

*Recommendation:* The University should take the necessary steps to document compliance with Section 10a-151b of the General Statutes. (See Recommendation 4.)

*Agency Response:* “The University has implemented the recommendation and is now in compliance. Procedures are in place to document compliance with the statute. All formal bids (over \$10,000) are posted on the Internet on the CCSU Purchasing Department's "Current Bids" page the day the bid is issued. The Purchasing Director maintains a notebook of "print screen" copies of that Internet page whenever a bid is added or has expired.”

### **Internal Control over Purchasing**

*Background:* The University’s Purchasing Department is responsible for verifying that purchases are coded to the appropriate expenditure classification.

The University’s Facilities Management Department is responsible for inventory control. The Inventory Control Unit is responsible for the maintenance of capital assets, which includes the physical tagging of equipment when received and conducting the annual physical inventory. The Inventory Control Unit, independent of the Purchasing Department, determines if an equipment item is capital in nature based upon the monetary value of the asset.

*Criteria:* The State of Connecticut’s Property Control Manual has established a statewide policy for the capitalization of assets controlled by agencies. The Manual states that capital outlays are all items of equipment with a value of \$1,000 or more and a useful life of one year or more.

*Condition:* The University’s Purchasing Department classification of a capital outlay is not always in agreement with the Inventory Control Unit’s determination. The differences were not reconciled during the audited period.

*Effect:* The condition lessens the assurance that the amounts recorded in the University’s accounting system are in agreement with that recorded in the fixed asset system.

*Cause:* The University Purchasing Department and Inventory Control Unit were using different criteria in determining the definition of a capital asset.

*Recommendation:* The University should take the necessary steps to ensure that the purchases of capital equipment are coded to the appropriate expenditure coding. In addition, any variances between the amounts recorded in the

accounting system and the fixed asset tracking system should be reconciled. (See Recommendation 5.)

*Agency Response:* “The University is now in compliance. In FY01 the Property & Inventory Control Unit began reconciling the asset capitalization on a monthly basis between the Banner Financial System and the fixed asset tracking system. This reconciliation is primarily based upon an equipment report that details all invoices and their applicable purchase orders that are charged to the various capital expense codes for that period. Starting in February 2002 the Banner Fixed Asset module will be in use. This module will capitalize and depreciate those items coded to appropriate expenditure categories. This data will then be automatically fed to the general ledger when the appropriate process is executed.”

**Equipment Inventory:**

*Criteria:* Accurate inventory records are an integral part of internal control. Reconciliation of the amount expended for equipment to the change in the inventory record balance is an important facet of the control structure. The State of Connecticut’s Property Control Manual provides additional guidance in this area.

*Conditions:* Our current audit examination of the University's property control system revealed the following:

From a sample of 25 equipment items purchased during the audited period, we found two items in locations contrary to what was reported on the property control records. One item was recorded on the property control records with the wrong barcode and cost.

For 13 of 40 equipment items selected from the property control records, we found inaccuracies and other control weaknesses. Exceptions noted included the following. In two cases, equipment items could not be located. In eight cases we found items in locations contrary to what was reported on the property control records. In two cases, items were not tagged. In another case, an item was improperly disposed of.

From a sample of 25 equipment items identified by a random inspection of the premises, we found six items in locations contrary to what was reported on the property control records.

From a sample of 15 items that were reported as deletions on the annual Fixed Assets/Property Inventory Report (CO-59), we found one donated equipment item that was missing the required liability waiver. In addition, an item that was reported as missing was located.

The University does not regularly reconcile the amount expended for

equipment and supplies to the change in the inventory record balances.

*Effect:* The conditions described above weaken internal control over equipment.

*Cause:* Internal control policies were not being followed.

*Recommendation:* Control over the University's equipment inventory should be improved. (See Recommendation 6.)

*Agency Response:* "The University agrees. Beginning in FY01, the University has taken steps to improve controls over Equipment Inventory and to ensure that all University Departments are following established policies and procedures. Specifically, the following actions have been taken:

- Developed, documented and distributed a strengthened physical inventory policy and procedure for all University faculty and staff.
- Conducted an asset management seminar for department heads and liaisons.
- Obtained commitments from all department heads to ensure the completeness of their respective inventory records. Each department has identified a liaison who is responsible for filling out transfer forms for the movement, surplus and disposal of any equipment.
- Performed periodic spot checks of the inventory records.
- Developed a monthly reconciliation of new equipment acquisitions between the Banner General Ledger and the physical inventory subsidiary records."

### **Information Systems Access Privileges:**

*Background:* Our review of the University's information systems included the examination of access privileges of the NT Network, the mainframe (VAX), and Connecticut State University Student Information System (CSUSIS).

*Criteria:* In order to ensure system integrity, all computer access should be disabled immediately upon the separation of an employee.

*Condition:* We compared user access reports of the various information systems to the University's Personnel/Payroll System in order to determine if an employee's account was disabled after his or her separation from the University. Our review revealed that the following accounts were not deactivated after being separated:

From a sample of 25 employees with access to the NT Network, we found twelve who retained access privileges.

From a sample of 25 employees with access to CSUSIS, we found eight who retained access privileges.

From a sample of 25 employees with access to the VAX, we found ten who retained access privileges.

*Effect:* Internal control over the University's electronic data processing systems was weakened.

*Cause:* It appears that those responsible for disabling separated employees' computer accounts are not being notified of separations or are not taking action upon notification.

*Recommendation:* The University should review the current list of users for all information systems to make sure that it only contains active employees. In addition, the University should ensure that computer access is disabled immediately upon an employee's separation from the Agency. (See Recommendation 7.)

*Agency Response:* "The University agrees and the issues above have been addressed and corrected as follows:

1. The Information Technology Services (ITS) Department is working with the Personnel Office to formalize the notification process of employee termination and position transfers. There are often many personnel and contractual complexities involved with employee separations, which sometimes delays final notification to the ITS Department. Policy and procedural guidelines will be in place by 12/31/01. Once the ITS Department receives notification of an employee termination or transfer, the employee's account will be either inactivated or transferred to the appropriate office.
2. A memorandum has been prepared for senior managers listing employee access to administrative systems and requesting the information be reviewed and updated. This review will take place on an annual basis and will help the ITS Department ensure that all user accounts are correct and up-to-date. The first review will be distributed by 12/31/01."

### **Software Inventory:**

*Criteria:* The State of Connecticut's Property Control Manual states "a software inventory must be established by all agencies to track and control all of their software media, licenses or end user license agreements, certificates of authenticity, documentation and related items." The Manual further states that "each agency will produce a software inventory report on, at

minimum, an annual basis... A physical inventory of the software library, or libraries, will be undertaken by all agencies at the end of each fiscal year and compared to the annual software inventory report. This report will be retained by the agency for audit purposes.”

*Condition:* The University does not maintain a software inventory that tracks and controls all of its software media, licenses or end user license agreements, certificates of authenticity, and other related items. Furthermore, the University does not conduct a physical inventory of software on an annual basis.

*Effect:* The University is not in compliance with software inventory requirements contained in the State of Connecticut’s Property Control Manual.

*Cause:* The University does not currently have a policy requiring individual departments purchasing software to notify a designated responsible person of such purchase. Therefore, it is difficult to maintain a centralized software inventory.

*Recommendation:* Control over the University’s software should be improved by establishing procedures designed to ensure compliance with the State of Connecticut’s Property Control Manual. (See Recommendation 8.)

*Agency Response:* “The University agrees. CCSU is working with the CSU system office to develop and implement property control policies and procedures to include the inventory of software (value greater than \$1,000) on all university servers.

In regard to software inventory on individual PC/workstations ITS currently tracks software that each machine was deployed with and will continue to build tracking systems that provide for reporting of this data. Policies and procedures are also necessary to track individual/department software purchases in order to better comply with software inventory requirements contained in the State of Connecticut’s Property Control Manual. These and other policy matters are being addressed with the creation of the University's IT strategic plan that will be completed by 4/30/02.”

### **Internal Control over Receipts**

*Background:* Our review of the processing of receipts included the examination of monies received by student activity clubs/groups. The examination disclosed the following:

*Criteria:* Sound internal control procedures call for the maintenance of records of monies received, including documentation of receipt date. A reconciliation



between the amounts received, deposited and recorded in the accounting system will ensure that any differences will be discovered.

*Condition:* There were no records/logs of monies received at the various student activity clubs and organizations. In addition, there is no reconciliation of deposited monies.

*Effect:* Internal controls are weakened. Moreover, we could not determine with certainty how long monies were held pending deposit. This condition also increased the risk of loss or theft of funds.

*Cause:* Adequate internal controls were not in place.

*Recommendation:* Receipts should be recorded at all locations where received in order to improve internal control and to assure compliance with the prompt deposit requirements of Section 4-32 of the General Statutes. Procedures should be developed which specify how student activity clubs/groups are to document the receipt, deposit and reconciliation of receipts. (See Recommendation 9.)

*Agency Response:* “The University agrees. Receipting of monies for all Student Activity Clubs/Groups is a challenge and dependent upon student leadership and membership. The CENtix (Box Office) operation manages all big ticket organizational trips and event admissions. For all other student-run events generating revenue, e.g. bake sales, candy sales, a Cash Recording Sheet will be developed to record items and quantity of sales for record and deposit.”

## **Central Recorder**

*Background:* The Student Activity Fund publishes a student newspaper, the *Central Recorder*, which generates revenue from advertising. The gross advertising revenue during the audited period was approximately \$60,000.

*Criteria:* Section 4-54 of the General Statutes states that the management of local fund activities shall be under the supervision of the administrative head of the University.

Sound internal control procedures require that significant financial operations be documented by formal written policies and procedures.

*Condition:* We reviewed the detail of five newspaper issues published during the audited period. Our examination revealed the following:

There were 63 local vendor advertisements that were not prepaid in accordance with the newspaper’s informal policies.

There were fourteen local advertisements that did not agree with the established rate schedule. Three vendors received a larger discount than they were entitled to. In addition, we were unable to re-calculate the cost of one advertisement and ten classified ads.

Three local vendor's accounts have outstanding balances from October 1999, February 2000, and May 2000. One of these local vendors operates a service-based business on the campus.

*Effect:* Internal control over the financial activity of the *Central Recorder* is weakened.

*Cause:* Informal policies and procedures were not being followed.

*Recommendation:* The management of the *Central Recorder* should develop formal written financial policies and procedures covering its operation. In addition, the staff of the newspaper should be properly trained in carrying out those policies and procedures. (See Recommendation 10.)

*Agency Response:* "The University agrees. Student Affairs staff will prepare written financial policies and procedures covering the solicitation, sales, deposit, recording, and reconciliation of campus newspaper advertisement revenue and commissions and will train student newspaper staff."

## **Local Fund Expenditures**

*Background:* Our review of local fund expenditures included the examination of five local fund governing bodies, namely the Student Government Association, Graduate Student Association, Student Union Board of Governors, Program Council, and Residence Life. The examination disclosed the following:

*Criteria:* Sections 4-52 through 4-55 of the General Statutes set guidelines for establishment and operation of institutional activity funds and authorize the State Comptroller to approve the establishment of such funds in accordance with procedures she prescribes.

In addition to the State guidelines prescribed in the Comptroller's *Activity and Welfare Funds Accounting Procedures Manual*, the University has established its own procedures to govern each of the respective local fund governing bodies.

*Conditions:* Our testing of 25 expenditures from these five local fund entities revealed the following:

- In eight cases, there was no purchase requisition on file.

- In four cases, there was no purchase order on file.
- In four cases, there was no evidence that competitive bidding procedures were followed.
- In one case, the number of participants attending an event did not match the number of tickets paid for.
- In one case, the purchase order was authorized after the services had been performed. In addition, the payment exceeded the amount approved on the purchase order.
- In one case, the date on the purchase order, vendor invoice, and receiving report is the same.
- In another case, there was no student list documenting which students were provided with the service.

*Effect:* The University was not in compliance with its established policies and procedures. This weakens internal control.

*Cause:* Internal control policies were not being followed.

*Recommendation:* The University should comply with its established local fund policies and procedures and improve internal control over the purchasing process. (See Recommendation 11.)

*Agency Response:* “The University agrees. Student Affairs staff will enhance training and oversight efforts to assure compliance with current purchasing policies and procedures. Efforts to work more closely with the University Purchasing Department and to implement E-commerce practices are expected to help students with compliance efforts.”

**Other Audit Examination:**

In recent years the Board of Trustees of the Connecticut State University has entered into agreements with a public accounting firm to conduct certain auditing and consulting services on an annual basis, including an audit of the combined financial statements of the Connecticut State University System. As part of its audit work, the firm has made an annual study and evaluation of the system’s internal controls to the extent deemed necessary to express an audit opinion on the financial statements. Certain matters involving internal controls have been included in an annual *Report to Management* accompanying the audited financial statements.

The areas pertaining to Central Connecticut State University as set forth in the *Report to Management* relating to the 1999-2000 fiscal year, the most recent report published, are presented below.

- Cash: Cash reconciliation procedures should be formally documented and cross training be provided to others in the Cashier’s Department.

- **Payroll and Disbursements:** The manual attendance system process should be replaced with a computerized system. All clearing accounts should be reconciled on a monthly basis to ensure unidentified amounts are addressed on a timely basis. In addition, these accounts must be zeroed out at year-end.
- **Property Management:** The University should run an exception report or keep an open list of items that still need to be fully entered into the system to ensure amounts and items are accurately recorded. The State and University disposition procedures should be adhered to. The University should implement procedures for handling of incoming assets, fixed asset lease termination, and the accounting for construction in progress. Controls over the movement of fixed assets should be improved. The bar coding process should be automated. In addition, it should reconcile the general ledger with the detail of the fixed assets inventory.
- **Students' Billing:** A person in the business office should be assigned to reconcile student receivables on a quarterly basis. Management should develop formalized policies and procedures for student receivable reserves. In addition, the University should evaluate if the student receivables are collectible by evaluating the amounts in each category along with the collection history.
- **General:** The University should adhere to the guidelines established by the Board for the handling of stock ownership in another entity. In order to ensure compliance with grant contracts, these amounts should be reconciled and settled in a timely manner and formal closing procedures should be developed and followed by the Institute for Industrial and Engineering Technology (IET) and monitored by the Business Office. Management should develop formalized policies and procedures for IET receivable reserves. IET should utilize the BANNER accounting system. The University should consider revising their procurement and payables policies to include on-line purchase requisitions. A complete reassessment of the purchasing authorization process should be conducted to determine that appropriate procedures, flow of information, and levels of review are documented.
- **Information Systems:** The University should strengthen NT Network security controls to require alphanumeric passwords and to limit users to three log-on attempts before they are locked out of the system. Management should implement formal procedures to monitor DEC VAX and network activity to help ensure resources are being utilized efficiently and effectively. Management should develop a formal Information Technology Strategic Plan. IT administrators should be cross-trained in administrative tasks. In addition, Management should consider the establishment of an Internet and Network Support Specialist to minimize the reliance upon one individual. Policies and procedures that notify the security administrator when an employee transfers from one department to another or leaves the University needs to be enforced. Management should develop standard procedures that require department managers to periodically review users' access rights to the department's applications. In addition, management should develop and implement formal procedures to ensure backup tapes are rotated off-site in an environmentally controlled, fireproof storage area. The operability of the air conditioning unit in the computer room should be reviewed.

## RECOMMENDATIONS

### *Status of Prior Audit Recommendations:*

- The University should acquire or develop an automated employee leave and attendance system. A University representative informed us that the BANNER software, which is currently being implemented, would provide an automated system. Therefore, the recommendation is not being repeated.
- The University should monitor and review bi-weekly attendance reports in a timely manner. The recommendation is being repeated with modification. (See Recommendation 3.)
- The University should take steps to improve internal control over payments made to students for work performed. The recommendation is being repeated with modification. (See Recommendation 1.)
- The University should update time and attendance records in a timely manner, especially in cases involving separation. In addition, the University should make efforts to correct the errors noted. Improvement was noted in this area; therefore the recommendation is not being repeated.
- The University should monitor and improve controls over the record keeping of compensatory time. The recommendation is being repeated with modification. (See Recommendation 2.)
- The University should improve internal controls over contractual payroll expenditures in the Athletic Department. Improvement was noted in this area; therefore the recommendation is not being repeated.
- Receipts should be recorded at all locations where received in order to improve internal control and to assure compliance with prompt deposit requirements of Section 4-32 of the General Statutes. The recommendation is being repeated with modification. (See Recommendation 9.)
- The University should comply with its established local fund policies and procedures and improve internal control over the purchasing process. The recommendation is being repeated. (See Recommendation 11.)
- The University should revise its practices and procedures with respect to personal service agreements as necessary to achieve compliance with Federal and State requirements. Improvement was noted in this area; therefore the recommendation is not being repeated.
- Control over the University's equipment inventory should be improved. The recommendation is being repeated. (See Recommendation 6.)

- Control over the University's supplies inventory should be improved. Improvement was noted in this area; therefore the recommendation is not being repeated.
- The University should ensure that computer access is disabled immediately upon an employee's separation from the agency. The recommendation is being repeated with modification. (See Recommendation 7.)
- The University should periodically review reports of expenditures provided by the State Comptroller to ensure that all direct disbursement expenditures have been properly classified in the State's accounting system. The recommendation was implemented; therefore, the recommendation is not being repeated.

*Current Audit Recommendations:*

- 1. The University should take steps to improve internal control procedures established to assure that a student's work and class schedule are not in conflict.**

Comment:

Our review of student workers revealed that conflicts existed between their work and class schedules.

- 2. The University should monitor and improve controls over the record keeping of compensatory time. In addition, the Personnel Department should perform a current review of its employees' compensatory time records to ensure that the balances are accurate, complete and in agreement with the bi-weekly attendance report and compensatory time reporting form.**

Comment:

From a sample of employees' accruing compensatory time, we found a significant number of errors. The deficiencies included inaccuracies of recorded data on bi-weekly attendance records, time and attendance reports, compensatory time balance sheets, and compensatory time reporting forms.

- 3. The University should monitor and review the bi-weekly submission of attendance reports in a timely manner.**

Comment:

We found that several University departments were submitting their bi-weekly attendance reports in an untimely manner.

- 4. The University should take the necessary steps to document compliance with Section 10a-151b of the General Statutes.**

Comment:

Our testing revealed that the University could not document that bid proposals for purchases exceeding \$50,000 were publicly advertised on the Internet in accordance with provisions set forth in the General Statutes.

- 5. The University should take the necessary steps to ensure that the purchases of capital equipment are coded to the appropriate expenditure coding. In addition, any variances between the amounts recorded in the accounting system and the fixed asset tracking system should be reconciled.**

Comment:

The University's accounting records for capital outlays are not always in agreement with the amounts reported in its fixed asset tracking system. The differences were not reconciled during the audited period.

- 6. Control over the University's equipment inventory should be improved.**

Comment:

Our examination of the University's property control system revealed a significant number of inaccuracies and other control weaknesses.

- 7. The University should review the current list of users for all information systems to make sure that it only contains active employees. In addition, the University should ensure that computer access is disabled immediately upon an employee's separation from the Agency.**

Comment:

We found that a significant number of separated employees were listed as having access privileges to the University's information systems.

- 8. Control over the University's software should be improved by establishing procedures designed to ensure compliance with the State of Connecticut's Property Control Manual.**

Comment:

The University does not maintain a software inventory that tracks and controls all of its software media, licenses or end user license agreements, certificates of authenticity, and other related items. Furthermore, the University does not conduct a physical inventory of software on an annual basis.

- 9. Receipts should be recorded at all locations where received in order to improve internal control and to assure compliance with the prompt deposit requirements of Section 4-32**

**of the General Statutes. Procedures should be developed which specify how student activity clubs/groups are to document the receipt, deposit and reconciliation of receipts.**

Comment:

There were no records/logs of monies received at the various student activity clubs and organizations. In addition, there is no reconciliation of deposited monies.

**10. The management of the *Central Recorder* should develop formal written financial policies and procedures covering its operation. In addition, the staff of the newspaper should be properly trained in carrying out those policies and procedures.**

Comment:

We reviewed the detail of five newspaper issues published during the audited period. Our examination revealed that informal policies were not being followed. In addition, the established rate schedule used by the newspaper was not always adhered to.

**11. The University should comply with its established local fund policies and procedures and improve internal control over the purchasing process.**

Comment:

A significant number of expenditure transactions were not processed in compliance with its established policies and procedures.



## INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of Central Connecticut State University for the fiscal year ended June 30, 2000. This audit was primarily limited to performing tests of the University's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the University's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the University are complied with, (2) the financial transactions of the University are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the University are safeguarded against loss or unauthorized use. The financial statement audit of Central Connecticut State University for the fiscal year ended June 30, 2000, is included as a part of our Statewide Single Audit of the State of Connecticut for that fiscal year.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial-related audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether Central Connecticut State University complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grants and to obtain a sufficient understanding of the internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

### **Compliance:**

Compliance with the requirements of laws, regulations, contracts and grants applicable to Central Connecticut State University is the responsibility of the Central Connecticut State University's management.

As part of obtaining reasonable assurance about whether the University complied with laws, regulations, contracts, and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the University's financial operations for the fiscal year ended June 30, 2000, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial or less than significant instances of noncompliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

### **Internal Control over Financial Operations, Safeguarding of Assets and Compliance:**

The management of Central Connecticut State University is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants applicable to the

University. In planning and performing our audit, we considered the University's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the University's financial operations in order to determine our auditing procedures for the purpose of evaluating the Central Connecticut State University's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives.

However, we noted certain matters involving the internal control over the University's financial operations, safeguarding of assets, and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over the University's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the University's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grants. We believe the following findings represent reportable conditions: inadequate controls over the monitoring and reviewing of the submission of bi-weekly attendance reports, inadequate control over receipts with respect to locations other than the Cashier's Office, inadequate controls over the local fund purchasing process, lack of adequate controls over equipment and the fact that all computer access is not always disabled upon an employee's separation.

A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants or the requirements to safeguard assets that would be material in relation to the University's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Agency being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over the University's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. However, we believe that none of the reportable conditions described above is a material or significant weaknesses.

We also noted other matters involving internal control over the University's financial operations and over compliance which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

**CONCLUSION**

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of Central Connecticut State University during the course of our examination.

Walter J. Felgate  
Associate Auditor

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts