

STATE OF CONNECTICUT

**AUDITORS' REPORT
BOARD OF TRUSTEES FOR THE
CONNECTICUT STATE UNIVERSITY
CENTRAL CONNECTICUT STATE UNIVERSITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2002**

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

Table of Contents

INTRODUCTION	1
COMMENTS	1
Foreword	1
Recent Legislation	2
Enrollment Statistics	3
Résumé of Operations	3
Operating Fund	4
Grants – Tax-Exempt Proceeds Fund	6
State Capital Projects	6
Fiduciary Funds	6
Student Activity Fund	6
Institutional General Welfare Fund	7
CCSU Foundation, Inc.....	7
CONDITION OF RECORDS	8
Compensatory Time.....	8
Purchasing Card Program	9
Internal Control over the Purchasing Card	10
Accounts Receivable.....	11
Application Fee Waiver	11
Construction Projects Administered by the University	12
Financial Data Reported to the State Comptroller.....	13
Accounting Control over Receipts.....	14
Local Fund Expenditures	15
Central Recorder	16
Other Audit Examination	18
RECOMMENDATIONS	19
CERTIFICATION	23
CONCLUSION	25

March 12, 2004
AUDITORS' REPORT
BOARD OF TRUSTEES FOR THE CONNECTICUT STATE UNIVERSITY
CENTRAL CONNECTICUT STATE UNIVERSITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2002

We have examined the financial records of Central Connecticut State University (the University) for the fiscal years ended June 30, 2001 and 2002.

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 01-93, codified as Section 10a-155b of the General Statutes, requires that each student who resides in on-campus housing be vaccinated against meningitis as a condition of such residence beginning with the 2002-2003 school year. This act also requires the University to provide information about meningitis to all prospective students and develop procedures for receiving and keeping a record of student vaccination status. This Act is effective from its passage, June 6, 2001.

Public Act 01-141, Section 4, states that upon authorization of the Board of Governors of Higher Education, the Board of Trustees for the Connecticut State University System may establish a five-year program to award education doctoral degrees. This program would be available for students entering from May 1, 2002, until January 30, 2007. Section 5, amends Section 10a-88 of the General Statutes modifying the qualifications for future student members of the Connecticut State University Board of Trustees. The student's term shall terminate if the member ceases to be a matriculating student in good standing, either as a full-time undergraduate student or as a full-time or part-time graduate student, at the State University from which such student member was elected. Section 6 of this Act amends Section 10a-99a, subsection (a), of the General Statutes, revamping the distribution of the State endowment fund matching grants for the Connecticut State University (CSU) System and its individual institutions. These Sections of the Act became effective July 1, 2001.

Section 9 of this Act amended Section 10a-99a of the General Statutes, to allow alumni donations to the foundations of the individual CSU universities, which were made between July 1, 1997 and September 30, 2001, to be retroactively eligible for State matching grants. Section 9 of the Act became effective October 1, 2001.

Public Act 01-165, Section 2, subsection (a), codified as Section 10a-72e of the General Statutes, requires that the constituent units of the State system of higher education, including the Connecticut State University System, develop a plan to ensure that there is unification among their nursing programs to assist nurses in advancing their education and nursing credentials. Subsection (b), requires such boards of trustees to implement the plan not later than July 1, 2004. This Act was effective on July 6, 2001.

Public Act 01-173, Section 31, amended Section 10a-77, subsection (d), of the General Statutes to waive tuition for the dependent children of a volunteer firefighter or supernumerary or auxiliary police officer killed in the line of duty. This Section of the Act is effective from its passage, June 7, 2002.

Public Act 02-107, effective July 1, 2002, amended various sections of the General Statutes to eliminate the terms activity fund and welfare fund and to designate such funds as trustee accounts.

Public Act 02-110, Section 1, codified as Section 19a-342, subsection (b), of the General Statutes, prohibits smoking in public university dormitories. This Act was approved June 6,

2002, with an effective date of July 1, 2003.

Public Act 02-126, Section 5, amended Section 10a-99, subsection (d), of the General Statutes to waive tuition at the Connecticut State University System for resident surviving spouses and dependent children of Connecticut residents killed in the September 11, 2001 terrorist attacks or anthrax attacks occurring between September 11, 2001 and December 31, 2001. This Section of the Act was effective June 7, 2002.

Public Act 02-140, Section 2, amended Section 10a-151b, subsection (b), of the General Statutes to allow constituent units of public education purchase authority to accept electronic bids, quotations, and proposals. Section 2 further states that if sealed bids or proposals are received electronically, they shall be maintained within a safe and secure electronic environment until such time as they are publicly opened.

Section 8 of the Act, codified as Section 1-139a of the General Statutes, transfers the financial assets, records, files and intellectual rights and copyrights of the Connecticut Institute for Municipal Studies to the Institute for Municipal and Regional Policy at the Center for Public Policy and Practical Politics at Central Connecticut State University.

These Sections of the Act became effective July 1, 2002.

Enrollment Statistics:

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

	<u>Fall 2000</u>	<u>Spring 2001</u>	<u>Fall 2001</u>	<u>Spring 2002</u>
Full-time undergraduate	6,375	5,899	6,636	6,198
Full-time graduate	<u>529</u>	<u>471</u>	<u>497</u>	<u>472</u>
	<u>6,904</u>	<u>6,370</u>	<u>7,133</u>	<u>6,670</u>
Part-time undergraduate	3,068	2,869	2,915	2,729
Part-time graduate	<u>2,280</u>	<u>2,341</u>	<u>2,320</u>	<u>2,141</u>
	<u>5,348</u>	<u>5,210</u>	<u>5,235</u>	<u>4,870</u>
	<u>12,252</u>	<u>11,580</u>	<u>12,368</u>	<u>11,540</u>

RÉSUMÉ OF OPERATIONS:

During the audited period, a General Fund appropriation was not made to the University directly. Rather, a General Fund appropriation for the entire Connecticut State University, 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.

Auditors of Public Accounts

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>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>
Tuition and educational fees	\$36,882,540	\$40,676,953	\$60,023,568
Other grants and transfers-restricted	59,546,558	55,131,201	58,888,659
Federal aid-miscellaneous	20,317,626	19,307,769	9,918,229
Miscellaneous private donations	3,310,531	4,377,670	4,653,782
Refunds of expenditures	217,667	206,374	477,819
Sale of property	<u>4,475</u>	<u>2,350</u>	<u>1,100</u>
Total receipts	<u>\$120,279,397</u>	<u>\$119,702,317</u>	<u>\$133,963,157</u>

As shown above, receipts for Operating Fund accounts totaled \$119,702,317 and \$133,963,157 for the fiscal years ended June 30, 2001 and 2002, respectively, compared with \$120,279,397 for the fiscal year ended June 30, 2000, a \$13,683,760 increase over the audited years. A significant portion of this increase can be attributed to tuition and educational fees, which was primarily the result of an increase in the University's fee structure. As shown below, during the audited period, the University's full-time tuition charge increased by eight percent. In addition, the University's General and University fees increased by forty and seven percent, respectively. Furthermore, the University's overall enrollment increased during the audited period, which correlated to augmented tuition and educational fees.

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>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>
Undergraduate:			
In-State	\$ 2,062	\$ 2,142	\$ 2,226
Out-of-State	6,674	6,934	7,204
Graduate:			
In-State	2,568	2,668	2,772
Out-of-State	7,156	7,436	7,726

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 to help support operational costs of student-related activities, 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. Revenues generated from this fee were used to repay debt from bonds issued to fund construction or acquisition costs associated with University buildings and facilities. Furthermore, the Information Technology fee, which is used to support the cost of student computer and related expenses, 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.

	<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>
General Fee:	850	944	1,195
University Fee:			
In-State	637	659	682
Out-of-State	1,565	1,620	1,677
Information Technology Fee:	125	125	150

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

	<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>
Personal services	\$60,661,314	\$62,287,832	\$68,103,780
Contractual services	15,413,517	17,456,048	19,047,514
Commodities	2,400,370	1,922,236	2,054,831
Sundry charges	28,258,574	28,787,396	36,801,996
Land	1,116,341	3,463,542	270,179
Equipment	3,698,437	2,933,031	3,245,624
Building, improvements and other	<u>1,166,463</u>	<u>95,365</u>	<u>55,823</u>
Total Expenditures	<u>\$112,715,016</u>	<u>\$116,945,450</u>	<u>\$129,579,747</u>

Expenditures from Operating Fund accounts totaled \$116,945,450 and \$129,579,747 for the two audited years, respectively, and were primarily for personal services and employee fringe benefits, various University operating costs and equipment. Total Operating Fund expenditures increased by \$16,864,731 from the fiscal year ended June 30, 2000, to the fiscal year ended June 30, 2002. The increase of \$7,442,466 in personal services was largely the result of salary increases attributed to collective bargaining increases. The increase of \$8,014,600 in sundry charges during the fiscal year 2001-2002 can be primarily attributed to expenditures coded to undergraduate student grants and aid.

Grants – Tax-Exempt Proceeds 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 \$3,943,391 and \$4,059,238 during the fiscal years ended June 30, 2001 and 2002, respectively, and consisted primarily of transfers of funds from the Department of Public Works. Grant expenditures totaled \$5,468,068 and \$4,315,045 during the respective audited years. The major portion of expenditures during the audited period was coded to general plant equipment and institutional buildings.

State Capital Projects:

Capital project fund expenditures during the fiscal years ended June 30, 2001 and 2002, totaled \$17,058,129 and \$21,028,039, respectively, 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.

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 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. During the audited period, the Student Government Association 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 \$1,092,070 and \$1,039,283, respectively. Revenues consisted primarily of student activity fees and funds raised from various student functions and activities.

Expenditures during the audit period totaled \$986,625 and \$1,172,330, respectively. 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. This 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 audited period totaled \$59,178 and \$174,965, respectively. A major source of revenues was scholarship funds.

Expenditures during the audited period totaled \$398,314 and \$623,140, respectively. Expenditures were primarily coded to grants and financial aid and disbursed in the form of scholarships.

CCSU Foundation, Inc.:

The CCSU Foundation, Inc. (the 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.

Audits of the books and accounts of the Foundation were performed by an independent certified public accounting firm for the fiscal years ended June 30, 2001 and 2002, 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.

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.

The State University Organization of Administrative Faculty (SUOAF) AFSCME bargaining agreement, Article 16.2, states “Compensatory time for extended hours of work on a workday or work on a legal holiday, a Saturday or a Sunday may be accrued only upon the approval of the first appropriate manager outside of the bargaining unit.” The article further states, “No member shall accrue more than ten (10) days of compensatory time. The Chief Personnel Officer on each campus may authorize additional short-term accruals of fifteen (15) days, for a total of twenty-five (25) days, in special emergencies. Annually, on August 15, any outstanding compensatory time balances shall be reduced to zero (0) for each member except that compensatory time earned between June 1 and August 15 may be used until the following January 15.”

Conditions: 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 14 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.

In addition, the University did not comply fully with the provisions of Article 16.2 of the SUOAF-AFSCME bargaining agreement. We noted five employees whose compensatory time accrual balances were not reduced to zero on the established dates stipulated within the bargaining agreement. In addition, three employees were allowed to accrue more than the contractual limit without the approval of the Chief Personnel Officer.

Effect: Internal controls over compensatory time are weakened. The University did not fully comply with provisions of the SUOAF-AFSCME bargaining agreement contract dealing with 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 1.)

Agency Response: “Maintenance of accurate compensatory time records is a shared responsibility – between the Personnel Office and each functional department of the University which reports compensatory time earned for employees in the SUOAF union. Clerical record-keeping errors and erroneous attendance records contributed to the findings. The Personnel Department now reviews incoming SUOAF compensatory time records more thoroughly and returns erroneous or questionable records to the reporting department; the compensatory time is not credited until corrected records are returned. The Personnel Office has circulated guidelines to all members of SUOAF and their supervisors to better instruct them on the appropriate use and reporting of compensatory time. Additionally, the SUOAF compensatory time reporting function has been reassigned to another employee in the Personnel Department. This increase in internal controls coupled with implementation of the CORE-CT computer system (providing greater automation of the time and attendance record keeping system), the Personnel Department anticipates the rate will be significantly reduced.”

Purchasing Card Program:

Criteria: In order to properly safeguard and control access to the purchasing function, the University’s Purchasing Card Program Administrator should immediately cancel an individual’s purchasing card upon termination of employment.

Condition: Our review of the controls associated with the purchasing card program at the University disclosed the following internal control weakness. We noted that purchasing cards issued to five former employees were not cancelled in a timely manner. In the five instances noted, there were delays in the cancellation of the individual cards ranging from three to 76 days.

Effect: Internal control over the University’s purchasing card system was weakened.

Cause: Internal control policies were not being followed.

Recommendation: The University should promptly cancel a cardholder’s purchasing card upon termination of employment. (See Recommendation 2.)

Agency Response: “The Purchasing Card Member Services Coordinator now receives a termination listing from the Personnel Department each pay period. Any employee on the termination list that has a University Purchasing Card has

their Purchasing Card cancelled immediately.”

Internal Control over the Purchasing Card:

Criteria: Accurate expenditure records are an integral part of internal control. Central Connecticut State University’s Purchasing Card Program Manual provides specific guidance in this area.

Conditions: The University’s record keeping and monitoring of the purchasing card program needs improvement. Our sample was derived from 25 different purchasing cards, which included the review of 26 monthly billing cycles. Our review disclosed the following inaccuracies and other control weaknesses:

- In five instances, a cardholder improperly paid State sales tax.
- In five instances, transactions were split to avoid the \$999 single purchase limit.
- In five instances, the monthly reconciliation between the purchasing card log, bank statement and accounting system were not performed in a timely manner.
- In two instances, there was no invoice or receipt on file supporting a purchased transaction.
- In one instance, there was an unauthorized signature on a receipt.
- In another instance, the purchasing card was utilized for a restricted purchase as defined in the University’s Purchasing Card Manual.
- In addition, there were other internal control weaknesses noted involving the completion of documents supporting the purchasing card reconciliation.

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

Cause: With respect to the cases cited, the individual cardholders did not follow established control procedures as prescribed in the University’s Purchasing Card Program Manual.

Recommendation: The University should improve controls over the purchasing card program by following established policies and procedures. (See Recommendation 3.)

Agency Response: “A comprehensive audit plan is in place and the above mentioned exceptions are areas that the Purchasing Card Audit team monitors when conducting their audits. Progressive sanctions are in place to address the deficiencies. The nature and the number of exceptions noted dictate the severity of the sanctions imposed which include but are not limited to:

repayment of inappropriate charges, retraining and suspension of card privileges.”

Accounts Receivable:

Criteria: Sound business practices require that the University attempt to collect all outstanding debts.

Conditions: Our review of a sample of 25 students with individual account receivable balances revealed the following:

Four students with individual account receivable balances were never sent collection letters, as required by the University’s policies and procedures. Consequently, these accounts were never sent to collections.

Three students were allowed to attend classes when they had outstanding debts from a previous semester. Two of these students were permitted to register for classes without having the appropriate written release from the Office of Financial Aid.

Effect: The University did not comply with its informal policies and procedures, which weakens internal control. Furthermore, the University may never collect outstanding receivables, which results in the loss of revenue.

Cause: Informal internal control policies were not being followed.

Recommendation: The University should formalize its policies and procedures and improve internal control over accounts receivable. (See Recommendation 4.)

Agency Response: “The University makes diligent efforts in collecting student receivables and has a low A/R balance. Formal collection efforts are managed out of the Bursar's Office. The University will review its policies and procedures and improve its compliance.”

Application Fee Waiver:

Criteria: All applicants applying to the University must complete an Admissions Application, which requires the submission of a non-refundable application fee of \$40.

The Connecticut State University Board of Trustees has authority to establish fee waivers. The application fee waiver is authorized for any financially needy student, who (a) has taken the SAT I test using the SAT Fee Waiver; or (b) is a participant in CONNTAC-EOC or an equally recognized educational entity; or (c) is a participant in a CSU-sanctioned special access program such as EOP, Career Beginnings, CONNCAP or Upward Bound; or (d) in the opinion of the University president or

designee has special circumstances.

Sound internal control policies call for the implementation of adequate controls over waivers granted to ensure individuals granted waivers meet the requirements of such waiver. Internal controls also require adequate documentation of eligibility prior to granting the waiver.

Conditions: The Admissions Department's informal procedures for processing admission applications needs improvement. Our review of a sample of admission applications revealed a number of instances where informal policies and procedures were not being followed. In addition, we found eight instances where there was no supporting documentation in the applicant's admission file to support the waiver of the application fee.

Effect: The University did not comply with its informal policies and procedures, which weakens internal control.

Cause: Informal internal control policies were not being followed.

Recommendation: The University should formalize its policies and procedures and improve internal controls over the processing of the admissions application fee waiver. (See Recommendation 5.)

Agency Response: "Many office procedures were continuously being refined as the University explored the capabilities of Banner with respect to automating processes that had been historically performed manually.

The Banner database was upgraded at the end of November 2002. It now provides a field on the SAAADMS form called "Waiver" that allows the University to further refine the waiver processes and keep better track of waiver classifications. A new tracking process for waivers was implemented in May 2003. This new process has allowed the University to formalize procedures and improve internal controls."

Construction Projects Administered by the University:

Criteria: Accurate inventory records are an integral part of internal control. Reconciliation of the amount expended for property 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.

Condition: Our current audit examination of construction projects administered by the University revealed the following:

From a sample of five construction projects that were reported as additions on the annual Fixed Assets/Property Inventory Report (CO-59), we found

two projects reported at the incorrect cost. These projects did not include all the costs necessary to put a building or structure into its intended state of operation. In both instances, the University omitted the cost of the architectural and engineering fees from the total cost of the project. The cost of these services for each project totaled \$3,000 and \$45,000, respectively. In addition, one of these projects omitted \$4,238 of fees incurred by the Department of Public Works.

The University did not reconcile the amount expended for property to the change in the inventory record balances in a timely manner.

Effect: The conditions described above weaken internal control over the University's property.

Cause: Internal control policies were not being followed.

Recommendation: Control over the construction projects administered by the University should be improved. (See Recommendation 6.)

Agency Response: "The above reported omissions had been uncovered prior to the audit by the CCSU Capital Budget Administrator and were included on the FY03 CO-59 inventory report.

There is no single authoritative and automated source for compilation of data necessary to complete the CO-59 reporting form. Preparation for the yearly financial reporting includes obtaining detailed information from several state agencies. Diligent efforts are made to communicate with and balance to these various financial reporting sources. Over the past two years, the Capital Budget Administrator and the CCSU Business Office have collaborated to implement improved internal reporting to more accurately capture increasingly complex accounting data with the Banner System. This review process is on going. Frequent communication continues to provide solutions to potential reporting difficulties as they are identified and continues to strengthen internal control over the University's property."

Financial Data Reported to the State Comptroller:

Criteria: State agencies should provide accurate financial data to the State Comptroller to ensure that the Comptroller's records are accurate.

Condition: Cash transfers from the University's Operating Fund bank account to its direct disbursement account are classified, generically, as direct disbursement expenditures (coded 5-39) when the cash is transferred. Subsequently, when payments are made out of the direct disbursement account, the University advises the State Comptroller of the specific expenditure classifications applicable to the payments made. The State

Comptroller's records are adjusted accordingly, decreasing amounts coded 5-39 and increasing amounts coded to expenditure categories reflecting actual payments made. If this process is working correctly, the total of 5-39 expenditures recorded on the State Comptroller's records at year-end should equal zero.

During the 2001-2002 fiscal year, the University miscoded the accounting document advising the State Comptroller to adjust the specific expenditure classification for expenditures incurred. The credit on the expenditure transfer document was coded inadvertently to the expenditure category 5-32 instead of 5-39. Accordingly, the specific expenditure figures reported on the State Comptroller's accounting system were not accurate.

The State Comptroller's records showed that the University's generic (5-39) Operating Fund expenditures totaled \$41,207,943 for the 2001-2002 fiscal year instead of showing a total of zero with a corresponding misstatement of actual expenditures charged to expenditure category 5-32.

Effect: University expenditures were not accurately classified in the State Comptroller's records. This could potentially affect decisions made in reliance on the information shown in those records.

Cause: The request made to the State Comptroller to correctly account for such direct disbursement expenditures was miscoded.

Recommendation: The University should follow the State Comptroller's prescribed procedures to correctly account for such direct disbursement expenditures. (See Recommendation 7.)

Agency Response: "The error was due to a typographical error on a single expenditure transfer document. With the advent of the Core-CT software for the 2003-2004 fiscal year all expenditure transfers go through a spreadsheet upload process. This process requires one individual to create the spreadsheet and another to approve and upload the spreadsheet for posting by the State Comptroller's Office."

Accounting Control over Receipts:

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

Section 4-32 of the General Statutes provides that each State institution receiving revenue for the State, shall, within 24 hours of its receipt, account for and, if the total of the sums received amounts to five hundred dollars or more, deposit the amounts in bank accounts approved by the State Treasurer.

- Condition:* Our examination of monies received at locations other than the Cashier's Office revealed that the majority of these locations had no record of the original receipt date. In these cases, we could not determine whether the prompt deposit requirements of the General Statutes were met. However, based upon our review of copies of checks retained by several organizations, we determined that deposit delays were evident. The delays ranged from one to 35 business days late.
- Effect:* At these locations there were weaknesses of internal control over receipts. In addition, 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:* Internal control policies were not being followed.
- Recommendation:* Receipts should be recorded at all locations where received in order to improve internal control and to ensure compliance with the prompt deposit requirements of Section 4-32 of the General Statutes. (See Recommendation 8.)
- Agency Response:* "The University will identify all locations that accept revenue and reiterate our internal control policy in writing. It will be emphasized that all deposits must be stamped in when received and deposited within the amount of time permitted under CGS Section 4-32."

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 the 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 three instances, there was no purchase requisition on file.

- In five instances, the purchase requisition was missing the approval of one of the required authorized signers.
- In two instances, the transaction was charged to an incorrect expenditure coding.
- In one instance, there was no service contract on file.
- In one instance, there was no purchase order on file.
- In seven instances, there was no evidence that competitive bidding procedures were followed.
- In one instance, there was a discrepancy between the approved list of participants and the number of airline tickets and meal allowances that were paid for.
- In two instances, there were no accountability reports prepared for funds that were collected from the participants to subsidize the cost of an activity. The lack of such accountability lessens the assurance that the appropriate amount of funds was collected.
- In one instance, the Student Government Association inappropriately paid for a former Student Government Association Senator's spring semester books.

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 9.)

Agency Response: "Internal controls over the purchasing process will be improved by increasing responsibility of individual student officers to better comply with Local Fund policies and procedures. In addition, the Student Activities/Leadership Development Office will work with the governing bodies to have compliance records of student organizations be a determining factor in future funding allocations, therefore, increasing incentive to comply. The Department of Student Activities will also make recommendations to student funding bodies regarding outdated (1985) bylaws, as is the case with the SGA bid limits."

Central Recorder:

Background: The Student Activity Fund publishes a student newspaper, the *Central Recorder*, which generates revenue from advertising. For national vendors, the student newspaper records revenue and a corresponding receivable on the issue date of the newspaper that contains the advertisement. For local vendors the student newspaper requires that these advertisements be prepaid. The gross advertising revenue during the

fiscal years ended June 30, 2001 and 2002, totaled \$78,275 and \$33,214, respectively.

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.

On an annual basis, the *Central Recorder* publishes a rate card, which outlines the prices, discounts, and policies of the newspaper relating to advertising. In addition, the student newspaper's billing practices require that all local vendors must prepay for advertising.

Sound business practices require that the *Central Recorder* monitor its accounts receivable.

Condition: We reviewed the detail of 25 advertisements generated from five newspaper issues published during the audited period. Our examination revealed the following:

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

There were three national vendor advertisements that did not agree with the established rate schedule.

In February 2003, the *Central Recorder* had an accounts receivable balance of \$13,419 of which approximately \$11,358 ranged from six months to three years old.

Effect: The *Central Recorder* was not in compliance with its established policies and procedures. The newspaper may never collect outstanding receivables, which results in the loss of revenue.

Cause: Internal control policies were not being followed.

Recommendation: The management of the *Central Recorder* should follow its own established advertising policies and procedures. The University administration should monitor the *Central Recorder* receivables. (See Recommendation 10.)

Agency Response: "The student newspaper has been repeatedly cited by the Student Activity/Leadership Development Office for failure to collect local advertising upfront. They have requested that job descriptions for the ad manager be written to include adherence to the policy and that lack of adherence to the policy may result in termination of the ad manager and/or a freeze of the papers spending until policy is observed appropriately. It was further requested that the ad receivables balance be reviewed in July

of every year in order to assure better management of the receivable.”

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 2001-2002 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. In addition, management should ensure that this task is completed in a timely manner.
- **Payroll and Disbursements:** The manual attendance system process should be replaced with a computerized system. In the interim, this process should be performed by computer spreadsheet with a supervisor in the Personnel Department reviewing the accuracy and completeness over the data entry.
- **Students’ Billing:** Management should develop formalized policies and procedures for student receivable reserves. This process should be performed quarterly and be subject to supervisory review. In addition, the University should evaluate if the student receivables are collectible by evaluating the amounts in each category along with the collection history. This also should be completed and reviewed on a quarterly basis.
- **General:** The University should continue to review all grants receivable amounts outstanding over one year and those assessed as uncollectible, and either establish a reserve or write-off these amounts as bad debt expenses. The University should develop and establish a controller’s position.
- **Information Systems:** The University should continue with its efforts to develop and monitor an Information Technology Strategic Plan. Management should continue to evaluate, identify, and train appropriate personnel for key positions within the information technology department. Management should consider the establishment of an Internet and Network Support Specialist to minimize the reliance upon one individual. In addition, management should review the operability of the air conditioning unit in the computer room and mitigate the room’s exposure to external weather elements via the windows.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- 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. 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. 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. The recommendation is being repeated. (See Recommendation 1.)
- The University should monitor and review the bi-weekly submission of attendance reports in a timely manner. Improvement was noted in this area; therefore the recommendation is not being repeated.
- The University should take the necessary steps to document compliance with Section 10a-151b of the General Statutes. The recommendation was implemented; therefore, the recommendation is not being repeated.
- 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. Improvement was noted in this area; therefore the recommendation is not being repeated.
- Control over the University's equipment inventory should be improved. Improvement was noted in this area; therefore the recommendation is not being repeated.
- 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. Improvement was noted in this area; therefore the recommendation is not being repeated.
- 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. 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 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. The recommendation is being repeated with modification. (See Recommendation 8.)

- 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. The recommendation is being repeated with modification. (See Recommendation 10.)
- 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 9.)

Current Audit Recommendations:

- 1. 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.

- 2. The University should promptly cancel a cardholder's purchasing card upon termination of employment.**

Comment:

We noted that purchasing cards issued to five former employees were not cancelled in a timely manner.

- 3. The University should improve controls over the purchasing card program by following established policies and procedures.**

Comment:

The University's record keeping and monitoring of the purchasing card program needs improvement. Our testing revealed a significant number of instances where established policies and procedures were not followed.

- 4. The University should formalize its policies and procedures and improve internal control over accounts receivable.**

Comment:

Our review of a sample of students with individual account receivable balances revealed several internal control weaknesses. These weaknesses included the failure to send the required number of collection letters to students with outstanding accounts receivable balances in a timely manner.

5. The University should formalize its policies and procedures and improve internal controls over the processing of the admissions application fee waiver.

Comment:

Our review of a sample of admission applications revealed a number of instances where informal policies and procedures were not being followed. In addition, we found eight instances where there was no supporting documentation in the applicant's admission file to support the waiver of the application fee.

6. Control over the construction projects administered by the University should be improved.

Comment:

From a sample of construction projects administered by the University, we found that the total costs of two of these projects were not reported to the State Comptroller's Office in a timely manner.

7. The University should follow the State Comptroller's prescribed procedures to correctly account for such direct disbursement expenditures.

Comment:

University expenditures were not accurately classified in the State Comptroller's records.

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

Comment:

Our examination of monies received at locations other than the Cashier's Office revealed that the majority of these locations had no record of the original receipt date.

9. 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.

10. The management of the *Central Recorder* should follow its own established advertising policies and procedures. The University administration should monitor the *Central Recorder* receivables.

Comment:

The *Central Recorder* was not in compliance with its established policies and procedures. In addition, the newspaper had a significant accounts receivable balance that ranged from six months to three years old.

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 years ended June 30, 2001 and 2002. 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 years ended June 30, 2001 and 2002, is included as a part of our Statewide Single Audit of the State of Connecticut for those fiscal years.

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 years ended June 30, 2001 and 2002, 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 University's purchasing card system, weaknesses in internal controls over accounts receivable, inadequate controls over the construction projects administered by the University, inadequate control over receipts with respect to locations other than the Cashier's Office, and weaknesses in internal controls over the local fund purchasing process.

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 weakness.

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