

STATE OF CONNECTICUT

**AUDITORS' REPORT
BOARD OF TRUSTEES FOR THE
CONNECTICUT STATE UNIVERSITY
CENTRAL CONNECTICUT STATE UNIVERSITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2004**

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

Table of Contents

INTRODUCTION	1
COMMENTS	1
Foreword	1
Recent Legislation	2
Enrollment Statistics	2
Résumé of Operations	2
Operating Revenues	3
Operating Expenses	4
Nonoperating Revenues	5
CCSU Foundation, Inc.....	6
CONDITION OF RECORDS	7
Compensatory Time.....	7
Employee Medical Certificates.....	8
Leave Records.....	9
Procurement	10
Travel Expenditures	12
Internal Control over the Purchasing Card	13
Accounting Control over Receipts.....	15
Accounts Receivable.....	15
University Exchange Program	17
Equipment Inventory	18
Information System Controls.....	19
EDP Disaster Recovery Plan	20
Software Inventory	20
University Sponsored Athletic Camps/Clinics	21
Local Fund Expenditures	22
Local Fund Receipts	24
Fiduciary Fund Equipment Inventory	25
Central Recorder	26
University Residence Policy	27
Other Audit Examination	28
RECOMMENDATIONS	29
CERTIFICATION	34
CONCLUSION	36

March 6, 2007

**AUDITORS' REPORT
BOARD OF TRUSTEES FOR THE CONNECTICUT STATE UNIVERSITY
CENTRAL CONNECTICUT STATE UNIVERSITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2004**

We have examined the financial records of Central Connecticut State University (the University) for the fiscal years ended June 30, 2003 and 2004.

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 University President during the audited period. Dr. Robert N. Aebersold served as Interim President from July 1, 2004 until June 15, 2005, when Dr. John W. Miller was appointed University President.

Recent Legislation:

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

Public Act 03-33, Section 2, codified as Section 10a-99, subsection (h), of the General Statutes allows students called to active duty in the armed forces during any semester to reenroll in any course for which they paid tuition but did not complete because of their active duty status. Students have four years from the date of release from active duty to reenroll. This Section of the Act is effective from its passage, May 12, 2003.

Enrollment Statistics:

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

	<u>Fall 2002</u>	<u>Spring 2003</u>	<u>Fall 2003</u>	<u>Spring 2004</u>
Full-time undergraduate	6,940	6,268	6,780	6,473
Full-time graduate	<u>510</u>	<u>464</u>	<u>504</u>	<u>472</u>
	<u>7,450</u>	<u>6,732</u>	<u>7,284</u>	<u>6,945</u>
Part-time undergraduate	2,854	2,599	2,621	2,454
Part-time graduate	<u>2,338</u>	<u>2,180</u>	<u>2,226</u>	<u>2,256</u>
	<u>5,192</u>	<u>4,779</u>	<u>4,847</u>	<u>4,710</u>
	<u>12,642</u>	<u>11,511</u>	<u>12,131</u>	<u>11,655</u>

RÉSUMÉ OF OPERATIONS:

During the audited period, the State Comptroller accounted for University operations in:

- The University Operating Fund
- Grants Fund
- State Capital Project Funds

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 audited period, General Fund appropriations were not made to the University directly. Rather, General Fund appropriations for the entire Connecticut State University, primarily for personal services and related fringe benefits, were 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.

The financial information reported in the section below is derived from the Connecticut State

University System’s combined financial statements, which are audited by an independent public accounting firm.

Beginning with the fiscal year ended June 30, 2002, the University adopted Governmental Accounting Standards Board Statements No. 34 and No. 35. These statements made significant changes to the reporting model and changed the presentation of the University’s financial statements from a multi-column format to a single-column format.

The University financial statements are adjusted as necessary, combined with those of the State’s other institutions of higher education and incorporated in the State’s Comprehensive Annual Financial Report as an enterprise fund. Significant aspects of the operations of the University, as presented in the Agency prepared financial statements, are discussed in the following sections of this report.

Operating Revenues:

Operating revenue results from the sale or exchange of goods or services that relate to the University’s primary function of instruction, academic support and student services.

Operating revenue as presented in the University’s financial statements for the audited period follows:

	<u>2002-2003</u>	<u>2003-2004</u>
Tuition and fees (net of scholarship allowances)	\$42,938,669	\$48,270,716
Federal grants and contracts	8,816,159	12,303,173
State and local grants and contracts	545,799	889,958
Non-Governmental grants and contracts	271,915	173,061
Indirect cost recoveries	281,401	328,385
Auxiliary revenues	14,281,100	16,467,888
Other sources	<u>18,709,478</u>	<u>29,286,152</u>
Total operating revenues	<u><u>\$85,844,521</u></u>	<u><u>\$107,719,333</u></u>

Under the provisions of Section 10a-99, subsection (a), of the General Statutes, tuition and fees were fixed by the University’s Board of Trustees. The following summary presents annual tuition charges during the 2002-2003 and 2003-2004 fiscal years.

	2002-2003			2003-2004		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduates	\$2,313	\$7,485	\$3,470	\$2,648	\$8,570	\$3,972
Graduates	2,880	8,027	4,320	3,298	9,190	4,947

The following summary presents the annual General, State University, and Information Technology Fees, which are also included within the operating revenues category of tuition and fees.

Fees	2002-2003			2003-2004		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
General	\$1,410			\$1,645		
State University	706	1,736	706	732	1,798	732
Information Technology	200			218		

The Housing Fee and Food Service Fee, required of resident students, represent a significant portion of the operating revenues category titled “Auxiliary revenues”. The following summary presents the average annual Housing Fee (double occupancy) and Food Service Fee during the audited period.

Fees	2002-2003	2003-2004
Housing	\$3,606	\$3,786
Food Service	2,640	2,878

The other sources category of operating revenue primarily consists of internal revenue transfers and reclassifications between funds. In addition, the University also records the value of capital projects funded by the Connecticut Health and Education Facilities Authority (CHEFA) within this category.

The increase in the tuition and fees category of \$5,332,047 in the fiscal year 2003-2004 was primarily the result of an increase in the University’s fee structure. As presented above, the University’s full-time tuition charge increased by fourteen percent between the fiscal years 2002-2003 and 2003-2004. In addition, the University’s General fees and University fees increased by seventeen and four percent, respectively, during the same time-period.

The increase in the other sources category of \$10,576,674 was primarily the result of a reclassification of bond transfers for payments made.

Operating Expenses:

Operating expenses generally result from payments made for goods and services to assist in achieving the University’s primary function of instruction, academic support and student services.

Operating expenses include employee compensation and benefits, supplies, services, utilities and depreciation. Operating expenses as presented in the University’s financial statements for the

audited period follow:

	<u>2002-2003</u>	<u>2003-2004</u>
Personal service and fringe benefits	\$89,877,535	\$90,677,981
Professional services and fees	5,206,446	4,983,265
Educational services and support	14,363,654	18,255,528
Travel expenses	1,829,879	2,045,539
Operation of facilities	26,209,670	13,371,056
Other operating supplies and expenses	4,856,467	26,031,978
Depreciation expense	<u>8,070,574</u>	<u>9,547,285</u>
Total operating expenses	<u>\$150,414,225</u>	<u>\$164,912,632</u>

Expenditures classified within the categories titled “Operation of facilities” and “Other operating supplies and expenses” fluctuated significantly during the audited period. A significant portion of this fluctuation represents a change in methodology where expenditures associated with capital projects funded by CHEFA are presented. During the fiscal year 2002 -2003 these expenditures were presented in the category titled “Operation of facilities” and during the fiscal year 2003-2004 they were presented in the category titled “Other operating supplies and expenses”.

Nonoperating Revenues:

Nonoperating revenues are those revenues that are not from the sale or exchange of goods or services that relate to the University’s primary function of instruction, academic support and student services. Nonoperating revenues include items such as the State’s General Fund appropriation, gifts, investment income and State financial plant facilities revenues. The State financial plant facilities category represents the recognition of revenue from capital projects completed at the University by the Department of Public Works.

Nonoperating revenues as presented in the University’s financial statements for the audited period follow:

	<u>2002-2003</u>	<u>2003-2004</u>
State appropriations	\$57,732,443	\$60,579,071
Gifts	193,450	248,039
Investment income	1,209,319	476,801
Other nonoperating revenues	370,540	634,351
State financial plant facilities	<u>21,000,000</u>	<u>17,259,364</u>
Total nonoperating revenues	<u>\$80,505,752</u>	<u>\$79,197,626</u>

In addition to the operating and nonoperating revenues presented above, the University’s financial statements also disclosed revenues classified as State appropriations restricted for capital purposes totaling \$5,650,996 and \$3,284,134 for the fiscal years ended June 30, 2003 and 2004, respectively.

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 4-37k 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, 2003 and 2004, in accordance with Section 4-37f, subsection (8), of the General Statutes. We were provided with two audit reports on Foundation operations, one for each of the audited years. Both reports 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 disclosed 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. Upon separation of the employee from the University, all accumulated compensatory time shall be paid to the member/estate as promptly as possible.”

Conditions: The Human Resources Department’s record keeping and monitoring of compensatory time needs improvement. From a sample of 10 employees accruing compensatory time, we found errors in the records of eight different employees. The deficiencies included inaccuracies of recorded data on the various documents utilized to request, approve and maintain compensatory time balances.

The University did not comply fully with the provisions of Article 16.2 of the SUOAF-AFSCME bargaining agreement. We noted seven instances, where we were unable to determine if the first appropriate manager outside of the bargaining unit approved accrued compensatory time because the signature on the compensatory reporting form was illegible. We noted one instance, where an employee was allowed to accrue compensatory time that exceeded the contractual limit without the approval of the Chief Human Resources Officer. In addition, the University was inconsistent with the manner that employees were accruing and charging compensatory time associated with hours worked on a legal holiday.

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

agreement contract. In one instance, an employee was compensated upon separation from the university for 14 hours of compensatory time that was not earned.

Cause: Internal control policies were not being followed.

Recommendation: The University should monitor and improve controls over the record keeping of compensatory time. The Human Resource Department should consider maintaining a list of the names and the corresponding signature of individuals that have the responsibility of approving accrued compensatory time. (See Recommendation 1.)

Agency Response: “As of 6/1/2006 compensatory time is entered directly into CORE-CT in addition to manual record-keeping as a cross-check. The earning and charging of holiday compensatory time has been clarified in accordance with the SUOAF-AFSCME contract. Staff currently assigned the responsibility of entering time and attendance review requests for compensatory time earned and verify the appropriate management authorization.”

Employee Medical Certificates:

Criteria: The Maintenance and Service Unit (NP-2) Bargaining Unit contract, Article 29, states “An acceptable medical certificate, which must be on the form prescribed by the Commissioner of Administrative Services and signed by a licensed physician or other practitioner whose method of healing is recognized by the State, will be required of his/her appointing authority to substantiate a request for sick leave...for any period of absence consisting of more than five (5) consecutive working days...”

Section 5-248a of the General Statutes provides that any permanent employee who requests medical leave of absence due to a serious illness shall be required prior to the inception of leave to provide written certification from a physician as to the nature of the illness and its probable duration.

Condition: We noted one out of five instances where the University did not have a valid medical certificate supporting an employee’s use of more than five consecutive sick leave days. In this instance, the individual charged sick leave for a period exceeding 130 days. In addition, the invalid medical certificate obtained did not support the entire length of time that sick leave was charged.

During the period of the employee’s extended leave, the individual returned to work for three days and was subsequently paid. These three days were posted to the employee’s time and attendance record as sick leave.

Effect: The University did not adhere to the State and collective bargaining contract guidelines. An employee was allowed to charge sick leave for a period of time that was not substantiated by a valid medical certificate. In the absence of a valid medical certificate, extended absences from work should not be charged to sick leave.

Cause: The University did not follow established policies and procedures governing employees on medical leave.

Recommendation: The University should ensure that medical certificates are on file for employees who use more than five consecutive sick days. The University should take steps to ensure that the sick leave time not supported by a valid medical certificate is charged to the appropriate leave category. (See Recommendation 2.)

Agency Response: “The University will follow established policies and procedures governing employees on medical leave. Time and attendance records will be reviewed biweekly for extended absences. Employees absent for more than five (5) days due to illness will be required to provide medical documentation to substantiate the absence.”

Leave Records:

Criteria: The collective bargaining agreement between the Connecticut State University, American Association of University Professors (AAUP) and Board of Trustees for the Connecticut State University System governs employment provisions for full-time coaches.

Article 9.4.5 of the AAUP agreement states “For payroll and record purposes each department Chairperson will submit a statement only of days absent from assigned duties for each full-time member of a department, indicating whether they are sick leave days, personal leave days, etc.”

Conditions: As part of our review of a whistleblower matter concerning the Athletics Department, it was disclosed that the University’s twelve month coaches are not complying with the leave and attendance provisions of the AAUP Bargaining Agreement.

At the time of our review, the University employed 14 twelve month coaches. Our review of these coaches’ time and attendance records disclosed that no leave time, whether it was vacation, sick or personal leave, was charged as of May 30, 2005. In addition, the cumulative balances of vacation and sick leave accrued to date, indicates that such employees have not charged any leave time since they have been employed in their current positions.

Upon alerting the University's Human Resource Department of this matter, they contacted the coaches and requested that they recollect if any leave time was taken from January 2004 through August 31, 2005, that may have not been reported in accordance with established policy. Twelve out of the 14 coaches reported that they were absent multiple days during this time period. One of the twelve employees was appointed in June 2005 and another employee stated that no leave time was charged during the time period. The individual coaches' time and attendance records were adjusted to reflect the subsequent reporting of time absent. The cumulative number of days that were removed from the employees' balances during this process was 134 days.

Effect: The cumulative accrued leave balances for the twelve month coaches was overstated. In addition, the University was not in compliance with applicable bargaining agreement provisions pertaining to payroll provisions.

Cause: The University did not enforce the time and attendance provisions of the AAUP Bargaining Agreement.

Recommendation: The University should improve controls over the record keeping and monitoring of leave and attendance records, especially for twelve month coaches, to ensure compliance with applicable bargaining agreement provisions. (See Recommendation 3.)

Agency Response: "All twelve-month coaches were contacted and required to enter time cards for leave time taken from January 2004 through August 31, 2005. Their leave balances were adjusted accordingly. Since August 31, 2005, all twelve-month coaches submit requests for vacation, sick, and personal leave time on paper time cards which are signed by the Athletic Director. Time cards are reviewed by Human Resource staff for appropriate supervisory authorization."

Procurement:

Criteria: Section 10a-151b of the General Statutes governs the purchase of equipment, supplies, and contractual services, and execution of personal service agreements by constituent units of higher education.

The Connecticut State University System's Personal Service Agreement Procedures Manual sets forth requirements relating to personal service agreement contracts. This manual states, "The Personal Service Agreement (PSA) Form is used for the commitment of funds concerning all non-employment contracts for personal services that are over \$3,000 and are not issued on a Purchase Order...The Finance and Administration (of Fiscal Affairs) Department must forward all PSA's over \$3,000 to the

Connecticut State University Assistant Attorney General for review and approval prior to the start of the contract. For an “average” contract, the Attorney General’s review and approval is ordinarily a 15-business-day process...”

Sound internal control procedures require that prior to services being rendered or goods being delivered there should be a valid commitment document authorizing the transaction. In addition, any changes reflecting the terms and conditions of an existing contract should be formally documented and approved. A change order or purchase order amendment should be processed when the terms and conditions of a contract are modified.

Conditions: From a sample of eight transactions, coded to the expenditure categories titled “consulting services and professional services –other”, we disclosed the following: Three instances where the PSA was not signed by one of the necessary parties prior to the contract term. In two of these instances the Attorney General’s Office approval was received after services on the contract had begun. In addition, we noted one instance where a transaction for consulting services was processed on a purchase order instead of a PSA.

We found one instance, where the purchase requisition and purchase order were submitted and approved several months after the event had occurred. In another instance, we noted a payment was processed for contractual services that did not match the terms authorized in the contract.

Effect: The University did not comply with its established policies and procedures, which weakens internal control, and increases the likelihood that inappropriate expenditures may be made and not detected by management.

Cause: With respect to the cases cited, established control procedures were not followed. The departments requesting services are not submitting the requests to the Business Office with enough lead time to allow for the review and approval of these contracts.

Recommendation: The University should comply with established policies and procedures and improve internal control over the procurement process. (See Recommendation 4.)

Agency Response: “The University will comply with established policies and procedures. Steps taken to improve internal control of the procurement process include:

- The creation of a Contracts Office to assist the campus community with the personal service agreement process and ensure compliance with the CSUS Procurement Manual.

- The Purchasing Department will send e-mail notification on untimely submissions reminding the department of proper purchasing procedures and will keep track of repeat offenders. Repeat offenders will be reported to the Vice President/Chief of the department.
- Refresher training for all Purchasing and Accounts Payable staff was held in the summer of 2005. The training focused on the importance of information on the purchase order as well as the need for Accounts Payable to match up the invoice terms with the purchase order terms. The Purchasing Manager, Assistant Director of Business Services, and Director of Business Services now routinely audit purchase orders and payments.”

Travel Expenditures:

Criteria: The Connecticut State University System’s Travel Policy and Procedures Manual sets forth requirements relating to travel-related expenditures. This manual states, “An approved Travel Authorization Form should be submitted to the Travel Office at least two (2) weeks prior to travel...Bids for group travel should be solicited through the Purchasing Office.” In regards to reimbursement, the manual states “Reimbursement of actual expenses incurred via a Travel Reimbursement Form must be completed within 15 business days after the completion of a trip if a travel advance is taken, or 30 calendar days after the completion of the trip if an advance is not taken.”

Conditions: Our review of a sample of seven travel-related expenditures disclosed the following:

- One instance where the employee did not have an invoice or receipt to support five transactions. Four of these transactions, involved the payment of lodging.
- One instance where the traveler purchased airline tickets before the travel authorization was approved.
- Two instances where the University did not bid a group’s airfare or document that the price they obtained directly from the airline carrier was the lowest cost airfare.
- Two instances where the employee did not submit a completed travel reimbursement form with the required documentation to the Travel Office within the required days after completion of the trip. The number of days late ranged from four to 28 days.

Effect: The University did not comply with its established policies and procedures, which weakens internal control, and increases the likelihood that inappropriate travel expenditures may be made and not be detected by management.

- Cause:* Internal control policies were not being followed.
- Recommendation:* The University should comply with established policies and procedures and improve internal control over travel-related expenditures. (See Recommendation 5.)
- Agency Response:* “The University will comply with established travel policies and procedures. Steps taken to improve internal control of the process include:
- Statistical samples for audit will be increased.
 - Budget/supervisory approval will be required before issuing a travel authorization number to a traveler in advance for ticket purchases through the state travel agent.
 - The University is currently in the process of initiating a Request for Proposal for international travel arrangements.
 - E-mail reminders to travelers 3 business days prior to the travel reimbursement submission due date will be sent out.”

Internal Control over the Purchasing Card:

Criteria: The University’s Purchasing Card Program Manual sets forth requirements relating to the approval and use of purchasing cards. This Manual states, “Authorized use of the Purchasing Card shall be limited to the person whose name appears on the face of the card.... Splitting a single item purchase to circumvent the purchasing card threshold of \$1,000 is not allowed.” The University also stipulates the type of purchases that shall not be purchased utilizing a purchasing card. The purchase of equipment is listed as a restricted purchase. The Manual further states “...that the University is a tax-exempt institution and purchases should not include any State sales tax.... Every bank statement entry must be supported by a receipt... The cardholder is responsible for reviewing and reconciling the monthly statement and by doing so will be certifying that purchases are consistent with all University policies and procedures. All supporting documentation should be secured to the bank statement to facilitate auditing.”

In order to properly safeguard and control access to the purchasing function, the University should promptly cancel a cardholder’s purchasing card upon termination of employment.

Conditions: The University’s record keeping and monitoring of the purchasing card program needs improvement. Our sample consisted of reviewing one billing cycle of activity for 25 purchasing cards, and disclosed the following conditions:

- One purchasing card was utilized by an individual other than the person whose name appears on the face of the card.

- One cardholder split a single transaction to avoid the single purchase limit. In addition, the transaction purchased was a restricted item.
- In three of the purchasing cards selected, we disclosed that the cardholders improperly paid State sales tax.
- In four of the purchasing cards selected, we noted instances where there were missing receipts or the receipt on file was inadequate to support the purchased transaction. In one of these instances, a cardholder was missing nine receipts. In another instance, the cardholder was missing five receipts.

Based upon the conditions cited above it is evident that the individual card holders performing the monthly reconciliation of the activity to the bank statements were not adequate.

During the audited period, 21 purchasing cards were cancelled because the users of the cards terminated employment with the University. Our review of these purchasing cards, disclosed 11 instances where the purchasing cards were not cancelled in a timely manner. We noted delays of four to 53 days between the date the employees left the University and the dates the purchasing cards were cancelled.

Effect: The University did not comply with its established policies and procedures, which weakens internal control, and increases the likelihood that inappropriate expenditures may be made and not be detected by management in a timely manner.

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

The Purchasing Card Administrator was not notified of the employee terminations in a timely manner.

Recommendation: The University should comply with the established purchasing card policies and procedures. The University should promptly cancel a cardholder's purchasing card upon termination of employment. (See Recommendation 6.)

Agency Response: "The conditions noted above were identified via other audits of the P-Card Program. The University increased the number of audits that it performed and this has helped dramatically as demonstrated by the most recent audits by CSUS Internal Audit, Office of the State Comptroller and our external audit team. In addition, the Human Resources Department now notifies the P-Card Administrator immediately upon notification of an employee termination."

Accounting Control over Receipts:

Criteria: 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.

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

Conditions: Our examination of 10 bank deposits, containing individual receipts received at locations other than the Cashier's Office, disclosed that a number of these locations had no record of the original receipt date. In such 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 and correspondence retained by a couple of the organizations, we determined that deposit delays were evident. The delays ranged from four to 12 business days late.

From a sample of 15 individual receipts received directly at the Office of Admissions, we noted four instances where the receipts were not deposited in a timely manner. The delays ranged from five to 21 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 7.)

Agency Response: "The University will continue to issue e-mail reminders to the campus community. In addition, the Bursar's Office will monitor departmental deposits for late deposits and the Bursar will follow-up with the department."

Accounts Receivable:

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

The University has established procedures for the collection of outstanding receivables. These procedures require several internal collection attempts be made before an account is sent to an outside collection agency. Once an account is transferred to an outside collection agency there are specific timeframes by which non-paying accounts should be returned to the University. During the entire collection process the individual student's account is placed on hold to prevent registration or transcript issuance.

Conditions: Our review of a sample of 25 students with individual accounts receivable balances disclosed a significant number of instances where the University was not following its own collection procedures. We noted the following:

- Ten students' accounts were not sent a Pending Collection Letter (PCL) in a timely manner. The PCL is the last internal collection attempt before an account is forwarded to an outside collection agency.
- Ten students' accounts were not sent to an outside collection agency in a timely manner.
- Four students' accounts were not transferred back to the University from the outside collection agency after the company was unsuccessful in collecting from non-paying accounts in a timely manner.
- Eleven students' accounts were either not sent or not sent in a timely manner to a second outside collection agency.
- Three students' accounts were not placed on hold to prevent registration or transcript issuance.

Effect: The University did not comply with its established policies and procedures, which weakens internal control. Furthermore, the University may never collect outstanding receivables, which may result in the loss of revenue. Errors to account receivable records result in inaccuracies with the financial statements.

Cause: A University representative informed us that many of the instances disclosed were the result of the following conditions: a staffing shortage in the Bursar's Office, a programming issue in the report utilized to extract delinquent accounts, and a delay in receiving collection referrals from other University departments.

Recommendation: The University should follow its established policies for the collection of student accounts receivable. In addition, the University should perform a review of all its delinquent accounts to ensure that the individual balances are accurate and in the appropriate stage of collection. (See Recommendation 8.)

Agency Response: "During this audit period the Bursar's Office lost two key personnel

leaving the office short staffed. The employee whose primary function is collections was needed to assist the Bursar's Office with current billings and in-person student/parent visits. Collection efforts have now been reassigned as a priority to the Bursar employee.

There was also a problem discovered in the reporting tool that was used to identify outstanding debts. A new report was written and those cases are now being captured in the collection efforts. Lastly, procedures were changed so that collection efforts for part-time students now rest with the Bursar's Office in its entirety."

University Exchange Program:

Criteria: The University had a Memorandum of Understanding (MOU) between Central Connecticut State University and a host institution in another country. The agreement was established in part to facilitate student exchanges for study and research. The MOU on file had language incorporated into the document stipulating the duration of the agreement. The MOU specifically stated that, "This agreement shall be subject to review and renegotiations at three year intervals. Shall such a review not take place, the contract shall lapse without further notice."

Condition: Our review of tuition waivers, disclosed an instance where the University permitted a student to participate in an exchange program during the fall 2003 semester with an overseas institution under an agreement that had lapsed in March 2002.

Effect: The University was not in compliance with its own policies and procedures. The University participated in a student exchange with a host institution without having a valid MOU on file.

Cause: The MOU between the University and the host institution lapsed because the agreement that existed in prior years was not renewed. It is uncertain why the University allowed this agreement to lapse without renewal.

Recommendation: The University should ensure that there is a valid Memorandum of Understanding, defining the terms of a student exchange, on file with a host institution before allowing a student to participate in such a program. (See Recommendation 9.)

Agency Response: "Due to the lack of a permanent director at the University's Center for International Education (CIE) from early 2000 until mid 2006 and various other staffing issues, the MOU at issue was not renewed and therefore automatically lapsed. In early 2006, the CIE began the process of systematically renewing active linkage agreements that had unintentionally been allowed to lapse. The CIE expects to complete the linkage renewal process prior to the end of calendar year 2007."

Equipment Inventory:

Criteria: The Connecticut State University System's Capital Valuation and Asset Management Manual provides policies and procedures for physical and reporting controls over capital assets.

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

- Certain amounts presented on the annual Fixed Assets/Property Inventory Report (CO-59) either contained errors or could not be readily traced to supporting documentation.
- From a sample of 25 equipment items purchased during the audited period, the value of two equipment items were reported on the property control records at the incorrect amount. The value of the equipment items traded-in for the new equipment purchased were omitted from the individual assets cost. In addition, we disclosed five equipment items that were returned to a vendor as a trade-in for credit without completing the appropriate inventory records.
- From a sample of 25 equipment items selected from the inventory records, two equipment items could not be located. A computer purchased in March 2003 was still in its original packing at the time of our physical inspection several years later. The University's capitalization policy has a computer's estimated useful life listed as five years. In another instance, a laptop computer was loaned to an employee to take off-campus without obtaining one of the required approvals.
- From a sample of 25 equipment items identified by a random inspection of the premises, we found the following conditions: Two equipment items had the assets' value listed as zero in the property control records. In the first instance, it was noted that the equipment item was acquired as a gift and the University did not record the asset at its estimated fair market value at the time of acquisition. In the second instance, we were unable to determine why the value was not listed. However, based upon our review of other equipment items with similar characteristics, including acquisition date and asset description, the amount of this item appears to have a value between \$2,500 and \$3,500. In another instance, we found an asset scrapped for parts without the required inventory record on file.
- From a sample of 15 disposed equipment items, the University disposed of 11 items prior to obtaining one of the required authorization signatures. Five items were removed from a campus department without obtaining the required department head's approval. Two items were disposed of in the incorrect fiscal year. In addition, we noted one instance where the University did not retain the required

documentation supporting the trade-in of equipment. In addition, one item that was identified as missing was never reported as such in accordance with statutory provisions.

Effect: The University's property control records are not in compliance with established policies and procedures. The conditions described above weaken internal control over equipment and increases the likelihood that the loss of equipment may occur and not be detected by management.

Cause: Internal control policies were not being followed.

Recommendation: The University should comply with the Connecticut State University System's Capital Valuation and Asset Management Manual and improve control over capital assets. (See Recommendation 10.)

Agency Response: "The University will comply with the Connecticut State University System's Capital Valuation and Asset Management Manual. Processes to improve the physical and reporting controls over capital assets include:

- Continued education of employees regarding proper inventory documentation.
- Incorporation of language that requires all donated items to have a value attached prior to the University accepting the gift."

Information System Controls:

Background: Our review of the University's information system included the examination of access privileges to the campus network and/or Banner. Banner is the Connecticut State University's client-server based administrative software.

Criteria: In order to ensure system integrity, all access to the system should be disabled promptly upon termination of employment.

Conditions: During the audited period, it was the practice of the Information Technology Services (ITS) Department to disable an individual's network and/or Banner access upon notification from the Human Resources Department.

From a sample of 21 employees who separated from the University during the audited period, we noted seven instances where network access was not disabled upon termination of employment. In one of these instances, the employee's Banner access was not disabled. Upon notification of these conditions, the University disabled access to these accounts.

Effect: Internal control over the University's information system is weakened when an employee's access is not disabled promptly upon termination.

Auditors of Public Accounts

- Cause:* The University did not comply with its established procedures for terminating employees' access privileges to its information system. In the majority of the instances noted, the ITS Department was not notified.
- Recommendation:* All computer access should be disabled promptly upon an individual's termination of employment. (See Recommendation 11.)
- Agency Response:* "The Information Technology Department will comply fully with Human Resources' network account termination instructions in accordance with their documented "Employee Termination Procedure.""

EDP Disaster Recovery Plan:

- Criteria:* Sound business practices include provisions that organizations have current disaster recovery plans in place to enable critical operations to resume activity within a reasonable period after a disaster.
- Condition:* During the audited period, the University did not have a current comprehensive disaster recovery plan in place. There was evidence that the University was in the process of developing the plan but it was not documented or formalized.
- Effect:* In the event of a system catastrophe, the lack of a current disaster recovery plan may reduce the likelihood of the University resuming critical operations in a timely fashion.
- Cause:* During the audit period, the Information Technology Services Department representative responsible for the development of the disaster recovery plan resigned.
- Recommendation:* The University should continue its efforts to develop a comprehensive disaster recovery plan. (See Recommendation 12.)
- Agency Response:* "There is currently no documented disaster recovery procedure at the University. The Information Technology Department at the University is cooperating fully with the CSUS Information Technology Department to support their initiative of formulating a systemic disaster recovery plan that will serve the needs of the entire system. This initiative is under the direction of the CSUS Chief Information Officer and the designated project manager(s)."

Software Inventory:

- Criteria:* The State of Connecticut's Property Control Manual states that "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 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: During the audited period, the University did not maintain a software inventory report. Consequently, a physical inventory of the software library was not performed. Subsequent, to our request for a software inventory report, the University developed a current inventory listing. Since the inventory report was generated after-the-fact and contained current information outside of the audit period, we will review the report during the next audit cycle.

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

Cause: During the audit period, the Information Technology Services Department representative responsible for maintaining the software inventory resigned.

Recommendation: The University should comply with the software inventory requirements contained in the State of Connecticut’s Property Control Manual. (See Recommendation 13.)

Agency Response: “There is currently no evidence of a documented software inventory control system at the University. The Information Technology Department will take steps to initiate such a system, in accordance with the inventory requirements contained in Chapter 7 of the State of Connecticut’s Property Control Manual, for the inventory of the software purchased by the Information Technology Department.”

University Sponsored Athletic Camps/Clinics:

Criteria: The Facility Use Agreement serves as a contract between the University and the organization that reserves the use of its facilities and services. The Agreement is valid when it is signed by all parties of the contract, including an authorized official of the University.

Sound business practices dictate that the University has a formal policy documenting who has the authority to waive facility usage fees.

Conditions: As part of our review of a whistleblower matter concerning the Athletics Department, we became aware of six external athletic related camps/clinics that were conducted in the summer of 2004 at the University without following established policies and procedures. All six of these camps/clinics were sponsored by the University coaching staff. Our review of these six camps/clinics disclosed the following:

The Agreements for three out of the six camps/clinics were signed by the University's authorized signor after the event was conducted.

In addition, we noted that the facility usage fees were waived for four of these camps/clinics by the Director of Athletics. The University did not have any documentation on file delineating who had the authority to waive facility usage fees. Out of the two remaining camps/clinics, one was paid in full and one group's fees were still outstanding, a year after the event had taken place. The two groups' that were billed for the rental of the facilities were charged rates lower than the published facilities usage fees.

Effect: The University did not comply with its established policies and procedures, which weakens internal control, and increases the likelihood that the facility is used inappropriately and not be detected by management in a timely manner.

Cause: The University did not follow established procedures governing the usage of its facilities and services.

Recommendation: The University should improve controls over the rental of the University facilities, especially for external athletic related camps/clinics. (See Recommendation 14.)

Agency Response: "Event Management procedures regarding contract submission deadlines have been improved to ensure that contracts are submitted with adequate time for proper review.

A CSU System resolution was issued on October 5, 2006, that clarifies policy and defines authority for facility fee assessment. Event Management restructured its policies and procedures to be consistent with the resolution and ethics policies. All university contracting representatives have been informed that only the President or his designee may waive or reduce fees."

Local Fund Expenditures:

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

In addition to the State of Connecticut's Accounting Procedures Manual for Activity and Welfare Funds, the University has adopted its own procedures relating to the expenditure/disbursement process. These procedures are outlined in the Student Activities/Leadership Development, Club Officer Finance and Program Training Manual.

The Connecticut State University System's Personal Service Agreement Procedures Manual provides guidance for transactions involving the acquisition of personal services.

The Connecticut State University System's Travel Policy and Procedures Manual sets forth requirements for students traveling using local funds.

Conditions:

Our testing of 25 local fund expenditures disclosed the following:

- In two instances, the club/organization contracted for services exceeding \$3,000 without completing the required PSA. Consequently, in both instances it was noted that these service contracts were not reviewed and approved by the Attorney General's Office.
- In six instances, we noted that travel-related expenditures did not comply with established policy. In all six instances, the required Travel Authorization Form was not utilized. In four instances, the University did not bid the group's travel or document that the price they obtained directly from the vendor was the lowest cost. In two instances, the list of participants who attended the trip was not on file. In two instances, the transaction was coded incorrectly.
- In five instances, there was no evidence that competitive bidding procedures were followed.
- In four instances, there were no purchase requisitions on file. In addition, we noted three instances where the purchase requisition was missing one of the authorized signatures.
- In five instances, there were no purchase orders on file. In addition, we noted four instances where the purchase order was submitted and approved after the event had occurred.
- In one instance, a transaction involving the purchase of furniture totaling \$4,759 was not capitalized. In this instance the furniture was not included on the inventory records.

Effect:

The University did not comply with its established local fund policies and procedures, which weakens internal control, and increases the likelihood that inappropriate expenditures may be made and not detected by management.

Cause:

Internal control policies were not being followed.

Recommendation:

The University should comply with the established local fund policies and procedures and improve internal control over the purchasing process. (See Recommendation 15.)

Agency Response:

"The University will comply with the established local fund policies and procedures. The process for facilitating personal service agreements was

changed in the Fall of 2004 to reflect the State's system as stated in the Manual. New travel procedures were also implemented in Fall 2006. As of fiscal year 2005 all purchase orders have been facilitated on the Banner system. This move will ensure the compliance of activity fund purchases in terms of signatures and bidding."

Local Fund Receipts:

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

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

The State of Connecticut's Accounting Procedures Manual for Activity and Welfare Funds sets forth requirements relating to the revenue/receipts process. The Manual states that "...All cash belonging to the Fund will be deposited within 24 hours after receipt except if otherwise authorized by the State Treasurer, or the total amount is less than \$500. Total daily receipts of less than \$500 may be held until the total receipts to date amount to \$500, but not for a period of more than seven calendar days."

Sound internal control procedures call for the maintenance of adequate records of monies received, including documentation of date of receipt. In order to ensure that income generated from a fundraising activity is accounted for, the organization receiving funds should submit a revenue accountability report.

Conditions: We tested the timeliness of 15 bank deposits containing individual receipts originally received by student related clubs/groups, at locations other than the University's central cashiering office. From this sample, we found 13 instances totaling \$18,076 where the majority of the clubs/groups had no record of the original receipt date. In these cases, we could not determine if the funds were deposited promptly. However, based upon our review of copies of checks received, we determined that deposit delays were possible. In addition, we also found seven instances, where the clubs/groups had no revenue accountability report on file for the funds collected.

Effect: At these locations there were weaknesses of internal control over receipts. In addition, we could not determine 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: The University should comply with the established local fund policies and procedures and improve internal control over the receipts process. (See Recommendation 16.)

Agency Response: “The University will comply with the established local fund policies and procedures. Steps taken to improve internal control of the process include:

- A fund raising accountability sheet has been developed and implemented.
- Encouragement of student use of Centix as a payment location for a variety of fundraisers to ensure the control of receipts.
- The Card Office now allows student organizations to accept blue chip payment for fundraisers which will assist in tightening controls.”

Fiduciary Fund Equipment Inventory:

Criteria: The State of Connecticut’s Accounting Procedures Manual for Activity and Welfare Funds sets forth requirements relating to equipment inventory, including the need for accurate records and reconciliations.

Conditions: Our current audit examination of the University's Fiduciary Fund inventory system disclosed the following:

- The University’s Fiduciary Fund inventory tracking system is missing pertinent control information. We found instances where the asset’s tag number, serial number, location of the asset, and acquisition method were missing from the inventory records.
- From a sample of 15 equipment items selected from the inventory records, we disclosed the following:
 - Four equipment items were not tagged.
 - Four equipment items had the asset’s incorrect location recorded on the inventory control record.
 - One equipment item was donated but the asset was not removed from the inventory control record.
 - One equipment item was recorded on both the Fiduciary Fund and University’s inventory asset tracking systems.
- The annual physical inventory did not contain all the necessary data elements that would substantiate such a review.
- The University does not regularly reconcile the amount expended for equipment to the change in the inventory record balance.

Effect: The University’s Fiduciary Fund property control records are not in compliance with established policies and procedures. The conditions described above weaken internal control over equipment and increases the likelihood that the loss of equipment may occur and not be detected by management.

Cause: Internal control policies were not being followed.

Recommendation: Control over the University's Fiduciary Fund equipment inventory should be improved by following procedures designed to ensure compliance with the Accounting Procedures Manual for Activity and Welfare Funds. (See Recommendation 17.)

Agency Response: "The transition of student activity purchasing to the Banner system will ensure improvement in Inventory Control's ability to tag and track equipment purchased by activity funds."

Central Recorder:

Background: The students publish a student newspaper, the *Central Recorder*, which generates revenue from advertising. The gross advertising revenue during the fiscal year ended June 30, 2004, totaled \$54,068.

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 has its own established billing practices.

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

Conditions: We reviewed the detail of 25 advertisements generated from five newspaper issues published during the fiscal year ended June 30, 2004. Our examination disclosed the following:

- There were three instances where the required Contract Advertising Agreement was not on file. In addition, there were two instances, where one of the signatures was missing from the contract that was on file.
- There were three instances, where the rate charged to a customer did not match the amount published in the newspaper's approved rate schedule.
- Advertising revenue received at the *Central Recorder* and/or at the Student Activity/Leadership Development Office was not logged when received. As a result, in 18 instances we were unable to determine if the funds collected were deposited in a timely manner.
- In March 2005, the *Central Recorder* had an accounts receivable balance of \$14,174 of which approximately \$12,301 was deemed

uncollectible due to unsuccessful collection efforts. A significant portion of the outstanding receivable balance was from advertisements published in the newspaper between the fiscal years 1999 through 2003.

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. Errors to account receivable records result in inaccuracies with the financial statements.

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 should monitor the *Central Recorder* receivables and follow prescribed procedures for cancelling accounts that are deemed uncollectible. (See Recommendation 18.)

Agency Response: “The selling of advertising was suspended for a semester in 2006 due to the failure of the paper’s staff to comply with established procedures. In 2007 a part-time employee has been added to increase the Recorder’s compliance with established procedures. The Recorder’s staff consists of volunteers and changes every six months requiring constant retraining. The uncollected receivables will be reviewed.”

University Residence Policy:

Criteria: Sound internal control procedures require that the University maintain formal policies and procedures governing the use of residence halls by non-students.

Condition: As part of a whistleblower matter, our Office reviewed a set of complaints that alleged that the University allowed staff to reside in the University residence halls, which in-turn prevented students from living on campus. Our review revealed that there was merit to the allegation. In addition, our review also disclosed that the University did not have a formal agreement that defined the terms of the living arrangement. We reported our findings to the Attorney General’s Office, as required by statute. Subsequent to our review, the Attorney’s General Office continued our investigation into the matter.

Effect: The University permitted a staff member to reside in a residence hall for an extended period of time, which appeared to have prevented students from living on campus during the Fall 2004 semester.

Cause: The University did not have formal policies and procedures, which addressed the usage of residence halls by non-students.

Conclusion: The Connecticut State University Board of Trustees issued a Board Resolution on June 9, 2006 titled “University Residence Policy Related to Employment at the Connecticut State University System”, which addresses the use of residence halls by non-students.

Other Audit Examination:

The Board of Trustees of the Connecticut State University has entered into agreements with a public accounting firm to perform 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 2003-2004 fiscal year are presented below.

- **General:** The University should implement a formal sign-off process to document that payroll and accounts receivable reconciliations were performed and reviewed. The University should implement a process to ensure that all journal entries are properly reviewed and authorized. The University should develop and establish a controller’s position.
- **Payroll and Disbursements:** Management should run and review edit reports from CORE-CT that details all changes made to employee data for each pay period to ensure that all such changes are valid. Management should ensure compliance with the authorization of significant wire disbursements.
- **Property Management:** The University should continue its efforts in performing fixed asset reconciliations. The University should utilize the implemented Banner Fixed Asset System to calculate depreciation for fixed assets.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- 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 with modification. (See Recommendation 1.)
- The University should promptly cancel a cardholder's purchasing card upon termination of employment. The recommendation is being repeated with modification. (See Recommendation 6.)
- The University should improve controls over the purchasing card program by following established policies and procedures. The recommendation is being repeated with modification. (See Recommendation 6.)
- The University should formalize its policies and procedures and improve internal control over accounts receivable. The recommendation is being repeated with modification. (See Recommendation 8.)
- The University should formalize its policies and procedures and improve internal controls over the processing of the admissions application fee waiver. Improvement was noted in this area; therefore the recommendation is not being repeated.
- Control over the construction projects administered by the University should be improved. Improvement was noted in this area; therefore the recommendation is not being repeated.
- The University should follow the State Comptroller's prescribed procedures to correctly account for direct disbursement expenditures. The University complied with the 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. The recommendation is being repeated. (See Recommendation 7.)
- 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 15.)
- The management of the *Central Recorder* should follow its own established advertising policies and procedures. The University administration should monitor the *Central Recorder* receivables. The recommendation is being repeated with modification. (See Recommendation 18.)

Current Audit Recommendations:

- 1. The University should monitor and improve controls over the record keeping of compensatory time. The Human Resource Department should consider maintaining a list of the names and the corresponding signatures of individuals that have the responsibility of approving accrued compensatory time.**

Comment:

From a sample of employees' accruing compensatory time, we found a significant number of errors. The deficiencies included inaccuracies of recorded data on the various documents utilized to request, approve and maintain compensatory time balances. In addition, the University did not comply fully with the compensatory time provisions of the SUOAF-AFSCME bargaining agreement.

- 2. The University should ensure that medical certificates are on file for employees who use more than five consecutive sick days. The University should take steps to ensure that the sick leave time not supported by a valid medical certificate is charged to the appropriate leave category.**

Comment:

The University did not comply with its established policies and procedures requiring that a valid medical certificate be on file for employees who use more than five consecutive sick days.

- 3. The University should improve controls over the record keeping and monitoring of leave and attendance records, especially for twelve month coaches, to ensure compliance with applicable bargaining agreement provisions.**

Comment:

The University's twelve month coaches did not comply with the leave and attendance provisions of the AAUP Bargaining Agreement.

- 4. The University should comply with established policies and procedures and improve internal control over the procurement process.**

Comment:

The University did not comply with its established policies and procedures over the procurement process.

- 5. The University should comply with established policies and procedures and improve internal control over travel-related expenditures.**

Comment:

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

- 6. The University should comply with the established purchasing card policies and procedures. The University should promptly cancel a cardholder's purchasing card upon termination of employment.**

Comment:

From a sample of purchasing card transactions, we noted that several individual cardholders did not follow established control procedures. In addition, we noted that a number of purchasing cards were not cancelled in a timely manner.

- 7. 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 review of receipts received at locations other than the Cashier's Office disclosed that a number 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.

- 8. The University should follow its established policies for the collection of student accounts receivable. In addition, the University should perform a review of all its delinquent accounts to ensure that the individual balances are accurate and in the appropriate stage of collection.**

Comment:

Our review of a sample of students with individual account receivable balances disclosed a number of internal control weaknesses.

- 9. The University should ensure that there is a valid Memorandum of Understanding, defining the terms of a student exchange, on file with a host institution before allowing a student to participate in such a program.**

Comment:

The University permitted a student to participate in an exchange program with an overseas institution under an agreement that had lapsed.

10. The University should comply with the Connecticut State University System's Capital Valuation and Asset Management Manual and improve control over capital assets.

Comment:

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

11. All computer access should be disabled promptly upon an individual's termination of employment.

Comment:

From a sample of employees who had terminated employment with the University, we noted several instances where network and/or Banner access was not disabled promptly.

12. The University should continue its efforts to develop a comprehensive disaster recovery plan.

Comment:

The University did not have a current comprehensive disaster recovery plan in place during the audited period.

13. The University should comply with the software inventory requirements contained in the State of Connecticut's Property Control Manual.

Comment:

The University did not maintain a complete 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 did not conduct a physical inventory of its software during the audited period.

14. The University should improve controls over the rental of the University facilities, especially for external athletic related camps/clinics.

Comment:

The University did not follow its established policies and procedures governing the rental of its facilities by external athletic related camps/clinics. The contracts supporting the rental of the facility were not authorized until after the event was conducted. In addition, we noted that the facility usage fees were waived for several of these camps/clinics by a representative that did not appear to have such authority.

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

Comment:

A significant number of local fund expenditure transactions were not processed in compliance with established policies and procedures. Certain personal service agreements were not approved by the Office of the Attorney General, travel authorization forms were not used for certain travel expenditures, there was no evidence that competitive bidding procedures were followed, purchasing related documents were not on file, and certain purchased equipment items were not properly recorded in property control records.

16. The University should comply with the established local fund policies and procedures and improve internal control over the receipts process.

Comment:

The University did not comply with its established local fund policies and procedures over the receipt process. We could not verify the prompt deposit of local fund receipts. In addition, we found several instances where the clubs/groups had no revenue accountability report on file for the funds collected.

17. Control over the University's Fiduciary Fund equipment inventory should be improved by following procedures designed to ensure compliance with the Accounting Procedures Manual for Activity and Welfare Funds.

Comment:

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

18. The management of the *Central Recorder* should follow its own established advertising policies and procedures. The University should monitor the *Central Recorder* receivables and follow prescribed procedures for cancelling accounts that are deemed uncollectible.

Comment:

The *Central Recorder* was not in compliance with its established policies and procedures. In addition, the newspaper had a significant portion of its accounts receivable balance that was deemed uncollectible.

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, 2003 and 2004. 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, 2003 and 2004, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial 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, 2003 and 2004, 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 procurement process; weaknesses in monitoring of accounts receivable; deficiencies in equipment inventory control procedures; inadequate control of the University's information system and the lack of a current disaster recovery plan.

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
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts