

STATE OF CONNECTICUT



***AUDITORS' REPORT
BOARD OF TRUSTEES FOR THE CONNECTICUT STATE UNIVERSITY
CENTRAL CONNECTICUT STATE UNIVERSITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2006***

AUDITORS OF PUBLIC ACCOUNTS

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FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2006

We have examined the financial records of Central Connecticut State University (the University) for the fiscal years ended June 30, 2005 and 2006.

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. 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 change took effect during the audited period:

Public Act 05-4, Section 1, amended Section 10a-149 of the General Statutes, to authorize the Connecticut State University System to award education doctoral degrees. This Act became effective on July 1, 2005.

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 2004</u>	<u>Spring 2005</u>	<u>Fall 2005</u>	<u>Spring 2006</u>
Full-time undergraduate	7,245	6,716	7,445	6,859
Full-time graduate	<u>533</u>	<u>472</u>	<u>531</u>	<u>505</u>
	<u>7,778</u>	<u>7,188</u>	<u>7,976</u>	<u>7,364</u>
Part-time undergraduate	2,359	2,246	2,233	2,173
Part-time graduate	<u>2,183</u>	<u>2,187</u>	<u>2,106</u>	<u>1,994</u>
	<u>4,542</u>	<u>4,433</u>	<u>4,339</u>	<u>4,167</u>
	<u>12,320</u>	<u>11,621</u>	<u>12,315</u>	<u>11,531</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.

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:

	2004-2005	2005-2006
Tuition and fees (net of scholarship allowances)	\$54,455,652	\$55,761,950
Federal grants and contracts	14,900,676	15,192,287
State and local grants and contracts	965,833	3,035,173
Non-Governmental grants and contracts	667,513	811,179
Indirect cost recoveries	254,720	296,004
Auxiliary revenues	16,763,056	18,012,497
Other sources	58,498,026	10,511,132
Total operating revenues	\$146,505,476	\$103,620,222

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 2004-2005 and 2005-2006 fiscal years.

Student Status	2004-2005			2005-2006		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduates	\$2,862	\$9,264	\$4,294	\$3,034	\$9,820	\$4,552
Graduates	3,566	9,934	5,348	3,780	10,530	5,669

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	2004-2005			2005-2006		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
General	\$1,917			\$1,974		

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State University	765	1,879	765	792	1,945	792
Information Technology	218			223		

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	2004-2005	2005-2006
Housing	\$3,968	\$4,206
Food Service	3,024	3,206

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 \$1,306,298 in the fiscal year 2005-2006 was primarily the result of an increase in the University’s fee structure and a rise in full-time enrollment. As presented above, the University’s full-time tuition charge increased by six percent between the fiscal years 2004-2005 and 2005-2006. In addition, the University’s General fees and University fees increased by three and three and a half percent, respectively, during the same time-period.

The increase in the State and local grants and contracts category of \$2,069,340 was primarily the result of the increase in funding for various grants and scholarships. The increase in the auxiliary revenues category of \$1,249,441 can be attributed to revenue generated from the use of a newly renovated dormitory, which was not available to the University during the 2004-2005 fiscal year. The primary reasons for the decrease of \$47,986,894 in the other sources category were the decrease of CHEFA funding, reclassification of prior year revenues, and reclassification of transfers between the Connecticut State University System Office and the University.

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>2004-2005</u>	<u>2005-2006</u>
Personal services and fringe benefits	\$95,908,216	\$103,217,219

Professional services and fees	5,696,228	5,995,670
Educational services and support	21,104,799	23,664,231
Travel expenses	1,856,846	2,186,266
Operation of facilities	22,481,740	24,469,972
Other operating supplies and expenses	50,550,783	5,337,953
Depreciation expense	<u>12,041,858</u>	<u>11,255,638</u>
Total operating expenses	<u>\$209,640,470</u>	<u>\$176,126,949</u>

The increase in the personal service and fringe benefits category of \$7,309,003 in the 2005-2006 fiscal year was primarily the result of salary increases attributed to collective bargaining increases. The increase in the operation of facilities category of \$1,988,232 was due to the rise in electrical and natural gas prices. A significant portion of the \$45,212,830 decrease in the category titled other operating supplies and expenses was primarily the result of the reclassification of transfers between the Connecticut State University System Office and the University and does not represent a change in actual expenditures.

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 (DPW).

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

	<u>2004-2005</u>	<u>2005-2006</u>
State appropriations	\$61,530,172	\$67,579,716
Gifts	201,890	270,467
Investment income	1,148,389	2,549,433
Other nonoperating revenues	569,090	646,601
State financial plant facilities	<u>42,232,123</u>	<u>8,385,475</u>
Total nonoperating revenues	<u>\$105,681,664</u>	<u>\$79,431,692</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 \$5,590,672 and \$3,336,477 for the fiscal years ended June 30, 2005 and 2006, respectively.

The decrease in the State financial plant facilities category was due to the fact that there were fewer capital projects completed at the University by DPW during the fiscal year ended June 20, 2006.

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 address 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, 2005 and 2006, 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.”

Conditions: From a sample of 15 employees accruing compensatory time, our review disclosed five instances where the supervisor’s signature on the compensatory time reporting form was missing, illegible and/or not dated.

Effect: Internal controls over compensatory time are weakened. The University was unable to document if the first appropriate manager outside of the bargaining unit approved the accrual of 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. The Human Resource Department should consider maintaining a list of the names and the corresponding signature of individuals that have the authority to approve accrued compensatory time. (See Recommendation 1.)

Agency Response: “The University agrees with the recommendation. In addition to the manual record-keeping as an additional cross-check, compensatory time is being entered directly into Core-CT as of June 1, 2006. Human Resources staff assigned the responsibility of entering time and attendance, are reviewing requests for compensatory time earned and verifying the appropriate management authorization. Effective fiscal year 2007-2008, Human Resources is requesting departments to type or print the authorized individual’s name when the signature is illegible.”

Internal Control over Non-Permanent Employees:

Background: Every semester the University hires approximately 800 non-permanent employees to the position of student worker. During the summer months, approximately 600 of these employees do not work at the University.

During the subsequent semester, approximately 400 of the student workers return to work at the University. A few months after the semester begins the University deactivates those student workers that do not return to work.

Criteria: Good internal controls dictate that non-permanent employees be deactivated in Core-CT, when there is an extended break in service time.

Condition: During our review of the University's control structure over the payroll and human resource function, it was noted that non-permanent employees are not deactivated in Core-CT during extended periods of absence.

Effect: The condition described above weakens internal control and increases the likelihood for an inappropriate payroll payment to be processed. In addition, when non-permanent employees are not deactivated in a timely manner it provides the State with incorrect personnel data. The number of active employees is significantly overstated in Core-CT, which provides misleading information that may be used by management when making policy decisions.

Cause: The University does not want to deactivate non-permanent employees in Core-CT when there is an extended break in service because many of these employees may be reactivated in the future.

Recommendation: The University should consider deactivating non-permanent employees when there is an extended break in service to ensure that an employee's status in Core-CT is accurate. (See Recommendation 2.)

Agency Response: "The University agrees with the recommendation. Non-permanent employees will be deactivated in Core-CT using the following schedules:

- Part-time faculty members (lecturers) are employed per semester. Beginning with the end of academic year 2006-2007, lecturers are terminated (deactivated) in Core-CT at the end of each semester with the exception of lecturers who are on direct billing for health/dental insurance coverage. In order to continue lecturers on direct billing during the Winter and Summer sessions, they must remain active in Core-CT.
- Reemployed retirees may work intermittently and would remain active in Core-CT even though they may not work each pay period. Human Resource will review all reemployed retirees quarterly and deactivate those who will no longer be working for CCSU.
- The University terminates university assistants within one month of the fiscal year end. This allows adequate time for renewal paperwork to be submitted.
- Work Study students are terminated at the end of each academic year.

- Student workers are currently terminated annually every May when they do not receive a check for the prior three months. Effective fiscal year 2007-2008, this process will be increased to include review on or about October 15th, March 15th and June 30th of each year.”

Personal Service Related Expenditures:

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 related expenditures processed on a Personal Service Agreement (PSA) or Honorarium Payment Request (Honorarium) Form.

Conditions: Our testing of 15 personal service related expenditures during the audited period disclosed the following:

- Eight instances where the PSA was not signed by one of the necessary parties prior to the contract period.
- One instance where the PSA was not amended to reflect a change in the payment schedule.

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

Recommendation: The University should comply with established policies and procedures and improve internal control over personal service related expenditures processed on a Personal Service Agreement or Honorarium Form. (See Recommendation 3.)

Agency Response: “The University agrees with the recommendation. University Personal Service Agreement (PSA) policies require sufficient lead time to allow for review and approval. We will strive to strengthen this requirement through the Contracts Office. No payments were made against any of these contracts until all signatures were obtained. The contractor assumes the risk for performing services prior to the contract being fully executed.

In regards to the instance where the PSA was not amended to reflect a change in payment terms, there is now a dedicated Accounts Payable employee that pays all PSA payments and is responsible for verifying the payment terms against the contract.”

Travel-Related Expenditures:

Criteria: The Connecticut State University System’s Travel Policy and Procedures Manual sets forth requirements relating to travel-related expenditures.

Conditions: Our review of a sample of 15 travel-related expenditures disclosed the following:

- One instance where the required travel authorization and travel advance agreement forms were not utilized.
- One instance where adequate documentation was not on file to support the sole source justification of a travel agent utilized.
- One instance where the University did not competitively bid a group’s airfare via a sealed bid. Further review revealed that the transaction was processed on two separate purchase orders. In addition, the purchase orders were approved and services booked prior to the receipt of an approved travel authorization.
- One instance where the employee did not submit a completed travel reimbursement form with the required documentation to the Travel Office within 15 business days after completion of the trip. The paperwork was submitted five business days late.

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 4.)

Agency Response: “The University agrees with the recommendation. Responses are in consecutive order regarding the Conditions noted above.

- Group travel previously went through the Accounts Payable Office. Effective December 2006, all travel is processed through the Travel Department and this office verifies that all travel policies are followed.
- The Purchasing Department has reviewed and strengthened its sole source requirements in general and as they relate to travel in particular.

Purchasing now requires more detail regarding the travel agent and/or destination accommodations and conducts thorough research to support a sole source claim before it is approved. If questionable, a bid is issued in accordance with CSU and CCSU policies and procedures.

- This program was implemented under the previous Center for International Education (CIE) policy referenced in the competitive bids section of the audit findings. This CIE policy ceased in Fall 2006.
- The Travel Department will add a half-time position in fiscal year 2007-2008 at which time a new process will be implemented to remind a traveler one week prior to the date the reimbursement paperwork is due and then again two days prior to the due date. Paperwork submitted after the due date will require a Policy Exception request to be signed prior to reimbursement.”

Internal Control over Purchasing Cards:

Criteria: The University’s Purchasing Card Program Manual sets forth requirements relating to the approval and use of purchasing cards.

This Manual highlights the various purchasing card authorization criteria. One of these criteria is that there is a single purchase limit not to exceed \$999. There is also a policy that states that splitting a single item purchase to circumvent the purchasing card threshold of \$1,000 is not allowed. The Manual also stipulates the type of purchases that shall not be purchased utilizing a purchasing card. The purchase of clothing is listed as a restricted purchase. 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.

Good internal control dictates that reconciliations be performed in a timely manner.

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 and/or it is determined that the card is no longer needed.

Conditions: Our current audit examination of the University's purchasing card system included the review of transactions processed during the audited period and the verification that cards no longer needed were cancelled in a timely manner.

From a sample of 25 purchasing cards, we disclosed the following:

- 16 instances where the monthly activity to the bank statements were

either not reconciled in a timely manner and/or we were unable to determine if the reconciliations were performed in a timely manner.

- Five instances where the user of the purchasing card split the single purchase limit of \$999 to process payment to the vendor. In a number of these instances, the invoice which exceeded \$999 contained many single items with an individual cost of less than that amount.
- One instance where the user of the purchasing card purchased three individual items that each exceeded the \$999 transaction limit.
- One instance where the user of the purchasing card processed two transactions for travel related expenses that exceeded the \$2,500 transaction limit.
- Three instances where the purchasing card was used for travel related expenditures without having an approved travel authorization on file.
- One instance where a purchasing card was used to purchase clothing, which is listed as a restricted item.

From a sample of 19 purchasing cards that were cancelled during the fiscal year ended June 30, 2006, our review disclosed the following:

- Four instances where the purchasing cards were not cancelled in a timely manner.
- Six instances where we were unable to determine if the purchasing cards were cancelled in a timely manner. In each of these six instances, the University did not document the date the purchasing card was returned to the Business Services Department for cancellation.

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:

The individual cardholders did not follow established control procedures as prescribed in the University's Manual.

The University does not require that the cardholder document the date that the reconciliation was performed.

The Manual contains contradictory language regarding if the purchasing limits apply to a single item and/or a single purchase limit.

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

The University did not maintain documentation to support the date that the purchasing card was returned to the Business Services Department by the card holder.

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 and/or when the card is determined to be no longer needed by the cardholder. In addition, the University should consider maintaining a receipt log and/or equivalent documentation to document the date a purchasing card is returned to the Business Services Department. (See Recommendation 5.)

Agency Response: "The University agrees with the recommendation. The conditions noted above were identified via other audits of the P-Card Program. The number of audits performed was then increased 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. Revisions will be made to the P-Card policy to require the card holder to sign and date the statements and the University will begin to perform random surprise audits."

Competitive Bids:

Criteria: Section 10a-151b of the General Statutes governs the purchase of equipment, supplies, contractual services, and execution of personal service agreements by constituent units of higher education. This statutory provision requires that purchases exceeding \$10,000 shall be based, when possible, on competitive bids or competitive negotiation. Each bid or proposal shall be kept sealed until opened publicly at the time stated in the notice soliciting such bid or proposal.

The Connecticut State University System's Procurement Manual provides additional guidance in this area.

The Connecticut State University System's Travel Policy and Procedures Manual sets forth requirements relating to travel-related expenditures.

Condition: We noted an instance, where the University developed and adopted a policy with the Center for International Education (CIE) that is not consistent with the competitive negotiation process as required by the General Statutes.

The University's policy statement permitted CIE to solicit prices for travel programs estimated to cost between \$10,000 and \$25,000 without obtaining this information in a sealed bid format. This policy required that sealed bids be submitted if the travel program was estimated to cost over \$25,000.

Effect: The University did not comply with its established policies and

procedures, which weakens internal control, and increases the likelihood of the perception that contracts were awarded due to favoritism. It could not be determined whether the University received the most competitive prices for purchases made.

Cause: The University adopted a policy statement that is less stringent than the General Statutes.

Recommendation: The University should review its policy statement with the Center for International Education to ensure that language within the policy is consistent with the competitive bids or competitive negotiation thresholds as required by the General Statutes. (See Recommendation 6.)

Agency Response: “The University agrees with the recommendation. The CIE policy cited was amended in Fall 2006. The Purchasing Department now processes all bids for overseas travel, hotels and land arrangements with an estimated value of \$10,000 or more. These bids are all processed in accordance with standard CSU and CCSU bidding policies and procedures. CIE is allowed to solicit quote pricing for travel packages with values under \$10,000 only.”

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: During our examination of the University’s cash receipts system, we reviewed 25 cash receipts that were deposited during the audit period. Our review disclosed the following:

- We identified eight instances of late deposits. The deposit delays ranged from one to 27 days. In all eight instances, we noted that the delays occurred prior to the Bursar’s Office receiving the funds. In four of the eight instances noted, the deposit delays were related to receipts received directly at the Office of Admissions.
- We also identified six departments, who received receipts directly on behalf of the University, that did not have formal written policies and procedures governing the handling of such receipts. In addition, we noted that in two of these departments there were no records of the original receipt date.

Effect: The University was not in compliance with provisions of Section 4-32 of the General Statutes.

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: The University should formalize its policies and procedures and improve internal control over receipts to ensure compliance with the prompt deposit requirements of Section 4-32 of the General Statutes. The University should consider implementing a control procedure that requires each department collecting funds to use a standard receipts journal to document the receipt date. (See Recommendation 7.)

Agency Response: “The University agrees with the recommendation. The campus community is notified periodically via e-mail reminders of timely deposit requirements. The Bursar’s Office will continue to monitor for late deposits and follow-up with the department. Where appropriate, we will add a standard receipt journal/log requirement in our policies and procedures.”

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 29 students with individual account receivable balances as of June 30, 2006, disclosed 18 instances where the University did not follow its collection procedures. The conditions noted include the following:

- Four students’ accounts were not sent to an outside collection agency in a timely manner.
- Six 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.

- Four students' accounts were not sent in a timely manner to a second outside collection agency.
- Three students' accounts were not transferred back to the University from the second outside collection agency after the company was unsuccessful in collecting from non-paying accounts in a timely manner.
- One student's account was not sent timely to a third outside collection agency in a timely manner.

Effect: The University did not comply with its established policies and procedures, which weakens internal control. Further, 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 a staffing shortage in the Bursar's Office.

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 in the appropriate stage of collection. (See Recommendation 8.)

Agency Response: "The University agrees with the recommendation. Effective during the 2007-2008 fiscal year, CCSU collection policies and procedures will be revised to accurately reflect the collection process."

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 selected from the inventory records, two equipment items could not be located. Three items identified as missing were never reported as such in accordance with statutory provisions. Two items were found in locations other than the location reported on the inventory records. In each of these instances, the transfer forms were completed on and/or after the date of our

physical inspection.

- From a sample of 15 disposed equipment items, two items were removed from a campus department without obtaining the required department head's approval. Four items were disposed of but lacked documentation as to the date of the actual disposal.
- From a sample of 15 stores and supplies items, we found three items that had a different quantity on hand than what was reported on the perpetual inventory record.
- From a sample of 15 local fund equipment items selected from the inventory records, one item was not tagged. One item had a duplicate tag number listed on the inventory report.
- From a sample of five artwork collection pieces with an individual cost of greater than \$10,000, we noted in all five instances there was no appraisal conducted within the last five years.

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 9.)

Agency Response: "The University agrees with the recommendation. Responses are in consecutive order to the instances noted in the Conditions section:

- CO-59 errors have been corrected and will be reflected on the 2006-2007 fiscal year CO-59.
- CO-853 forms have been filed for missing items. Monthly campus-wide e-mail notices are sent to remind departments that transfer forms are needed when assets are to be moved.
- An updated signature authority letter has been executed and is in use. Disposal and donation forms are now signed and dated by the donee (or driver) when being picked up at the University.
- Highly moveable stores and supplies are being inventoried more frequently and any discrepancies are investigated immediately.
- Local Fund (Student Activity) items are being affixed with new and better quality bar code tags. A scanner will be used to perform the physical inventory. Assets will be updated into the Q-Tel Asset Management program replacing Excel inventory spreadsheets.
- The art appraisal process began in March 2006. This appraisal process assessed pieces greater than \$10,000."

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. In addition, we also reviewed the University's controls over access privileges to Core-CT.

Criteria: In order to ensure system integrity, access to the system should be disabled promptly when such access is no longer required.

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.

In order to disable an individual's Core-CT access, the University's designated Security Liaisons must notify the Core-CT Security Administrator by submitting the required Core-CT Application Security Request Form.

Conditions: From a sample of 20 employees that were listed as having active access to the campus network, we noted seven instances where network access was not disabled upon termination.

From a sample of 28 employees that were listed as having active access to Banner, our review disclosed the following:

- Two instances where Banner access was not disabled upon termination.
- One instance where an employee transferred to another department and the individual's Banner access was never modified and/or disabled.
- Two instances where Banner accounts that were no longer used remained active.
- One instance where multiple users were using the same username and password.

From a sample of five employees that were listed as having active access to Core-CT, our review disclosed the following:

- Three instances where Core-CT access was not disabled upon termination.

- One instance where an employee transferred to another department and the individual's Core-CT access was never modified and/or deleted.

Effect: Internal control over the University's information systems is weakened when an employee's access is not disabled promptly upon termination and/or transfer to another department.

Cause: The University did not comply with its established procedures for terminating employees' access privileges to its information systems and/or Core-CT.

Recommendation: The University should comply with its established procedures for terminating employees' access privileges to its information systems and/or Core-CT. (See Recommendation 10.)

Agency Response: "The University agrees with the recommendation. Upon receiving notification of the findings in the Conditions section above, all instances were investigated and appropriate corrective action was taken to comply with established procedures.

As of September 2007, Core-CT provides a Logon ID Quarterly Audit report with all CCSU Core-CT usernames that will be utilized in maintaining control of separated employees having their Core-CT access terminated."

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.

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

Cause: The University does not have formal policies and procedures in place to track all individual software that has been purchased/installed by faculty

and staff.

Recommendation: The University should comply with the software inventory requirements contained in the State of Connecticut's Property Control Manual. (See Recommendation 11.)

Agency Response: "The University agrees with the recommendation. Policies and procedures necessary to track the individual software that have been purchased/installed by faculty and staff will be put in place. The University will work with the Council on Information Technology, under the leadership of the CSUS Chief Information Officer, to create a systemic policy, along with systemic procedures by which the policy will be implemented, which will then be adhered to by the University."

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.

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 was cooperating with the CSU System Office in developing a systemic disaster recovery plan. A System Office representative informed us that the systemic disaster recovery plan will be implemented during the fiscal year ended June 30, 2008.

Recommendation: The University should continue its efforts to develop a comprehensive disaster recovery plan. (See Recommendation 12.)

Agency Response: "The University agrees with the recommendation. The University will continue to lend assistance to the efforts of the CSUS Office in creating a systemic disaster recovery plan. The University recognizes the importance of a disaster recovery system and is currently making additions to its network infrastructure equipment in anticipation of the plan being released."

Athletic Camps/Clinics:

Background: In our last audit report on the University, covering the fiscal years 2002-2003 and 2003-2004, we recommended that the University improve

controls over the rental of the University facilities, especially for external athletic related 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.

Sound business practices require that the University maintain the appropriate level of insurance when conducting athletic related camps/clinics.

Conditions: The University had two summer athletic related camps/clinics, which were held at the University during the summer of 2006. One of these camps was a University sponsored event and the other was an external camp. Our review of the correspondence on file for these two camps, disclosed the following:

- One instance where the Facility Use Agreement was signed late by the Director of Event Management and was not signed by Director of Business Services and the Attorney General's Office.
- One instance where the event lacked the appropriate level of liability insurance.

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: A University representative informed us that the Facility Usage Agreement was not signed by all the required parties because the correspondence was not submitted in a timely manner. In the other instance, we were informed that the University was unaware that an internal sponsored athletic camp required supplemental insurance.

Recommendation: The University should improve controls over the rental of the University facilities. The University should consider implementing a control procedure to track documents required to be obtained and reviewed before an external event can be approved. (See Recommendation 13.)

Agency Response: "The University agrees with the recommendation and has put in place new controls to avoid these problems in the future. Initially available dates for the usage of the facilities will be put on the website. A timeline will be set for applications and all appropriate documentation.

Applications submitted to the Athletics Department will be forwarded to the Event Management staff for verification and final approval. A timeline will be established prior to the start of the game for paperwork

and documentation to be on file and signed off, before any camps, University sponsored or external camp (one month prior to the start of camp is the designated timeline).”

University Exchange Program:

- Background:* In our last audit report on the University, covering the fiscal years 2002-2003 and 2003-2004, we recommended that the University ensure that there is a valid Memorandum of Understanding (MOU), defining the terms of a student exchange, on file with a host institution before allowing a student to participate in such a program. Our review disclosed one instance, where the University allowed 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.
- Criteria:* Strong internal controls require that a valid MOU be on file for any student/faculty exchange between the University and a host institution.
- Condition:* Our review of a list of the University’s active exchange agreements on file as of April 2007, disclosed that there were 13 agreements that had expired.
- Effect:* The University participated in student/faculty exchanges with a host institution without having a current MOU on file. The above condition weakens internal control over the exchange program.
- Cause:* The MOU between the University and the various host institutions lapsed.
- Recommendation:* The University should ensure that there is a valid Memorandum of Understanding, defining the terms of a student/faculty exchange, on file with a host institution before allowing the student/faculty representative to participate in such a program. (See Recommendation 14.)
- Agency Response:* “The University agrees with the recommendation. During the audited period, student exchange activity took place with seven partnership institutions after the governing MOU had expired. CCSU recognizes that this may not be the best business practice. The CIE began renewing MOUs immediately following the receipt of the results of the 2002-2003 and 2003-2004 fiscal year audit in which the University was similarly cited for exchanging students under the auspices of expired MOUs. However, the process of renewing all expired MOUs has not been efficient due to the numerous changes that have occurred in Connecticut law over the last years. The Attorney General’s Office mandates that all MOUs include references to all current regulations and public acts that continue to increase and/or change. As these changes occur, new versions to the MOU must be sent to the partner for further review and translation. Moreover, revisions in the required standard language and references to newly promulgated executive orders have been numerous. The CIE

continues to devote significant staff time to renegotiating expired MOUs and will continue to do so until all expired MOUs have been renewed. The CIE will make diligent efforts to renew at least three expired MOUs by the end of Fall 2007 semester with the expectation that the remaining four will be renewed by the completion of Spring 2008 semester.”

Employment - University Residence:

Background: During the Fall 2006 academic semester, the University employed nine individuals that served as Residence Hall Directors and/or Area Coordinators who received on-campus housing as part of their condition of employment.

Criteria: The Connecticut State University System (CSU System) has a University Residence Policy Related to Employment (Residence Policy). The Residence Policy has minimum requirements that must be met and/or on file before an employee may reside on campus.

Good internal controls dictate that when keys are issued to employees, documentation be maintained to support the approval and issuance of such keys.

Conditions: Our review of employees that were provided on-campus housing for the Fall 2006 academic semester, disclosed the following.

- One instance where the marriage certificate for the spouse of a Residence Hall Director, was not on file in the Human Resources Department.
- One instance where there was no evidence that a Residence Hall Director’s background verification was reviewed.
- Two instances where a current Residence Hall Director did not have the required background verifications performed.
- Four instances where the University was unable to locate the documentation supporting when the employees were issued the hard keys to each individual’s residence.

Effect: Internal controls are weakened. The University was not in compliance with the CSU System’s Residence policy.

Cause: Internal control procedures were not followed.

The required background verifications were not performed because the University interpreted the CSU System’s Residence Policy to apply only to new employees hired to the position. Subsequent to our fieldwork, the University implemented a policy that all employees, regardless of their previous employment history with the agency, who are provided on

campus housing will be subject to the applicable background verifications addressed in the CSU System's Residence Policy.

Recommendation: The University should improve internal controls and comply with the Connecticut State University System's Residence Policy. (See Recommendation 15.)

Agency Response: "The University agrees with the recommendation. Upon review of the CSU System's Residence Policy by CCSU's Executive Committee, the University is requiring background checks of all employees appointed to positions that include on-campus housing regardless of their prior employment with CCSU. Staff responsible for processing background checks have been reminded to initial and date the consent form indicating that the background check has been reviewed. Employees that reside on campus with a spouse or civil union partner are required to provide documentation to verify the marriage or civil union.

Residence Life has verified with Key Shop personnel that, while keys are distributed through the Key Shop, the records are the responsibility of Residence Life. A procedure has been set up for record keeping within the department and key records will be maintained for seven years."

Local Fund Receipts:

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 the 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 Bursar's office. Our review disclosed the following:

- In four instances, receipts totaling \$5,476 were deposited from one to 27 calendar days late. In addition, we noted seven instances totaling \$8,589, where the clubs/groups had no record of the original receipt date. In these cases, we could not determine if the funds were deposited promptly.
- In 12 instances, 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 agrees with the recommendation and will comply with the established local fund policies and procedures and improve internal control over the receipts process. Effective fiscal year 2007-2008 Student Activities/Leadership Development (SA/LD) have implemented a form that students must fill out with the fiscal administrator for cash deposits.”

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.

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:

Our testing of 25 local fund expenditures disclosed the following:

- One instance where the transaction was coded incorrectly. Further review disclosed that similar transactions were also coded incorrectly. The total amount of all the identified coding errors was \$67,223.
- Two instances where travel-related expenditures did not comply with established policy. In both instances, the required Travel Authorization Form was not utilized.
- Three instances where the goods/services were ordered before the issuance of a purchase requisition and purchase order. In one of these instances, the vendor's invoice was approved for payment prior to the issuance of these documents.
- One instance where the purchase order was not amended for a significant change in the terms of the contract. The purchase order was initially processed and approved for \$4,185. The actual amount of the contract was \$7,652. The initial purchase order was cancelled and the transaction was processed as a direct payment.
- Two instances where the PSA or Honorarium Form was not signed by one of the necessary parties prior to the contract term. In another instance, the PSA was missing one of the required signatures authorizing the transaction.
- Five instances where there was no after-the-fact certification that services were performed and that payment was issued to the vendor. In each of these instances, a check was issued by the Accounts Payable Department prior to the services being performed.

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 in a timely manner.

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 17.)

Agency Response:

“The University agrees with the recommendation and will comply with the established local fund policies and procedures to improve internal control over the purchasing process. Responses are in consecutive order to the

instances noted in the Conditions section:

- The Director of Student Activities will be scheduling additional training in this area for local fund policy compliance.
- Since Fall 2006 a new SA/LD travel policy has been implemented to assure that no student groups are traveling without proper paper work being filed.
- All purchase orders must be signed by the Director of Student Activities and no purchases are to be made without the proper paper work being filed.
- Purchase orders all go through Banner now and would not be able to make significant changes without proper paperwork and signatures.
- All PSA and Honorarium over \$3,000 go through Banner and the Business Office for proper signatures.
- As an industry standard, checks are often required by lecturers or entertainers to be there the day of the speech or performance. It is our practice to release the check prior to the event but the project director is aware that the check may not be given to the lecturer or entertainer until the service has been fully completed.”

Local Fund – Charitable Contributions Payable:

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

Sound business practices require that the Student Government Association monitor its accounts payable.

Good business practices dictates that funds collected for or on behalf of a charitable organization be disbursed to the intended beneficiary in a timely manner.

Condition: During our review of local fund activity, it was disclosed that the University had a charitable contributions payable balance of \$6,602. This balance represented contributions deposited between the time-period of November 2001 through January 2007. A University representative informed us that the charitable contributions payable account was established to temporarily hold donations collected by clubs/organizations for or on behalf of charitable organizations. These donations were primarily collected for charitable organizations that provide relief for catastrophic events that have occurred both locally and globally. The Student Government Association failed to disburse these contributions to the intended beneficiary in a timely manner.

Auditors of Public Accounts

- Effect:* Funds collected for or on behalf of charitable organizations were never disbursed to the intended beneficiary in accordance with the club/organization's fund raising intentions. Errors to account payable records result in inaccuracies with the financial statements.
- Cause:* The club/organization that collected the donations never authorized the release of funds to the intended beneficiary. Management did not properly monitor the local fund accounts payable.
- Recommendation:* The management of the Student Government Association should follow its own established policies and procedures. The University should monitor the Student Government Association's payables and follow prescribed procedures for disbursing the charitable contributions to the intended beneficiary. (See Recommendation 18.)
- Agency Response:* "The University agrees with the recommendation. The Student Government Association will follow its own established policies and procedures. The Student Activities Office will monitor the Student Government Association's payables and follow prescribed procedures for disbursing the charitable contributions to the intended beneficiary. The Student Activities Office is making its best effort to distribute all funds to the charitable organization for which they were intended."

Local Fund – Conference/Research Grants:

- Criteria:* The Graduate Student Association (GSA) funds grants for conferences and travel, and research. The purpose of these grants is to help subsidize the cost of conference attendance and research done by graduate students in support of their education.
- The GSA's Conference/Research Grant Application Form states that "Graduate students are allowed a total of three grants (any combination of research/conference) per graduate degree. Students must have a minimum Grade Point Average of 3.0 and must be matriculated into a graduate program at the time of reimbursement."
- Condition:* During our examination of local fund expenditures, which included transactions processed by the GSA, we disclosed an internal control weakness regarding the disbursement of the GSA conference and research grants. It was disclosed that no individual involved in the grant approval process is verifying that the students receiving a grant has a minimum grade point average of 3.0 at the time of reimbursement and/or has not received more than two grants in the past.
- Effect:* The University did not comply with its established GSA fund policies and procedures, which weakens internal control, and increases the likelihood that inappropriate expenditures may be made and not detected by

management.

Cause: The University did not have a control procedure in place to document that the minimum criteria for disbursing a grant is maintained before the funds are released.

Recommendation: The University should comply with the established local fund policies and procedures and improve internal control over the Graduate Student Association's disbursement of funds for conference and research grants. (See Recommendation 19.)

Agency Response: "The University agrees with the recommendation and will comply with the established local fund policies and procedures to improve internal control over the GSA's disbursement of funds for conference and research grants. Effective fiscal year 2007-2008 procedures have been enacted to ensure that names and grade point averages are checked by GSA to comply with established policies."

Central Recorder:

Background: The students publish a student newspaper, the *Central Recorder*, which generates revenue from advertising.

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 advertisements generated from five newspaper issues published during the fiscal year ended June 30, 2006. Our examination disclosed the following:

- There was no supporting documentation on file for two out of the five newspapers selected. In addition, there was an advertisement that was published in another newspaper that had no supporting documentation on file.
- There were five instances where the required Contract Advertising Agreement was not on file. In two of these instances, advertisements were published and the advertiser was not billed.

- There were four instances, where the rate charged to a customer did not match the amount published in the newspaper's approved rate schedule.
- There were six instances, where advertisements were published and the revenue was never collected.
- In June 2006, the *Central Recorder* had an accounts receivable balance of \$13,575 of which the majority of this amount 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 2005.

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 20.)

Agency Response: "The University agrees with the recommendation. The Editorial Board of the *Central Recorder* will follow its own established advertising policies and procedures. The Student Activities Office suspended the selling of advertising for the Spring 2006 semester due to the failure of the *Central Recorder's* staff to comply with established procedures. The Student Activities Office will monitor the *Central Recorder* receivables and follow prescribed procedures for cancelling accounts that are deemed uncollectible. In 2007 a University Assistant was hired to manage all receivables."

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 2005-2006 fiscal year, are presented below:

- Information Systems: Management should update the Information Technology (IT) Strategic Plan to incorporate the current goals and objectives to be accomplished by the IT Department. Management should document formal comprehensive program development policies and procedures. Management should consider implementing a mechanism for logging and tracking Banner or infrastructure change requests. Management should regularly review the activities of powerful user IDs such as programmers and database administrators for access to the Banner Oracle database. Management should perform a more frequent review of user access rights. The University should consider implementing a comprehensive anti-spyware software system on all of its computers. Management should continue to work with the System Office to develop a disaster recovery plan.

RECOMMENDATIONS

Our prior report contained 18 recommendations. There has been satisfactory resolution of four of these recommendations. The remaining 14 recommendations have been repeated or restated to reflect current conditions. Six additional recommendations are being presented as a result of our current examination.

Status of Prior Audit Recommendations:

- 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. The recommendation is being repeated with modification. (See Recommendation 1.)
- 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. Improvement was noted in this area; therefore the recommendation is not being repeated.
- 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. Improvement was noted in this area; therefore the recommendation is not being repeated.
- The University should comply with established policies and procedures and improve internal control over the procurement process. Improvement was noted in this area; therefore the recommendation is not being repeated.
- The University should comply with established policies and procedures and improve internal control over travel-related expenditures. The recommendation is being repeated. (See Recommendation 4.)
- 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. The recommendation is being repeated with modification. (See Recommendation 5.)
- 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 with modification. (See Recommendation 7.)
- 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. The recommendation is being repeated. (See Recommendation 8.)

- 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. The recommendation is being repeated with modification. (See Recommendation 14.)
- The University should comply with the Connecticut State University System's Capital Valuation and Asset Management Manual and improve control over capital assets. The recommendation is being repeated. (See Recommendation 9.)
- All computer access should be disabled promptly upon an individual's termination of employment. The recommendation is being repeated with modification. (See Recommendation 10.)
- The University should continue its efforts to develop a comprehensive disaster recovery plan. The recommendation is being repeated. (See Recommendation 12.)
- The University should comply with the software inventory requirements contained in the State of Connecticut's Property Control Manual. The recommendation is being repeated. (See Recommendation 11.)
- The University should improve controls over the rental of the University facilities, especially for external athletic related camps/clinics. The recommendation is being repeated with modification. (See Recommendation 13.)
- The University should comply with the established local fund policies and procedures and improve internal control over the purchasing process. The recommendation is being repeated. (See Recommendation 17.)
- The University should comply with the established local fund policies and procedures and improve internal control over the receipts process. The recommendation is being repeated. (See Recommendation 16.)
- 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. Improvement was noted in this area; therefore the recommendation is not being repeated.
- 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. The recommendation is being repeated. (See Recommendation 20.)

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 signature of individuals that have the responsibility of approving accrued compensatory time.**

Comment:

From a sample of employees accruing compensatory time, our review disclosed a number of instances where the supervisor's signature on the compensatory time reporting form was missing, illegible and/or not dated.

- 2. The University should consider deactivating non-permanent employees when there is an extended break in service to ensure that an employee's status in Core-CT is accurate.**

Comment:

During our review of the University's control structure over the payroll and human resource function, it was disclosed that non-permanent employees are not deactivated in Core-CT during extended periods of absence.

- 3. The University should comply with established policies and procedures and improve internal control over personal service related expenditures processed on a Personal Service Agreement or Honorarium Form.**

Comment:

A number of personal service related expenditure transactions were not processed in compliance with the University's established policies and procedures.

- 4. 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.

- 5. 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 and/or when the card is determined to be no longer needed by the cardholder. In addition, the University should consider maintaining a receipt log and/or equivalent documentation to document the date a purchasing card is returned to the Business Services Department.**

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.

- 6. The University should review its policy statement with the Center for International Education to ensure that language within the policy is consistent with the competitive bids or competitive negotiation thresholds as required by the General Statutes.**

Comment:

We disclosed an instance, where the University developed and adopted a policy with the Center for International Education Department that is not consistent with the competitive negotiation process as required by the General Statutes.

- 7. The University should formalize its policies and procedures and improve internal control over receipts to ensure compliance with the prompt deposit requirements of Section 4-32 of the General Statutes. The University should consider implementing a control procedure that requires each department collecting funds to use a standard receipts journal to document the receipt date.**

Comment:

Our review of receipts received at locations other than the Bursar's Office disclosed eight instances of late deposits. In addition, we also identified six departments that received receipts directly on behalf of the University which did not have formal written policies and procedures governing the handling of such receipts.

- 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 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 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.

10. The University should comply with its established procedures for terminating employees' access privileges to its information systems and/or Core-CT.

Comment:

From a sample of employees who had terminated employment with the University, we noted a number of instances where their information systems and/or Core-CT access were not disabled promptly.

11. 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. Further, the University did not conduct a physical inventory of its software during the audited period.

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 improve controls over the rental of the University facilities. The University should consider implementing a control procedure to track documents required to be obtained and reviewed before an external event can be approved.

Comment:

The University did not follow its established policies and procedures governing the rental of its facilities for athletic related camps/clinics. In one instance, the contract was not approved by all of the required parties. In another instance, the event lacked the appropriate level of liability insurance.

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

Comment:

Our review of a list of the University's active exchange agreements on file as of April 2007, disclosed that there were 13 agreements that had expired.

- 15. The University should improve internal controls and comply with the Connecticut State University System's Residence Policy.**

Comment:

Our review of employees that were provided on-campus housing for the Fall 2006 academic semester, disclosed that the University did not fully comply with CSU System's Residence Policy. In addition, the University's Residence Life Department lacked a formal procedure to document the issuance and return of keys that are assigned to its staff.

- 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. 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.

- 18. The management of the Student Government Association should follow its own established policies and procedures. The University should monitor the Student Government Association's payables and follow prescribed procedures for disbursing the charitable contributions to the intended beneficiary.**

Comment:

Funds collected for or on behalf of charitable organizations were never disbursed to the intended beneficiary in accordance with the club/organization's fund raising intentions.

- 19. The University should comply with the established local fund policies and procedures and improve internal control over the Graduate Student Association's disbursement of funds for conference and research grants.**

Comment:

During our review of the disbursement of GSA conference and research grants, it was disclosed that there was no control procedure to ensure that the recipient of the grant maintained the minimum eligibility requirements.

- 20. 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, 2005 and 2006. 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, 2005 and 2006, are 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, 2005 and 2006, 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