

STATE OF CONNECTICUT



*AUDITORS' REPORT
BOARD OF TRUSTEES FOR THE CONNECTICUT STATE UNIVERSITY
CENTRAL CONNECTICUT STATE UNIVERSITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008*

AUDITORS OF PUBLIC ACCOUNTS
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AUDITORS' REPORT
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FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008

We have examined the financial records of Central Connecticut State University (the University) for the fiscal years ended June 30, 2007 and 2008.

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. John W. Miller served as University President during the audited period.

Recent Legislation:

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

Public Act 07-7, June Special Session, Sections 101-108, effective July 1, 2008, authorized the Connecticut State University System Infrastructure Act (Infrastructure Act). The legislation within the Infrastructure Act establishes the CSUS 2020 Fund, which will be a general obligation bond fund held and administered by the State Treasurer to account for the bonds authorized to fund various infrastructure improvements to the CSU System. It is estimated that the total cost of the projects identified in the Infrastructure Act will be \$950,000,000.

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 2006</u>	<u>Spring 2007</u>	<u>Fall 2007</u>	<u>Spring 2008</u>
Full-time undergraduate	7,463	6,929	7,658	7,179
Full-time graduate	<u>536</u>	<u>498</u>	<u>520</u>	<u>457</u>
	<u>7,999</u>	<u>7,427</u>	<u>8,178</u>	<u>7,636</u>
Part-time undergraduate	2,181	2,120	2,046	2,024
Part-time graduate	<u>1,964</u>	<u>1,871</u>	<u>1,882</u>	<u>1,861</u>
	<u>4,145</u>	<u>3,991</u>	<u>3,928</u>	<u>3,885</u>
	<u>12,144</u>	<u>11,418</u>	<u>12,106</u>	<u>11,521</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’s financial statements are adjusted as necessary 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>2006-2007</u>	<u>2007-2008</u>
Tuition and fees (net of scholarship allowances)	\$61,617,046	\$62,258,014
Federal grants and contracts	17,549,533	17,623,989
State and local grants and contracts	3,410,807	5,098,471
Non-Governmental grants and contracts	925,418	913,419
Indirect cost recoveries	320,788	432,957
Auxiliary revenues	19,966,415	22,307,068
Other sources	<u>10,347,751</u>	<u>10,544,371</u>
Total operating revenues	<u>\$114,137,758</u>	<u>\$119,178,289</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 2006-2007 and 2007-2008 fiscal years.

Student Status	2006-2007			2007-2008		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduates	\$3,187	\$10,315	\$4,781	\$3,346	\$10,831	\$5,020
Graduates	3,970	11,061	5,955	4,169	11,614	6,253

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.

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Fees	2006-2007			2007-2008		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
General	\$2,072			\$2,176		
State University	820	2,014	820	849	2,084	849
Information Technology	223			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	2006-2007	2007-2008
Housing	\$4,448	\$4,704
Food Service	3,398	3,398

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 \$640,968 in the 2007-2008 fiscal year 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 five percent between the 2006-2007 and 2007-2008 fiscal years. In addition, the University’s General fees and University fees increased by five and four percent, respectively, during the same time-period.

The increase in the State and local grants and contracts category of \$1,687,664 was primarily the result of the increase in funding for various grants and scholarships. The increase in the auxiliary revenues category of \$2,340,653 can be attributed to several departments that generate program income for self-supporting activities. In addition, the increase was also the result of additional athletic game and contract guarantees.

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>2006-2007</u>	<u>2007-2008</u>
Personal services and fringe benefits	\$108,907,345	\$116,575,587
Professional services and fees	6,806,492	7,195,086
Educational services and support	27,268,068	28,884,405
Travel expenses	2,508,262	2,960,665
Operation of facilities	23,848,783	25,766,953
Other operating supplies and expenses	5,556,438	5,648,824
Depreciation expense	<u>11,292,998</u>	<u>11,844,051</u>
Total operating expenses	<u>\$186,188,386</u>	<u>\$198,875,571</u>

The increase in the personal service and fringe benefits category of \$7,668,242 in the 2007-2008 fiscal year was primarily the result of salary increases attributed to collective bargaining increases. The increase in the educational services and support category of \$1,616,337 was due to the rise in financial aid related expenditures. A significant portion of the \$1,918,170 increase in the category titled operation of facilities was the result of the rise in building improvements and repair projects.

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>2006-2007</u>	<u>2007-2008</u>
State appropriations	\$70,394,466	\$74,957,246
Gifts	319,515	345,957
Investment income	3,586,380	3,088,530
Other nonoperating revenues	539,038	556,922
State financial plant facilities	<u>931,068</u>	<u>461,210</u>
Total nonoperating revenues	<u>\$75,770,467</u>	<u>\$79,409,865</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 \$1,911,884 and \$4,248,050 for the fiscal years ended June 30, 2007 and 2008, 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,

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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 the 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, 2007 and 2008, in accordance with Section 4-37f, subsection (8), of the General Statutes. We were provided with audit reports on Foundation operations, 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.

Core-CT Roles – Lack of Separation of Duties:

Criteria: Good internal control requires that adequate separation of duties should be present between the payroll and human resources functions. Access to the Human Resource Management System module in Core-CT (the accounting software program utilized by the State) should be limited in such a manner that payroll and human resources employees do not share the same roles in the system.

Condition: Our review disclosed 20 instances where staff has access to both payroll and human resources functions in Core-CT. This access allows staff the ability to both create and issue payments to employees.

Effect: Internal controls are weakened when roles in Core-CT are not limited. When there is no separation of duties between the payroll and human resources functions, employees have the ability to influence the entire process.

Cause: The University believes the access that is currently assigned to its employees is necessary because of the way Core-CT roles have been established in the system.

Recommendation: The University should establish a separation of duties between its payroll and human resources functions. Payroll and human resources staff should be assigned roles specific to their function. (See Recommendation 1.)

Agency Response: “The University agrees with the recommendation regarding the separation of duties for payroll and human resource functions. After reviewing the Core-CT roles for all payroll and human resource staff members, it was determined that we could eliminate 10 of the 20 instances where employees have access to both payroll and human resource functions. Due to the structure of the roles that have been set up by Core-CT, the remaining 10 instances cannot be eliminated. However, appropriate checks and balances are in place to verify the information entered into the process is accurate, appropriate and authorized, utilizing tools such as the bi-weekly audit report.”

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 Procurement Manual sets forth requirements relating to personal service related expenditures processed on a Personal Service Agreement (PSA) 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. In all eight instances the Attorney General's Office signed the PSA late. In four of these instances, the University signed late and in two instances, the contractor signed late.
- One instance was noted where services were provided prior to the issuance of a valid commitment document authorizing the transaction. Further, after the services were provided the transaction was processed on a purchase order instead of a PSA. Consequently, the service contract was not reviewed and approved by the Attorney General's Office.

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 Form. (See Recommendation 2.)

Agency Response: "The University agrees with the recommendation. Effective July 1, 2009, the Contracts Office will no longer accept a contract signed by the contractor after the start date of the contract without a PSA Late Justification Form. This form requires the department to state the reason why the PSA was late, what corrective measures will be taken by the department to prevent this in the future and it needs to be signed by the appropriate Chief or Vice President. We will keep a log on late submissions. Moreover, no payment is made against a PSA without the PSA being approved by the Office of the Attorney General."

Failure to Obtain Gift and Campaign Certifications:

- Criteria:* Section 4-252, subsection (c), of the Connecticut General Statutes, as well as Governor Rell's Executive Orders No. 1 and No. 7C, require that the University obtain gift and campaign certifications at the time of the execution of a contract and annually thereafter through the term of the contract, from any person, firm or corporation awarded a contract with the University, if such contract exceeds \$50,000 in a calendar or fiscal year.
- Condition:* During our review of expenditures, we noted two out of six instances in which the University did not obtain the required gift and campaign certifications at contract signing.
- Effect:* The University has not complied with Section 4-252, subsection (c), of the Connecticut General Statutes and Governor Rell's Executive Orders No. 1 and No. 7C.
- Cause:* At the time that these contracts were executed, the Purchasing Department did not have a control procedure in place to ensure that all required certifications were on file.
- Recommendation:* The University should obtain the required gift and campaign certifications at contract signing, as well as during the required annual updates. (See Recommendation 3.)
- Agency Response:* "The University agrees with the recommendation. Effective February 2009, the Purchasing Manager has created a procedural check list for all RFQs (quotations) and RFPs (proposals) so that in the future all appropriate forms are included in all bid documents and any subsequent award documents."

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.
- Conditions:* Our current audit examination of the University's purchasing card system included the review of transactions processed during the audited period. From a sample of 25 purchasing cards, we noted ten instances where approval was not requested from the Purchasing Manager to increase the single transaction limit of the purchasing card. In each of these instances, which involved the purchase of multiple items, the purchasing card was

used in a way to circumvent the single transaction limit.

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 policies and procedures. The individual cardholders were processing their purchasing card multiple times for the same transaction because the total purchase exceeded the \$999 limit.

Resolution: The University's Purchasing Card Program Manual was amended in March 2009, to clarify the terminology between single purchase limit and single item purchase. The clarification states that no purchase may be split to circumvent the \$999 transaction limit.

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 six instances of late deposits. The deposit delays ranged from three to 40 business days. In all six instances, we noted that the delays occurred prior to the Bursar's Office receiving the funds.
- We also identified five 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 dates.

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 4.)

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 appropriate department as applicable.

In addition, the University considered a campus-wide non-student billing and collection program as part of the FY 2010 budget submission. However, budgetary constraints required that implementation be postponed.”

Athletic Camps/Clinics:

Background: In our last audit report on the University, covering the 2004-2005 and 2005-2006 fiscal years, we recommended that the University improve controls over the rental of 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 ensure that lessees maintain the appropriate level of insurance when conducting athletic related camps/clinics.

Conditions: The University had four summer athletic related camps/clinics, which were held at the University during the audited period. Our review of the correspondence on file for these four camps, disclosed the following:

- Three instances where the Facility Use Agreement was not signed by the Attorney General’s Office prior to the rental of the facilities.
- One instance where the University did not have proof of the required liability insurance on file.
- Two instances where a portion of the facility was reserved without being billed.

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. With respect to the other conditions cited, established control procedures were not followed.

Recommendation: The University should improve controls over the rental of 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 5.)

Agency Response: “The University agrees with the recommendation. Controls over the rental of the University facilities for athletic camps and clinics have been strengthened and include the following:

- A timeline for required documentation is distributed to all coaches during staff meetings and/or when facilities are requested.
- A listing of available dates for camps and clinics utilizing University facilities has been posted on the Department of Athletics Website and is updated as reservations for facilities are requested.
- University Event Management is immediately notified of all requests for facility use and/or rental. Athletics will work with Event Management to devise a control procedure to track documents required to be obtained for a camp/clinic.
- Every effort will be made to attain all required documentation and signature approvals from the appropriate University offices and outside agencies prior to the start of the camp. The following standard operating policies and procedures will be posted on the CCSU Athletic website as of August 2009:
 - 45 day advance notice shall be required to request the use of Athletic facilities for any camp or clinic;
 - All documentation will be on file in the Event Management Office before the start of any camp or clinic;
 - A camp/clinic will not be allowed to start without proper documentation.”

Accounts Receivable:

Background: In our audit report on the University, covering the 2004-2005 and 2005-2006 fiscal years, we noted a number of instances where the University did not follow its own collection procedures. Based upon such recommendation, the University modified its collection procedures in May

2008, to provide longer periods of time for processing delinquent accounts during prime billing seasons.

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 27 students with individual accounts receivable balances as of June 30, 2008, disclosed a number of instances where the University did not follow its collection procedures. The conditions noted include the following:

- One student was allowed to register and attend classes with outstanding debts from a previous semester.
- Two students' accounts were not sent an internal collection letter in a timely manner.
- Eleven students' accounts were not sent to an outside collection agency within a timely manner.
- Six students' accounts were not transferred back to the University from an outside collection agency after the company was unsuccessful in collecting from non-paying accounts in a timely manner.

Effect: The University did not comply with its established policies and procedures, which weakens internal control. The University may not collect certain outstanding receivables, which may result in the loss of revenue. Errors to account receivable records may result in reporting inaccuracies within 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, and that processing timeframes were not realistic with the current priorities of the Office. The revised policies do not provide explicit deadlines for each phase of the collection process.

In addition, the conditions involving contracts not being sent and/or returned in a timely manner to/from an outside collection agency was a management decision. Management made a decision to hold onto delinquent accounts and not forward them to an external collection agency

because their existing contracts were set to expire on May 30, 2008. At that time, management was uncertain of the new vendors that would be contracted to perform such services. The University received the current system-wide collection agency contracts in August 2008.

Resolution: The University has modified its policies for the collection of student accounts receivable by extending the length of time allowed for the handling of delinquent accounts during prime billing seasons.

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 20 newly purchased assets during the audited period, seven items were found in a location other than the location reported on the inventory records. One item's serial number that was recorded during physical inspection did not agree with the serial number reported on the inventory record.
- From a sample of 25 equipment items selected from the inventory records, we found two equipment items in locations other than the location reported on the inventory records.
- From a sample of 16 equipment items identified by a random inspection of the premises, two item's serial numbers that were recorded during physical inspection did not match the serial numbers reported on the inventory record.
- From a sample of 25 stores and supplies items, we found four items that had a different quantity on hand than what was reported on the perpetual inventory record. One item's description of the disbursing unit was listed incorrectly on the inventory record. One item was not included in the inventory record. One item was stored in two different locations and the inventory record did not reflect this information.
- From a sample of six disposals of State-owed vehicles, we noted three instances where the assets were not removed from the inventory records in a timely manner.
- From a sample of 21 local fund equipment items selected from the inventory records, five items were found in a location other than the location reported on the inventory records. Two items' serial numbers that were recorded during physical inspection did not agree with the

serial numbers reported on the inventory record. Two items were listed incorrectly as assets on the University's inventory system.

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 increase the likelihood that the loss of equipment may occur and not be detected by management in a timely manner.

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 6.)

Agency Response: "The University agrees with the recommendation. Upon notification the inventory control records were updated. The University has improved its controls of capital assets by ensuring operational compliance with the CSU System's Manual for Capital Valuation and Asset Management.

- Highly movable stores and supplies are being inventoried weekly and monthly since February 2009. Inventory discrepancies are now investigated and documented immediately.
- An electronic scanner is now being utilized to monitor "student activity" items and electronic barcode tags are being affixed to all of these items. The transition of the local funds inventory to the Q-Tel System began in September 2007 and included locating the item, tagging it and entering the information into the system manually.
- Additional reminders and notifications are being distributed throughout the University which mandate proper documentation in compliance with the moving or relocating of any University assets.
- The University has coordinated with the Business Office so that supporting documentation for the CO-59 can be readily traced and referenced."

Loss Reporting:

Criteria: Section 4-33a of the General Statutes requires all State agencies to promptly notify the Auditors of Public Accounts and the State Comptroller of any unauthorized, illegal, irregular, or unsafe handling of State funds or breakdowns in the safekeeping of other State resources.

The State of Connecticut's Property Control Manual prescribes the format for loss reporting. A Report of Loss or Damage to Real and Personal Property (Other than Motor Vehicles) – CO-853 (CO-853 Report) should be used to report all losses or damages to real and personal property other than vehicles pertaining to theft, vandalism, criminal or malicious damage, lost

or misplaced funds, missing property (cause unknown) or damages caused by wind, fire or lightning.

In addition, 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 review of loss reports submitted during the audited period disclosed the following:

- In 11 instances the University did not submit a CO-853 Report for capitalized equipment items that were missing and/or damaged in a timely manner. In three of these instances, the untimely submission of the CO-853 Reports involved the reporting of missing items not found during the University's annual physical inventories. The items missing during the annual physical inventory for the fiscal year ended June 30, 2007 and June 30, 2008, were reported on September 27, 2007 and September 30, 2008, respectively.
- In two instances the University did not submit a CO-853 Report for equipment items that were missing.
- In four instances the University did not have a police report on file for equipment items that were listed as stolen.

Effect: The University did not comply with Section 4-33a of the General Statutes.

Cause: The University was submitting their CO-853 Reports on a quarterly basis.

The University's annual physical inventory takes approximately one year to complete. The physical inventory for the fiscal year ended June 30, 2008, was started approximately July 1, 2007, and completed approximately June 30, 2008. The University does not file a CO-853 Report for those items deemed missing during the physical inventory until approximately three months after fiscal year end.

Internal control policies were not being followed.

Recommendation: The University should comply with Section 4-33a of the General Statutes, which requires prompt notification to the Auditors of Public Accounts and the State Comptroller when there is a breakdown in the safekeeping of State resources. (See Recommendation 7.)

Agency Response: "The University agrees with the recommendation. The University has improved the internal standard operating procedures for reporting lost property. The new procedures, effective April 2009, clearly define the administrative duties and the personnel who must maintain these records to ensure compliance with Section 4-33a of the General Statutes."

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 8.)

Agency Response: "The University agrees with the recommendation. The University will implement this recommendation as resources allow. Lack of a State Budget for FY 2010, the State's continuing deteriorating fiscal condition, loss of positions as a result of the retirement incentive plan and the inability to hire replacements due to the hiring freeze requires the University to prioritize remedial actions.

Although we ascribe a lower priority to fully implementing a complete annual software inventory, as a first step to bringing the University into compliance, the Fiscal Affairs Division will begin compiling a list of all software acquisitions that can be readily identified through purchasing and accounts payable information. This new process will take effect July 1, 2009."

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 should a disaster occur.

Auditors of Public Accounts

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 was implemented in January 2009.

Resolution: The University implemented the Connecticut State University System's systemic comprehensive disaster recovery plan.

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 prescribed.

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 Procurement 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 review of records and testing of 25 local fund expenditures disclosed the following:

- Twenty-five instances where a student club/organization's meeting minutes were not on file.
- One instance where the transaction was coded incorrectly.
- One instance where the authorized budget authorities did not approve the voucher disbursement request approving the expenditure for payment.
- Two instances where the PSA was not signed by one of the necessary parties prior to the contract term. In both of these instances, it was only the Office of the Attorney General's approval that was obtained after the start of the contract period.

- Two instances where travel-related expenditures did not comply with established policy. In the first instance, 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. Such documentation was submitted 16 days late. In the other instance, the employee did not purchase the required rental car insurance.

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: The University does not require the club/organization to submit their meeting minutes.

Internal control policies were not being followed.

The clubs/organizations 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.

Recommendation: The University should comply with the established local fund policies and procedures and improve internal control over the purchasing process. (See Recommendation 9.)

Agency Response: “The University agrees with the recommendation.

- As of September 2008, Student Activities/Leadership Development (SA/LD) has created a club manual and has trained the clubs and organization in the above concerned areas.
- The fiscal administrator also received additional training on the coding process.
- SA/LD will implement a process for collecting club meeting minutes regarding budget/expenditures beginning in Fall 2009. The office will also be looking into software that will help manage this process for the approximately 135 financially active clubs.”

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 prescribed.

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 20 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 \$6,556 were deposited from one to 80 business days late. In addition, we noted 14 instances 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 13 instances, the clubs/groups revenue accountability reports were incomplete or not on file.
- In 18 instances, the clubs/groups meeting minutes were not on file.

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

A University representative informed us that a new revenue accountability report was not implemented until Spring 2008.

The University does not require the clubs/organizations to submit their meeting minutes.

Recommendation: The University should comply with the established local fund policies and procedures and improve internal control over the receipts process. (See Recommendation 10.)

Agency Response: "The University agrees with the recommendation.

- As of September 2008, SA/LD has created a club manual and has trained the clubs and organizations in the above concerned.

- All clubs are required to meet with the fiscal administrator to make deposits within 24 hours of collecting any money. The process can be found in the Club Manual; a copy of which was provided to the auditors.
- SA/LD implemented new revenue accountability reports during Spring 2008.
- SA/LD will implement a process for collecting club meeting minutes regarding revenue/receipts beginning in Fall 2009. The office will also be looking into software that will help manage this process for the approximately 135 financially active clubs.”

Local Fund – Conference/Research Grants:

Background: In our audit report on the University, covering the 2004-2005 and 2005-2006 fiscal years, we noted that no individual involved in the grant approval process is verifying and documenting that the students receiving a grant have a minimum grade point average of 3.0 at the time of reimbursement and/or have not received more than two grants in the past.

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 (GPA) of 3.0 and must be matriculated into a graduate program at the time of reimbursement.”

Conditions: Our testing of five GSA conference and research grants issued during the fiscal year ended June 30, 2008, disclosed the following:

- Two instances where we were unable to confirm if the student’s GPA was verified at the time of reimbursement.
- Two instances where we were unable to verify if the grants were approved by the GSA because the meeting minutes were not on file in the Student Activity Leadership Development Office.
- The GSA approved a grant with a stipulation that the student’s advisor sign the grant application before conference travel. The advisor’s signature was not obtained prior to such travel.

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 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 Graduate Student Association's disbursement of funds for conference and research grants. (See Recommendation 11.)

Agency Response: "The University agrees with the recommendation. As of September 2008, SA/LD is now checking all GPA requirements and attaching a copy to the application. As noted in the local fund expenditure/receipt response, meeting minutes will be maintained. "

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 2007-2008 fiscal year, are presented below:

- General: The University should revisit the policies and procedures for completing P-card audits, make adjustments to the policy to maximize control effectiveness, and implement procedures to ensure compliance with the policy.
- 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.

RECOMMENDATIONS

Our prior report contained 20 recommendations. There has been satisfactory resolution of 12 of these recommendations. The remaining eight recommendations have been repeated or restated to reflect current conditions. Three 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 signature of individuals that have the responsibility of approving accrued compensatory time. Improvement was noted in this area; therefore the recommendation is not being repeated.
- 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. 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 personal service related expenditures processed on a Personal Service Agreement or Honorarium Form. While we noted improvements, we did note certain exceptions that need to be addressed and are repeating this recommendation in modified form. (See Recommendation 2.)
- The University should comply with established policies and procedures and improve internal control over travel-related expenditures. Improvement was noted in this area; therefore the recommendation is not being repeated.
- 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. Improvement was noted in this area; therefore the recommendation is not being repeated.
- 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. Improvement was noted in this area; therefore the recommendation is not being repeated.
- 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. The recommendation is being repeated. (See Recommendation 4.)

- 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. The University modified its collection procedures in May 2008, to provide longer periods of time for processing delinquent accounts during prime billing seasons. The recommendation is not being repeated.
- The University should comply with the Connecticut State University System's Capital Valuation and Asset Management Manual and improve control over capital assets. While we noted improvements, we did note certain exceptions that need to be addressed and are repeating this recommendation. (See Recommendation 6.)
- The University should comply with its established procedures for terminating employees' access privileges to its information systems and/or Core-CT. Improvement was noted in this area; therefore the recommendation is not being repeated.
- 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 8.)
- The University should continue its efforts to develop a comprehensive disaster recovery plan. The University implemented the Connecticut State University System's systemic comprehensive disaster recovery plan in January 2009. The recommendation is not being repeated.
- 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. The recommendation is being repeated. (See Recommendation 5.)
- 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. Improvement was noted in this area; therefore the recommendation is not being repeated.
- The University should improve internal controls and comply with the Connecticut State University System's Residence Policy. Improvement was noted in this area; therefore the recommendation is not being repeated.
- 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 10.)

- 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 9.)
- 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. Improvement was noted in this area; therefore the recommendation is not being repeated.
- 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. The recommendation is being repeated. (See Recommendation 11.)
- 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. Improvement was noted in this area; therefore the recommendation is not being repeated.

Current Audit Recommendations:

- 1. The University should establish a separation of duties between its payroll and human resources functions. Payroll and human resources staff should be assigned roles specific to their function.**

Comment:

Our review disclosed 20 instances where staff has access to both payroll and human resources functions in Core-CT. This access allows staff the ability to both create and issue payments to employees.

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

Comment:

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

- 3. The University should obtain the required gift and campaign certifications at contract signing, as well as during the required annual updates.**

Comment:

During our review of expenditures, we noted two out of six instances in which the University did not obtain the required gift and campaign certifications at contract signing.

- 4. 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 six instances of late deposits. In addition, we also identified five 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.

- 5. The University should improve controls over the rental of 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 three instances, the contract was not approved by all of the required parties in a timely manner. In another instance, the University did not have proof of the required liability insurance on file.

- 6. 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.

- 7. The University should comply with Section 4-33a of the General Statutes, which requires prompt notification to the Auditors of Public Accounts and the State Comptroller when there is a breakdown in safekeeping of State resources.**

Comment:

During our review of loss reports submitted during the audited period, we noted a number of instances where the University did not submit the required paperwork in a timely manner. In addition, there were other instances noted where required police reports were not on file.

8. 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.

9. 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.

10. 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 identified a significant number of instances where the clubs/groups' revenue accountability reports were incomplete or not on file.

11. 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:

Our testing of five GSA conference and research grants issued during the fiscal year ended June 30, 2008, disclosed two instances where we were unable to confirm if the student's GPA was verified at the time of reimbursement. In addition, we noted two instances where we were unable to verify if the grants were approved by the GSA because the meeting minutes were not on file in the Student Activity Leadership Development Office.

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, 2007 and 2008. This audit was primarily limited to performing tests of the University's compliance with certain provisions of laws, regulations, contracts and grant agreements 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 grant agreements applicable to the University are complied with, (2) the financial transactions of the University are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the University are safeguarded against loss or unauthorized use. The financial statement audits of Central Connecticut State University for the fiscal years ended June 30, 2007 and 2008 are included as a part of our Statewide Single Audits 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 the University complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements 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.

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

In planning and performing our audit, we considered the University's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Agency's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the Agency's internal control over those control objectives.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance requirements was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to properly initiate, authorize, record, process, or report financial data reliably, consistent with

management's direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the following deficiencies, described in detail in the accompanying "Condition of Records" and "Recommendations" sections of this report, to be significant deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 1 - lack of separation of duties between payroll and human resources functions; Recommendation 2 - inadequate controls over the procurement process; and Recommendation 6 - deficiencies in equipment inventory control procedures.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with certain provisions of laws, regulations, contracts, and grant agreements or the requirements to safeguard assets that would be material in relation to the Agency's financial operations, noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions, and/or material financial misstatements by the Agency being audited will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over the Agency's financial operations, safeguarding of assets, and compliance with requirements, was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the University complied with laws, regulations, contracts and grant agreements, 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 Agency's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which we reported to Agency management in the accompanying "Condition of Records" and "Recommendations" sections of this report.

The University's responses to the findings identified in our audit are described in the accompanying "Condition of Records" section of this report. We did not audit the University's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of Agency management, the Governor, the

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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