

STATE OF CONNECTICUT



*AUDITORS' REPORT
BOARD OF TRUSTEES FOR THE CONNECTICUT STATE UNIVERSITY
CENTRAL CONNECTICUT STATE UNIVERSITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2010*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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December 20, 2012

AUDITORS' REPORT BOARD OF TRUSTEES FOR THE CONNECTICUT STATE UNIVERSITY CENTRAL CONNECTICUT STATE UNIVERSITY FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2010

We have examined the financial records of Central Connecticut State University (CCSU) for the fiscal years ended June 30, 2009 and 2010.

Financial statement presentation and auditing are performed 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, located in New Britain, Connecticut, is one of the four higher education institutions that collectively make up the Connecticut State University System (CSUS). The other three are Eastern Connecticut State University in Willimantic, Southern Connecticut State University in New Haven, and Western Connecticut State University in Danbury. During the audited period, the university was administered by the Board of Trustees for the Connecticut State University System through its System Office in Hartford. CSUS, a constituent unit of the State of Connecticut's system of higher education, operates principally under the provisions contained in Sections 10a-87 through 10a-101 of the General Statutes.

Dr. John Miller served as university president during the audited period.

Recent Legislation:

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

- Public Act No. 08-71 – Effective July 1, 2008, Section 2 of this act requires the Connecticut State University System to waive tuition for any state resident who is a dependent child or surviving spouse of a state resident killed in action while serving on active duty in the United States Armed Forces on or after September 11, 2001.
- Public Act No. 09-159 – Effective July 1, 2009, Section 5 of this act allows the Connecticut State University System to recover federal educational assistance payments under the 2008 Post-9/11 Veterans Educational Assistance Act by limiting the waiver for eligible veterans who apply for these benefits. It requires that the universities waive only the tuition charges that exceed the amount of federal benefits granted for tuition and establishes a formula for calculating the federal benefit amount. The act also provides that veterans whose benefits have been denied or withdrawn under the 2008 Post-9/11 Veterans Educational Assistance Act may still be eligible for tuition waivers under the existing laws codified in the General Statutes.

Enrollment Statistics:

The university provided the following enrollment statistics for full-time and part-time students during the audited period:

	<u>Fall 2008</u>	<u>Spring 2009</u>	<u>Fall 2009</u>	<u>Spring 2010</u>
Full-time Undergraduate	7,785	7,233	7,859	7,486
Full-time Graduate	506	468	564	561
Total Full-time	<u>8,291</u>	<u>7,701</u>	<u>8,423</u>	<u>8,047</u>
Part-time Undergraduate	2,121	2,064	2,130	2,134
Part-time Graduate	1,821	1,937	1,908	1,960
Total Part-time	<u>3,942</u>	<u>4,001</u>	<u>4,038</u>	<u>4,094</u>
Total Enrollment	<u>12,233</u>	<u>11,702</u>	<u>12,461</u>	<u>12,141</u>

The average of the fall and spring semesters' total enrollment was 11,968 and 12,301 during the 2008-2009 and 2009-2010 fiscal years, respectively, compared to an average of 11,814 during the 2007-2008 fiscal year. The total average number of students enrolled at the university increased by 154 (1.3 percent) from fiscal year 2008 to fiscal year 2009, and increased by 334 (2.8 percent) from the 2009 fiscal year to the 2010 fiscal year. The increase in enrollment during the audited period

may, in part, be attributed to slow economic growth following the global financial crisis of 2008. During difficult economic times, enrollment traditionally increases as the workforce seeks to improve their job skills, change careers, or continue their education rather than face a challenging job market.

RÉSUMÉ OF OPERATIONS:

During the audited period, operations of the university were primarily supported by appropriations from the state’s General Fund and by tuition and fees credited to the university’s Operating Fund. In addition, the university received capital projects funds generated from state bond issues. Such funds were earmarked to finance various capital projects on campus.

General Fund appropriations were not made to the university directly. Rather, General Fund appropriations for the entire Connecticut State University System, primarily for personal services and related fringe benefits, were made available to the Connecticut State University System Office, where the allocations of these amounts were calculated, and transfers of these funds were made periodically to the university’s Operating Fund.

Operating Fund receipts consisted in large part of student tuition payments received. Under the provisions of Section 10a-99, subsection (a), of the General Statutes, tuition charges were set by the Board of Trustees for the Connecticut State University System (Board of Trustees). The following presents annual tuition charges for full-time students during the audited fiscal years:

Student Status:	2008 – 2009			2009 – 2010		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduate	\$ 3,514	\$ 11,373	\$ 5,271	\$ 3,742	\$ 12,112	\$ 5,614
Graduate	4,377	12,195	6,566	4,662	12,988	6,994

In accordance with Section 10a-67 of the General Statutes, the Board of Trustees set tuition amounts for nonresident students enrolled in the State University System through the New England Regional Student Program at an amount equal to one and one-half that of in-state tuition.

Tuition for part-time students is charged on a prorated basis according to the number of credit hours for which a student registers.

Besides tuition, the university charged students various other fees during the audited years, including a General Fee and a State University Fee, among others. The following presents these fees, on an annual basis, during the audited fiscal years.

Fee Description:	2008 – 2009			2009 – 2010		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
General	\$ 2,509	\$ 2,509	\$ 2,509	\$ 2,622	\$ 2,622	\$ 2,622
State University	879	2,157	879	910	2,232	910

Auditors of Public Accounts

In addition, 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 presents the average annual Housing Fee (double occupancy) and Food Service Fee during the audited period:

Fee Description:	2008 – 2009	2009 – 2010
Housing	\$ 4,976	\$ 5,264
Food Service	3,598	3,814

Operating Revenues:

Operating revenue results from the sale or exchange of goods and services that relate to the university's educational and public service activities. Major sources of operating revenue include tuition and fees, federal grants, state grants, and auxiliary services.

Operating revenues as presented in the university's audited financial statements for the audited period and the previous fiscal year follow:

	<u>2007 – 2008</u>	<u>2008 – 2009</u>	<u>2009 – 2010</u>
Tuition and Fees (net of scholarship allowances)	\$ 62,258,014	\$66,117,182	\$ 71,528,847
Federal Grants and Contracts	17,623,989	17,262,479	18,773,582
State and Local Grants and Contracts	5,098,471	5,869,746	5,893,371
Non-Governmental Grants and Contracts	913,419	905,473	840,920
Indirect Cost Recoveries	432,957	475,954	428,438
Auxiliary Revenues	22,307,068	22,645,851	23,831,051
Other Operating Revenues	10,544,371	8,381,332	2,988,103
Total Operating Revenues	<u>\$119,178,289</u>	<u>\$121,658,017</u>	<u>\$124,284,312</u>

Operating revenues totaled \$121,658,017 and \$124,284,312 during the fiscal years ended June 30, 2009 and 2010, respectively, compared to \$119,178,289 during the fiscal year ended June 30, 2008. These figures reflect annual increases in operating revenues totaling \$2,479,728 (2.08 percent) and \$2,626,295 (2.16 percent) during the fiscal years ended June 30, 2009 and 2010, respectively. Such increases can be attributed primarily to increases in tuition and fee rates and increases in student enrollment that occurred during the audited period. During the fiscal year ended June 30, 2010, increases in reported operating revenues were somewhat offset by a decline in revenues in the Other Operating Revenues category. This decrease, for the most part, does not represent an actual decrease in revenues, but instead reflects a change in financial statement presentation. During the fiscal year ended June 30, 2010, the CSUS began to present adjustments for plant fund additions at the university level in its financial statements rather than in a consolidated format as was previously the case. As such, for the fiscal year ended June 30, 2010, net adjusted lower figures were presented for each of the CSUS universities in the combining financial statements for both revenues (in the Other Operating Revenues category) and expenses (in the Operation of Facilities category) with no real net effect change in revenues and expenses.

Operating Expenses:

Operating expenses generally result from payments made for goods and services to achieve the university's mission of instruction and public service. Operating expenses include employee compensation and benefits, professional services, supplies, and depreciation, among others.

Operating expenses as presented in the university's audited financial statements for the audited period and the previous fiscal year follow:

	<u>2007 – 2008</u>	<u>2008 – 2009</u>	<u>2009 – 2010</u>
Personal Service and Fringe Benefits	\$ 116,575,587	\$ 123,726,894	\$ 117,590,246
Professional Services and Fees	7,195,086	8,149,271	7,659,387
Educational Services and Support	28,884,405	29,513,974	31,610,473
Travel Expenses	2,960,665	2,623,949	2,478,869
Operation of Facilities	25,766,953	26,751,468	20,784,300
Other Operating Supplies and Expenses	5,648,824	6,360,086	5,179,730
Depreciation Expense	<u>11,844,051</u>	<u>12,990,592</u>	<u>13,108,618</u>
Total Operating Expenses	<u>\$ 198,875,571</u>	<u>\$ 210,116,234</u>	<u>\$ 198,411,623</u>

Operating expenses totaled \$210,116,234 and \$198,411,623 during the fiscal years ended June 30, 2009 and 2010, respectively, compared to \$198,875,571 during the fiscal year ended June 30, 2008. During the fiscal year ended June 30, 2009, operating expenses increased by \$11,240,663 (5.65 percent) over the previous fiscal year. This increase is primarily due to scheduled employee salary increases in accordance with collective bargaining agreements. Operating expenses decreased by \$11,704,611 (5.57 percent) during the fiscal year ended June 30, 2010, compared to the previous fiscal year. The decrease can be attributed, in part, to the change in financial statement presentation (reflected in the Operation of Facilities category) mentioned in the Operating Revenues section above. The state's 2009 agreement with the State Employees Bargaining Agent Coalition (SEBAC) also drove down operating expenses during the fiscal year ended June 30, 2010. This agreement, among other things, froze CSUS salaries during the fiscal year ended June 30, 2010, at 2009 fiscal year levels. In addition, it established a retirement incentive program, which contributed to a decline in the number of university employees in the 2010 fiscal year.

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 functions of instruction, academic support, and student services. Nonoperating revenues include items such as the state's General Fund appropriation, private gifts and donations, investment income, and state financial plant facilities revenues. The state financed plant facilities category represents the recognition of revenue from capital projects completed at the university by the Department of Public Works.

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Nonoperating revenues during the audited years and the previous fiscal year were presented in the university's audited financial statements as follows:

	<u>2007 – 2008</u>	<u>2008 – 2009</u>	<u>2009 – 2010</u>
State Appropriations	\$ 74,957,246	\$ 73,286,101	\$ 72,786,361
Gifts	345,957	389,301	632,807
Investment Income	3,088,530	1,166,007	267,511
State Financed Plant Facilities	556,922	683,842	2,190,231
Other Nonoperating Revenues	461,210	385,110	393,709
Transfers to the State of Connecticut	-	-	(4,409,197)
		\$	\$
Total Nonoperating Revenues	<u>\$ 79,409,865</u>	<u>\$75,910,361361</u>	<u>\$71,861,422422</u>

Nonoperating revenues totaled \$75,910,361 and \$71,861,422 during the fiscal years ended June 30, 2009 and 2010, respectively, compared to \$79,409,865 during the fiscal year ended June 30, 2008. Such revenues decreased by \$3,499,504 (4.41 percent) and \$4,048,939 (5.33 percent) during the fiscal years ended June 30, 2009 and 2010, respectively, compared to the preceding fiscal years. These decreases were primarily the result of a decline in investment income due to falling interest rates during the audited years in conjunction with decreases in the amounts of state appropriations received during the audited years. In addition, during the fiscal year ended June 30, 2010, the university transferred \$4,409,197 of its reserves to the State of Connecticut to comply with Public Act 09-7 enacted by the September 2009 Special Session of the General Assembly and Public Act 10-179, which together required that a total of \$15,000,000 be transferred from the Connecticut State University operating reserve account to the state's General Fund during the fiscal years ended June 30, 2010 and 2011. The decrease in nonoperating revenues during the fiscal year ended June 30, 2010, was offset, in part, by an increase in the State Financed Plant Facilities category as a result of the initiation or completion of several capital building projects during that fiscal year.

In addition to the operating and nonoperating revenues presented above, the university's financial statements disclosed revenues classified as State Appropriations Restricted for Capital Purposes totaling \$4,570,121 and \$3,868,970 for the fiscal years ended June 30, 2009 and 2010, respectively.

Central Connecticut State University Foundation, Inc.:

The Central Connecticut State University Foundation, Inc. is a private, nonprofit corporation established to raise funds to support the activities of the university.

Sections 4-37e through 4-37k of the General Statutes define and set requirements for such state organizations. The requirements address the annual filing of an updated list of board members with the state agency for which the foundation was established, 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 affiliated 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, 2009 and 2010, in accordance with Section 4-37f, subsection (8), of the General Statutes. The auditors expressed unqualified opinions on the Foundation's financial statements. In addition, the foundation's audit reports disclosed no reportable instances of noncompliance with Sections 4-37e through 4-37i of the General Statutes.

The foundation's financial statements reported revenues, gains and other support totaling \$(1,757,945) and \$6,534,508 during the fiscal years ended June 30, 2009 and 2010, respectively. The negative revenues reported for the fiscal year ended June 30, 2009, were due to realized and unrealized losses on investments, which were offset by donations, investment income, and other revenue. Net assets were reported at \$21,813,563 and \$26,660,486 as of June 30, 2009 and 2010, respectively.

CONDITION OF RECORDS

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

Procurement:

Criteria: Prudent business practices require the execution of written contracts prior to the purchase of significant services. Such contracts should define the terms of the agreement, including payments terms, and should be signed by all parties to the agreement, including the contractor, a university official, and, when required, the Office of the Attorney General.

The Connecticut State University System Procurement Manual states that “a request to engage in a sole source/sole acceptable brand purchase must be accompanied by the following:

- A statement to the effect that the requester has thoroughly researched the purchase and to the best of his/her knowledge and belief, the good or service is the only one to fit the particular need.
- A detailed explanation of the requester's needs.
- A detailed description of the good or service, its purpose, and what it is about the product/service that makes it unique.
- A list of the other brands/services considered and an explanation as to why they will not meet the requester's needs.
- A description of the efforts made by the requester to determine that the cost for the good or service is not out of line with current market pricing for similar goods or services.”

Office of the Attorney General (OAG) approval is, generally, required for all state contracts that total \$3,000 or more annually. In a letter dated April 28, 2006, the OAG provided a waiver of the OAG approval requirement for certain CSUS contracts, including those that amount to \$15,000 or less annually.

Condition: We examined a sample of 25 university purchases, totaling \$385,492, and noted the following:

- Five instances, totaling \$109,374, in which a purchase of services was made without a written contract in place (these purchases were charged against purchase orders totaling \$2,127,621, for which there were no written contracts prepared);

- One instance, totaling \$12,077, in which the university made a purchase deemed to be a sole source purchase and, therefore, exempt from competitive bidding, without the documentation on file required by Connecticut State University System purchasing policies to support the sole source status of this purchase (this purchase was charged against a purchase order totaling \$63,327).

Effect:

The lack of written contracts for certain purchases decreases assurance that the interested parties clearly understood and agreed to the terms of the agreements. Further, contracts over a certain dollar threshold require the review and approval of the Office of the Attorney General. By using a purchase order in lieu of a contract, the Office of the Attorney General review did not occur.

Regarding the instance noted in which there was a lack of sole source purchase documentation, the university did not comply with the sole source purchasing procedures established by the Connecticut State University System, and thus cast doubt on the sole source status of the purchase made. (The university informed us that subsequent to this purchase but prior to our review of this area, the university bid out such purchases in January 2011 and was able to identify other vendors who could supply the items purchased.)

Cause:

The university took the position that purchases via request for proposal (RFP) do not require a formal written contract signed by the interested parties. Instead, the university considers the RFP, the vendor's response to the RFP, and the purchase order taken together equivalent to a contract.

Recommendation:

CCSU should improve controls over the purchasing process by ensuring that written contracts are established and approved by the Office of the Attorney General when necessary. The university should also properly document the justification for sole source purchases. (See Recommendation 1.)

Agency Response:

"The university agrees with the recommendation.

In the upcoming fiscal year 2012-2013 the recommendation will be addressed as follows:

- The Chief Financial Officer and the Director of Business Services will review the university's and Connecticut State University's (CSU) system-wide procedures, as well as the State of Connecticut's purchasing definitions, to determine whether a purchase is more appropriately communicated through the use of a purchase order or a written contract. Any changes or clarifications will be reflected in the

university's procedures.

- The university will develop a sole source check list that contains the sole source requirements established in the CSUS Procurement Manual. Effective July 1, 2012, this list will be completed each time a sole source purchase is prepared. This checklist will assist in identifying when items previously procured as a sole source can no longer be justified as a sole source due to a change in the market or other conditions.”

Personal Services Purchasing:

Criteria:

Prudent business practices require the written certification of the receipt of services provided before payments are made to personal services contractors. Further, such payments should be supported by vendor invoices, especially when the terms of the agreement specify that payments are based on an hourly rate paid to the contractor.

It is a good business practice to ensure that a written personal service agreement is in place and signed by all relevant parties before related services are provided.

Office of the Attorney General (OAG) approval is, generally, required for all state contracts that total \$3,000 or more annually. In a letter dated April 28, 2006, the OAG provided a waiver of the OAG approval requirement for certain CSUS contracts, including those that amount to \$15,000 or less annually.

Condition:

We examined 25 payments made to independent contractors for personal services provided during the audited period and noted the following:

- Eight instances, totaling \$36,090, in which the university paid contractors for personal services purchases without adequate written certification that the services were received. In some instances, such certifications were dated before services were provided. In other instances, dates when services were provided and/or receiving signature dates were omitted from receiving documentation.
- Three instances in which the university made payments, totaling \$17,850, for personal services purchases without a vendor invoice on file to support the payment.
- Two instances, totaling \$6,100, in which contractors provided personal services to the university before a fully executed

personal service agreement was in place. In one of these instances, the corresponding contract was signed by the Office of the Attorney General after the contract period had begun. In the other instance, the university signed the corresponding contract more than nine months after the contract period had begun.

- Two instances, totaling \$2,900, in which the university paid individuals an honorarium or stipend payment, for which corresponding disbursement forms omitted the dates when services were provided.

Effect:

With respect to the instances of inadequate receiving documentation noted, there was decreased assurance that the services the university paid for were received.

The lack of vendor invoices in certain instances decreased assurance that payments for personal services were valid and made in the correct amounts.

Regarding the untimely execution of personal service agreements, in some instances, there was decreased assurance that the terms of agreements for personal services met the approval of the interested parties before related services were delivered.

Payments made for personal services purchases based on vague or incomplete disbursement documentation increase the risk of making incorrect or unauthorized payments.

Cause:

At times, established controls were not being followed.

Recommendation:

CCSU should improve internal controls over purchases of personal services by ensuring that receiving reports or equivalent documentation is prepared to document the receipt of services for which payments are made, obtaining vendor invoices when necessary to support payments made, and ensuring that personal service agreements are executed in a timely manner. (See Recommendation 2.)

Agency Response:

“The university agrees with the recommendation.

Responses are in consecutive order to the instances noted in the Condition section above:

Pertaining to the paying of contractors without adequate written certification:

- In regards to speakers and performers, the university generally must have a check in hand so that the contractor is paid immediately following the provided service. Effective July 1, 2012, the Business Office will have the Project Director or designee sign a certification when picking up the check prior to services being performed. This certification will state that the check will only be given to the contractor after the services have been satisfactorily provided. In the event this does not occur, they agree to return the check to the Business Office the next business day. The university will be more diligent in verifying dates of service.

Pertaining to payments without a vendor invoice:

- During the audit period, the university had been utilizing a Disbursement Form, which requires that a responsible program person completes and signs, indicating the service has been performed in accordance with the contract terms. For the three instances cited, the university has the Disbursement Form authorizing payment.

Pertaining to contractors providing services prior to a fully executed PSA:

- Beginning July 2012, the Business Office will communicate to the campus community via e-mail reinforcing the importance of providing sufficient lead time to have the contract processed. In addition, whenever possible, the Contract Office will revise the begin date to a later date when all parties have duly signed and have the contractor initial the change.

Pertaining to omitted date information on the disbursement form:

- The university will reiterate to the employees responsible for processing these payments the importance of service dates being listed on the disbursement forms. Effective July 1, 2012, all disbursement forms will be modified so that this is a required field to be completed.”

Employee Background Checks:

Criteria: The CSUS Pre-employment Background Verification Policy requires that, “All regular, full-time and part-time external candidates for employment with a CSU university or the CSU System Office, as well as potential re-hires with a break in service, must undergo a pre-employment background investigation according to this procedure as part of the employee screening process....Documentation shall be retained for the appropriate retention period for employment records promulgated by the State of Connecticut and by university and CSU System Office personnel search policies and procedures.”

CSUS Board of Trustees Resolution 06-52 applies to university employees who live on campus and provides that, “Before occupancy in a university residence pursuant to this policy may commence, each proposed resident aged eighteen (18) years or over shall submit him or herself to the same criminal conviction investigation, sex offender registry status review, and social security verification that is required of the staff member prior to employment.”

The Connecticut State Library’s State Agencies’ Records Retention/Disposition Schedule requires that state agencies retain employee background check records for the “duration of employment plus 30 years.”

Condition: The university informed us that it did not retain employee background check reports in its custody. Rather, it relied on the background check firm under contract to retain such records for the university. However, the associated background check contract is expressly a contract to provide the Connecticut State University System reports on the results of its background checks of candidates for employment and does not address records retention services.

Effect: The university did not comply with the State Library’s records retention requirements regarding the retention of employee background check records.

Cause: The university relied on its background check contractors to retain the university’s background check reports.

We were further informed that, to comply with the CSUS Pre-employment Background Verification Policy with respect to confidentiality, the university chooses not to keep such reports in employee personnel files. However, this policy does not preclude the university from keeping such records on file elsewhere.

Recommendation: CCSU should either retain employee background check reports on durable media in its own custody or use an appropriate records retention firm that is contractually obligated to retain these records in accordance with the State Library's records retention requirements.
(See Recommendation 3.)

Agency Response: "The university respectfully disagrees with the recommendation.

The retaining of employee background check reports was discussed at the Council on Employee Relations April 14, 2011 meeting. The committee continues to believe that the university's procedures are in keeping with Board of Trustees' Resolution 05-8 requiring that information obtained as a result of background checks be kept in strictest confidence and that *"such records shall not be included in an employee's personnel file."*

The contract with the university's former vendor, Sterling Testing Systems, states that *"the results of all requested searches are maintained on the website forever and can be accessed by our clients 24/7."* The contract with the current vendor, SSC, Inc., states that *"immediately following the expiration or earlier termination of this agreement, the Contractor shall return to CSUS any confidential information provided to it by CSUS."* This information would then be retained by the Connecticut State University System, but not placed in the employee's personnel file, in accordance with the Board Resolution."

Auditor's Concluding Comments:

The university's response appears to be concerned with the placement of employee background checks in employee personnel files. We are not recommending this. Rather, we are recommending that the university comply with the State Library's records retention requirements.

Dual Employment:

Criteria: Section 5-208a of the General Statutes bars state employees from being compensated by more than one state agency unless the appointing authorities at such agencies certify that the duties performed and hours worked are outside the responsibilities of the employee's primary position, that there is no conflict in schedules between the positions, and no conflict of interest exists between or among the positions.

Condition: Our examination of five dual employment situations disclosed three exceptions. In these instances, the work schedules for the employee's primary and secondary positions conflicted. That is, the employee was scheduled to work certain hours in a secondary position during the employee's primary position work schedule. The university explained that on the days when such schedule conflicts occurred, the employees

stayed beyond the end of their scheduled work day to make up for time spent working on their secondary job. However, the documentation that the university provided us did not indicate the specific times and duration of lunch breaks for the employees' primary jobs. Therefore, the university lacked supporting documentation to provide assurance that the employees worked the required number hours for both primary and secondary positions.

Effect: In some dual employment instances, there was insufficient assurance that the employees worked the required number of hours for the positions they held.

Cause: Existing controls did not prevent these conditions from occurring.

Recommendation: CCSU should improve documentation of dual employment instances in which conflicts in schedules occur to provide improved assurance that dually employed individuals work the required number of hours for the positions that they hold. (See Recommendation 4.)

Agency Response: "The university agrees with the recommendation.

The Human Resources Department will improve documentation of dual employment instances in which overlaps in schedules occur to provide improved assurance that dually employed individuals work the required number of hours for the positions they hold. Effective July 2012, when an employee is scheduled to work during certain hours in a secondary position that occur during the employee's normal primary position work schedule, they will be required to include the following information on the Dual Employment Request Form (PER-DE-1): (1) the start and end time of their lunch break each day; and (2) the modified work schedule for their primary job."

Longevity Pay:

Background: Certain state employees are paid semi-annual payroll disbursements, known as longevity payments, based on the employee's length of state service and pay grade.

Criteria: State statutes, employee collective bargaining agreements, and Connecticut State University System policies establish standards for longevity payments made to university employees.

Condition: During our test of longevity payments made during the audited period, we noted that the university's record of a certain employee's credited state

service time was overstated by about four months.

Effect: The university overpaid this employee for longevity pay for the October 2008 and October 2003 longevity payments. Such overpayments totaled \$725 and \$568 in gross pay, respectively, a combined overpayment in gross pay totaling \$1,293.

Cause: The employee transferred to the university from another state agency. That agency's state service time record for this employee contained a math error that overstated the employee's state service by two months. Subsequently, the university erroneously credited the employee with an additional two months of state service in April 2003.

Recommendation: CCSU should ensure that longevity payments are made in accordance with collective bargaining agreements, state statutes, and Connecticut State University policy. Further, the university should pursue collection of the longevity pay overpayments noted during the course of our audit. (See Recommendation 5.)

Agency Response: "The university agrees with the recommendation.

Overpayment from the employee noted above has been collected. Effective July 1, 2012, when qualifying a new or transferred employee for longevity service time, the information will be checked for accuracy by a Payroll supervisor. All longevity payments will also continue to be audited at the time of the employee's retirement or termination."

Property Inventory:

Criteria: The Connecticut State University System Capital Asset Valuation Manual and the state Property Control Manual provide guidance on the requirements and internal controls that need to be implemented with respect to equipment, supplies, and software inventories.

The state Property Control Manual requires that "a software inventory (or inventories) must be established by all agencies to track and control all of their software media, licenses or end user license agreements, certificates of authenticity (where applicable), documentation and related items." The Property Control Manual also requires each agency to produce a software inventory report on an annual basis and to perform a physical inventory of software at the end of each fiscal year.

The Property Control Manual further requires that state agency identification tag numbers should be placed on equipment items "in an area where the number can be seen easily."

Good internal control procedures require the implementation of a system for documenting the prior approval of the disposal of broken, obsolete, or otherwise useless equipment items. In addition, for equipment items that are disposed of via donation or recycling, there should be a system for documenting that the designated donee or recycling company received the specified items.

The CSUS Capital Asset Valuation Manual provides for the loan of university equipment to university employees or students for designated durations in order to conduct state business. The manual requires that “A loan approval form must be completed and signed by the supervisor of each employee, or the student life representative of each student, to whom equipment is loaned, setting forth the duration of the loan.”

Condition:

Our examination of the university’s internal controls over property disclosed the following:

- As noted during our prior audit of the university, during the audited years, the university did not maintain inventory control records for software, nor were annual reports of software inventory prepared or physical inventories of software taken.
- We noted weaknesses in the university’s method of documenting certain equipment items approved for disposal. Our examination of 16 disposed of equipment items disclosed nine instances in which equipment items costing \$113,614 in total were earmarked for disposal via donation or recycling; however, the documentation signed by the donee or recycling company did not adequately document the receipt of the disposed of items. In the instances involving donees, the donee signed a document indicating that the attached list of equipment items was received, but the donee did not sign the attached list. In the instances involving the recycling company, the recycling company signed a document that indicated the number of items that were picked up, but the document did not specifically identify each item that was picked-up.

In addition, we noted one instance in which a computer with a cost of \$1,488 was donated to a nonprofit organization without adequate documentation to support the approval of the donation. The approval documentation for the donation consisted of a cover sheet that was signed by a management employee, indicating his approval of the donation of university property included on an attached list. However, because the cover letter did not specify the number of items being donated or their value, and the attached list

was not signed, we could not be certain if the listed items attached were the items actually presented to the manager for his approval.

- During the course of our audit testing of equipment, we learned that the university loaned two laptop computers, one with a cost of \$2,338 and the other with cost of \$1,899, to two different students. The university informed us that each of these computers was, in turn, passed by the original recipient to another student. While the original borrowers properly completed equipment loan contracts, the sub-borrowers in conjunction with the Student Activities Department either did not complete an equipment loan contract form or completed the form after we inquired about this matter.
- One equipment item, with a cost of \$2,709, was not adequately tagged with a state identification number. Though one of the item's components was tagged, the main one was not.

Effect:

In some instances, the university failed to comply with the property control requirements set forth by the State Comptroller and the Connecticut State University System's Capital Asset Valuation Manual. This exposed university property to an increased risk of loss or theft.

In some instances, there was decreased assurance that equipment items slated for disposal via donation or recycling were disposed of in accordance with management intent.

Cause:

It is unknown why the university lacked software inventory control records and failed to perform physical inventories of software during the audited period. The university hired a new chief information officer (CIO) in September 2010. The new CIO informed us that, subsequent to our audited period, during the 2011 fiscal year, the university implemented a system for tracking software.

Regarding the inadequate documentation of the disposal of certain equipment items, controls in place were not sufficient to prevent these conditions from occurring.

With respect to the instances noted where there was a lack of supporting documentation for equipment items loaned to students, it appears that the students involved neglected to follow university policy regarding equipment on loan.

It is unknown why one equipment item noted above was not adequately tagged with a state identification number.

Recommendation: CCSU should improve controls over equipment and improve compliance with the Connecticut State University System’s Capital Asset Valuation Manual by implementing a software inventory control record system and performing annual physical inventories of software, improving documentation of disposed of equipment, and improving controls over property on loan to students, among other things.
(See Recommendation 6.)

Agency Response: “The university agrees with the recommendation.

Responses are in consecutive order to the instances noted in the Condition section above:

Pertaining to weaknesses in software inventory control:

- As noted in our response to the FY 2007 and FY 2008 audit response, the university is committed to addressing this recommendation as resources allow. As a first step in compliance, effective July 1, 2009, Fiscal Affairs began compiling a list of all software acquisitions which were readily identified through purchasing and accounts payable information and provided this to Information Systems. During FY 2013, Information Systems and Fiscal Affairs will be exploring solutions which expand the identification of software purchases by evaluating those that are made via P-cards, as well as enhancing the data elements for those purchases that are currently being transmitted to Information Systems.

To facilitate gathering data elements for software that augmented purchasing information noted above, the university purchased an annual subscription to “SchoolDude” in June 2010. SchoolDude is a cloud-based solution that provides both hardware and software inventory information. Annual inventory reports were generated in FY 2011 and FY 2012 using this software. Unfortunately, due to the way in which SchoolDude reports data, we were unable to retrieve all of the required data points as required in the state policy. In FY 2013 we plan to transition our software reporting mechanism with Microsoft’s System Control Center Manager SCCM. Although this, too, will not retrieve all the information required by state policy, it will capture most of the minimum data required that SchoolDude could not.

Pertaining to weaknesses in the university's method of documenting certain equipment items approved for disposal and/or donations:

- Currently the vendor is required to sign the "Acknowledgement of Receipt of Donated or Transferred Equipment and/or Supplies". Effective July 1, 2012, Property Control will implement a stamp system to be used on each page of surplus items and both representatives from CCSU and the receiving company will be required to sign and date each stamped page.

Pertaining to the off-campus loans of computer equipment within the Student Activities Department:

- When working with the departments on campus, including Student Activities and Leadership Development, Property Control will reinforce that it is prohibited to remove any equipment without a signed off-campus loan form. Additionally, all equipment must be returned to the university assistant in charge of the media organizations before it can be signed out to another member of their organization. Facilities Management will continue to send out monthly reminder letters regarding state property regulations. Property Control personnel will remind staff of this departmental responsibility during periodic on-site visits.

Pertaining to equipment that appeared to be without a state identification number:

- A Yamaha Octave, valued at \$2,709, is a two-part item that was given only one barcode. Property Control personnel has since affixed another barcode to identify both."

Timeliness of Bank Deposits of Non-Bursar's Office Receipts:

Criteria: Section 4-32 of the General Statutes requires that each state institution receiving cash receipts amounting to \$500 or more deposit these monies into the bank within 24 hours of receipt.

Condition: We tested 15 university receipts received at offices remotely located from the Bursar's Office and noted eight instances, totaling \$18,250, in which the university department that received funds did not maintain a record of the date when the funds were received.

In addition, we noted four instances, totaling \$9,782, in which such receipts were deposited into the bank past the 24-hour deadline established by Section 4-32 of the General Statutes. Three of these receipt

items were deposited at least one business day late. One of these items, totaling \$225, was deposited about one month late. Further, in some of these instances, because non-Bursar's Office receipt documentation lacked adequate records of the dates when funds were received, we could not determine the precise degree to which these receipts were deposited late. Accordingly, in some instances, we based our count of the number of days late on other available documentation such as the dates recorded on copies of checks that were received.

Effect: In some instances, due to insufficient documentation of the dates when funds were received, the university could not gauge whether or not it was complying with the prompt bank deposit requirements of Section 4-32 of the General Statutes. In other instances, it was clear that the university failed to comply with the prompt deposit requirements established by Section 4-32 of the General Statutes. This exposed funds received to an increased risk of theft or loss.

Cause: It appears that, in some instances, departments remotely located from the Bursar's Office did not record the dates when funds were received and/or delayed turning in receipts to the Bursar's Office for deposit.

Recommendation: CCSU should implement a system for recording the dates when funds are received at non-Bursar's Office departments. Further, the university should re-emphasize that offices remotely located from the Bursar's Office should submit receipts to the Bursar's Office in a timely manner to improve the timeliness of bank deposits and comply with the requirements of Section 4-32 of the General Statutes. (See Recommendation 7.)

Agency Response: "The university agrees with the recommendation.

A standard receipts journal was created and was implemented effective July 1, 2011. Departments which receive funds directly on behalf of the university are required to maintain this receipt record and retain it as part of their files for three years, or until audited, whichever is later according to the State Agencies' Records Retention/Disposition Schedule. This document will assist each department in maintaining control of its receipts and will aid in audit compliance.

The campus community continues to be notified periodically via e-mail reminders of timely deposit requirements. The Bursar's Office will also continue to monitor for late deposits and follow-up with the appropriate department as applicable."

Revenue Generating Contracts:

Criteria: It is a good business practice to ensure that contracts are signed before the terms of the contract are carried out. In addition, the parties to a contract should monitor the terms of the contract to determine whether the terms are actually being carried out in accordance with the language of the contract.

Condition: We noted that various contractors who entered into revenue generating contracts with the university did not pay specified contractual amounts to the university in a timely manner. Further, some of these contracts were not executed in a timely manner. In particular, we noted the following:

- In six of the ten facilities usage agreements we reviewed, we noted that the contractor did not pay the university the contractually stipulated ten percent deposit upon signing the facilities usage agreement. Instead, contractors paid the university in full at the completion of the contract period.
- In three of the ten facilities usage agreements we examined, contracts were not signed by the university's Director of Business Services. In one of these instances, the contractor signed the agreement 12 days after the contract period began.
- Commission payments due from the campus bookstore were paid to the university primarily on a quarterly basis during the audited period even though the university's contract with the bookstore stipulated monthly commission payments.
- During the audited period, the university entered into a five year revenue generating agreement with a beverage company. Under the agreement, the firm would retain the exclusive rights to offer its products for sale and market them to the campus community. In return, the company would provide the university commission payments based on sales and other specified fee payments. The university, the company, and the Office of the Attorney General signed this contract approximately one year and four months, one year and three months, and one year and nine months, respectively, after the contract period began.

Effect: Insufficient monitoring of revenue generating contracts could lead to late or incorrect payments of associated revenues.

Delays in executing, or the failure to execute, written contracts decrease assurance that the interested parties agreed to the terms of the agreements

before they were carried out, which could result in unintended obligations.

Cause:

It appears that the university did not sufficiently emphasize the monitoring and collection of revenues generated from revenue generating agreements.

With respect to the beverage contract, the university informed us that negotiations between the university and the beverage company lasted longer than expected, which delayed execution of the contract.

Recommendation:

CCSU should improve its monitoring of revenue generating agreements to better ensure that the terms of such contracts are being followed. Also, the university should take steps to ensure that such contracts are executed in a timely manner. (See Recommendation 8.)

Agency Response:

“The university agrees with the recommendation.

Responses are in consecutive order to the instances noted in the Condition section above:

Pertaining to facilities usage agreement deposits:

- The university will work with the Attorney General’s Office to modify the facilities usage agreement contract template so that the deposit is optional and will only be required in situations where it makes good business sense to pursue.

Pertaining to facilities usage agreement signatures:

- The university will be working closely with the departments and the “facility users” to ascertain that documents are submitted timely and correct.

Pertaining to campus bookstore commission payments:

- The collection of campus bookstore commission payments on a quarterly basis instead of the stipulated monthly basis was an oversight by the university and was immediately corrected upon notification.

Pertaining to the timeliness of signatures on a beverage company revenue generating agreement:

- Effective July 1, 2012, Fiscal Affairs will be implementing a tracking tool to ensure that procurements are commenced with enough time to ensure that there is adequate procurement time, negotiation time and contracting time is allowed so that a contract is executed in a timely manner.”

Student Accounts Receivable:

Background: The university established a payment plan program for students, which allows students, for a one-time enrollment fee, to pay off their tuition and fee balances due to the university through a series of payments over time. Under the plan, students must sign an agreement to make payments to the university for specified amounts by specified dates.

Criteria: During the audited period, the university’s student payment plan program required that students enrolled in such plans pay a \$30 late fee when they do not make payments to the university by the dates specified in the plan agreements.

Condition: We examined the student accounts for a sample of ten students who were enrolled in the university’s student payment plan program during the audited period and noted five instances involving four students in which the university failed to assess \$30 late fees when students paid the university past the agreed-upon deadlines.

Effect: The university did not comply with its established policy with respect to assessing late fees for certain delinquent student payments.

Cause: It is unknown why this condition occurred.

Recommendation: CCSU should comply with its established policy of assessing late fees when students do not make student payment plan payments in a timely manner. (See Recommendation 9.)

Agency Response: “The university agrees with the recommendation.

The university’s policy language was changed in June 2011 to more accurately reflect the actual process in place. The language now states that ‘If any subsequent installment payment is not RECEIVED by the due date, a \$30 late fee may be assessed.’ The assessing of the late fee will be at the university’s discretion.”

Student Activity Trustee Account Receipts:

Criteria: The State Accounting Manual requires that all state agencies receiving money maintain a receipts journal to record the dates when funds are received.

Section 4-32 of the General Statutes requires that each state institution receiving cash receipts amounting to \$500 or more deposit these monies into the bank within 24 hours of receipt.

The Central Connecticut State University Student Activities/Leadership Development policy manual requires that student organizations fill out a Cash/Checks Accountability Sheet to support cash collected at a student event. These sheets were designed to record the amount collected, the name of the student organization that collected it, and the dates of the corresponding fundraiser, among other things.

Condition: During the audited period, the university's student organizations did not, generally, maintain records of the dates when revenues generated from student events were initially received. While student organizations were required to record amounts received and dates of fundraisers on accountability sheets, such records often did not capture the actual receipt dates.

We examined a sample of 20 receipts credited to the Student Activity Account. Because of the lack of initial receipt date records noted above, we could not determine whether most of these receipts were deposited into the bank in a timely manner. We did, however, note two instances in which receipts, totaling \$100, were not deposited into the bank within the 24-hour time frame set by Section 4-32 of the General Statutes. These deposit delays exceeded the 24-hour requirement by three and eight business days, respectively. Further, with respect to four of the 20 receipts tested, Cash/Checks Accountability Sheets were not on file to support the funds collected.

Effect: In some instances, the university did not comply with the prompt deposit requirements of Section 4-32 of the General Statutes, which exposed student activity funds collected to an increased risk of loss or theft.

Lacking records of receipt dates, it could not be readily determined whether or not student activity receipts were deposited into the bank in a timely manner. As a result, with respect to student activity revenue, it is largely unclear whether or not the university complied with the prompt deposit requirements of Section 4-32 of the General Statutes.

Cause: Existing controls were not sufficient to prevent the condition from occurring.

The bank deposit delays noted appear to have been the result of student organization delays in submitting funds to the Bursar's Office for deposit.

Recommendation: CCSU should improve internal control over student activity account cash receipts by implementing a system to promptly record their receipt dates, by taking steps to ensure that student organizations deliver receipts generated from student events to the Bursar's Office in a timely manner, and by following the prompt bank deposit requirements established by Section 4-32 of the General Statutes. (See Recommendation 10.)

Agency Response: "The university agrees with the recommendation.

The Student Activities and Leadership Development (SALD) office is working with the student clubs to seek improvement in the area of deposits. As part of student leader training, students are instructed to deposit funds with the SALD office within 24 hours of their event and are required to fill out a cash accountability sheet. SALD also maintains a receipt journal as required by Business Office instructions to the campus community that were implemented on July 1, 2011."

Student Activity Trustee Account Expenditures:

Criteria: Section 4-52 of the General Statutes defines a trustee account as, among other things, an account operated in any state educational institution for the benefit of the students.

The State Comptroller's Accounting Procedures Manual for Trustee Accounts provides that officers of student organizations should prepare a student funds payment voucher when making payments charged to trustee accounts. According to the manual, "The payment voucher should be signed by the authorized officer of the student organization and possibly co-signed by the authorized faculty advisor or dean of students."

The manual also requires that "copies of minutes of all meetings held by student organizations be on file...and available for audit. The minutes must clearly indicate all action taken by the group, particularly that concerning financial matters."

A system of sound internal controls requires the documented acknowledgement of the receipt of goods or services purchased in order to support corresponding payments made.

The university's Student Activities/Leadership Development policy manual requires that student club and organization presidents or treasurers fill out Prior Approval Reimbursement /P-Card Purchase forms when making purchasing card purchases. Further, the manual prohibits the use of purchasing cards to purchase gift cards.

Condition:

We tested a sample of 25 student trustee account purchases, totaling \$33,988, during the audited period and noted the following:

- For all 25 purchases tested, there were no minutes of student organization meetings or vouchers signed by student organization officers to support student organization approval of the payments made.
- For 13 purchases, totaling \$16,933, the university had no receiving report on file to document the receipt of goods or services purchased with student activity account funds.
- In eight instances in which purchasing cards were used to make student organization purchases, there was no P-Card Purchase Request and Transfer Form on file to document the student organization advisor's approval of the purchase.
- In three instances, amounting to \$5,471, a purchase was initiated before a purchase requisition or purchase order was completed and approved.
- In one instance, the university made a purchase in the amount of \$1,392, which exceeded the corresponding purchase order amount by \$442. Further, in this instance, the purchase order requisition approval signature was not dated so we could not determine if the requisition was approved in a timely manner.
- In one instance, the university approved a travel authorization document for a student organization trip that occurred in February 2010 for which outstanding charges were not paid at the time of our review in March 2011. When we requested the supporting documentation for the car rental charges associated with the trip, the university learned that the car rental company never billed the university, and outstanding charges totaling \$407 were still due.
- In one instance, the university used a purchasing card to purchase two gift cards amounting to \$160. However, purchasing card purchases of

gift cards are prohibited by the university's Student Activities/Leadership Development policy manual.

- In one instance, the university purchased student organization conference registration fees totaling \$2,080 without adequate documentation on file, such as a roster signed by the student organization advisor, to support the number of attendees.

Effect:

The university, at times, did not comply with the State Comptroller's Accounting Procedures Manual for Trustee Accounts with respect to maintaining minutes of student organization meetings and preparing payment vouchers signed by student organization officers. As a result, there was less assurance that payments made met the approval of student organizations.

There was a lack of assurance that goods or services purchased with student activity funds were received since, in a number of instances, there were no receiving reports on file.

In general, the conditions noted above weakened assurance that student activity trustee account purchases were made properly.

Cause:

In some instances, established controls were not being carried out as designed.

Regarding the lack of minutes for student organization meetings, the university informed us that, during the audited period, student organizations were not required to maintain minutes of their meetings.

Recommendation:

CCSU should improve controls over student activity account expenditures by following the procedures detailed in the State Comptroller's Accounting Procedures Manual for Trustee Accounts and the university's Student Activities/Leadership Development policy manual. Among other things, the university should maintain minutes of student organization meetings and vouchers signed by student organization officers to support student activity purchases. In addition, receiving reports should be prepared to document the receipt of goods or services purchased with student activity funds.
(See Recommendation 11.)

Agency Response:

"The university agrees with the recommendation.

Responses are in consecutive order to the instances noted in the Condition section above:

Pertaining to approval of payment documentation:

- The SALD office is working with the student organizations to improve documentation of meeting minutes. In Fall 2011 SALD developed a template for meeting minutes and trained student leaders on how to complete it. All students are also required to sign off on documentations, such as purchase orders, before purchases are made by student organizations.

Pertaining to receiving reports:

- SALD is working to improve the receiving process of goods and services. Changes to receiving documentation, effective with the start of the academic semester on August 28, 2012, will include the following:
 1. For goods purchased with a P-card the receipt will be used to verify receiving the item.
 2. In regards to services contracted through a personal service agreement (e.g. speakers, performers), SALD will work with the Contracts Office to determine an auditable solution.
 3. Purchases through purchase orders are delivered by the Receiving department and signed for by a staff member. SALD will also require students to sign for the packages when they pick them up. This will assist in verifying that the item was received and distributed to the appropriate student organization.

Pertaining to P-Card approval:

- SALD has worked closely with the Business Office to improve the transfer of funds process for clubs and organizations when using the purchasing card. Since the Spring of 2012 SALD has been utilizing the transfer form recommended by the Business Office for the transfer of funds.

Pertaining to purchases made prior to proper paperwork:

- SALD continues to work with the students to ensure their compliance with following the correct procedures. All students are informed of the policies and procedures through training and materials from SALD.

Pertaining to purchases exceeding purchase order:

- This is a rare case for SALD to have an open purchase order with a restaurant. In this case the students were unaware that they had exceeded the purchase order amount. Effective with the start of the academic semester on August 28, 2012, when utilizing open purchase orders, SALD will request monthly invoices from the vendor and share it with the student group so they are aware of the amount being expended.

Pertaining to outstanding charges on a travel authorization:

- The rental car company never billed the university although they were authorized to charge the P-Card. When SALD was made aware that the invoice remained unpaid, the office promptly paid the bill.

Pertaining to gift cards purchased with a purchasing card:

- This was an error by the SALD office. Effective Fall 2012 the policy has been revised to allow students to purchase gift cards with the approval of the SALD office. This policy is an SALD policy and, therefore, can be changed by the Director of the department.

Pertaining to adequate documentation on file for conference registration fee:

- In Fall 2009 SALD hired a university assistant with responsibility to ensure that all travel documents are correctly completed. Students are trained in regards to travel procedures and rosters are collected for each trip.”

Trustee Accounts - Graduate Student Association Scholarships:

Criteria: CCSU’s Graduate Student Association (GSA), one of a number of student organizations on campus, provides scholarships to the university’s graduate students for travel, research, and conferences.

The GSA’s scholarship application details the eligibility requirements for such scholarships, including, among other criteria, that “students must have a minimum Grade Point Average of 3.0.”

Condition: Our examination of a sample of five GSA scholarships awarded during the audited period, totaling \$4,655, disclosed four instances in which the university was unable to provide us with supporting documentation indicating that the university verified that the recipient met the minimum

grade point average requirement.

We were told that recipients' grade point averages were verified to ensure that they met the scholarship requirement but this verification was not documented. It should be noted that based on our review of applicable student grade records, it appears that all of the scholarship recipients included in our sample met the grade point average requirement.

In addition, for one of the five GSA scholarships that we audited, in the amount of \$1,000, the university was unable to provide us with the student's scholarship application or documentation indicating that the scholarship was approved.

Effect: There is decreased assurance that due diligence procedures were performed to ensure that GSA scholarship recipients met the grade point average requirement.

In the instance noted where there was neither a scholarship application nor documentation for the approval of the award on file, there is decreased assurance that the scholarship that was awarded was approved and in the correct amount.

Cause: Existing controls were not sufficient to prevent these conditions from occurring.

Recommendation: CCSU should improve internal controls over Graduate Student Association scholarships by documenting the verification procedures performed to ensure that scholarship recipients meet the grade point average eligibility requirement. Further, scholarship applications and accompanying scholarship approval documentation should be retained. (See Recommendation 12.)

Agency Response: "The university agrees with the recommendation. SALD is currently working with the Graduate Student Association (GSA) to change the application to include a copy of the student's transcript verifying that they have a 3.0 GPA. This change will be effective Fall 2012."

Information System Access Controls:

Background: The Connecticut State University System (CSUS) primarily uses an electronic information system, known as Banner, to maintain its accounting and student academic records. The CSUS is considered a limited scope agency in relation to Connecticut state government's centralized financial and administrative information system, Core-CT,

which CSUS uses primarily to process payroll and human resources data. Access to information systems should be limited to appropriate employees whose duties require such access.

Criteria:

A good internal control system requires a separation of duties among employees so that certain functions, such as authorizing, recording, and reviewing transactions are not performed by the same employee. Payroll and human resources functions are included among the duties that should be separated in order to reduce the risk of error or fraud.

Condition:

At the time of our review in May 2011, 12 employees, primarily from the Human Resources and Payroll Departments, were concurrently provided the Agency HR Specialist role and the Agency Payroll Specialist and/or Time and Labor Specialist roles in the state's Core-CT information system. In other words, the employees had write access to both the Core-CT human resources and payroll systems, which enabled them to both add people to the payroll and process payments to them. Further, one of these employees, an employee from the Office of Diversity and Equity, does not appear to need such access, nor does such access seem appropriate for this employee.

While the university informed us that compensating controls were established to offset the risk of this lack of segregation of duties, it appears such controls were inadequate. The university's system consists of having Payroll Department employees compare a report of all payroll changes made during the biweekly pay period to records of authorized personnel actions prepared by the Human Resources Department. Presumably, this comparison would ensure that the payroll changes made were reasonable, valid, and authorized. However, this system itself lacks a segregation of duties since Payroll Department employees are monitoring/reviewing reports of transactions, some of which they themselves executed or could have executed. The university should consider a compensating control that would require an employee or employees independent of the Payroll and Human Resources Departments to monitor changes in payroll transactions.

In addition, we noted the following:

- Two instances in which an employee's Banner account privileges were not deactivated promptly upon the employee's separation from university employment. In one of these instances, Banner access remained active for 53 business days after the employee separated from university employment. In the other instance, the employee's Banner account was still active at the time of our review on April 18, 2011, 80 business days after the employee

separated from university employment.

- 15 instances from our test sample of 20 active BlueNet system accounts in which the university was unable to provide us documentation, known as BlueNet Account Request Forms, to support the approval of active employee or student BlueNet system network accounts.
- Eight instances in which the university failed to deactivate BlueNet user accounts for students or employees upon their separation from the university. At the time of our examination of this area in April 2011, these network accounts were still active, some four to 23 months after the student or employee separated from the university.

Effect: Unnecessary or inappropriate access to information systems could increase the risk of data system errors and fraud.

Cause: With respect to the Human Resources and Payroll Department employees who held write access privileges to both human resources and payroll systems, the university took the position that such access is acceptable since it was granted by the state's Core-CT team. However, it appears that the university failed to take into account the control risk that such access presents.

It is unknown why an Office of Diversity and Equity employee was granted write access to the Core-CT payroll and human resources systems.

Existing controls did not, at times, promote the timely deactivation of information system access.

Recommendation: CCSU should regularly review information system access privileges granted to employees to determine if such access is appropriate. The university should remove access privileges from those employees who have unnecessary access to the systems, and promptly deactivate access upon an employee's separation from university employment. Also, the university should adjust the level of Core-CT access for certain Human Resources and Payroll Department employees to improve the separation of duties within those departments. As an alternative, the university should implement a compensating control system that would require an employee independent of both Payroll and Human Resources Departments to monitor biweekly changes in payroll transactions to ensure that such changes are valid and authorized. Such reviews should be documented. (See Recommendation 13.)

Agency Response: “The university agrees with the recommendation.

Responses are in consecutive order to the instances noted in the Condition section above:

Pertaining to roles in Core-CT:

- Due to the structure of the roles that have been created by Core-CT, the existing employees who have access to both the Agency HR Specialist and Agency Payroll Specialist roles must continue so that they may fulfill their established duties. The university will reevaluate the checks and balances, and whether an employee who does not possess these roles can perform an independent 3rd party review of the transactions.

Both of these roles have been removed from the employee in the Office of Diversity and Equity.

Pertaining to instances of deactivation of employee’s Banner account privileges:

- One of the employees was in a non-teaching lecturer appointment after their June 1, 2009, retirement date. Therefore, their access would have been deactivated according to the employment separation process for lecturers which states that HR would run a query against Core-CT data for the second pay period each October to identify American Association of University Professors (AAUP) lecturers who currently have an active record but have not been paid since the end of the prior fall semester. The other employee continues to have computer access due to the granting of emeritus status upon his retirement. However, the Banner part of the access should have been terminated upon separation from the university.

Pertaining to instances on lack of documentation for BlueNet accounts:

- The university will conform to the retention periods established by the Office of Public Records, Connecticut State Library, State of Connecticut.

Pertaining to the deactivation of BlueNet user accounts:

- In regards to the deactivation of BlueNet account instances –
 - (a) Three of the instances were university assistants or lecturers that were inadvertently missed by Payroll or HR.
 - (b) Three of the instances were student workers whose terminations predated the employment separation process for student workers that went into effect in October 2008.
 - (c) One instance was a graduate assistant whose termination predated the implementation of the graduate assistant separation policy. The first deactivation list for graduate assistants was generated in December 2009 for individuals who completed their assignments in Fall 2009.
 - (d) One instance is a lecturer who was terminated in Core-CT as of May 12, 2012 and pursuant to the lecturer separation policy will appear on the October 2012 deactivation list.”

Schedule of Expenditures of Federal Awards:

Background: Annually, as part of our Statewide Single Audit of the state’s federal funds, our office examines the Schedule of Expenditures of Federal Awards (SEFA) prepared by each state agency, including the CSUS universities, for completeness and accuracy.

Criteria: The federal Office of Management and Budget Circular A-133 Compliance Supplement as of June 2010 provides that the value of Federal Family Education Loan (FFEL) Program (CFDA 84.032) loans made to students during the audited period should be included as federal awards expended in the SEFA. The compliance supplement also requires that entities administering the Federal Perkins Loan (FPL) Program (CFDA 84.038) include such expenditures on the SEFA.

State agencies should prepare and submit complete and accurate SEFAs in accordance with the State Comptroller’s instructions as well as the guidance provided by federal Office of Management and Budget Circular A-133.

Condition: We noted that the university’s SEFA for the fiscal year ended June 30, 2010, omitted the value of FFEL Program (CFDA 84.032) loans made to students during the audited period. Such disbursements totaled \$1,363,290 during the fiscal year ended June 30, 2010. The university also omitted Federal Perkins Loan Program (CFDA 84.038) expenditures,

which totaled at least \$4,631,500.

Effect: By omitting FFEL Program expenditures and FPL expenditures, the university understated the amount of federal expenditures reported in its SEFA.

Cause: These errors appear to have been an oversight on the university's part.

Recommendation: CCSU should prepare accurate Schedules of Expenditures of Federal Awards. (See Recommendation 14.)

Agency Response: "The university agrees with the recommendation.

Effective with the submission of the Schedule of Expenditures of Federal Awards for FY 2012, an interdepartmental memo briefly describing non-cash items (e.g. Federal Perkins Loans, Federal Family Education Loans) including their values will accompany the report."

Other Audit Examination:

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

A summary of the recommendations pertaining to Central Connecticut State University in the Report to Management for the fiscal year ended June 30, 2010, are presented below:

Information Technology:

- Segregate responsibilities between Banner system activity monitoring and access to perform direct data changes.
- Work with Human Resources to ensure the timely revocation of terminated employees' access to information systems and applications. In particular, CCSU should establish a system to monitor and ensure that system user termination requests received from Human Resources are processed in a timely manner.

RECOMMENDATIONS

Our prior audit report on the university contained 11 recommendations for improving operations, nine of which are being repeated or restated with modification in our current audit report. Our current audit report presents 14 recommendations, including five new recommendations in addition to the nine recommendations that are being repeated or restated from the prior audit report.

Status of Prior Audit Recommendations:

- ***CCSU 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.*** Our current audit disclosed that further improvement is needed in this area. The recommendation is being repeated with modification and incorporated into a broader recommendation on information system access controls. (See Recommendation 13.)
- ***CCSU should comply with established policies and procedures and improve internal control over personal service related expenditures processed on a Personal Service Agreement Form.*** During our current audit, we noted that weaknesses in the university's controls over purchases of personal services, in general, persisted. Therefore, the recommendation is being repeated with some revision. (See Recommendation 2.)
- ***CCSU should obtain the required gift and campaign certifications at contract signing, as well as during the required annual updates.*** We noted improvement in this area during the current audit period. The recommendation is not being repeated.
- ***CCSU 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.*** During our current audit, we saw further need for improvement in this area. The recommendation is being repeated in revised form to reflect current audit conditions. (See Recommendation 7.)
- ***CCSU 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.*** Our current audit disclosed that controls over the rental of facilities still need improvement. The recommendation is being repeated as part of a broader recommendation on revenue generating contracts in general. (See Recommendation 8.)

- ***CCSU should comply with the Connecticut State University System's Capital Valuation and Asset Management Manual and improve controls over capital assets.*** During our current audit, we noted that further improvement is needed in this area. The recommendation is being repeated. (See Recommendation 6.)
- ***CCSU should comply with Section 4-33a of the General Statutes, which requires prompt notification of the Auditors of Public Accounts and the State Comptroller when there is a breakdown in safekeeping of state resources.*** We noted improvement in this area. The recommendation is not being repeated.
- ***CCSU should comply with the software inventory requirements contained in the State Property Control Manual.*** The recommendation was not implemented. Therefore, it is being repeated as part of a more comprehensive recommendation on property control. (See Recommendation 6.)
- ***CCSU should comply with established local fund policies and procedures and improve internal control over the purchasing process.*** During our current audit, we noted that further improvement in controls over student activity trustee account purchasing is needed. Therefore, the recommendation is being repeated. (See Recommendation 11.)
- ***CCSU should comply with established local fund policies and procedures and improve internal control over the receipts process.*** Our current audit disclosed that further improvement is needed in this area. The recommendation is being repeated. (See Recommendation 10.)
- ***CCSU should comply with established local fund policies and procedures and improve control over the Graduate Student Association's disbursement of funds for conference and research grants.*** We saw the need for further improvement in this area during our current audit. The recommendation is being repeated. (See Recommendation 12.)

Current Audit Recommendations:

1. **CCSU should improve controls over the purchasing process by ensuring that written contracts are established and approved by the Office of the Attorney General when necessary. The university should also properly document the justification for sole source purchases.**

Comment:

In some instances, services were purchased without a written contract in place. In one instance noted, a purchase was deemed a sole source purchase without documentation on file to support the sole source status of the purchase.

2. **CCSU should improve internal controls over purchases of personal services by ensuring that receiving reports or equivalent documentation is prepared to document the receipt of services for which payments are made, obtaining vendor invoices when necessary to support payments made, and ensuring that personal service agreements are executed in a timely manner.**

Comment:

In a number of instances, the university paid contractors for personal services purchases without adequate written certification that the services were received. In some instances, we noted that the university made payments for personal services purchases without a vendor invoice on file to support the payment. We also noted two instances in which contractors provided personal services to the university before corresponding personal service agreements were signed by the Office of the Attorney General or the university. In addition, we noted two instances in which the university paid individuals honorarium or stipend payments for which corresponding disbursement forms omitted the dates when services were provided.

3. **CCSU should either retain employee background check reports on durable media in its own custody or use an appropriate records retention firm that is contractually obligated to retain these records in accordance with the State Library's records retention requirements.**

Comment:

The university relied on its background check contractor to retain its employee background check records.

4. **CCSU should improve documentation of dual employment instances in which conflicts in schedules occur to provide improved assurance that dually employed individuals work the required number of hours for the positions that they hold.**

Comment:

In several instances noted, there were conflicts in the primary and secondary work schedules of university employees who were dually employed in more than one state position. In these instances, documentation on file did not adequately support that these employees worked the required number of hours for the positions they held.

5. **CCSU should ensure that longevity payments are made in accordance with collective bargaining agreements, state statutes, and Connecticut State University policy. Further, the university should pursue collection of the longevity pay overpayments noted during the course of our audit.**

Comment:

We noted one instance in which the university's record of an employee's credited state service time was overstated by about four months. As a result, in some instances, the university overpaid the employee for longevity pay.

6. **CCSU should improve controls over equipment and improve compliance with the Connecticut State University System's Capital Asset Valuation Manual by implementing a software inventory control record system and performing annual physical inventories of software, improving documentation of disposed of equipment, and improving controls over property on loan to students, among other things.**

Comment:

The university did not maintain inventory control records for software, nor were annual reports of software inventory prepared or physical inventories of software taken. In some instances, equipment items earmarked for disposal via donation or recycling lacked documentation to indicate that the donee or the recycling company picked up the items. In one instance, there was insufficient documentation to support the approval of the donation of a computer to a nonprofit organization. We noted two instances in which there was insufficient documentation to track a computer on loan to a student. We also noted that an equipment item was not adequately tagged with a state identification number.

7. **CCSU should implement a system for recording the dates when funds are received at non-Bursar's Office departments. Further, the university should re-emphasize that offices remotely located from the Bursar's Office should submit receipts to the Bursar's Office in a timely manner to improve the timeliness of bank deposits and comply with the requirements of Section 4-32 of the General Statutes.**

Comment:

In some instances, there were no journals or other records to document the dates when funds were received at non-Bursar's Office departments. We noted four instances, totaling \$9,782, in which non-Bursar's Office receipts were not deposited into the bank in a timely manner.

- 8. CCSU should improve its monitoring of revenue generating agreements to better ensure that the terms of such contracts are being followed. Also, the university should take steps to ensure that such contracts are executed in a timely manner.**

Comment:

We noted that various contractors who entered into revenue generating contracts with the university did not pay specified contractual amounts to the university in a timely manner. Further, some of these contracts were not executed in a timely manner.

- 9. CCSU should comply with its established policy of assessing late fees when students do not make student payment plan payments in a timely manner.**

Comment:

In some instances, the university failed to assess the established \$30 late fee when students paid their payment plan payments past the agreed-upon deadlines.

- 10. CCSU should improve internal control over student activity account cash receipts by implementing a system to promptly record their receipt dates, by taking steps to ensure that student organizations deliver receipts generated from student events to the Bursar's Office in a timely manner, and by following the prompt bank deposit requirements established by Section 4-32 of the General Statutes.**

Comment:

During the audited period, the university's student organizations did not, generally, maintain records of the dates when funds generated from student events were initially received. We noted two instances in which student activity funds were not deposited into the bank in a timely manner, and four instances in which accountability sheets were not on file to support student activity funds collected.

- 11. CCSU should improve controls over student activity account expenditures by following the procedures detailed in the State Comptroller's Accounting Procedures Manual for Trustee Accounts and the university's Student Activities/Leadership Development policy manual. Among other things, the university should maintain minutes of student organization meetings and vouchers signed by student organization officers to support student activity purchases. In addition, receiving reports should be prepared to document the receipt of goods or services purchased with student activity funds.**

Comment:

We noted a lack of documentation to support student organization approval of student activity account purchases as well a lack of documentation to support the receipt of goods or services purchased with student activity account funds.

- 12. CCSU should improve internal controls over Graduate Student Association scholarships by documenting the verification procedures performed to ensure that scholarship recipients meet the grade point average eligibility requirement. Further, scholarship applications and accompanying scholarship approval documentation should be retained.**

Comment:

The university lacked documentation to support its verification process to ensure that Graduate Student Association scholarship recipients met the minimum grade point average requirement.

- 13. CCSU should regularly review information system access privileges granted to employees to determine if such access is appropriate. The university should remove access privileges from those employees who have unnecessary access to the systems, and promptly deactivate access upon an employee's separation from university employment. Also, the university should adjust the level of Core-CT access for certain Human Resources and Payroll Department employees to improve the separation of duties within those departments. As an alternative, the university should implement a compensating control system that would require an employee independent of both Payroll and Human Resources Departments to monitor biweekly changes in payroll transactions to ensure that such changes are valid and authorized. Such reviews should be documented.**

Comment:

Our audit disclosed that 12 employees, primarily from the Human Resources and Payroll Departments, were concurrently provided roles within the Core-CT information system that were incompatible with proper internal controls regarding segregation of duties. In addition, we noted two instances in which an employee's Banner account privileges were not deactivated promptly upon the employee's separation from university employment. In a number of instances, there was a lack of documentation to support the approval of active employee or student BlueNet system network accounts. Furthermore, we noted several instances in which the university failed to deactivate BlueNet user accounts for students or employees upon their separation from the university.

- 14. CCSU should prepare accurate Schedules of Expenditures of Federal Awards.**

Comment:

The university's Schedule of Expenditures of Federal Awards for the fiscal year ended June 30, 2010, contained omissions that resulted in understatements of expenditure amounts reported.

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, 2009 and 2010. 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, 2009 and 2010, 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 Central Connecticut State 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 controls 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:

Management of Central Connecticut State University is responsible for establishing and maintaining effective internal control over financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts, and grants. In planning and performing our audit, we considered Central Connecticut State 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 university's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of expressing an opinion on the effectiveness of the university's internal control over those control objectives. Accordingly, we do not express an opinion on the effectiveness of Central Connecticut State University's internal control over those control objectives.

A *deficiency in internal control* 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 and correct on a timely basis, unauthorized, illegal or irregular transactions, or breakdowns in the safekeeping of any asset or resource. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions and/or material noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that

would be material in relation to the university's financial operations will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance with requirements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the university's financial operations, safeguarding of assets, or compliance with requirements that we consider to be material weaknesses, as defined above. However, we consider the following deficiencies, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be significant deficiencies: Recommendation 1 – weaknesses in controls over the purchasing process; Recommendation 2 – deficiencies in controls over personal services purchases; Recommendation 7 – insufficient records of receipt dates for non-Bursars' Office cash receipts; Recommendation 10 – weaknesses in controls over student activity account receipts; Recommendation 11 – weaknesses in controls over student activity account purchases; and Recommendation 13 – the need for improved monitoring of information system access privileges and the lack of segregation of duties with respect to Core-CT human resources and payroll functions.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether Central Connecticut State 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 university'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Condition of Records and Recommendations sections of this report as the following items: Recommendation 1 – weaknesses in controls over the purchasing process; Recommendation 2 – deficiencies in controls over personal services purchases; Recommendation 7 – insufficient records of receipt dates for non-Bursars' Office cash receipts; Recommendation 10 – weaknesses in controls over student activity account receipts; Recommendation 11 – weaknesses in controls over student activity account purchases; Recommendation 13 – the need for improved monitoring of information system access privileges and the lack of segregation of duties with respect to Core-CT human resources and payroll functions.

We also noted certain matters which we reported to university management in the accompanying Condition of Records and Recommendations sections of this report.

Central Connecticut State University's response to the findings identified in our audit is described in the accompanying Condition of Records section of this report. We did not audit Central Connecticut State University's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the university's management, 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.



Daniel F. Puklin
Principal Auditor

Approved:



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts