

STATE OF CONNECTICUT



*AUDITORS' REPORT
BOARD OF REGENTS FOR HIGHER EDUCATION
CONNECTICUT STATE UNIVERSITY SYSTEM OFFICE
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2015*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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AUDITORS OF PUBLIC ACCOUNTS

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November 28, 2017

INTRODUCTION

AUDITORS' REPORT BOARD OF REGENTS FOR HIGHER EDUCATION CONNECTICUT STATE UNIVERSITY SYSTEM OFFICE FOR THE FISCAL YEARS ENDED JUNE 30, 2014 and 2015

We have audited certain operations of the Board of Regents for Higher Education System Office in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit is limited to the operations of the system office primarily pertaining to the Connecticut State University System (CSUS), but was not necessarily limited to, the years ended June 30, 2014 and 2015. Information pertaining to the CSUS as a whole is included in the report for informational purposes. The objectives of our audit were to:

1. Evaluate the office's internal controls over significant management and financial functions.
2. Evaluate the office's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions; and
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the department; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed

and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office. For the areas audited, we identified

1. Deficiencies in internal controls;
2. Apparent noncompliance with legal provisions; and
3. Need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the system office.

COMMENTS

FOREWORD

The Board of Regents for Higher Education operates primarily under the provisions of Chapter 185, Sections 10a-1 through 10a-60m and Chapter 185b, Sections 10a-71 through 10a-160, of the General Statutes. The board's oversight of the State University System is in accordance with Sections 10a-87 through 10a-101 of the General Statutes.

Pursuant to Section 10a-87 of the General Statutes, the board located in Hartford, oversees Central Connecticut State University in New Britain, Eastern Connecticut State University in Willimantic, Southern Connecticut State University in New Haven, and Western Connecticut State University in Danbury.

Section 10a-1a of the General Statutes provides that the Board of Regents for Higher Education consists of 21 members. Of these members, 9 are appointed by the Governor, 4 are appointed by legislative leaders, 2 are appointed by students, and 6 individuals serve as ex-officio members. The board, among other duties, sets statewide tuition and student fee policies; establishes financial aid policies; reviews, licenses, and accredits academic programs; and, in collaboration with institutional stakeholders, conducts searches for and selects campus presidents. In addition to governance responsibilities, the board also holds broad responsibilities for development and coordination of statewide higher education policy. Board members receive no compensation for their services, but are entitled to reimbursement for expenses.

The Board of Regents for Higher Education consisted of the following members as of June 30, 2015:

Ex-Officio Board Members:

Stephen Adair, Chair, Faculty Advisory Committee
Robert E. Brown, Vice Chair, Faculty Advisory Committee
Dr. Jewel Mullen, Commissioner of the Department of Public Health
Sharon Palmer, Commissioner of the Department of Labor
Catherine H. Smith, Commissioner of the Department of Economic and Community Development
Dr. Dianna R. Wentzell, Commissioner of the Department of Education

Appointed Members:

Nicholas M. Donofrio, Chair	David R. Jiminez
Yvette Melendez, Vice Chair	Craig Lappen
Richard J. Balducci	William J. McGurk
Naomi K. Cohen	JoAnn Price
Lawrence J. DeNardis	Eleese E. Wright
Matt Fleury	Eugene L. Bell (student)
Merle W. Harris	Sarah E Greco (student)

Gary F. Holloway, Rene Lerer, Michael E. Pollard, Stefan Pryor, and Lewis J. Robinson, Jr., also served on the board of regents during the audited period. There was one appointed member vacancy on the board as of June 30, 2015.

Among the duties of the Board of Regents for Higher Education is the appointment of a chief executive officer. Gregory W. Gray served as president from June 28, 2013, until September 28, 2015. Mark E. Ojakian was appointed president on October 2, 2015, and is currently serving in that position.

Recent Legislation

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

- Public Act 13-62, effective October 1, 2013, required the Board of Regents for Higher Education (BOR) faculty advisory committee chairperson to serve as an ex-officio, nonvoting board member, but excludes the chairperson from executive sessions. By law, these are sessions from which the public is excluded while committee members discuss topics such as specific employees, pending legal claims or litigation, security strategy, real estate transactions, or public records exempt from the Freedom of Information Act.

- Public Act 14-106, effective July 1, 2014, Section 1 of this act allowed the chief executive office of a constituent unit of the state higher education system to join with federal agencies, other states, state political subdivisions, or private or nonprofit organizations in cooperative purchasing plans when it is in the state’s best interests to do so.

The act also allowed the state, through the chief executive officer of a constituent unit of higher education, to make certain purchases from vendors with existing sales contracts with other states, state political subdivisions, nonprofit organizations, or private or public consortia. The purchases include equipment, supplies, materials, and services, and the state is subject to the same contract terms and conditions as the other entities.

- Public Act No. 14-117, effective July 1, 2014, Section 1 of this act modified subsection (c) of section 10a-1b stating that two vice presidents shall be appointed to represent the system of higher education. One vice president shall represent the Connecticut State University System and the other vice president shall represent the regional Community-Technical College System instead of having one vice president represent all of the higher education system.
- Public Act 14-208, effective July 1, 2014, Section 1 of this act required the Board of Regents for Higher Education faculty advisory council vice-chairperson to serve as an ex-officio, nonvoting board member for a two-year term but excludes the vice-chairperson from executive sessions. It also made technical changes.

Enrollment Statistics

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

	Fall 2013	Spring 2014	Fall 2014	Spring 2015
Full-Time Undergraduate	23,429	21,653	23,157	21,459
Full-Time Graduate	1,598	1,410	1,561	1,401
Total Full-Time	<u>25,027</u>	<u>23,063</u>	<u>24,718</u>	<u>22,860</u>
Part-Time Undergraduate	5,270	5,271	5,428	5,337
Part-Time Graduate	3,765	3,780	3,955	3,859
Total Part-Time	<u>9,035</u>	<u>9,051</u>	<u>9,383</u>	<u>9,196</u>
Total Enrollment	<u>34,062</u>	<u>32,114</u>	<u>34,101</u>	<u>32,056</u>

The average of the fall and spring semesters’ total enrollment was 33,088 and 33,079 during the 2013-2014 and 2014-2015 fiscal years respectively, compared to an average of 33,710 during the 2012-2013 fiscal year. The total average number of enrolled students decreased by 622 (1.9%) from fiscal year 2013 to 2014 and 9 (.03%) from 2014 to 2015.

RÉSUMÉ OF OPERATIONS

During the audited period, operations of the system office were primarily supported by appropriations from the state's General Fund and by tuition and fees credited to the State University Operating Fund.

Operating Revenues

Operating revenues are derived from the sale or exchange of goods or services that relate to the system office's educational and public service activities.

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

	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>
Tuition and Fees (net of scholarship allowances)	\$30,898,665	\$31,592,585	\$32,242,713
Federal Grants and Contracts	-	8,826	12,947
State and Local Grants and Contracts	-	-	41,021
Auxiliary Revenues	4,242,414	3,373,396	3,852,520
Other Sources	<u>8,547,937</u>	<u>11,509,855</u>	<u>14,242,501</u>
Total Operating Revenues	<u>\$43,689,016</u>	<u>\$46,484,662</u>	<u>\$50,391,702</u>

Operating revenues totaled \$46,484,662 and \$50,391,702 during the fiscal years ended June 30, 2014 and 2015, respectively, compared to \$43,689,016 during the fiscal year ended June 30, 2013. The \$2,795,646 (6.4%) increase from fiscal year 2013 to 2014 and \$3,907,040 (8.4%) increase from fiscal year 2014 to 2015 can be primarily attributable to an increase in debt service revenue from Central Connecticut State University related to a CHEFA bond issued in fiscal year 2014. The system office collects debt service payments from the universities and records those payments as revenue.

Operating Expenses

Operating expenses generally result from payments made for goods and services to achieve the system office'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 system office's audited financial statements for the audited period and the previous fiscal year follow:

	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>
Personal Service and Fringe Benefits	\$8,378,196	\$7,505,585	\$59,394,997
Professional Services and Fees	2,080,077	2,137,133	3,625,591

Auditors of Public Accounts

Educational Services and Support	4,070	2,395	31,492
Travel Expenses	75,124	66,756	131,991
Operation of Facilities	12,444,914	19,079,058	58,904,747
Other Operating Supplies and Expenses	2,896,136	3,077,520	4,666,907
Depreciation Expense	<u>1,693,260</u>	<u>1,127,591</u>	<u>944,293</u>
Total Operating Expenses	<u>\$27,571,777</u>	<u>\$32,996,038</u>	<u>\$127,700,018</u>

Operating expenses totaled \$32,996,038 and \$127,700,018 during the fiscal years ended June 30, 2014 and 2015, respectively, compared to \$27,571,777 during the fiscal year ended June 30, 2013. These amounts reflect an increase of \$5,424,261 (19.7%) in fiscal year 2014 and an increase of \$94,703,980 (287%) in 2015. The increase in operating expenses from fiscal year 2013 to 2014 can be attributed to increased CHEFA project expenditures. The large increase from fiscal year 2014 to 2015 is attributable to additional increases in CHEFA project expenditures and the implementation of GASB 68, a Government Accounting Standards Board issued standard, which requires the recording of pension expense at the system office level.

Nonoperating Revenues

Nonoperating revenues are not from the sale or exchange of goods or services that relate to the system office's primary functions of instruction, academic support and student services. Nonoperating revenues include items such as the state's General Fund appropriation, investment income and interest expense.

Nonoperating revenues as presented in the system office's financial statements for the audited period and the previous fiscal year follow:

	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>
State Appropriations	\$7,596,253	\$6,685,020	\$54,423,409
Investment Income	758,959	754,166	751,090
Interest Expense	<u>(10,299,777)</u>	<u>(13,565,165)</u>	<u>(13,893,196)</u>
Total Nonoperating Revenues	<u>\$(1,944,565)</u>	<u>\$(6,125,979)</u>	<u>\$41,281,303</u>

Nonoperating revenues totaled \$(6,125,979) and \$41,281,303 during the fiscal years ended June 30, 2014 and 2015, respectively, compared to \$(1,944,565) during the fiscal year ended June 30, 2013. The \$4,181,414 (215%) decrease from fiscal year 2013 to 2014 can be primarily attributable to an increase in interest expenses related to CHEFA bonds. The \$47,407,282 (774%) increase from fiscal year 2014 to 2015 was the result of the GASB 68 pension adjustment. The system office was advised by the financial statement auditors to record the \$47 million pension share as a state appropriation. This was reflected in net position as part of the pension liability in the fiscal year 2015 financial statements.

In addition to the operating and nonoperating revenues presented above, the system office's financial statements also presented revenues classified as state appropriations restricted for capital purposes totaling \$858,416 and \$3,224,741 for the fiscal years ended June 30, 2014 and 2015, respectively.

Dormitory Debt Service Fund

This fund is used to account for costs associated with Connecticut State University long-term debt. Long-term debt includes both self-liquidating state general obligation and revenue bonds issued to fund certain Connecticut State University capital projects and bonds issued by the Connecticut Health and Educational Facilities Authority (CHEFA).

Operating transfers into the fund totaled \$37,387,751 and \$40,172,174 during the fiscal years ended June 30, 2014 and 2015, respectively, per records of the Office of the State Comptroller. Payments for principal retirement and interest charges totaled \$32,876,534 and \$35,696,140 during those respective fiscal years. Resources accumulated in the fund to cover future debt service requirements totaled \$73,800,229 and \$78,364,127, as of June 30, 2014 and 2015, respectively.

Self-liquidating state general obligation bonds are bonds for which the portion of the costs attributable to certain projects funded by issuance, such as dormitory renovation, are paid by associated revenues. Though the bonds are liquidated from the resources of the General Fund, the General Fund is reimbursed for the associated costs. The Connecticut State University's liability for such issuances was \$1,966,283 and \$825,002, as of June 30, 2014 and 2015, respectively.

CHEFA, which operates primarily under the provisions contained in Chapter 187 of the General Statutes, was created to assist institutions for higher education, health care, nursing homes and qualified nonprofit organizations in the construction, financing and refinancing of projects. Outstanding CHEFA bonds issued on behalf of the Connecticut State University System totaled \$342,215,000 and \$321,805,000 as of June 30, 2014 and 2015, respectively.

Connecticut State University System Foundation, Inc.

The Connecticut State University System Foundation, Inc. is a private nonprofit corporation established to raise funds to support the Connecticut State University System. The foundation is a legal entity separate and distinct from the board of regents.

Sections 4-37e through 4-37k of the General Statutes define and set requirements for organizations that support state agencies. The requirements address the annual filings 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.

An audit of the books and accounts of the foundation was last performed for the fiscal year ended June 30, 2014, in accordance with Section 4-37f subsection (8) of the General Statutes. The auditor expressed an unqualified opinion on the foundation's financial statements for the fiscal year. In addition, the foundation's audit report disclosed no reportable instances of

noncompliance with Sections 4-37e through 4-37j of the General Statutes. We were provided with the financial statements on foundation operations for each of the audited years.

The foundation's audited financial statements reported support and revenue totaling \$80,427 during the fiscal year ended June 30, 2014. The amount reported as support and revenue reflects \$61,206 in unrealized and realized gains on investments. The foundation's unaudited financial statements reported support and revenue totaling \$10,188 during the fiscal year ended June 30, 2015, which did not reflect an amount for unrealized and realized gains on investments. Net assets were reported at \$485,381 and \$474,222 as of June 30, 2014 and 2015, respectively.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Consolidation of the System's Purchasing Process

- Background:* In our prior audit report covering the fiscal years 2012 and 2013, we recommended that the system office comply with the requirements of Section 10a-89e of the General Statutes, which requires consolidation of the purchasing process at the system office, or seek legislative relief from the requirements of this section.
- Criteria:* Section 10a-89e of the General Statutes states, "The Board of Trustees for the CSU System shall consolidate the purchasing process for the system at the central office."
- Condition:* Some purchasing procedures for the State University System have been centralized at the system office. These include training in the purchasing function, implementation of certain uniform purchasing procedures on a system-wide basis, and some procurement of goods or services at each of the state universities through contracts originated at the system office. However, each of the 4 state universities continue to maintain significant purchasing resources on campus, and most purchasing-related procedures are still performed at each campus, rather than at the system office.
- Effect:* The system office is not in compliance with Section 10a-89e of the General Statutes.
- Cause:* The system office informed us that since the merger of the Connecticut State Colleges & Universities (CSCU), the root cause for non-compliance with Section 10a-89e of the General Statutes has been the lack of a common accounting system to the 4 state universities. Although each is on Banner's Enterprise Resource Planning system, they are on different customized instances that do not communicate with each other. As a result, consolidation of purchasing processes has not been possible.
- Recommendation:* The Board of Regents for Higher Education should comply with Section 10a-89e of the General Statutes, which requires consolidation of the purchasing process at the system office, or seek legislative relief from the requirements of this section. (See Recommendation 1.)
- Agency Response:* "Since the merger of CSCU, management has identified that the root cause for non-compliance with Section 10a-89e of the General Statutes has been the lack of an accounting system that is common to the 4 universities. Although each is on Banner's Enterprise Resource Planning (ERP) system, they are on different customized instances that do not

communicate with each other. As a result, consolidation of purchasing processes has not been possible.

Having identified that the universities' systems do not communicate with each other, the system office has undertaken two initiatives to enable the consolidation of purchasing; such consolidation is intended ultimately for all institutions within CSCU:

- (1) We have had a team diligently working on a common chart of accounts so that the four universities and the twelve community colleges all have a common accounting layout. That is a precursor for consolidation systems. Charter Oak State College is not in the current plan but we will investigate whether we can bring them into the community colleges' instance of Banner after the lift to the cloud and the upgrade of software.
- (2) The initial upgrade of Banner will still not have one instance among the institutions. However, along with a common chart of accounts we plan to implement purchasing software that will allow us to communicate throughout the sixteen institutions in terms of purchasing, contracting, and accounts payable.

We estimate approximately two years to fully implement this plan.”

Bank Reconciliations

- Criteria:* Sound business practices dictate that bank reconciliations should be performed in a timely manner.
- Condition:* During our review of the bank reconciliations for the system office, we noted 30 instances in which monthly reconciliations were not performed in a timely manner. In these instances, the reconciliations were 36 to 160 days after the monthly statement ending date.
- Effect:* Bank reconciliations not performed on time increase the likelihood of errors and decrease management's ability to detect those errors in a timely manner.
- Cause:* The state university system informed us that the reconciling delays were caused by staff reductions from consolidation and unfilled vacancies in the Accounting Department.
- Recommendation:* The Board of Regents for Higher Education should improve internal controls over the bank reconciliation process by ensuring that

reconciliations are performed in a timely manner. (See Recommendation 2.)

Agency Response: “Management concurs with this finding. Management continues to ensure that bank reconciliations are always completed for each month of the year. Due to position vacancies and hiring freezes the turnaround time for completion of each month’s bank reconciliation has extended beyond the recommended 30 days, as priority has shifted to continuing financial operations as well as completion of our audit and annual financial statements.

Management has begun a system wide consolidation of administrative functions with the goal of achieving operational efficiencies that can free up resources to address improving internal controls.”

Software Inventory

Criteria: The State Property Control Manual states that “a software inventory must be established by all agencies to track and control all of their software media, licenses or end user license agreements, certificates of authenticity, documentation and related items.” The manual further states that “each agency will produce a software inventory report on an annual basis...A physical inventory of the software library, or libraries, will be undertaken by all agencies at the end of each fiscal year and compared to the annual software inventory report. This report will be retained by the agency for audit purposes.”

Condition: During our review of software inventory at the system office, we noted the following:

- Control records for the software inventory did not contain the required minimum data elements. Upon notification, the state university system added the missing data elements to their software control records.
- The software inventory did not include all software utilized by the state university system. In 1 instance, a newly purchased software item, totaling \$4,800, was not added to the software inventory. A further review disclosed that software items obtained at no cost were not added to the inventory.
- The state university system was unable to provide documentation to verify that it conducted an annual physical software inventory during the audit period.

Effect: The system office did not comply with software inventory requirements contained in the State Property Control Manual.

Cause: It appears that software licenses were tracked to maintain compliance with license terms, but not for state inventory control requirements.

Internal control over software accountability and reporting was inadequate.

Recommendation: The Board of Regents for Higher Education should improve internal controls over software inventory by ensuring that required software items are included in the inventory and that documentation is maintained to support an annual physical inventory as required by the State Property Control Manual. (See Recommendation 3.)

Agency Response: “Management concurs with this finding and will edit the inventory data sheets to reflect requirements and internal controls outlined in the property control manual.”

Information Technology Disaster Recovery

Criteria: Sound business practices include provisions that require organizations to have current information technology disaster recovery plans in place to enable critical operations to resume activity within a reasonable period should a disaster occur.

The Board of Regents for Higher Education Information Security Policy states, “Connecticut State Colleges and Universities (CSCU) will establish, maintain, and effectively implement plans for emergency response, backup operations, and post-disaster recovery for CSCU information systems to ensure the availability of critical information resources and continuity of operations in emergency situations.”

Condition: The system office did not have a current comprehensive information technology disaster recovery plan in place during the audited period.

Effect: The lack of a current disaster recovery plan may reduce the likelihood of resuming critical operations in a timely fashion in the event of a system catastrophe.

Cause: The state university system informed us that delays in awarding a contract for the safeguarding and replication of critical functions of the data center prevented the completion of an information technology disaster recovery plan.

Recommendation: The Board of Regents for Higher Education should continue its efforts to develop a comprehensive formal written information technology disaster recovery plan. (See Recommendation 4.)

Agency Response: “CSCU has entered into a comprehensive contract with Ellucian to provide all 5 instances of critical ERP applications full disaster recovery and business continuity, using cloud based services. All critical applications within the CSCU data center have been migrated to the cloud and are under full redundancy and business continuity plan oversight. Cloud migration and disaster recovery will begin in October 2017 and will be completed in March 2018.”

Other Audit Examination

The Board of Regents for Higher Education 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 Colleges and 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 the Connecticut State University System Office in the Report to Management for the 2014-2015 fiscal year is presented below:

Perform Banner User Access Review:

- Management should conduct a periodic and cooperative review by both IT and business area owners of user access rights for the Banner application. Such regular reviews of access rights assigned to user accounts would help to ensure that user access to the application's functions and features are commensurate with their jobs responsibilities.

Enhance New Banner Access Controls:

- Management should formalize the new Banner application access process to include the retention of evidence of a valid approval from the Chief Financial Officer and/or the Director of Budgeting.

A summary of the recommendations pertaining to the Connecticut State University System Office in the Report to Management for the 2013-2014 fiscal year is presented below:

Continuing Disclosure Requirements:

- Management should revisit the current procedures in place to monitor debt compliance and look to enhance such procedures to prevent future noncompliance. The failure to

comply with the provisions as defined in the bond agreements could have significant consequences to the institution.

Review Procedures Over Potential Unrecorded Liabilities:

- CSUS should review the procedures in place to accumulate and record invoices received subsequent to the closing of the accounts payable system to capture all the liabilities at period end. Disbursements issued subsequent to year end should be monitored to identify any related liabilities that should have been recorded at year-end.

The recommendations pertaining to 2013-2014 fiscal year presented above were resolved prior to issuance of the Report to Management for the 2014-2015 fiscal year.

RECOMMENDATIONS

Our prior report contained 11 recommendations. There has been satisfactory resolution of 8 of these recommendations. The remaining 3 recommendations have been repeated or restated to reflect current conditions. One recommendation is being presented as a result of our current examination.

Status of Prior Audit Recommendations:

- **The Board of Regents for Higher Education should take steps to ensure compliance with Section 5-247-11 of the State Regulations by obtaining an acceptable medical certificate for employees that use sick leave for a period of more than five consecutive working days.** We did not find any instances in which a medical certificate was not on file during the audited period. This recommendation is not being repeated.
- **The Board of Regents for Higher Education should comply with Section 5-208a of the General Statutes and state dual employment policies to appropriately monitor dual employment situations.** We did not find any instances in which a dual employment form was not on file during the audited period. This recommendation is not being repeated.
- **The Board of Regents for Higher Education should ensure that affidavits and certifications are obtained in compliance with regulations related to state university purchasing. Furthermore, the Board should take steps to ensure that purchases are initiated only after an approved purchase order is in place.** This recommendation is not being repeated.
- **The Board of Regents for Higher Education should comply with the requirements of Section 10a-89e of the General Statutes, which requires consolidation of the purchasing process for the system at the system office, or seek legislative relief from the requirements of this section.** The recommendation is being repeated with modification. (See Recommendation 1).
- **The Board of Regents for Higher Education should improve internal controls over equipment inventory by following the policies and procedures established by the Connecticut State University System's Capital Valuation and Asset Management Manual. Improvement was noted.** The recommendation is not being repeated.
- **The Board of Regents for Higher Education should comply with established policies and procedures and improve internal control over agency administered projects by submitting the required reports.** This recommendation is not being repeated.
- **The Board of Regents for Higher Education should improve internal controls over software inventory and comply with the requirements contained in the State Property Control Manual.** The recommendation is being repeated with modification. (See Recommendation 3).

- **The Board of Regents for Higher Education should follow its established information technology disaster recovery plan and review and test such plan to ensure that it is operational and effective should a disaster occur.** The recommendation is being repeated with modification. (See Recommendation 4).
- **The Board of Regents for Higher Education should promptly deactivate information system access upon an employee's separation from system office employment. In addition, the board should develop policies and procedures to ensure that any new or modified Banner access privileges for Database Administrators are approved by the appropriate level of management.** This recommendation is not being repeated.
- **The Board of Regents for Higher Education should remove its Core-CT access privileges for certain employees to improve the separation of duties. If the agency deems such access is necessary and required, a compensating control system should be developed, documented and periodically reviewed.** This recommendation will not be repeated.
- **The Board of Regents for Higher Education should perform the annual internal control self-evaluation and risk assessment in accordance with the Internal Control Guide issued by the State Comptroller.** This recommendation will not be repeated.

Current Audit Recommendations:

1. **The Board of Regents for Higher Education should comply with Section 10a-89e of the General Statutes, which requires consolidation of the purchasing process at the system office, or seek legislative relief from the requirements of this section.**

Comment:

Each of the 4 state universities continue to maintain significant purchasing resources on campus. Most purchasing-related procedures are still performed at each campus, rather than at the system office.

2. **The Board of Regents for Higher Education should improve internal controls over the bank reconciliation process by ensuring that reconciliations are performed in a timely manner.**

Comment:

During our review of bank reconciliations for the system office, we noted 30 instances in which the monthly reconciliations were not performed in a timely manner.

- 3. The Board of Regents for Higher Education should improve internal controls over software inventory by ensuring that required software items are included in the inventory and that documentation is maintained to support an annual physical inventory as required by the State Property Control Manual.**

Comment:

The software inventory did not include all software utilized by the agency. The agency was unable to provide documentation to verify that it conducted an annual physical inventory of software during the audit period.

- 4. The Board of Regents for Higher Education should continue its efforts to develop a comprehensive formal written information technology disaster recovery plan.**

Comment:

The system office did not have a current comprehensive information technology disaster recovery plan in place during the audited period.

CONCLUSION

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Board of Regents for Higher Education during the course of this examination.



Walter J. Felgate
Principal Auditor

Approved:



John C. Geragosian
State Auditor



Robert J. Kane
State Auditor