

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
DEPARTMENT OF HIGHER EDUCATION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009*

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

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December 1, 2010

**AUDITORS' REPORT  
DEPARTMENT OF HIGHER EDUCATION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009**

We have examined the financial records of the Department of Higher Education for the fiscal years ended June 30, 2008 and 2009. This report on that examination consists of the Comments, Condition of Records, Recommendations and Certification, which follow.

Financial statement presentation and auditing are performed on a Statewide Single Audit basis to include all State agencies. This audit examination has been limited to assessing compliance with certain provisions of financial related laws, regulations, contracts and grants and evaluating internal control policies and procedures established to ensure such compliance.

**COMMENTS**

**FOREWORD:**

The Department of Higher Education, which serves as the administrative arm of the Board of Governors for Higher Education, operates, generally, under Sections 10a-1 through 10a-55c and 10a-161 through 10a-171 of the General Statutes.

The Board of Governors for Higher Education appoints the Commissioner of Higher Education in accordance with Section 10a-5 of the General Statutes. In accordance with Section 10a-6 of the General Statutes, the Board of Governors for Higher Education is also responsible for establishing a Statewide policy for Connecticut's system of public higher education. This responsibility includes: establishing a master plan for higher education and postsecondary education, establishing Statewide tuition and financial aid policies, the preparation of consolidated budgets, reviewing and commenting on operating and capital expenditure requests from constituent units of the higher education system, the licensure and accreditation of higher education institutions, and the continued development and maintenance of a central higher education information system.

**Board of Governors and Officials:**

The Board of Governors for Higher Education consists of eleven members appointed pursuant to Section 10a-2 of the General Statutes. Seven members of the Board are appointed by the Governor and the remaining four by designated members of the General Assembly. The President Pro Tempore of the Senate, Minority Leader of the Senate, Speaker of the House of Representatives and Minority Leader of the House of Representatives each appoint one member to the Board.

As of June 30, 2009, membership of the Board of Governors was as follows:

Frank W. Ridley; Chairman	Jean M. LaVecchia
Brian Flaherty; Vice-Chairman	Jean E. Reynolds
William Aniskovich	Robert S. Robins
Dorothea E. Brennan	Albert B. Vertefeuille
James H. Gatling	Margaret J. Villani
Michael J. Werle, Ph.D.	

As of June 30, 2009, the Board had no vacancies. William Bevacqua, Harry Penner, and Ross Hollander also served as Board members during the audited period.

Section 10a-5 of the General Statutes provides for the appointment of a Commissioner of Higher Education. Valerie F. Lewis was appointed Commissioner November 15, 2000, and served in that capacity until her retirement February 1, 2008. Michael P. Meotti was appointed Commissioner, effective March 1, 2008, and continues to serve in that capacity. Associate Commissioner Jane Ciarleglio served as Acting Commissioner during the month of February 2008 and was subsequently appointed Deputy Commissioner.

**Recent Legislation:**

The Public Acts presented below are the most significant Acts that were either effective or passed during the audited period that affected the operations of the Department of Higher Education.

Public Act No. 07-3 (June Special Session), effective July 1, 2007, is an act concerning \$500,000 of the funds appropriated to the Department of Education for CommPACT schools to be transferred to the Department of Higher Education for the purpose of establishing an agreement with Neag School of Education to administer a field-based support program for up to twelve CommPACT schools and \$250,000 for the purpose of establishing a contract with the Board of Trustees for the Connecticut State University system to develop a college readiness grant program to address core subject-matter deficiencies among high school students who will transition to institutions of higher education and to improve such students' performance on Connecticut mastery examinations and college placement examinations.

Special Act No. 07-7, effective July 1, 2007, concerns the public institution of higher education system transfer and articulation process.

Public Act No. 07-90, effective January 1, 2008, revises Section 10a-34 of the Connecticut General Statutes and concerns enhanced enforcement authority by the Department of Higher Education.

Public Act No. 08-72, effective July 1, 2008, concerns full carryover authority for the Capitol Scholarship Program.

Public Act No. 08-116, effective from passage on May 27, 2008, is an act concerning hospital-based occupational schools and technical revisions to the higher education and employment advancement statutes.

## RÉSUMÉ OF OPERATIONS

### General Fund:

General Fund receipts totaled \$25,286, \$118,995 and \$262,303 during the fiscal years ended June 30, 2007, 2008 and 2009, respectively. The totals for the 2007-2008 and 2008-2009 fiscal years are reflective of prior year refunds of expenditures.

General Fund expenditures totaled \$75,056,769 and \$70,426,113 during the fiscal years ended June 30, 2008 and 2009, respectively. A comparative summary of General Fund expenditures from Department appropriations for the fiscal years under review and the preceding fiscal year follows:

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Personal services	\$ 2,879,264	\$ 2,942,227	\$ 2,962,004
Contractual services	519,086	205,365	97,561
Commodities	25,551	49,763	35,093
Grants	49,840,892	71,847,402	67,331,455
Capital outlay	<u>4,730</u>	<u>12,012</u>	<u>0</u>
Total General Fund Expenditures	<u><b>\$53,269,523</b></u>	<u><b>\$75,056,769</b></u>	<u><b>\$70,426,113</b></u>

Expenditures from budgeted appropriations did not fluctuate significantly during the audited period, but did fluctuate significantly from the last year of the previous audited period to the first year of the current audited period primarily due to State Aid Grant payments. Grant expenditures increased from the 2006-2007 fiscal year to the 2007-2008 fiscal year by \$22,006,510, or 44.2 percent, and decreased in the 2008-2009 fiscal year from the 2007-2008 fiscal year by \$4,515,947, or 6.3 percent. The increase from the 2006-2007 fiscal year to the 2008-2009 fiscal year was due to significant increases in funding for the Aid for Public College Students and the Independent College Student Grant programs. The decrease from the 2007-2008 fiscal year to the 2008-2009 fiscal year was due to no funding being provided for the Higher Education State Matching Grants program for the 2008-2009 fiscal year. Some of the most significant grants, and those of the preceding fiscal year, are presented below:

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Aid for Public College Students program	\$16,520,920	\$30,208,469	\$30,208,469
Independent College Student Grant program	\$15,800,626	\$23,913,860	\$23,396,519
Capitol Scholarship program	\$ 8,435,352	\$ 9,080,219	\$ 8,743,529
Higher Education State Matching Grants	\$ 5,350,000	\$ 4,185,000	\$ 0
Minority Advancement program	\$ 2,092,025	\$ 2,110,399	\$ 2,381,342

Expenditures for the Higher Education State Matching Grants Fund are made in the form of grant payments to State colleges and universities in matching amounts to private donations to those institutions.

**Grants and Restricted Accounts Fund:**

During the 2007-2008 and 2008-2009 fiscal years \$8,854,024 and \$8,217,068, respectively, in Federal and non Federal contributions were deposited to the Grants and Restricted Accounts Fund.

A summary of Grants and Restricted Accounts Fund receipts for the fiscal years ended June 30, 2008 and 2009, follows:

	<u>2007-2008</u>	<u>2008-2009</u>
Federal Aid – Restricted	\$6,456,983	\$5,906,389
Non Federal Aid – Restricted	1,565,815	1,720,339
Grants Transfers Federal – Restricted	468,500	454,500
Grants Transfers Non Federal – Restricted	20,000	0
Investment Interest	342,726	132,840
Refunds of Expenditures Prior Years	<u>0</u>	<u>3,000</u>
Total Grants and Restricted Accts Receipts	<u><b>\$8,854,024</b></u>	<u><b>\$8,217,068</b></u>

Restricted account activity during the audited years consisted primarily of the administration of Federal grant programs. Total Grants and Restricted Accounts Fund expenditures for fiscal years 2007-2008 and 2008-2009 were \$7,391,087 and \$8,067,338, respectively, and consisted primarily of expenditures for the GEAR UP Federal program, which totaled \$2,465,273 and, \$3,670,377 respectively, and the AmeriCorps Federal program, which totaled \$1,131,442 and \$877,665, respectively.

**Endowed Chair Investment Fund:**

The Department, under Section 10a-20a of the General Statutes, administers a fiduciary fund for endowed chairs at the University of Connecticut, the University of Connecticut Health Center, and the State University System. The distribution of earnings from the Fund to the various chairs totaled \$420,000 and \$91,416, respectively, during the 2007-2008 and 2008-2009 fiscal years. The Endowed Chair Investment Fund had a fund balance of \$5,624,582 as of June 30, 2009.

**Academic Scholarship Loan Program Fund:**

The Academic Scholarship Loan Program Fund was established under the provisions of Section 10a-163a of the General Statutes. Receipts from loan repayments totaled \$8,333 and \$0 during the 2007-2008 and 2008-2009 fiscal years, respectively.

The Academic Scholarship Loan Program Fund had a fund balance of \$578,022 as of June 30, 2009. Loans from the Fund are forgiven if the recipients perform certain teaching services as provided by Section 10a-170i of the General Statutes. As of June 30, 2009, the total amount of interest receivable was \$55,327 and a zero receivable amount for loans.

**Teacher Incentive Loan Program Fund:**

The Teacher Incentive Loan Program Fund was established under Section 10a-163a of the General Statutes. There were no receipts to or disbursements from the Teacher Incentive Loan Program Fund during the 2007-2008 and 2008-2009 fiscal years, which marks eight consecutive years of no receipts or disbursements.

The Teacher Incentive Loan Program Fund had a fund balance of \$61,099 as of June 30, 2009. Loans from the Fund are forgiven if the recipients perform certain teaching services as provided by Section 10a-163, subsection (f), of the General Statutes. Section 10a-163a of the General Statutes provides that “these funds shall not lapse or be reverted to the General Fund of the state.”

**Private Occupational School Student Protection Account:**

The Private Occupational School Student Protection Account is established by Section 10a-22u of the General Statutes and is administered by the Commissioner of Higher Education. It was established to maintain a reserve of resources to refund tuition paid by students to schools that subsequently become insolvent or cease operations. In accordance with Section 10a-22u, subsection (a), of the General Statutes, the account is also assessed for the personnel and administrative expenditures for the oversight and registration of private occupational schools.

Cash receipts of the account totaled \$791,290 and \$865,271 during the 2007-2008 and 2008-2009 fiscal years, respectively, and consisted of assessments to the schools and interest earned. The 2008-2009 fiscal year also included a \$40,000 letter of credit. Disbursements from the account totaled \$237,852 and \$926,849 during the 2007-2008 and 2008-2009 fiscal years, respectively, of which \$86,911 was for tuition reimbursements for the 2008-2009 fiscal year. Other disbursements were primarily for the administrative expenses of registering private occupational schools. The account had a cash balance of \$3,441,219 as of June 30, 2009.

**Capital Equipment Purchase Fund:**

Equipment purchases from the Capital Equipment Purchase Fund totaled \$(1,013) and \$15,991 during the 2007-2008 and 2008-2009 fiscal years, respectively. These purchases consisted of office and educational equipment.

## CONDITION OF RECORDS

Our examination of the records of the Department of Higher Education disclosed matters of concern requiring disclosure and agency attention, as discussed below.

### **Payroll and Personnel – Dual Employment:**

<i>Criteria:</i>	Section 5-208a of the General Statutes establishes guidelines for State employees performing dual employment roles. The Department of Higher Education goes beyond the statute in its policies and procedures and requires the submission of dual employment form PER-DE-1 prior to employees beginning work at secondary agencies.
<i>Condition:</i>	Our examination of Department records revealed that three out of nine dual employment forms were submitted and approved after the employees began performing work at their secondary agency, the Department. One of the nine dual employment forms was not approved by the Department.
<i>Effect:</i>	Employees were in violation of Department policies and procedures regarding dual employment.
<i>Cause:</i>	The cause was not determined.
<i>Recommendation:</i>	The Department should ensure that its policies and procedures, relative to submitting dual employment form PER-DE-1 prior to employees engaging in dual employment activity, are adhered to (See Recommendation 1).
<i>Agency Response:</i>	“Agree with recommendation. All staff will be briefed again on the appropriate procedures for dual employment.”

### **Payroll and Personnel – Timesheet Approval:**

<i>Criteria:</i>	The Department has established internal controls for the submission and data entering of time and attendance records of staff, which requires time and attendance records to be approved by designated supervisory staff prior to the time attendance is entered into the State’s Core-CT accounting system.
<i>Condition:</i>	Our examination of Department records revealed that the time and attendance record for one pay period, representing the time and attendance of 26 Department employees, was not signed for approval by the designated authority.
<i>Effect:</i>	The time and attendance for 26 Department employees, for one pay period, was entered into the State accounting system for processing without having been approved by the employees’ supervisor. The

absence of an authorizing signature approving time and attendance could result in payroll payments being made to Department staff that are not reflective of the hours actually worked or the paid leave actually taken.

*Cause:* The cause could not be determined.

*Recommendation:* The Department should adhere to its internal control procedures for reviewing and approving time and attendance records of its staff and when such records cannot be approved prior to being entered into the State accounting system a procedure should be established for subsequent approval of time and attendance records (See Recommendation 2).

*Agency Response:* “Agree with recommendation.”

### **Expenditures – Account Coding:**

*Criteria:* The Office of the State Comptroller has established an account coding system designed to identify and track funds received and expended by State agencies. The accurate classification of expenditures is essential to monitoring financial activities of those agencies.

*Condition:* Our examination of Department records revealed expenditures charged to moving services, \$19,544, workers’ compensation, \$252, and overtime, \$28, were charged to the wrong accounts and should have been charged to minor equipment, maintenance services, and food and beverage, respectively.

*Effect:* Expenditures for moving services, workers’ compensation and overtime were overstated while expenditures for minor equipment, maintenance services and food and beverage were understated.

*Cause:* The cause could not be determined.

*Recommendation:* The Department should ensure that expenditure transactions are properly identified and charged to the appropriate accounts in order to maintain accurate records for financial reporting (See Recommendation 3).

*Agency Response:* “Agree with recommendation. Accounting staff are being reminded to double check all account codes.”

### **Expenditures – Business Travel:**

*Criteria:* The Office of the State Comptroller, per the State Accounting Manual (SAM), requires the custodian of the Petty Cash Fund to obtain

statements signed by recipients acknowledging that within five working days of returning from travel they will complete and submit Form CO-17XP, Employee Voucher, to the agency business office. The Department's policy and procedures require Form CO-17XP to be submitted within five business days after returning from travel.

*Condition:* Out of 11 travel authorizations tested, five failed to submit Form CO-17XP within five business days following the return from travel. These five non-compliant submissions were between one and 13 days late.

*Effect:* The Department is not ensuring that employees are submitting CO-17XP invoices within the period after travel as specified by the Office of the State Comptroller via the State Accounting Manual. In cases of petty cash travel advances, the Petty Cash Fund would have to have a higher authorized amount in order to maintain sufficient funds while awaiting reimbursement of invoices filed later than within the required five business days.

*Cause:* The cause could not be determined.

*Recommendation:* The Department should ensure that employees are familiar with the requirement to submit CO-17XP invoices within five business days after returning from travel and take measures to ensure adherence to the requirement (See Recommendation 4).

*Agency Response:* "Agree with recommendation."

### **Property Control/Equipment Inventory:**

*Criteria:* The Office of the State Comptroller's "Property Control Manual" establishes procedures and guidelines for maintaining and safeguarding property under the authority of State agencies. The Property Control Manual recommends that physical inventories of personal property be conducted annually, and prescribes how such physical inventories are to be performed. In addition, the Property Control Manual states that, beginning with fiscal year 2006, each State agency will generate information within Core-CT and include the information on the Asset Management / Inventory Report / GAAP Reporting Form (CO-59).

*Condition:* The Department was not able to provide evidence of having performed physical equipment inventories for the 2008 and 2009 fiscal years or a physical software inventory for fiscal year 2008.

The Asset Management / Inventory Report / GAAP Reporting Form (CO-59) ending balance for the 2008 fiscal year was \$3,000 higher

than the beginning balance of the 2009 fiscal year.

The Department's inventory records had numerous incorrections such as incorrect serial numbers, incorrect model numbers, incorrect locations, and incorrect inventory tag numbers. One item on the inventory records was listed as disposed of but was actually located at the Department during our review.

*Effect:* The Department is not maintaining its inventory system in accordance with the State Comptroller's Property Control Manual. Missing property may not be identified as being missing in a timely manner. Physical inventory records are not retained in accordance with retention schedules. Without the retention of physical inventory records a determination as to the accuracy of the inventory information reported on the CO-59 may not be made.

*Cause:* The Department failed to provide evidence of performing physical inventories during fiscal years 2008 and 2009.

*Recommendation:* The Department should maintain inventory records in accordance with the State Comptroller's Property Control Manual, perform physical inventories annually, record inventory information completely and accurately, and ensure that CO-59 property reports accurately reflect the Department's inventory at the end of one year to the beginning of the next year (See Recommendation 5).

*Agency Response:* "Agree with recommendation."

### **Minority Advancement Program – Reconciliation of Payments:**

*Background:* The Department administers the Minority Advancement Program (MAP), which provides grants to institutions of higher education to develop and implement pre-college, college transition, and college admission and retention programs for low income minority students. Payments from the program are initiated by the Director of MAP through the MAP database, which records and tracks payments and refunds, as well as documents receipt of required budget documents, Memorandum of Agreements (MOA), and Statements of Assurance.

*Criteria:* Any system the Department uses to establish payment of funds should be reconciled to the system generating the payments to ensure that only payments established through the authorization process are the payments that are actually processed through the State's Core-CT accounting system.

Institutions of higher learning that participate in MAP contract with the Department and sign Statements of Assurances that they will perform certain required activities, one of which is to submit final

expenditure reports by specific due dates. Participating institutions also agree to match program funds for participation in the Connecticut Collegiate Awareness and Preparation program (ConnCAP).

*Condition:* While we were able to obtain documentary support of the Department having performed the reconciliation of the database to Core-CT for fiscal year 2007-2008 we were told that the 2008-2009 fiscal year reconciliation was not performed.

During our test of MAP expenditures we noted several instances of the Department not receiving final expenditure reports from institutions participating in the program by the required due dates and one instance of an institution not meeting the matching requirement.

*Effect:* Without the reconciliation of the online database to Core-CT by the Department errors or irregularities may not be detected, relative to MAP, in a timely manner.

Institutions contracting with the Department for participation in MAP are not meeting their contractual obligations and the Department is failing to ensure compliance with its requirements for participation in the program.

*Cause:* There appeared to be some confusion on the part of Department personnel as to who was responsible for completing the reconciliations.

*Recommendation:* The Department of Higher Education should develop and adhere to internal controls that specify responsible individuals for performing reconciliations of its online database expenditure information to the Core-CT expenditure reports, and ensure that institutions participating in its programs are adhering to the program guidelines and contracts (See Recommendation 6).

*Agency Response:* “Agree with recommendation.”

### **Private Occupational School Student Protection Account:**

*Background:* Private occupational schools operating in the State must be authorized to do so by the Department of Higher Education. The schools are also required to contribute to a Private Occupational School Student Protection Account, which is used to refund tuition to students of those schools that cease operations. State statutes also provide for a Private Occupational School Student Benefit Account, which was originally authorized in 1985, but never implemented. The proceeds of the Student Benefit Account were to be used to award financial aid grants to private occupational school students.

*Criteria:* Section 10a-22r of the General Statutes specifies the establishment of an advisory committee to the Commissioner of Higher Education consisting of seven members appointed by the Commissioner for the administration of the Private Occupational School Student Benefit Account.

Section 10a-22b (f) of the General Statutes states that an evaluation team shall conduct an on-site inspection of private occupational schools during the application process and shall submit a written report to the Commissioner of Higher Education recommending authorization or non-authorization. (The Department has established that evaluation team members shall individually prepare evaluations of proposed schools, which include their individual recommendations and signatures.)

Section 10a-22k-3 of the General Statutes states that application for a proposed school shall include a certificate of insurance issued by a company authorized to do business in the State and in the amounts of at least standard underwriting limits against liability to protect students in all school-related activities and property damage, and for workers' compensation insurance pursuant to chapter 568 of the General Statutes.

*Condition:* The Department has not established an advisory committee for the administration of the Private Occupational School Benefit Account.

Our examination of the Department's evaluation process for authorization to operate a private occupational school found that on two separate occasions, out of the 22 application processes examined, an evaluation team member failed to make a recommendation to approve or disapprove the private occupational school certification and failed to sign the evaluation.

We were not able to confirm whether one private occupational school, seeking initial certification approval, met the insurance liability requirements prior to obtaining certification. There was no evidence of the Department having received a copy of the school's insurance documents.

*Effect:* The Department is not in compliance with Section 10a-22r of the Connecticut General Statutes, which requires the establishment of an advisory committee for the administration of the Private Occupational School Student Benefit Account. Although the benefit account has not been established because of the lack of available funding, the statute does not state that the advisory committee should only be established after the benefit account is established. Additionally, the establishment of the advisory committee could ensure vigilance on the part of the Department to not overlook the opportunity to establish

the account when the opportunity becomes available.

The Department is not in full compliance with Section 10a-22b of the Connecticut General Statutes, which requires the submission of written reports from evaluators of private occupational schools applying for authorization, with such reports recommending authorization or non-authorization. Without the recommendations and signoffs of the evaluators the Commissioner may not be able to determine the conclusions of the evaluators, and thus, be able to make an informed decision whether to authorize or not authorize the operations of occupational schools in the state.

Failure of the Department to obtain evidence of the private occupational school's insurance liability coverage prior to approving the school authorization to operate could result in the Department approving a school to operate that has not met the statutory requirements relative to insurance coverage.

*Cause:*

The advisory committee appears to have not been established because the Department has not been able to establish funds to setup the Private Occupational School Student Benefit Account.

The cause of evaluation reports not indicating recommendations or non-recommendations and reports not being signed appear to have been oversights on the part of the evaluators. The Department has improved in this area compared to the prior departmental audit.

The lack of insurance liability evidence prior to the approval of authorization to operate could not be determined.

*Recommendation:*

The Department should comply with Section 10a-22r of the General Statutes and establish an advisory committee to the Commissioner for the administration of the Private Occupational School Student Benefit Account or seek legislation to amend the statute to have the advisory committee establishment coincide with the establishment or funding of the benefit account. The Department should also ensure that evaluators of applicant schools clearly indicate their positions on recommending authorization or non-authorization complete with their signatures. The Department should also ensure that applicant schools provide all the necessary documents to the Department prior to the Department staff making recommendations to the Commissioner to authorize certification, and retain such documentation in the appropriate files (See Recommendation 7).

*Agency Response:*

“As noted previously the Department has sought legislation to repeal this law. The legislature has refused to do so. Also, establishment of the advisory committee has no change to ‘ensure vigilance’. We will continue to be vigilant on paperwork issues”.

## RECOMMENDATIONS

*Status of Prior Audit Recommendations:*

- **The Department should ensure that its policies and procedures, relative to submitting dual employment Form PER-DE-1 prior to employees engaging in dual employment activity, are adhered to.** We are repeating this recommendation. (See Recommendation 1.)
- **The Department should require all holders of State purchasing cards to be aware of the Office of the State Comptroller's and the Department of Higher Education's policies and procedures as they pertain to the use of purchasing cards and have those employees adhere to those policies and procedures.** We consider this recommendation satisfied.
- **The Department should ensure that employees are familiar with the requirement to submit CO-17XP invoices within five business days after returning from travel and take measures to ensure adherence to the requirement.** We are repeating this recommendation. (See Recommendation 4.)
- **The Department should make necessary changes to its telephone usage monitoring procedures as conditions warrant and ensure that procedures are performed through effective supervisory review.** We noted that the Department has put forth some effort in this area and we are, therefore, not repeating this recommendation.
- **The Department should ensure that it administers programs in accordance with State laws and regulations and seek assistance in interpreting the same when there are questions as to how to properly administer them. No further payments should be made to participants in the loan forgiveness program until the Department is able to establish a means of identifying qualified applicants and amounts of loan payments made by them in accordance with Public Act 06-83.** During our current audit we determined that the Department followed up on the loan information cited during the prior audit and has satisfactorily resolved the exception noted. There were no related exceptions noted during this current audit. We consider this recommendation satisfied.
- **The Department should maintain inventory records in accordance with the Office of the State Comptroller's Property Control Manual, perform physical inventories annually, record inventory information completely and accurately, retain inventory records in accordance with record retention schedules, and ensure that CO-59 property reports are signed by an authorized Department representative.** We are repeating this recommendation with a slight modification. (See Recommendation 5.)

- **The Department of Higher Education should adhere to established internal controls and return to performing reconciliations of the online database expenditure information to the Core-CT expenditure reports.** This recommendation is being repeated in modified form. (See Recommendation 6.)
- **The Department of Higher Education should take measures to ensure that it is complying with State Accounting Manual procedures relative to GAAP Reporting and ensure that reported information is accurate and complete, and that all required financial statements are properly submitted.** During our current audit we did not note any conditions warranting a repeat or modification of this recommendation and are thus considering this recommendation satisfied.
- **The Board of Governors for the Department of Higher Education should conduct its meetings in accordance with its By-laws and when there is not a quorum approve actions taken in such meetings in subsequent meetings where a quorum is established.** We consider this recommendation satisfied.
- **The Department of Higher Education should determine the correct retirement systems for which ARC instructors are eligible, make the necessary changes in the selection of participation in retirement, and determine the proper course of action to correct the erroneous payments to the Teachers' Retirement System and the loss of retirement benefits of those ARC instructors affected.** Our current audit noted that the Department corrected the conditions noted during the prior audit; thus, we consider this recommendation satisfied.
- **The Department should comply with Section 10a-22r of the General Statutes and establish an advisory committee to the Commissioner for the administration of the Private Occupational School Student Benefit Account or seek legislation to amend the statute to have the advisory committee establishment coincide with the establishment or funding of the benefit account. The Department should ensure that evaluators of applicant schools clearly indicate their positions on recommending authorization or non-authorization complete with their signatures. The Department should also adhere to all established internal control measures, utilize the application checklist, and retain them in the appropriate files.** We are repeating this recommendation in modified form. (See Recommendation 7.)

*Current Audit Recommendations:*

- 1. The Department should ensure that its policies and procedures relative to submitting dual employment Form PER-DE-1 prior to employees engaging in dual employment activity are adhered to.**

Comment:

Employees were in violation of Department policies and procedures regarding dual employment form submissions.

- 2. The Department should adhere to its internal control procedures for reviewing and approving time and attendance records of its staff and when such records cannot be approved prior to being entered into the State accounting system a procedure should be established for subsequent approval of time and attendance records.**

Comment:

Our examination of Department records revealed that the time and attendance records for one pay period, representing the time and attendance of 26 Department employees, were not signed for approval by the designated authority.

- 3. The Department should ensure that expenditure transactions are properly identified and charged to the appropriate accounts in order to maintain accurate records for financial reporting.**

Comment:

Our examination of Department records revealed expenditures charged to moving services, workers' compensation, and overtime were charged to the wrong accounts and should have been charged to minor equipment, maintenance services, and food and beverage, respectively.

- 4. The Department should ensure that employees are familiar with the requirement to submit CO-17XP invoices within five business days after returning from travel and take measures to ensure adherence to the requirement.**

Comment:

Out of 11 travel authorizations tested, five failed to submit Form CO-17XP within five business days following the return from travel. These five non-compliant submissions were between one and 13 days late.

- 5. The Department should maintain inventory records in accordance with the State Comptroller's Property Control Manual, perform physical inventories annually, record inventory information completely and accurately, and ensure that CO-59 property reports accurately reflect the Department's inventory at the end of one year to the beginning of the next year.**

Comment:

The Department was not able to provide evidence of having performed physical inventories for either year during the audited period. The Department's CO-59 Property Report had a different beginning balance for the fiscal year 2009 than the ending balance of fiscal year 2008. There were a number of items listed on the Department's inventory records that contained errors in serial number, model number, location, inventory tag number, or disposition.

- 6. The Department of Higher Education should develop and adhere to internal controls that specify responsible individuals for performing reconciliations of its online database expenditure information to the Core-CT expenditure reports, and ensure that institutions participating in its programs are adhering to the program guidelines and contracts.**

Comment:

The Department did not perform its 2008-2009 fiscal year reconciliation of its Minority Advancement Program (MAP) database transactions to Core-CT. During our test of MAP expenditures we noted several instances of the Department not receiving final expenditure reports from institutions participating in the program by the required due dates and one instance of an institution not meeting the matching requirement.

- 7. The Department should comply with Section 10a-22r of the General Statutes and establish an advisory committee to the Commissioner for the administration of the Private Occupational School Student Benefit Account or seek legislation to amend the statute to have the advisory committee establishment coincide with the establishment or funding of the benefit account. The Department should also ensure that evaluators of applicant schools clearly indicate their positions on recommending authorization or non-authorization complete with their signatures. The Department should also ensure that applicant schools provide all the necessary documents prior to making recommendations to the Commissioner to authorize certification and retain such documentation in the appropriate files.**

Comment:

The Department has not established an advisory committee for the administration of the Private Occupational School Benefit Account. Two evaluation checklists did not have recommendations or signatures of the evaluators. We were not able to confirm whether one private occupational school, seeking initial certification approval, met the insurance liability requirements prior to obtaining certification.

## INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the Department of Higher Education for the fiscal years ended June 30, 2008 and 2009. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Higher Education for the fiscal years ended June 30, 2008 and 2009 are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Department of Higher Education 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:**

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

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to properly initiate, authorize, record, process, or report financial data reliably, consistent with management's direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or

noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the following deficiency described in the accompanying "Condition of Records" and "Recommendations" sections of this report to be a significant deficiency in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 6, which relates to the Department not performing a physical inventory and the inventory information not being processed in Core-CT for the 2008 and 2009 fiscal years.

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

Our consideration of the internal control over the Agency's financial operations, safeguarding of assets, and compliance with requirements, was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters:**

As part of obtaining reasonable assurance about whether the Department of Higher Education complied with laws, regulations, contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Agency's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which we reported to Agency management and which are described in the accompanying "Conditions of Records" section of this report.

The Department of Higher Education's response to the findings identified in our audit is described in the accompanying "Condition of Records" sections of this report. We did not audit the Department of Higher Education's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of Agency 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 cooperation and courtesies extended to our representatives by the officials and staff of the Department of Higher Education during this examination.

Mark Dickerson  
Associate Auditor

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts