

# STATE OF CONNECTICUT

**AUDITORS' REPORT  
BOARD OF TRUSTEES FOR THE  
CONNECTICUT STATE UNIVERSITY  
SOUTHERN CONNECTICUT STATE UNIVERSITY  
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2003**

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

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January 20, 2006

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FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2003**

We have examined the financial records of Southern Connecticut State University (University) for the fiscal years ended June 30, 2002 and 2003.

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

This report on that examination consists of the Comments, Condition of Records, Recommendations and Certification that follow.

**COMMENTS**

**FOREWORD:**

Southern Connecticut State University is one of four institutions that collectively form the Connecticut State University, and is responsible to the Board of Trustees for the Connecticut State University, a constituent unit of the State system of higher education. The University is located in New Haven, Connecticut.

The University operates primarily under the provisions contained in Sections 10a-87 through 10a-101 of the General Statutes. Mr. Michael J. Adanti served as University President from July 1, 2001 until June 27, 2003, when Dr. J. Phillip Smith was appointed Interim President. Dr Cheryl J. Norton was appointed University President on April 30, 2004.

**Recent Legislation:**

The following notable legislative changes took effect during or around the audited period:

Public Act 01-93, codified as Section 10a-155b of the General Statutes, requires that each student who resides in on-campus housing be vaccinated against meningitis as a condition of such residence beginning with the 2002-2003 school year. This Act also requires the University to provide information about meningitis to all prospective students and develop procedures for receiving and keeping a record of student vaccination status. This Act is effective from its passage, June 6, 2001.

Public Act 01-141, Section 4, states that upon authorization of the Board of Governors of Higher Education, the Board of Trustees for the Connecticut State University System may establish a five-year program to award education doctoral degrees. This program would be available for students entering from May 1, 2002, until January 30, 2007. Section 5, amends Section 10a-88 of the General Statutes modifying the qualifications for future student members of the Connecticut State University Board of Trustees. The student's term shall terminate if the member ceases to be a matriculating student in good standing, either as a full-time undergraduate student or as a full-time or part-time graduate student, at the State University from which such student member was elected. Section 6 of this Act amends Section 10a-99a, subsection (a), of the General Statutes, revamping the distribution of the State endowment fund matching grants for the Connecticut State University (CSU) System and its individual institutions. These Sections of the Act became effective July 1, 2001.

Section 9 of Public Act 01-141, amended Section 10a-99a of the General Statutes, to allow alumni donations to the foundations of the individual CSU universities, which were made between July 1, 1997 and September 30, 2001, to be retroactively eligible for State matching grants. Section 9 of the Act became effective October 1, 2001.

Public Act 01-165, Section 2, subsection (a), codified as Section 10a-72e of the General Statutes, requires that the constituent units of the State system of higher education, including the Connecticut State University System, develop a plan to ensure that there is unification among their nursing programs to assist nurses in advancing their education and nursing credentials. Subsection (b) requires such boards of trustees to implement the plan not later than July 1, 2004. This Act was effective on July 6, 2001.

Public Act 01-173, Section 31, amended Section 10a-77, subsection (d), of the General Statutes to waive tuition for the dependent children of a volunteer firefighter or supernumerary or auxiliary police officer killed in the line of duty. This Section of the Act is effective from its passage, June 7, 2002.

Public Act 02-107, effective July 1, 2002, amended various sections of the General Statutes to eliminate the terms activity fund and welfare fund and to designate such funds as trustee accounts.

Public Act 02-110, Section 1, codified as Section 19a-342, subsection (b), of the General

Statutes, prohibits smoking in public university dormitories. This Act was approved June 6, 2002, with an effective date of July 1, 2003.

Public Act 02-126, Section 5, amended Section 10a-99, subsection (d), of the General Statutes to waive tuition at the Connecticut State University System for resident surviving spouses and dependent children of Connecticut residents killed in the September 11, 2001 terrorist attacks or anthrax attacks occurring between September 11, 2001 and December 31, 2001. This Section of the Act was effective June 7, 2002.

Public Act 02-140, Section 2, amended Section 10a-151b, subsection (b), of the General Statutes to allow constituent units of public education purchase authority to accept electronic bids, quotations, and proposals. Section 2 further states that if sealed bids or proposals are received electronically, they shall be maintained within a safe and secure electronic environment until such time as they are publicly opened. This Section of the Act became effective July 1, 2002.

Public Act 03-13, Section 1, amended Section 10a-155, subsection (a), of the General Statutes to eliminate the requirement that higher educational institutions obtain proof of adequate measles and rubella immunization from an enrolling student if that student had graduated from a Connecticut public or private high school in 1999 or later and was not previously exempt from this requirement under another statutory provision. This Act became effective July 1, 2003.

Public Act 03-33, Section 2, codified as Section 10a-99, subsection (h), of the General Statutes allows students called to active duty in the armed forces during any semester to reenroll in any course which they paid tuition but did not complete because of their active duty status. Students have four years from the date of release from active duty to reenroll. This Section of the Act is effective from its passage, May 12, 2003.

**Enrollment Statistics:**

Enrollment statistics compiled by the University presented the following enrollments for full-time and part-time students during the two audited years:

	<u>Fall 2001</u>	<u>Spring 2002</u>	<u>Fall 2002</u>	<u>Spring 2003</u>
Full-time undergraduate	6,295	5,824	6,277	5,761
Full-time graduate	<u>764</u>	<u>728</u>	<u>884</u>	<u>806</u>
Total full-time	<u>7,059</u>	<u>6,552</u>	<u>7,161</u>	<u>6,567</u>
Part-time undergraduate	2,021	1,891	2,014	1,959
Part-time graduate	<u>3,174</u>	<u>3,094</u>	<u>3,044</u>	<u>2,963</u>
Total part-time	<u>5,195</u>	<u>4,985</u>	<u>5,058</u>	<u>4,922</u>
<b>Total Enrollment</b>	<b><u>12,254</u></b>	<b><u>11,537</u></b>	<b><u>12,219</u></b>	<b><u>11,489</u></b>

As reflected above, enrollment remained relatively stable during the audited period, though there was a typical drop in enrollment, particularly among full-time undergraduates, when comparing fall to spring semesters.

**RÉSUMÉ OF OPERATIONS:**

Operations of the University were primarily supported by appropriations from the State's General Fund and by tuition and fees credited to the University Operating Fund. During the audited period, General Fund appropriations were not made to the University directly. Rather, General Fund appropriations for the entire Connecticut State University, primarily for personal services and related fringe benefits, were made available to the System's Central Office, where allocations of this amount were calculated, and transfers of these funds were made periodically to the campuses' Operating Funds.

This report also covers the operations of the University's two fiduciary funds, the Student Activity Fund and the Institutional General Welfare Fund.

**Operating Fund:**

Receipts of the Operating Fund, as reflected on the records of the State Comptroller, during the audited period and the preceding fiscal year are presented below:

	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>
Tuition and educational fees	\$63,378,962	\$72,682,402	\$83,589,878
Other grants and transfers-restricted	54,616,432	59,248,763	58,617,085
Miscellaneous private donations	670,730	922,481	688,123
Refunds of expenditures	500,063	802,591	568,415
Sale of property	<u>1,725</u>	<u>7,575</u>	<u>4,400</u>
Total Receipts	<u>\$119,167,912</u>	<u>\$133,663,812</u>	<u>\$143,467,901</u>

As presented above, receipts for Operating Fund accounts totaled \$133,663,812 and \$143,467,901 for the fiscal years ended June 30, 2002 and 2003, respectively, compared with \$119,167,912 for the fiscal year ended June 30, 2001, a \$24,299,989 increase over the audited years. A significant portion of this increase can be attributed to tuition and educational fees, which was primarily the result of an increase in the University's fee structure. As shown below, during the audited period, the University's full-time tuition charge increased by eight percent. In addition, the University's General fees and University fees increased by thirty-four and seven percent, respectively.

The following summary presents annual tuition charges for full-time students set by the Board of Trustees for the Connecticut State University during the audited period and the preceding fiscal year.

	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>
Undergraduate:			
In-State	\$ 2,142	\$ 2,226	\$ 2,313
Out-of-State	6,934	7,204	7,485
Graduate:			
In-State	2,668	2,772	2,880
Out-of-State	7,436	7,726	8,027

Besides full-time tuition, Operating Fund receipts included student payments for continuing education course programs and summer session courses. In addition, the Operating Fund was used to account for income derived from auxiliary activities and business operations, such as dormitories and dining facilities. Receipts generated by the General Fee, which is set annually by the Board of Trustees for the Connecticut State University to help support operational costs of student-related activities, were also credited to the Operating Fund. Also, the State University fee, fixed by the Board of Trustees under authority granted in Section 10a-99 of the General Statutes, was assessed on all full-time students during the audited period and accounted for within the Operating Fund. Revenues generated from this fee were used to repay debt from bonds issued to fund construction or acquisition costs associated with University buildings and facilities. Furthermore, the Information Technology fee, which is used to support the cost of student computer and related expenses, was assessed on all full-time students and included in Operating Fund receipts.

The following summary presents the annual General, State University, and Information Technology Fee during the audited period and the preceding fiscal year.

	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>
General Fee:	\$ 818	\$ 859	\$ 1,094
University Fee:			
In-State	659	682	706
Out-of-State	1,620	1,677	1,736
Information Technology Fee:	125	150	200

The Housing Fee and Food Service Fee, required of resident students, are also included in the Operating Fund receipts. The following summary presents the average annual Housing Fee (double occupancy) and Food Service Fee during the audited period and the preceding fiscal year.

<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>
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Housing Fee:	\$ 3,287	\$ 3,404	\$ 3,593
Food Service Fee:	2,722	2,830	2,944

Expenditures of the Operating Fund, as recorded by the State Comptroller, during the audited period and the preceding fiscal year are presented below:

	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>
Personal services	\$66,158,810	\$70,064,988	\$70,708,570
Contractual services	16,560,376	16,718,253	17,840,518
Commodities	3,821,663	3,742,450	4,295,537
Revenue refunds	8,946,189	12,141,195	17,398,412
Sundry charges	19,501,493	24,272,749	21,303,480
Land	438,652	603,649	0
Equipment	3,928,595	4,832,082	2,375,780
Building, improvements and other	<u>(98,515)</u>	<u>5,701</u>	<u>116,051</u>
Total Expenditures	<u>\$119,257,263</u>	<u>\$132,381,067</u>	<u>\$134,038,348</u>

Expenditures for Operating Fund accounts totaled \$132,381,067 and \$134,038,348 for the two audited fiscal years, respectively, and were primarily for personal services and employee fringe benefits, various University operating costs and equipment. Total Operating Fund expenditures increased by \$14,781,085 from the fiscal year ended June 30, 2001, to the fiscal year ended June 30, 2003. The increase of \$4,549,760 in personal services was largely the result of salary increases attributed to collective bargaining increases. The increase of \$8,452,223 in expenditures classified as "Revenue refunds" primarily consisted of refunded student tuition and fees. A significant portion of this increase can be attributed to a rise in the cost of tuition and fees coupled with a larger percentage of financial aid being disbursed to students.

**Grants Fund:**

The University accounted for certain grants, other than Federal, in the Inter-agency/Intra-agency Grants - Tax-Exempt Proceeds Fund. This Fund was used to record receipts and disbursements related to grant transfers financed by State of Connecticut tax-exempt bonds in accordance with Sections 3-24a through 3-24h of the General Statutes.

Receipts of the Fund totaled \$3,444,911 and \$3,788,441 during the fiscal years ended June 30, 2002 and 2003, respectively, and consisted primarily of transfers of funds from the Department of Public Works. Grant expenditures totaled \$2,441,125 and \$3,854,169 during the respective audited years. A significant portion of expenditures during the audited period was coded to general plant equipment and institutional buildings.

**State Capital Projects:**

Capital project fund expenditures during the fiscal years ended June 30, 2002 and 2003,

totaled \$19,774,414 and \$41,749,413 respectively, and included transfers from the Department of Public Works that were charged to the University's capital project funds and credited to the Inter-agency/Intra-agency Grants - Tax Exempt Proceeds Fund. Expenditures were primarily for the construction of new buildings and facilities on campus and for the renovation and improvement of existing structures. Most notable of these expenditures were the costs of renovating and expanding Engleman Hall, the University's main academic and administrative building.

**Fiduciary Funds:**

During the audited period, there was new legislation that eliminated the terms "activity fund" and "welfare fund" and designated all such funds as "trustee accounts". (For further details on this legislation, see the subheading titled "Public Act 02-107" in the "Recent Legislation" section of this report.) Effective with the 2002-2003 fiscal year these trustee accounts are reported as dedicated accounts within the University's Operating Fund. As such, the discrete presentation of each Activity Fund and Institutional Welfare Fund will only include financial figures for the 2001-2002 fiscal year. The descriptions of each fund and its corresponding balances, as prepared by the University, are as follows:

**Student Activity Fund:**

The Student Government Activity Fund, as established under Sections 4-52 through 4-55 of the General Statutes, was used for the benefit of the students and contains accounts whose funds were largely under the control of the University's Student Affairs Committee.

Revenues totaled \$1,255,713 for the 2001-2002 fiscal year. Revenues consisted primarily of Student Activity fees assessed on students as well as funds generated by various student fund raising activities.

Expenditures totaled \$973,714 for the 2001-2002 fiscal year. Expenditures charged to this fund supported the student organizations and their related activities. These were coded primarily to contractual services.

**Institutional General Welfare Fund:**

The Institutional General Welfare Fund operated under the provisions of Sections 4-56 through 4-58 of the General Statutes. The Fund was established to record the financial activities of any gifts, donations, or bequests, including scholarships made to benefit students of the University.

Revenues totaled \$490,112 for the 2001-2002 fiscal year. The major source of revenues included vending machine commissions received and credited to a scholarship account, as well as other scholarship monies received.

Expenditures totaled \$453,933 for the 2001-2002 fiscal year. Expenditures were mostly made up of scholarships granted.

**Southern Connecticut State University Foundation, Inc.:**

The Southern Connecticut State University Foundation, Inc. (Foundation) is a private corporation established to secure contributions from private sources for the purposes of support, promotion and improvement of the educational activities of Southern Connecticut State University.

Sections 4-37e through 4-37j of the General Statutes set requirements for organizations such as the Foundation. The requirements include and prescribe the annual filing of an updated list of board members with the State agency for which the foundation was set up, financial record keeping and reporting in accordance with generally accepted accounting principles, financial statement and audit report criteria, written agreements concerning use of facilities and resources, compensation of State officers or employees and the State agency's responsibilities with respect to foundations.

Audits of the books and accounts of the Foundation were performed by an independent certified public accounting firm for the fiscal years ended June 30, 2002 and 2003, in accordance with Section 4-37f, subsection (8), of the General Statutes. We were provided with separate audit reports on Foundation operations, for each of the audited years. Both reports did not disclose any material inadequacies in Foundation records and indicated compliance, in all material respects with Sections 4-37e through 4-37i of the General Statutes.

## CONDITION OF RECORDS

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

### **Payments for Accrued Leave Time Balances:**

*Background:* In our audit report on the University, covering the 1997-1998 and 1998-1999 fiscal years, we noted that the University had paid employees incorrect amounts for unused vacation and sick leave. This condition was largely the result of inaccurate permanent attendance and leave records as maintained by the Personnel Department. In that report, we recommended that the University take steps to ensure the correctness of payments made to employees for unused vacation and sick leave and should consider a complete review of the correctness of such payments made during the audit period and subsequently, especially focusing on payments to members of the State University Organization of Administrative Faculty (SUOAF) AFSCME bargaining unit.

In our previous audit report, covering the 1999-2000 and 2000-2001 fiscal years, we noted that the University conducted a review of such payments. However, it was disclosed that collection efforts were suspended. No calculated overpayments have been collected, and no calculated underpayments resulted in additional payments. In that report, we recommended that the University should proceed with collection efforts or seek legal advice regarding actions it may take pertaining to identified incorrect payments for accrued vacation and sick leave.

*Criteria:* The General Statutes, personnel policies established by the Board of Trustees for the Connecticut State University, and provisions of collective bargaining unit contracts all set requirements for payments to employees for unused vacation and sick leave.

*Condition:* On August 26, 2003, the University requested legal advice from the Office of the Attorney General regarding actions it may take pertaining to identified incorrect payments for accrued vacation and sick leave. As of this report date, such legal advice had not been received. A University representative informed us that they will act upon such advice when received.

Our current review of accrued leave at termination to 15 employees disclosed one instance where an employee was underpaid \$1,861.

*Effect:* The University acknowledges that it has paid employees incorrect amounts for accrued vacation and sick leave. Additional payments or collection efforts appear to be necessary.

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*Cause:* The condition above was primarily due to inaccurate permanent attendance and leave records as maintained by the Personnel Department. Subsequently, the University has developed concerns about its legal ability to demand recoveries of calculated overpayments or to make additional payments.

*Recommendation:* The University should continue its efforts to pursue legal advice regarding actions it may take pertaining to identified incorrect payments for accrued vacation and sick leave. (See Recommendation 1.)

*Agency Response:* “The University will continue its efforts in pursuing legal advice from the State’s Attorney General Office.”

### **Leave Records:**

*Background:* Under the provisions of the Whistleblower Act, we received a complaint alleging that one of the University’s full-time coaches was utilizing State resources to conduct a private business. During our review of the allegation, it was disclosed that the University’s Athletics Department was not enforcing certain employment provisions stipulated in the collective bargaining agreement.

*Criteria:* The collective bargaining agreement between the Connecticut State University, American Association of University Professors and Board of Trustees for the Connecticut State University System (AAUP) governs employment provisions for full-time coaches.

Article 9.4.5 of the AAUP agreement states “For payroll and record purposes each department Chairperson will submit a statement only of days absent from assigned duties for each full-time member of a department, indicating whether they are sick leave days, personal leave days, etc.”

*Condition:* Our review of this complaint disclosed that the University’s twelve month coaches are not complying with the leave and attendance provisions of the AAUP Bargaining Agreement.

The University employed four twelve month coaches during the audited period. Our review of these coaches’ time and attendance records disclosed that no leave time, whether it was vacation, sick or personal leave, was charged during calendar year 2002 and 2003. In addition, the cumulative balances of vacation and sick leave accrued to date, indicates that such employees have not charged any leave time since they have been employed in their current positions. Several of these full-time coaches were appointed to their positions in calendar year 1999.

Our interviews with representatives of the Athletics Department disclosed that it was their understanding that full-time coaches do not charge leave time because of their unique and demanding work schedule. However, they also stated they were not aware of the understanding held between the former Director of Athletics and the coaches.

*Effect:* Internal controls are not adequate. The cumulative accrued leave balances for full-time coaches appear to be overstated. In addition, the University was not in compliance with applicable bargaining agreement provisions pertaining to payroll provisions.

*Cause:* It appears that the subject employees have misunderstood applicable contract provisions.

*Recommendation:* The University should improve controls over the record keeping and monitoring of leave and attendance records, especially for full-time coaches, to ensure compliance with applicable bargaining agreement provisions. (See Recommendation 2.)

*Agency Response:* “The Human Resource and Athletic departments will discuss and review attendance records of full-time coaches for the period in question. The Human Resource department is reviewing the AAUP contract regarding 12-month faculty in order to devise a process by which all 12-monthly faculty will submit time sheets recording all of their attendance. They will re-educate all staff members involved to ensure that attendance records in future years are recorded properly.”

### **Travel Expenditures:**

*Criteria:* Accurate and appropriate travel-related expenditures result from an adequate system of internal control. The Connecticut State University System’s Travel Policy and Procedures Manual provides guidance in this area.

*Conditions:* Our current audit examination of travel-related expenditures disclosed the following:

We found four instances where the travel authorization was either missing, approved after the travel had been completed or was missing all of the necessary approvals.

We found two instances where the employee either did not submit or submit in a timely manner a completed travel reimbursement form with the required documentation to the Travel Office within the stipulated number of days after the completion of the trip.

We found three instances where travel reimbursement forms were not

signed by the University, certifying that the services have been performed and the expenses incurred.

In addition, there were other inconsistencies that did not comply with established policies and procedures.

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

*Cause:* Internal control policies were not being followed.

*Recommendation:* The University should comply with its established policies and procedures and improve internal control over travel-related expenditures. (See Recommendation 3.)

*Agency Response:* “Since the audit period conclusion, there has been a change in the oversight personnel (i.e. Accounts Payable Coordinator) within the department. Policies and procedure have been and continue to be reviewed, revamped and reinforced.”

**Personal Service Agreements:**

*Criteria:* Sound internal control procedures require personal service agreements to be signed by all necessary officials prior to the contract term. In addition, good business practice requires that only the established budget authority should authorize payment for services performed under such agreements. The Connecticut State University System’s Personal Service Agreement Procedures Manual provides additional guidance in this area.

Section 10a-151b of the General Statutes governs the purchase of equipment, supplies, contractual services, and execution of personal service agreements by constituent units of higher education. Section 10a-151b, subsection (b), requires that purchases exceeding \$10,000 shall be based, when possible, on competitive bids or competitive negotiation.

Section 1-84, Subsection (i), of the General Statutes states that “No public official or state employee or member of his immediate family or a business with which he is associated shall enter into any contract with the state, valued at one hundred dollars or more, other than a contract of employment as a state employee or pursuant to a court appointment, unless the contract has been awarded through an open and public process, including prior public offer and subsequent public disclosure of all proposals considered and the contract awarded.”

*Conditions:* We reviewed 25 personal service agreement contracts during the audited period and noted the following:

We noted nine instances where the personal service agreement was not signed by one of the necessary parties prior to the contract term. In addition, we noted six instances where the authorized budget authority did not approve the expenditure for payment.

We noted two instances where the University did not comply with the bidding process set forth in the General Statutes.

In one instance, the University processed a student worker's payment for services performed as an independent contractor. However, as the University dealt with this individual as an independent contractor, it was obligated to follow an award process that met the standards set forth in Section 1-84. We found no evidence that the open and public process mandated by Section 1-84 was followed.

*Effect:* Internal controls over personal service agreements were weakened.

*Cause:* Internal control policies were not being followed.

*Recommendation:* The University should improve internal controls over personal service agreements. (See Recommendation 4.)

*Agency Response:* "The Executive Vice President will continue to meet with all other cabinet members to explain the steps related to the PSA process. The Office of Finance and Administration continues to provide ongoing support in assisting departments and contract signers with the contract processing, including the timeliness of contract submittal. A CSU system-wide effort is underway with the anticipation of developing new procedures and guidelines by Spring 2006. Once those procedure and guidelines are completed, the University's Purchasing and Accounts Payable departments will provide training instructions to all University departments."

### **Accounting Control over Receipts:**

*Criteria:* Section 4-32 of the General Statutes provides that each State institution receiving revenue for the State, shall, within 24 hours of its receipt, account for and, if the total of the sums received amounts to five hundred dollars or more, deposit the amounts in bank accounts approved by the State Treasurer.

To "account for" means to inform the State Treasurer, through the medium of a standard (CO-39) form, of all receipts received.

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***Conditions:*** During our examination of the University's cash receipts system we reviewed 39 cash receipts that were deposited during the audit period. Our review disclosed the following:

We identified 14 instances of late deposits. The deposit delays ranged from one to four days. In addition, we noted six instances where the supporting documentation was either missing or not on file. For these six instances, we were unable to determine whether prompt deposit requirements of the General Statutes were met.

We found 27 instances where monies received were not reported to the State Treasurer within 24 hours of its receipt. The reporting delay ranged from two to 35 days.

As required under Section 2-90 of the General Statutes, we reported these conditions to the Governor and other State Officials in a letter dated (*insert date*).

***Effect:*** The University violated provisions of Section 4-32 of the General Statutes, exposing cash receipts to increased risk of loss or theft.

***Cause:*** Internal control policies were not being followed.

***Recommendation:*** The University should comply with Section 4-32 of the General Statutes by ensuring that all receipts received are accounted for and deposited promptly. (See Recommendation 5.)

***Agency Response:*** “Annually, the Executive Vice President communicates the policies for collection and deposit for University funds to all financial managers. This memorandum states Sec 4-32 and other information in regards to funds and their deposit. Department deposit slips have been re-engineered to include date of submission to the Business Office and the date of posting and deposit by the Business Office staff. The Business Office deposits the previous day’s receipts daily. During 2002/2003 audit period, the CO-39’s were posted by the Business Office personnel. During this period, the Business Office incurred staff changes that contributed to periodic delays in the CO-39 preparation. The CO-39 process was then moved to the University Accounting department in an effort to comply with timely submissions of the CO-39. The University Accounting department reconciles and submits CO-39’s daily through Core-CT’s process. The Controller continues to work with the University Accounting and the Business Office to process funds received to meet compliance statutes.

### **Accounts Receivable:**

***Criteria:*** Sound business practices require that the University attempt to collect all outstanding debts.

*Conditions:* Our review of a sample of fifteen students with individual account receivable balances disclosed the following:

Three students with individual account receivable balances were never sent an internal collection letter before the accounts were transferred to a collection agency. In addition, four students' receivable accounts were not forward to the collection agency, as required by the University's informal policies and procedures.

Three students were allowed to register and attend classes when they had outstanding debts from a previous semester.

*Effect:* The University did not comply with its established policies and procedures, which weakens internal control. Furthermore, the University may never collect outstanding receivables, which results in the loss of revenue.

*Cause:* Informal internal control policies were not being followed.

*Recommendation:* The University should formalize its policies and procedures and improve internal control over accounts receivable. (See Recommendation 6.)

*Agency Response:* "The University continues to enhance processes, policies and reports in the accounts receivable area. The University further reviews current accounts in an effort to reduce student accounts making their way into the overdue receivable balance. This is accomplished by way of a committee of enrollment offices meeting monthly and reviewing current semester's accounts and taking the necessary action to discontinue students from continuing with a past-due balance."

### **Equipment and Supplies Inventory:**

*Criteria:* Accurate inventory records are an integral part of internal control. Obtaining proper authorization prior to the disposal of an equipment item is an important facet of the control structure. The State of Connecticut's Property Control Manual provides additional guidance in this area.

*Conditions:* Our current audit examination of the University's property control system disclosed the following:

Certain amounts presented on the annual Fixed Assets/Property Inventory Report (CO-59) either contained errors or could not be readily traced to supporting documentation.

From a sample of 10 equipment items purchased during the audited period, the value of one equipment item was recorded on the property

control records at an incorrect amount.

From a sample of 25 equipment items selected from the inventory records, two equipment items could not be located.

From a sample of 15 supplies selected from the perpetual stores and supplies inventory record, four instances were noted where the individual supply balances were incorrect. In three additional instances the supply items were not found at all.

From a sample of 15 equipment items selected from surplus property, we found ten instances where the equipment items were disposed of prior to obtaining the required authorization signatures. In addition, we found two instances where the required authorization signatures were never obtained.

*Effect:* The conditions described above weaken internal control over equipment and supplies.

*Cause:* Internal control policies were not being followed.

*Recommendation:* Control over the University's equipment and supplies inventory should be improved. (See Recommendation 7.)

*Agency Response:* "The University has reviewed, corrected and established new procedures in regards to equipment cost listing in both the inventory and accounting systems. The Property and Facilities MIS Coordinator in Facility Operations and the Director of Accounting of the Finance staff regularly reconcile these two systems with the use of automated reports. In regards to the perpetual stores and supplies inventory, the staff completes continuing cyclical counts and has developed a volume usage measure to monitor supply balances."

**Construction Projects Administered by the University:**

*Criteria:* Accurate inventory records are an integral part of internal control. The State of Connecticut's Property Control Manual sets forth specific policies regarding the valuation of construction projects administered by the University. The Manual states, "The recorded asset cost should include the purchase or construction cost, professional fees for architects, attorneys, appraisers, or financial advisors, and any other expenditures necessary to put a building or structure into its intended state of operation."

*Conditions:* Our current audit examination of construction projects administered by the University revealed the following:

From a sample of five construction projects administered by the University during the audit period, we found that in two instances the

projects were reported at the incorrect cost as additions on the annual Fixed Assets/Property Inventory Report (CO-59). These projects did not include all the costs necessary to put a building or structure into its intended state of operation. In both of these instances, the University omitted the cost of the architectural fees from the total cost of the project.

The University did not reconcile the amount expended for property to the change in the inventory record balances.

*Effect:* The value of the construction projects administered by the University was reported incorrectly to the State Comptroller. Capital assets were understated by \$43,490.

*Cause:* Internal control policies were not being followed.

*Recommendation:* The University should comply with the State of Connecticut's Property Control Manual by ensuring that all the costs associated with construction projects administered by the University are included in the recorded assets' cost. (See Recommendation 8.)

*Agency Response:* "The University has reviewed, corrected and established new procedures in regards to omitted architectural fees listing in both the inventory and accounting systems. The Property and Facilities MIS Coordinator in Facility Operations and the Director of Accounting of the Finance area are aware of their previous oversight and now account for these fees correctly."

**Information System Controls:**

*Background:* Our review of the University's information system included the examination of access privileges to Banner. Banner is the Connecticut State University's client-server based administrative software.

*Criteria:* The University has formal procedures for granting access privileges to Banner. These procedures require that an employee be granted the appropriate security profile necessary to perform the assigned duties of the position. In addition, a Banner Access Request Form must be signed by the employee and submitted to the IT Department.

In order to ensure system integrity, all computer access should be disabled immediately upon the separation of an employee.

*Condition:* From a sample of 15 employees reported on the Banner Account User Report, we found ten employees who did not have the appropriate Banner Access Request Form on file.

From a sample of 68 employees who separated from the University during the 2003 fiscal year, we found six who retained their Banner access privileges after their separation date.

- Effect:* Internal control over the University's information system was weakened.
- Cause:* The University did not comply with its established procedures for granting and/or terminating employees' access privileges to its information system.
- Recommendation:* Internal control over the University's information system should be improved. (See Recommendation 9.)
- Agency Response:* "The University's IT department is currently reviewing security issues identified through various audits. New policies and procedures are being developed from this process. The IT area is working with Human Resource and CSU System Office IT Staff in establishing processes and reports for granting and terminating access to all of the University electronic systems."

**Software Inventory:**

- Criteria:* The State of Connecticut 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, at a minimum, 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:* The University does not maintain a software inventory that tracks and controls all of its software media, licenses or end user license agreements, certificates of authenticity, and other related items. Furthermore, the University does not conduct a physical inventory of software on an annual basis.
- Effect:* The University is not in compliance with software inventory requirements contained in the State of Connecticut's Property Control Manual.
- Cause:* The University does not currently have a policy requiring individual departments purchasing software to notify a designated responsible person of such purchase. Therefore, it is difficult to maintain a centralized software inventory.
- Recommendation:* Control over the University's software should be improved by establishing procedures designed to ensure compliance with the State of Connecticut's

Property Control Manual. (See Recommendation 10.)

*Agency Response:* “The University CIO’s are working with the CSU System Office to develop policies and procedures to meet the compliance requirements of the State’s Property Control Manual.”

**Student Activity Fund – Expenditures:**

*Background:* Our review of expenditures included the examination of several expenditure items originating from clubs and organizations associated with the University’s Student Activity Fund. The examination disclosed the following:

*Criteria:* The State of Connecticut’s Accounting Procedures Manual for Activity and Welfare Funds sets forth requirements relating to the expenditures/disbursements process.

The Connecticut State University System’s Personal Service Agreement Procedures Manual states that such agreements must be approved before any services are rendered.

In addition, the University has a fiduciary responsibility to ensure that sound internal controls are in place over Student Activity Fund expenditures.

*Conditions:* Our testing of 15 Local Funds expenditures during the audited period disclosed the following:

- In four instances, the personal service agreement was not signed by a representative of the Attorney General’s Office prior to the rendering of services. In one of these instances, the University was late in approving the agreement.
- In one instance, there was no explanatory documentation on file supporting the expenditure.
- In one instance, a travel reimbursement form was submitted and approved after the travel had been completed.

*Effect:* The University is not in compliance with established procedures.

*Cause:* With respect to the cases cited, established control procedures in the area of expenditures were not adequately carried out.

*Recommendation:* Control over the University’s Activity Fund expenditures should be improved by following established control procedures designed to ensure compliance with the relevant requirements. (See Recommendation 11.)

*Agency Response:* “The Vice President for University and Student Affairs and the Dean of Students will review current procedures regarding club and organizational travel to strengthen policies, procedures and review of the documentation required for these expenditures. This review and policy/procedural changes are ongoing and will continue throughout this academic year.”

**Other Audit Examination:**

In recent years the Board of Trustees of the Connecticut State University 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 conducted an annual study and evaluation of the system’s internal controls to the extent deemed necessary to express an audit opinion on the financial statements. Certain matters involving internal controls have been included in an annual *Report to Management* accompanying the audited financial statements.

The areas pertaining to Southern Connecticut State University as set forth in the *Report to Management* relating to the 2002-2003 fiscal year, the most recent report published, are presented below:

- **Payroll and Disbursements:** The University’s compensated absence tracking process includes a number of manual processes, which should be replaced by a computerized system. In addition, the responsibility to test and review the underlying data should be assigned to someone in the accounting department.
- **General:** At the time that the implementation of the on-line purchase requisition commences, the University should consider revising their procurement and payables policies to ensure that they obtain efficiencies in operations. A complete reassessment of the purchasing authorization process should be conducted to determine that appropriate procedures, flow of information, and levels of review is documented and relative to the materiality of the expenditures.
- **Students’ Billing:** The University should continue to refine the application of payments set up within the BANNER student accounts receivable system with the Information Technology department. In addition, management should continue to review the progression of collections in the system and the student receivable aging on a quarterly basis.

## RECOMMENDATIONS

### *Status of Prior Audit Recommendations:*

- The University should proceed with collection efforts or seek legal advice regarding actions it may take pertaining to identified incorrect payments for accrued vacation and sick leave. The recommendation is being repeated with modification. (See Recommendation 1.)
- The University should take steps to ensure medical certificates are on file for employees who use more than five consecutive sick days, as required by regulation 5-247-11 of the *State Personnel Act and Regulations of the Personnel Policy Board* and applicable employee bargaining unit contracts. Improvement was noted in this area; therefore the recommendation is not being repeated.
- The University should improve controls over the record keeping and monitoring of compensatory time. Improvement was noted in this area; therefore the recommendation is not being repeated.
- The University should improve internal controls over personal service agreements by taking steps to ensure that appropriate officials document approval of these contracts in a timely manner. In addition, the University should take the necessary steps to ensure that services secured by personal service agreements follow established policies and procedures. The recommendation is being repeated with modification. (See Recommendation 4.)
- The University should take steps to ensure that employees are only reimbursed for expenses after submission of adequate supporting documentation and after it is determined that such expenses were linked to University business. The University has put forth a significant effort towards implementing this recommendation. The recommendation is not being repeated.
- The University should improve internal controls over Student Activity Fund expenditures, particularly in the area of club and organization related travel. The recommendation is being repeated with modification. (See Recommendation 11.)
- The University should take steps to improve internal controls within the Bursar's Office, specifically with regards to segregation of duties. Improvement was noted in this area, therefore the recommendation is not being repeated.
- The University should comply with Section 4-32 of the General Statutes by ensuring that all receipts received are accounted for and deposited promptly. The recommendation is being repeated with modification. (See Recommendation 5.)
- The University should formalize its policies and procedures and improve internal control over accounts receivable. The recommendation is being repeated with modification. (See

Recommendation 6.)

- Control over the University's equipment and supplies inventory should be improved. The recommendation is being repeated with modification. (See Recommendation 7.)

*Current Audit Recommendations:*

- 1. The University should continue its efforts to pursue legal advice regarding actions it may take pertaining to identified incorrect payments for accrued vacation and sick leave.**

Comment:

The University has requested legal advice from the Office of the Attorney General regarding possible actions it may take pertaining to identified incorrect payments for accrued vacation and sick leave.

- 2. The University should improve controls over the record keeping and monitoring of leave and attendance records, especially for full-time coaches, to ensure compliance with applicable bargaining agreement provisions.**

Comment:

We found that the University's twelve-month coaches were not complying with the leave and attendance provisions of the AAUP Bargaining Agreement.

- 3. The University should comply with its established policies and procedures and improve internal control over travel-related expenditures.**

Comment:

A significant number of travel-related expenditure transactions were not processed in compliance with its established policies and procedures.

- 4. The University should improve internal controls over personal service agreements.**

Comment:

Our testing disclosed that a number of personal service agreements were not approved by one of the necessary parties prior to the contract term. There were a number of instances, where the authorized budget authority did not approve the expenditure for payment. In addition we noted several instances where the bidding process was not followed.

**5. The University should comply with Section 4-32 of the General Statutes by ensuring that all receipts received are accounted for and deposited promptly.**

Comment:

Our examination of University operations disclosed that certain cash receipts were deposited and reported in an untimely manner.

**6. The University should formalize its policies and procedures and improve internal control over accounts receivable.**

Comment:

Our review of a sample of students with individual account receivable balances disclosed that the University did not comply with its policies and procedures.

**7. Control over the University's equipment and supplies inventory should be improved.**

Comment:

Our examination of the University's property control system disclosed a significant number of inaccuracies and other control weaknesses.

**8. The University should comply with the State of Connecticut's Property Control Manual by ensuring that all the costs associated with construction projects administered by the University are included in the recorded assets' cost.**

Comment:

Our review of a sample of construction projects administered by the University, disclosed that the total costs of these projects were not accurately reported to the State Comptroller's Office.

**9. Internal control over the University's information system should be improved.**

Comment:

During our review of access to the University's information system, we identified a number of internal control weaknesses.

**10. Control over the University's software should be improved by establishing procedures designed to ensure compliance with the State of Connecticut's Property Control Manual.**

Comment:

The University does not maintain a complete software inventory that tracks and controls all of its software media, licenses or end user license agreements, certificates of authenticity, and other related items. Furthermore, the University does not conduct a physical inventory of software on an annual basis.

**11. Control over the University's Activity Fund expenditures should be improved by following established control procedures designed to ensure compliance with the relevant requirements.**

Comment:

A significant number of expenditure transactions were not processed in compliance with established policies and procedures.

## **INDEPENDENT AUDITORS' CERTIFICATION**

As required by Section 2-90 of the General Statutes we have audited the books and accounts of Southern Connecticut State University for the fiscal years ended June 30, 2002 and 2003. This audit was primarily limited to performing tests of the University's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the University's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the University are complied with, (2) the financial transactions of the University are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the University are safeguarded against loss or unauthorized use. The financial statement audit of Southern Connecticut State University for the fiscal years ended June 30, 2002 and 2003, is 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 Southern Connecticut State University complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grants and to obtain a sufficient understanding of the internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

### **Compliance:**

Compliance with the requirements of laws, regulations, contracts and grants applicable to Southern Connecticut State University is the responsibility of the Southern Connecticut State University's management.

As part of obtaining reasonable assurance about whether the University complied with laws, regulations, contracts, and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the University's financial operations for the fiscal years ended June 30, 2002 and 2003, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial or less than significant instances of noncompliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

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

The management of Southern Connecticut State University is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets,

and compliance with the requirements of laws, regulations, contracts and grants applicable to the University. In planning and performing our audit, we considered the University's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the University's financial operations in order to determine our auditing procedures for the purpose of evaluating Southern Connecticut State University's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives.

However, we noted certain matters involving the internal control over the University's financial operations, safeguarding of assets, and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over the University's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the University's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grants. We believe the following findings represent reportable conditions: inadequate control over the record keeping and monitoring of leave and attendance records; weaknesses in controls over personal service agreements; weaknesses in controls with the monitoring of accounts receivable; the lack of adequate controls over equipment and supplies; and inadequate control over the University's information system.

A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants or the requirements to safeguard assets that would be material in relation to the University's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Agency being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over the University's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. However, we believe that none of the reportable conditions described above is a material or significant weakness.

We also noted other matters involving internal control over the University's financial operations and over compliance which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

**CONCLUSION**

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of Southern Connecticut State University during the course of our examination.

Walter J. Felgate  
Principal Auditor

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts