

# STATE OF CONNECTICUT



***AUDITORS' REPORT  
BOARD OF TRUSTEES FOR THE CONNECTICUT STATE UNIVERSITY  
SOUTHERN CONNECTICUT STATE UNIVERSITY  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2007***

**AUDITORS OF PUBLIC ACCOUNTS**

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## Table of Contents

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<b>INTRODUCTION</b> .....	1
<b>COMMENTS</b> .....	1
Foreword .....	1
Recent Legislation .....	2
Enrollment Statistics .....	2
Résumé of Operations .....	2
Operating Revenues .....	3
Operating Expenses .....	4
Nonoperating Revenues .....	5
Southern Connecticut State University Foundation, Inc .....	5
<b>CONDITION OF RECORDS</b> .....	7
Time and Attendance .....	7
Termination Payments .....	8
Compensatory Time .....	9
Employment-University Residence .....	11
Core-CT Roles – Lack of Separation of Duties .....	11
Overtime Procedures and Records .....	12
Internal Control over Non-Permanent Employees .....	13
Procurement .....	13
Personal Service Related Expenditures .....	15
Travel-Related Expenditures .....	16
Accounting Control over Receipts .....	17
Accounts Receivable .....	18
Paraprofessional-to-Teachers Program .....	19
Equipment and Supplies Inventory .....	21
Construction Projects Administered by the University .....	22
Information System Controls .....	22
Software Inventory .....	24
Other Audit Examination .....	25
<b>RECOMMENDATIONS</b> .....	26
<b>CERTIFICATION</b> .....	32
<b>CONCLUSION</b> .....	35

February 11, 2009

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**FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2007**

We have examined the financial records of Southern Connecticut State University (University) for the fiscal years ended June 30, 2006 and 2007.

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. Dr. J. Phillip Smith served as Interim President through April 30, 2006, at which time Dr Cheryl J. Norton was appointed University President.

**Recent Legislation:**

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

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

**Enrollment Statistics:**

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

	<u>Fall 2005</u>	<u>Spring 2006</u>	<u>Fall 2006</u>	<u>Spring 2007</u>
Full-time undergraduate	6,697	6,334	7,052	6,474
Full-time graduate	<u>1,083</u>	<u>1,020</u>	<u>944</u>	<u>936</u>
Total full-time enrollment	<u>7,780</u>	<u>7,354</u>	<u>7,996</u>	<u>7,410</u>
Part-time undergraduate	1,612	1,455	1,525	1,533
Part-time graduate	<u>2,766</u>	<u>2,679</u>	<u>2,805</u>	<u>2,504</u>
Total part-time enrollment	<u>4,378</u>	<u>4,134</u>	<u>4,330</u>	<u>4,037</u>
<b>Total Enrollment</b>	<b><u>12,158</u></b>	<b><u>11,488</u></b>	<b><u>12,326</u></b>	<b><u>11,447</u></b>

**RÉSUMÉ OF OPERATIONS:**

During the audited period, the State Comptroller accounted for University operations in:

- The University Operating Fund
- Grants Fund
- State Capital Projects Funds

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

The financial information reported in the sections below are derived from the Connecticut State University System's combined financial statements, which are audited by an independent public accounting firm.

The University financial statements are adjusted as necessary, combined with those of the State's other institutions of higher education and incorporated in the State's Comprehensive Annual Financial Report as an enterprise fund. Significant aspects of the operations of the University, as presented in the Agency prepared financial statements, are discussed in the following sections of this report.

**Operating Revenues:**

Operating revenues result from the sale or exchange of goods or services that relate to the University's primary function of instruction, academic support and student services.

Operating revenues as presented in the University's financial statements for the audited period follows:

	<u>2005-2006</u>	<u>2006-2007</u>
Tuition and fees (net of scholarship allowances)	\$56,743,135	\$60,545,081
Federal grants and contracts	7,618,901	6,718,922
State and local grants and contracts	3,033,064	4,139,633
Non-Governmental grants and contracts	1,393,321	1,283,683
Indirect cost recoveries	326,135	219,924
Auxiliary revenues	17,453,249	18,338,132
Other sources	<u>16,735,632</u>	<u>12,971,675</u>
Total operating revenues	<u>\$103,303,437</u>	<u>\$104,217,050</u>

Under the provisions of Section 10a-99, subsection (a), of the General Statutes, tuition and fees were fixed by the University's Board of Trustees. The following summary presents annual tuition charges during the 2005-2006 and 2006-2007 fiscal years.

Student Status	2005-2006			2006-2007		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduates	\$3,034	\$9,820	\$4,552	\$3,187	\$10,315	\$4,781
Graduates	3,780	10,530	5,669	3,970	11,061	5,955

The following summary presents the annual General, State University, and Information Technology Fees, which are also included within the operating revenues category of tuition and fees.

***Auditors of Public Accounts***

Fees	2005-2006			2006-2007		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
General	\$1,634			\$1,785		
State University	792	1,945	792	820	2,014	820
Information Technology	223			223		

The Housing Fee and Food Service Fee, required of resident students, represent a significant portion of the operating revenues category titled “Auxiliary revenues.” The following summary presents the average annual Housing Fee (double occupancy) and Food Service Fee during the audited period.

Fees	2005-2006	2006-2007
Housing	\$4,234	\$4,446
Food Service	3,413	3,585

The other sources category of operating revenue primarily consists of internal revenue transfers and reclassifications between funds. In addition, the University also records the value of capital projects funded by the Connecticut Health and Education Facilities Authority (CHEFA) within this category.

The increase in the tuition and fees category of \$3,801,946 during the 2006-2007 fiscal year was primarily the result of an increase in the University’s fee structure. As presented above, the University’s full-time tuition charge increased by five percent between the 2005-2006 and 2006-2007 fiscal years. In addition, the University’s General fees and University fees increased by nine and four percent, respectively, during the same time-period. The primary reason for the decrease of \$3,763,957 in the other sources category was the result of lower interest income.

**Operating Expenses:**

Operating expenses generally result from payments made for goods and services to assist in achieving the University’s primary function of instruction, academic support and student services.

Operating expenses include employee compensation and benefits, supplies, services, utilities and depreciation. Operating expenses as presented in the University’s financial statements for the audit period follow:

	<u>2005-2006</u>	<u>2006-2007</u>
Personal service and fringe benefits	\$107,974,240	\$114,226,347
Professional services and fees	6,956,938	8,180,033
Educational services and support	17,228,588	17,636,772
Travel expenses	1,367,883	1,777,828

Operation of facilities	16,514,319	19,961,238
Other operating supplies and expenses	6,740,645	5,952,185
Depreciation expense	10,789,031	11,468,273
Amortization expense	<u>11,216</u>	<u>22,037</u>
Total operating expenses	<u>\$167,582,860</u>	<u>\$179,224,713</u>

The increase in the personal service and fringe benefits category of \$6,252,107 in the 2006-2007 fiscal year was primarily the result of salary increases attributed to collective bargaining increases. The increase in the professional services and fees category of \$1,233,095 in the 2006-2007 fiscal year was primarily the result of additional consulting for the University's strategic plan. A significant portion of the increases in the operation of facilities expense category was attributed to the sharp rise in electricity and other utility costs.

### **Nonoperating Revenues:**

Nonoperating revenues are those revenues that are not from the sale or exchange of goods or services that relate to the University's primary function of instruction, academic support and student services. Nonoperating revenues include items such as the State's General Fund appropriation, gifts, investment income and State financial plant facilities revenues. The State financial plant facilities category represents the recognition of revenue from capital projects completed at the University by the Department of Public Works (DPW).

Nonoperating revenues as presented in the University's financial statements for the audited period follow:

	<u>2005-2006</u>	<u>2006-2007</u>
State appropriations	\$65,410,099	\$69,821,514
Gifts	233,179	71,124
Investment income	2,039,496	2,967,918
Other nonoperating revenues	900,615	1,118,156
State financial plant facilities	<u>47,916,129</u>	<u>221,000</u>
Total nonoperating revenues	<u>\$116,499,518</u>	<u>\$74,199,712</u>

In addition to the operating and nonoperating revenues presented above, the University's financial statements also presented revenues classified as State appropriations restricted for capital purposes totaling \$7,143,150 and \$3,086,850, for the fiscal years ended June 30, 2006 and 2007, respectively.

The decrease in the State financial plant facilities category was due to the fact that there were no capital projects completed at the University by DPW during the fiscal year ended June 30, 2007. The most significant capital project completed at the University by DPW during the fiscal year ended June 30, 2006, was the Michael J. Adanti Student Center.

### **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 4-37k 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 established, 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, 2006 and 2007, 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.

### **Time and Attendance:**

*Background:* In our prior audit report, covering the 2003-2004 and 2004-2005 fiscal years, we noted that the University maintains two separate systems for tracking accrued leave balances. The two systems utilized are an internal spreadsheet maintained by the University and the Core-CT Human Resource Management System (HRMS).

*Criteria:* The Core-CT HRMS is the University's official time and attendance record.

Sound business practices require that time and attendance information should be maintained accurately.

Good internal control requires that multiple systems containing the same information should be reconciled to ensure accuracy. Such reconciliations should be performed in a timely manner.

*Condition:* Our review of the University's time and attendance records disclosed that the agency maintains two separate systems for tracking accrued leave balances. The two systems utilized are an internal spreadsheet maintained by the University and Core-CT HRMS. In addition, we noted a number of instances, where the leave balances reported in each system were not in agreement.

*Effect:* Employees' accumulated leave balances may not be accurate. The University is utilizing a significant amount of time and resources to maintain two separate time and attendance systems.

*Cause:* The University did not perform a reconciliation between the two time and attendance systems.

*Recommendation:* The University should review its current time and attendance policies and procedures to ensure that the accrued leave balances reported in the Core-CT Human Resource Management System are accurate. (See Recommendation 1.)

*Agency Response:* "All bargaining unions have been reconciled, with the exception of the bargaining agreement between the Connecticut State University, American Association of University Professors and Board of Trustees for the Connecticut State University System (AAUP). AAUP members' balances are currently under review and are expected to be completed by January

2009. Core-CT is the sole source of time and attendance, MS Excel is now a historical record for leave balances utilized by Human Resources.”

**Termination Payments:**

*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 Human Resources 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. We further recommended a complete review of the correctness of such payments, especially focusing on payments to members of the State University Organization of Administrative Faculty (SUOAF) AFSCME bargaining unit.

In our 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.

In our audit report, covering the 2001-2002 and 2002-2003 fiscal years, we noted that 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.

In our previous audit report, covering the 2003-2004 and 2004-2005 fiscal years, we noted that the University had not received the legal advice from the Office of the Attorney General.

*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.

*Conditions:*

The University has not received the legal advice from the Office of the Attorney General and the previously calculated overpayments and underpayments have not been pursued further for collection and/or payment.

Our review of payments of accrued leave at termination to 15 employees

during the audited period, disclosed that one was underpaid in the amount of \$54.

In addition, two overpayments disclosed in the prior audit report covering the 2003-2004 and 2004-2005 fiscal years, have not been resolved.

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

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

The underpayment noted during the current audit period appears to have been caused by the Human Resources Department having provided the Payroll Department with incorrect attendance and leave records.

The overpayments noted during the prior audit report have not been resolved because the former employees have not responded to internal collection attempts.

*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 2.)

*Agency Response:* “The employees identified as having current overpayments have been notified by certified mail. If these employees do not respond to this correspondence, the Associate Vice President (AVP) of Human Resources will continue to contact the CSU System Office legal area on advice on how to pursue further the collection of all overpayments.”

### **Compensatory Time:**

*Background:* During the audited period, the University maintained two separate systems for tracking compensatory time balances. The two systems utilized were an internal spreadsheet maintained by the University and Core-CT HRMS.

*Criteria:* Management is responsible for establishing effective internal controls to assure that compensatory time record keeping is in compliance with laws, regulations, and collective bargaining agreements.

Good internal control requires that multiple systems containing the same information should be reconciled to ensure accuracy.

The State University Organization of Administrative Faculty (SUOAF) AFSCME bargaining agreement, Article 16.2, states “Compensatory time for extended hours of work on a workday or work on a legal holiday, a Saturday or a Sunday may be accrued only upon the approval of the first appropriate manager outside of the bargaining unit.” The Article further states, “No member shall accrue more than ten (10) days of compensatory time. The Chief Personnel Officer on each campus may authorize additional short-term accruals of fifteen (15) days, for a total of twenty-five (25) days, in special emergencies. Annually, on August 15, any outstanding compensatory time balances shall be reduced to zero (0) for each member except that compensatory time earned between June 1 and August 15 may be used until the following January 15. Upon separation of the employee from the University, all accumulated compensatory time shall be paid to the member/estate as promptly as possible.”

*Conditions:*

Our review of the University’s compensatory time records, disclosed that there was a lack of reconciliation between the two systems used to track such time. The compensatory time balances in Core-CT HRMS were significantly higher than balances recorded on the University’s internal spreadsheet.

Our review of a sample of 15 employees earning compensatory time, disclosed the following:

- Ten instances where employees were allowed to accrue more than 10 days of compensatory time without the approval of the Chief Personnel Officer.
- One instance where an employee was allowed to accrue more than the maximum of 25 days of compensatory time.
- Three instances where employees were permitted to accrue compensatory time without the approval of the first appropriate manager outside of the bargaining unit.
- Six instances where the compensatory time earned, as recorded on the employees’ timesheets, did not reflect any meal periods. In each of these instances, the employees accrued between seven and 16 consecutive hours of compensatory time.

*Effect:*

The University did not comply with provisions of the SUOAF-AFSCME bargaining agreement contract.

*Cause:*

Internal control policies were not being followed.

A University representative informed us that as of January 1, 2008, the Core-CT HRMS is the sole source of time and attendance record keeping, which includes compensatory time.

*Recommendation:*

The University should comply with collective bargaining agreement

provisions governing compensatory time. (See Recommendation 3.)

*Agency Response:* “The University is enforcing internal control policies and will comply with the SUOAF-AFSCME bargaining agreement provisions.”

**Employment - University Residence:**

*Background:* During the audited period, the University employed 12 individuals that served as Residence Hall Directors and/or Area Coordinators who received on-campus housing as part of their condition of employment.

*Criteria:* The Connecticut State University System (CSU System) has a University Residence Policy Related to Employment (Residence Policy). The Residence Policy has minimum requirements that must be met and/or on file before an employee may reside on campus.

*Conditions:* Our review of employees that were provided on-campus housing during the audited period, disclosed the following:

- Four instances where the marriage certificate for the spouse of an employee, was not on file in the Human Resources Department.
- One instance where the Consent and Disclosure Form, which gives permission for the University to have the required background investigations performed, was not signed.

*Effect:* Internal controls are weakened, as the University was not in compliance with the CSU System’s Residence Policy.

*Cause:* Internal control procedures were not followed.

*Recommendation:* The University should improve internal controls and comply with the Connecticut State University System’s Residence Policy. (See Recommendation 4.)

*Agency Response:* “The University has retroactively checked all Resident Hall staff and has completed background checks resulting in the removal of one staff member and their spouse from campus. Human Resources will seek approval from the Council on Employee Relations to include the marriage certificate requirement as well as the background check requirement into the current job specifications and ensure such criteria is adhered to for future hiring’s.”

**Core-CT Roles – Lack of Separation of Duties:**

*Criteria:* Good internal control requires that adequate separation of duties should be present between the payroll and human resources functions. Access to the Human Resource Management System module in Core-CT should be

limited in such a manner that payroll and human resources employees do not share the same roles in the system.

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

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

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

*Recommendation:* The University should establish a separation of duties between its payroll and human resources functions. Payroll and human resources staff should be assigned roles specific to their function. (See Recommendation 5.)

*Agency Response:* “The AVP of Human Resources and the Executive Vice President will develop a plan to ensure compliance with internal Core-CT responsibilities. Changes to Core-CT HR/Payroll roles are scheduled for November 2008.”

**Overtime Procedures and Records:**

*Criteria:* Good business practices require that management control overtime to ensure that such costs are economically and efficiently expended.

*Condition:* The University paid its employees in the Registrar’s Office a collective total of \$33,709 and \$41,620, in overtime and compensatory time costs, for the 2005-2006 and 2006-2007 fiscal years, respectively.

*Effect:* The overtime costs within the Registrar’s Office increased 23 percent, during the audited period.

The University did not monitor overtime and compensatory time costs to ensure that such expenses are being economically and efficiently utilized.

*Cause:* The University has insufficient internal controls in place to successfully manage and control overtime costs.

*Recommendation:* The University should establish internal controls regarding overtime costs so that management can effectively monitor such expenses. (See Recommendation 6.)

*Agency Response:* “Effective in July 2008, the University established additional controls and is enforcing internal controls regarding overtime costs so that management can effectively monitor such expenses. No overtime can be authorized without the approval of senior level management.”

**Internal Control over Non-Permanent Employees:**

*Background:* Every semester the University hires approximately 700 non-permanent employees to the position of student worker.

*Criteria:* Good internal controls dictate that non-permanent employees are deactivated in Core-CT, when their employment is terminated and/or there is an extended break in service time.

*Condition:* During our review of the University’s control structure over the payroll and human resource function, it was noted that non-permanent employees are not always deactivated upon termination and/or during extended periods of absence in Core-CT. As of May 15, 2008, the University had 1,840 student workers listed as active in Core-CT.

*Effect:* The condition described above weakens internal control and increases the likelihood for an inappropriate payroll payment to be processed. In addition, when non-permanent employees are not deactivated in a timely manner it provides the State with incorrect personnel data. The number of active employees is significantly overstated in Core-CT, which provides misleading information that may be used by management when making policy decisions.

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

*Recommendation:* The University should deactivate non-permanent employees when their employment is terminated and/or there is an extended break in service to ensure that an employee’s status in Core-CT is accurate. (See Recommendation 7.)

*Agency Response:* “The Human Resources Department has implemented a procedure that now notifies the appropriate Information Technology (IT) staff person of the employees’ separation from the University.”

**Procurement:**

*Criteria:* Section 10a-151b of the General Statutes governs the purchase of equipment, supplies, and contractual services, and execution of personal service agreements by constituent units of higher education.

The Connecticut State University System’s Procurement Manual provides

additional guidance in this area.

*Conditions:*

Our sample for procurement testing consisted of 25 expenditures for the audited period. Our testing disclosed the following:

- Seven instances where the goods and/or services were ordered before the issuance of a purchase requisition and purchase order. In one of these instances, the University inappropriately paid sales tax of \$157.
- Six instances where the authorized budget authority did not approve the purchase requisition and/or voucher disbursement request approving the expenditure for payment.
- Two instances where the required Certification by the Agency Official or the Employee Authorized to Execute Contract Forms, that must accompany a contract with a value of \$50,000 or more in a calendar or fiscal year, were not completed.
- One instance where the required Acknowledgment of Receipt of Summary of State Ethics Laws Form that must accompany a bid for a large construction or procurement contract with a value of \$500,000 or more in a calendar or fiscal year was not completed.
- One instance where the University processed a transaction for various landscaping projects as an “emergency purchase” that did not appear to meet the definition of an emergency purchase. This project was not reported on the list of emergency projects that the University is required to report annually to the Chancellor.
- One instance where the University hired a contractor to relocate artwork from the library after a flood under the provisions of an “emergency purchase”. This work began in November 2006, with an initial estimate for this service approved at \$72,360. On January 15, 2008, the University processed change order number 14, with the amended amount of the contract totaling \$211,954. The majority of these change orders were not approved by the budget authority.
- One instance where the original documents (invoices and receipts) were not on file.
- One instance where the University did not take advantage of a billing discount.
- One instance where a payment of \$100,166 was processed as a direct payment without the issuance of an encumbering document.

*Effect:*

The University did not comply with its established policies and procedures, which weakens internal control, and increases the likelihood that inappropriate expenditures may be made and not be detected by management in a timely manner.

*Cause:*

With respect to the cases cited, established control procedures in the area of procurement were not adequately executed.

The departments requesting goods and services are not submitting the requests to the Purchasing Department with enough lead time to allow for the review and approval of these purchases.

A University representative informed us that in the instance of the missing records, the documents must have been misfiled.

*Recommendation:* The University should take steps to improve internal control over the procurement process and comply with established policies and procedures. (See Recommendation 8.)

*Agency Response:* “Beginning in fiscal year 2007, the Purchasing and Accounts Payable Departments conducted informational workshops to university departments. Ongoing education and notification of such regulations will continue to help clarify both the University’s procurement / payable processes and improve internal controls.”

**Personal Service Related Expenditures:**

*Criteria:* Section 10a-151b of the General Statutes governs the purchase of equipment, supplies, and contractual services, and the execution of personal service agreements by constituent units of higher education.

The Connecticut State University System’s Procurement Manual sets forth requirements relating to personal service related expenditures processed on a Personal Service Agreement (PSA) Form.

*Conditions:* Our testing of personal service related expenditures during the audited period disclosed the following:

- Six instances where the PSA was not signed by one of the necessary parties prior to the contract term. In at least two of these instances the contractor performed services on the contract before the contract was approved by all the necessary parties.
- Two instances where the Voucher Disbursement Request Form, which is utilized to certify that services were performed, was not approved by the budget authority.

*Effect:* The University did not comply with its established policies and procedures, which weakens internal control, and increases the likelihood that inappropriate expenditures may be made and not be detected by management.

*Cause:* The departments requesting services are not submitting the requests to the Director of Administrative Support Services with enough lead time to allow for the review and approval of these contracts. With respect to the other conditions cited, established control procedures were not followed.

*Recommendation:* The University should comply with established policies and procedures and improve internal control over personal service related expenditures processed on a Personal Service Agreement Form. (See Recommendation 9.)

*Agency Response:* “The University’s Department of Administrative Support Services held training workshops that were well attended by University departments in the summer of 2008. The workshops conveyed the policies and procedures of personal service related expenditures with focused attention on their timely submission. Additionally, an electronic notification distribution list of workshop attendees has been developed and implemented to distribute information and reminders regarding these policies and procedures. The University will continue to communicate these policies and procedures to the campus community through on-going training workshops and notices.”

**Travel-Related Expenditures:**

*Criteria:* The Connecticut State University System’s Travel Policy and Procedures Manual sets forth requirements relating to travel-related expenditures.

*Conditions:* Our review of a sample of 15 travel-related expenditures disclosed the following:

- Two instances where a Travel Reimbursement Form was not approved certifying that the travel had been taken and the expenses incurred.
- Four instances where the employee did not submit a completed Travel Reimbursement Form with the required documentation to the Travel Office within 15 business days after completion of the trip. The number of days late ranged from five to 53 days.
- One instance where an employee was reimbursed for the incorrect lodging rate. The employee was reimbursed for the double occupancy rate instead of the single occupancy rate.
- One instance where the employee did not purchase the required rental car insurance.
- One instance where the University did not have a copy of an employee’s automobile insurance coverage on file.
- One instance where a roster, related to team travel, did not identify all University employees and team members who constituted the team travel party.
- One instance where a transaction was miscoded to international travel. Further review disclosed 15 instances, where other transactions were miscoded to international travel. The cumulative miscoding totaled \$10,985.

*Effect:* The University did not comply with its established policies and procedures, which weakens internal control, and increases the likelihood that inappropriate travel expenditures may be made and not be detected by management in a timely manner.

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

The employees that traveled did not submit the Travel Reimbursement Form with the required documentation to the Travel Office in a timely manner.

The miscoding appears to have been a clerical error.

*Recommendation:* The University should comply with established policies and procedures and improve internal control over travel-related expenditures. (See Recommendation 10.)

*Agency Response:* “The Travel Office will continue to educate the SCSU community of Travel Policy rules and requirements using various modes of communication such as the Finance and Administration Newsletter and the Accounts Payable website. In 2007, Purchasing & Accounts Payable jointly created a PowerPoint presentation on University procedures which has been presented to various departments. We will continue to offer this presentation as an additional learning tool.

In addition, the Accounts Payable Department will have a special staff meeting in November 2008 where we will review the various policies/procedures that are referenced in these audit findings such as proper authorizations and proper insurance coverage to ensure that we comply with established policies.”

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

*Criteria:* Section 4-32 of the General Statutes requires each State agency to deposit and account for revenue within 24 hours of receipt.

Sound internal control procedures require that a receipts journal be maintained by all departments receiving monies. Receipts received by a department may contain cash, money orders and checks.

*Condition:* During our examination of the University’s cash receipts system, we reviewed 35 cash receipts that were deposited during the audit period. Our review disclosed 12 instances of late deposits. The deposit delays ranged from one to 11 days. In the majority of the instances, we noted that the delays occurred prior to the Bursar’s Office receiving the funds.

## ***Auditors of Public Accounts***

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- Effect:* The University did not comply with the prompt deposit requirements of Section 4-32 of the General Statutes. This condition also increased the risk of loss or theft of funds.
- Cause:* Internal control policies were not being followed.
- It appears that departments receiving funds are not submitting the receipts to the Bursar's Office in a timely manner.
- Recommendation:* The University should improve controls over cash receipts and ensure that all deposits are made in a timely manner in accordance with Section 4-32 of the General Statutes. (See Recommendation 11.)
- Agency Response:* "The Finance area (particularly the Bursar and Controller Offices) regularly address all University departments regarding cash controls and timely deposits by utilizing daily dealings with departments and twice annual written correspondences specifying the policies/procedures. The Finance staff continues to use all educational opportunities available to improve the timeliness of these transactions."

### **Accounts Receivable:**

- Criteria:* Sound business practices require that the University attempt to collect all outstanding debts in a timely manner.
- The University has established procedures for the collection of outstanding receivables. These procedures require several internal collection attempts be made before an account is sent to an outside collection agency. Once an account is transferred to an outside collection agency there are specific timeframes that non-paying accounts should be returned to the University. During the entire collection process the individual student's account is placed on hold to prevent registration or transcript issuance.
- Conditions:* Our review of a sample of 20 students with individual account receivable balances as of June 30, 2007, disclosed eight instances where the University did not follow its informal collection procedures. The conditions noted include the following:
- Four students' accounts were not placed on hold to prevent registration.
  - Four students' accounts were not sent internal collection letters in a timely manner.
  - One student's account was never sent to an outside collection agency. The account is currently pending write-off.
  - Two students' accounts were not transferred back to the University from the outside collection agency in a timely manner, after the company was unsuccessful in collecting from the non-paying account.

- One account, for a student that received a grant award for participating in the District of Columbia Tuition Assistance Grant Program, was not monitored properly. The student had outstanding charges from three prior semesters. The University requested payment from the grantor but never pursued the matter, when the payment was not received. As of June 30, 2007, the student had an outstanding receivable balance of \$30,887.

*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 may result in the loss of revenue.

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

It appears that when the University requested payment, the grantor issued checks with the incorrect vendor name. The payments were subsequently never received by the University. It is uncertain why the University did not resolve this matter with the grantor in a timely manner.

*Recommendation:* The University should follow its established policies for the collection of student accounts receivable. A review of all delinquent accounts should be performed to ensure that the individual balances are accurate and in the appropriate stage of collection. (See Recommendation 12.)

*Agency Response:* “With the addition of a new collections assistant and a change in office leadership, the Bursar’s Office is working through the many issues related to Accounts Receivable management by utilizing the more advanced technological skills and A/R management tools available with these staff additions. These changes will assist in the compliance of student accounts receivable management.”

### **Paraprofessional-to-Teachers Program**

*Background:* The University participated in a partnership with Gateway Community College (Gateway CC) and New Haven Public Schools called the “Paraprofessionals-to-Teachers Program (Paraprofessional Program)”. The Paraprofessional Program was designed to assist paraprofessionals currently working in the New Haven Public School System to obtain their bachelor’s degree and teacher certification in early childhood education.

One of the terms of the partnership was that these paraprofessionals, while attending the University would be considered part-time matriculated students. As part-time students, the University would assess these students a reduced credit hour fee of \$100 per credit. It was also planned that the University would seek alternative funding for any remaining costs

assessed to the students enrolled in the Paraprofessional Program.

In the Fall 2005, there were eight paraprofessionals that began the last half of their bachelor's degree program as part of the Paraprofessional Program.

*Criteria:* Sound internal control procedures require that all partnership agreements should be formally documented and monitored for compliance with the terms of the agreement.

*Conditions:* During our review of the University's accounts receivable balance for the fiscal year ended June 30, 2007, we noted 13 students that were participating in the Paraprofessional Program had a cumulative outstanding balance of \$193,233.

A review of these individual student accounts, disclosed the following conditions:

- The University had not billed these participants at the reduced rate of \$100 per credit in the University's accounting system.
- Five out of the 13 participants were billed for fees in addition to the per credit course fee.
- Two out of the 13 participants received financial aid based upon incorrect billing information.
- The University did not receive and/or apply alternate funding to these participants' accounts in a timely manner.

Upon disclosing these conditions to the University, management requested that the Bursar's Office adjust these participants' accounts to reflect the intended fee structure. As of July 1, 2008, the revised cumulative outstanding balance for these participants was \$61,337. A University representative also informed us that the remaining outstanding balances will be resolved through alternative funding sources.

*Effect:* The participants that were involved in the Paraprofessional Program were not charged consistently in accordance with the terms of the agreement.

The University's accounts receivable balance for the fiscal year ended June 30, 2007, was overstated by approximately \$125,000.

*Cause:* The University participated in a partnership agreement without documenting the formal terms of the agreement. There appears to have been a lack of communication between the academic and financial departments responsible for monitoring the agreement.

*Recommendation:* The University should formally document all partnership agreements to ensure that all of the terms of agreement are recorded. The University

should resolve all outstanding billing adjustments for those participants that were enrolled in the Paraprofessional Program. (See Recommendation 13.)

*Agency Response:* “The University’s Controller and Bursar areas are addressing all of the remaining outstanding billing adjustments for those enrolled in the program. All A/R related issues will be completed and documented by November 2008. Discussions with the related academic area have addressed the issues surrounding these types of partnership agreements and the correct processes to be followed.”

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

*Criteria:* The Connecticut State University System’s Capital Valuations and Asset Management Manual provides policies and procedures for physical and reporting controls over capital assets.

Accurate inventory records are an integral part of internal control.

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

- Certain amounts 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 25 equipment items selected from the inventory records, we noted one instance where the University did not physically inventory an environmental testing kit (buoy) costing \$110,746 for several years. It was further disclosed that the asset has not been operational since 1999.
- From a sample of 21 disposed equipment items, the University disposed of three items prior to obtaining one of the required authorization signatures. We noted one instance where an asset was disposed of without obtaining the required authorization. In addition, we noted one instance where a missing equipment item was not reported on a Report of Loss or Damage to Real and Personal Property - Other than Motor Vehicles (CO-853) in a timely manner.
- From a sample of 20 stores and supplies items, we found three items that had a different quantity on hand than what was reported on the perpetual inventory record. The University could not provide evidence that an annual physical inventory of the stores and supplies warehouse was performed for the fiscal year ended June 30, 2006.

*Effect:* The University’s property control records are not in compliance with established policies and procedures. The conditions described above

weaken internal control over equipment and supplies, and increase the likelihood that the loss of equipment and supplies may occur and not be detected by management in a timely manner.

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

*Recommendation:* The University should comply with the Connecticut State University System's Capital Valuation and Asset Management Manual and improve control over equipment and supplies inventory. (See Recommendation 14.)

*Agency Response:* "Due to the changes in personnel or in existing personnel's roles in the Facilities area, policies and procedures are being reviewed and strengthened to meet the requirements contained within the CSUS Manual and improve controls over stores inventory and supplies."

### **Construction Projects Administered by the University:**

*Criteria:* The Department of Public Works' (DPW) Guidelines and Procedures Manual for Agency Administered Projects requires that an agency submit to the DPW's Special Projects Unit a Certificate of Compliance Form for all completed projects that exceed \$50,000. A copy of this form shall also be sent to the State Building Inspector's Office.

*Condition:* Our review of a sample of three completed construction projects administered by the University, disclosed two instances where the Certificate of Compliance Form was not submitted to the DPW's Special Projects Unit and/or the State Building Inspector's Office.

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

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

*Recommendation:* The University should comply with established policies and procedures and improve internal control over University administered construction projects. (See Recommendation 15.)

*Agency Response:* "The Certificate of Compliance Form has now been incorporated as part of the close out process for all projects over \$50,000."

### **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. In addition,

we also reviewed the University's controls over access privileges to Core-CT. Core-CT is the State's central financial and administrative computer system.

*Criteria:* In order to ensure system integrity, access to critical information systems should be disabled promptly upon the separation of an employee and/or when such access is no longer required.

*Condition:* Our review of a sample of 20 employees who were granted Banner access during the audited period, disclosed two instances where the employee's Banner access was not disabled upon termination. Upon notification of this condition, the University locked access to the Banner accounts. The delay in these accounts being locked ranged from 280 to 490 days after the employees were terminated.

From a list of 116 employees who separated employment from the University during the audited period, we noted 49 instances where the employees' Banner access was not disabled upon termination. Upon notification of this condition, the University locked access to these Banner accounts. The delay in these accounts being locked ranged from 363 to 1,027 days after the employees were terminated.

From a list of 40 employees identified as having active access privileges to Core-CT, we noted the following:

- Two instances where the Application Security Request Form, which is used to request and document approval of a user's access, could not be located.
- One instance where an employee had specific roles that were no longer necessary to perform the job function.

Subsequent to our inquiry, the University reviewed the same list of employees to determine if the Core-CT access and/or specific roles assigned were necessary. The University's review disclosed that four employees no longer required access.

*Effect:* Internal control over the University's information system and/or Core-CT is weakened when an employee's access is not properly documented and disabled promptly upon termination or when such access is no longer required.

*Cause:* The University did not comply with its established procedures for terminating employees' access privileges to its information system and/or Core-CT.

In the instances regarding Banner, the Human Resources Department was notifying the Office of Information Technology (OIT) of the employees'

separations. However, it appears that the employee delegated the responsibility for locking the Banner accounts within the OIT was not provided with the notification.

*Recommendation:* The University should comply with its established procedures for granting and/or terminating employees' access privileges to its information system and/or Core-CT. (See Recommendation 16.)

*Agency Response:* "The Human Resources Department now notifies the appropriate IT staff person at the end of the employee's separation from the University."

**Software Inventory:**

*Criteria:* The State of Connecticut's Property Control Manual states that "a software inventory must be established by all agencies to track and control all of their software media, licenses or end user license agreements, certificates of authenticity, documentation and related items." The Manual further states that "each agency will produce a software inventory report on, 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. Further, 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 have a policy requiring the OIT to be notified of all the individual software that has been purchased/installed by the faculty and staff outside of their control.

*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 17.)

*Agency Response:* "Currently, the Office of Information Technology has taken responsibility for inventorying all software it acquires and installs" -- including tracking license agreements, etc. There is also an ongoing discussion within CSUS in how to meet the compliance requirement. In order to show progress in meeting the requirements, the Finance area has recently inquired and received from the CSU System some guidance as to how best to meet these requirements by asking and receiving some examples of "databases"

used to track information. Based on this information, further discussion between IT and Finance will commence in early 2009.”

**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 2006-2007 fiscal year are presented below:

- General: The University should either ensure that wire transfers have gone through the proper approval process prior to the transfer being executed, or consider updating the control by establishing a transfer amount threshold.
- Information Systems: Management should consider augmenting staff to provide for better segregation of duties pertaining to the development and migration of application changes. Management should document and communicate changes of management policies and procedures. The University should work toward implementing an access approval matrix outlining those members of the University that have been authorized to approve access to Banner financial modules. Management should work to restrict the use of generic IDs and passwords and require end users to utilize their own individual user accounts to perform actions required as part of their job responsibilities. Management should work toward implementing a formalized process to ensure that all contractors and temporary employees have their access to systems and applications disabled/removed in a timely manner. Management should work toward implementing a control forcing users to change their default passwords upon first login to the Banner application. Management should work to implement a control that tracks visitors entering the data center including the purpose of their visit and by whom they were escorted.

## RECOMMENDATIONS

Our prior report contained 13 recommendations. There has been satisfactory resolution of two of these recommendations. The remaining 11 recommendations have been repeated or restated to reflect current conditions. Six additional recommendations are being presented as a result of our current examination.

### *Status of Prior Audit Recommendations:*

- The University should review its current time and attendance policies and procedures to ensure that the accrued leave balances reported in the Core-CT HRMS are accurate. The University's review should address the feasibility and/or efficiency of maintaining two separate time and attendance systems. The recommendation is being repeated with modification. (See Recommendation 1.)
- The University should comply with SUOAF-AFSCME bargaining agreement provisions governing compensatory time. The recommendation is being repeated. (See Recommendation 3.)
- 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. Improvement was noted in this area; therefore the recommendation is not being repeated.
- 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. Our current review disclosed that no further action has been taken; we are repeating this recommendation. (See Recommendation 2.)
- The University should take steps to improve internal control over the procurement process and comply with established policies and procedures. The recommendation is being repeated. (See Recommendation 8.)
- The University should comply with established policies and procedures and improve internal control over personal service related expenditures processed on a Personal Service Agreement or Honorarium Form. While we noted improvements, we did note certain exceptions that need to be addressed and are repeating this recommendation in modified form. (See Recommendation 9.)
- The University should comply with established policies and procedures and improve internal control over travel-related expenditures. The recommendation is being repeated with modification. (See Recommendation 10.)
- The University should take steps to ensure that its purchases are based on competitive bids or competitive negotiation when required by the General Statutes. Improvement was noted in this area; therefore the recommendation is not being repeated.

- The University should improve controls over cash receipts and ensure that all deposits are made in a timely manner in accordance with Section 4-32 of the General Statutes. The University should implement a control procedure that requires each department collecting funds to use a standard receipts journal to document the receipt date. While we noted improvements, we did note certain exceptions that need to be addressed and are repeating this recommendation in modified form. (See Recommendation 11.)
- The University should formalize its policies and procedures and improve internal control over accounts receivable. In addition, the University should perform a review of all its delinquent accounts to ensure that the individual balances are accurate and in the appropriate stage of collection. The recommendation is being repeated. (See Recommendation 12.)
- The University should comply with the Connecticut State University System's Capital Valuation and Asset Management Manual and improve control over equipment and supplies inventory. The recommendation is being repeated. (See Recommendation 14.)
- The University should comply with its established procedures for granting and/or terminating employees' access privileges to its information system. The recommendation is being repeated with modification. (See Recommendations 16.)
- 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. The recommendation is being repeated. (See Recommendation 17.)

*Current Audit Recommendations:*

- 1. The University should review its current time and attendance policies and procedures to ensure that the accrued leave balances reported in the Core-CT Human Resource Management System are accurate.**

Comment:

Our review of the University's time and attendance records disclosed that the agency maintained two separate systems for tracking accrued leave balances. In addition, we noted a number of instances, where the leave balances reported in each system were not in agreement.

- 2. 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. Our review of payments of accrued leave at termination to 15 employees during the fiscal year ended June 30, 2007, disclosed one incorrect payment. In addition, two overpayments disclosed in the prior audit report covering the 2003-2004 and 2004-2005 fiscal years, have not been resolved.

- 3. The University should comply with collective bargaining agreement provisions governing compensatory time.**

Comment:

The University did not comply with the compensatory time provisions of the SUOAF-AFSCME bargaining agreement.

- 4. The University should improve internal controls and comply with the Connecticut State University System's Residence Policy.**

Comment:

Our review of employees that were provided on-campus housing during the audited period, disclosed that the University did not fully comply with the Connecticut State University System's Residence Policy.

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

Comment:

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

- 6. The University should establish internal controls regarding overtime costs so that management can effectively monitor such expenses.**

Comment:

The overtime costs within the Registrar's Office increased significantly during the audited period.

- 7. The University should deactivate non-permanent employees when their employment is terminated and/or there is an extended break in service to ensure that an employee's status in Core-CT is accurate.**

Comment:

During our review of the University's control structure over the payroll and human resources function, it was noted that non-permanent employees are not always deactivated upon termination and/or during extended periods of absence in Core-CT.

- 8. The University should take steps to improve internal control over the procurement process and comply with established policies and procedures.**

Comment:

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

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

Comment:

A number of personal service related expenditure transactions were not processed in compliance with the University's established policies and procedures. Most significantly, we noted six instances where the PSA was not signed by one of the necessary parties prior to the contract term.

- 10. The University should comply with 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.

- 11. The University should improve controls over cash receipts and ensure that all deposits are made in a timely manner in accordance with Section 4-32 of the General Statutes.**

Comment:

Our review of receipts received disclosed 12 instances of late deposits. In the majority of the instances, we noted that the delays occurred prior to the Bursar's Office receiving the funds.

- 12. The University should follow its established policies for the collection of student accounts receivable. A review of all delinquent accounts should be performed to ensure that the individual balances are accurate and in the appropriate stage of collection.**

Comment:

Our review of a sample of students with individual account receivable balances disclosed a number of internal control weaknesses.

- 13. The University should formally document all partnership agreements to ensure that all of the terms of agreement are recorded. The University should resolve all outstanding billing adjustments for those participants that were enrolled in the Paraprofessional Program.**

Comment:

The participants that were involved in the Paraprofessional Program were not charged consistently in accordance with the terms of the agreement, which overstated the University's accounts receivable balance for the fiscal year ended June 30, 2007.

- 14. The University should comply with the Connecticut State University System's Capital Valuation and Asset Management Manual and improve control over equipment and supplies inventory.**

Comment:

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

- 15. The University should comply with established policies and procedures and improve internal control over University administered construction projects.**

Comment:

From a sample of three completed construction projects administered by the University, we noted two instances where the Certificate of Compliance Form was not submitted to the DPW's Special Projects Unit and/or the State Building Inspector's Office.

- 16. The University should comply with its established procedures for granting and/or terminating employees' access privileges to its information system and/or Core-CT.**

Comment:

The University did not disable a significant number of terminated employee's access privileges to its information system and/or Core-CT.

**17. 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. Further, the University does not conduct a physical inventory of software on an annual basis.

## 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, 2006 and 2007. This audit was primarily limited to performing tests of the University's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the University's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the University are complied with, (2) the financial transactions of the University are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the University are safeguarded against loss or unauthorized use. The financial statement audits of Southern Connecticut State University for the fiscal years ended June 30, 2006 and 2007 are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the University complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of the internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

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

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

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

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

properly initiate, authorize, record, process, or report financial data reliably, consistent with management's direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the following deficiencies, described in detail in the accompanying "Condition of Records" and "Recommendations" sections of this report, to be significant deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 1 – inadequate control over the record keeping and monitoring of leave and attendance records; Recommendation 5 - lack of separation of duties between payroll and human resources functions; Recommendations 8 & 9 - inadequate controls over the procurement process; Recommendations 12 & 13 - weaknesses in controls with the monitoring of accounts receivable; Recommendation 14 - deficiencies in equipment inventory control procedures; and Recommendation 16 - inadequate control of the University's information systems .

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

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

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

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

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

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

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