

STATE OF CONNECTICUT



*AUDITORS' REPORT
BOARD OF TRUSTEES FOR THE CONNECTICUT STATE UNIVERSITY
SOUTHERN CONNECTICUT STATE UNIVERSITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009*

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

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August 29, 2011

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FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009**

We have examined the financial records of Southern Connecticut State University (University) for the fiscal years ended June 30, 2008 and 2009.

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

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

COMMENTS

FOREWORD:

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

Dr. Cheryl J. Norton served as University president during the audited period.

Recent Legislation:

The following notable legislative changes affecting the University took effect during the audited period and thereafter:

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

Enrollment Statistics:

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

	<u>Fall 2007</u>	<u>Spring 2008</u>	<u>Fall 2008</u>	<u>Spring 2009</u>
Full-time undergraduate	7,114	6,502	7,173	6,845
Full-time graduate	910	881	938	971
Total full-time	<u>8,024</u>	<u>7,383</u>	<u>8,111</u>	<u>7,816</u>
Part-time undergraduate	1,401	1,448	1,323	1,327
Part-time graduate	2,505	2,411	2,335	2,267
Total part-time	<u>3,906</u>	<u>3,859</u>	<u>3,658</u>	<u>3,594</u>
Total Enrollment	<u>11,930</u>	<u>11,242</u>	<u>11,769</u>	<u>11,410</u>

The average of fall and spring semesters' total enrollment was 11,586 and 11,590 during the 2007-2008 and 2008-2009 fiscal years, respectively, compared to an average of 11,887 during the 2006-2007 fiscal year. Enrollment remained somewhat stable during the audited years.

RÉSUMÉ OF OPERATIONS:

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

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

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

	2007 – 2008			2008 – 2009		
Student Status:	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduate	\$ 3,346	\$ 10,831	\$ 5,020	\$ 3,514	\$ 11,373	\$ 5,271
Graduate	4,169	11,614	6,253	4,377	12,195	6,566

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

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

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

	2007 – 2008			2008 – 2009		
Fee Description:	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
General	\$ 2,068	\$ 2,068	\$ 2,068	\$ 2,426	\$ 2,426	\$ 2,426
State University	849	2,084	849	879	2,157	879
Information Technology	230	230	230	230	230	230

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In addition, the housing and food service fees required of resident students represent a significant portion of the operating revenues category titled “Auxiliary revenues.” The following presents the average annual housing (double occupancy) and food service fees during the audited period:

Fee Description:	2007 – 2008	2008 – 2009
Housing	\$ 4,668	\$ 4,906
Food Service	3,764	3,990

Operating Revenues:

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

Operating revenues, as presented in the University’s audited financial statements for the audited period and the previous fiscal year, follow:

	<u>2006 – 2007</u>	<u>2007 – 2008</u>	<u>2008 – 2009</u>
Tuition and fees (net of scholarship allowances)	\$ 60,545,081	\$ 63,110,236	\$67,634,174
Federal grants and contracts	6,718,922	7,201,976	8,253,591
State and local grants and contracts	4,139,633	5,833,496	5,807,901
Non-Governmental grants and contracts	1,283,683	1,499,904	1,697,703
Indirect cost recoveries	219,924	146,869	432,484
Auxiliary revenues	18,338,132	19,709,935	21,448,159
Other sources	<u>12,971,675</u>	<u>16,789,729</u>	<u>15,443,376</u>
Total operating revenues	<u>\$104,217,050</u>	<u>\$114,292,145</u>	<u>\$120,717,388</u>

Operating revenues totaled \$114,292,145 and \$120,717,388 during the fiscal years ended June 30, 2008 and 2009, respectively, compared to \$104,217,050 during the fiscal year ended June 30, 2007. These figures reflect increases in operating revenue totaling \$10,075,095 (roughly 10 percent) and \$6,425,243 (roughly 6 percent), respectively, during the audited years.

The increase in operating revenue during the fiscal year ended June 30, 2008 can be attributed, in part, to an increase in tuition and fee rates. Also, during the fiscal year ended June 30, 2008, the University received an increase in Connecticut Health and Education Facilities Authority (CHEFA) funding for capital projects. Such funds are included in the “other sources” category above. The increase in operating revenues during the fiscal year ended June 30, 2009 resulted, primarily, from a growth in tuition and fees revenue that was driven by an increase in tuition and fees rates and a slight increase in student enrollment.

Operating Expenses:

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

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

	<u>2006 – 2007</u>	<u>2007 – 2008</u>	<u>2008 - 2009</u>
Personal service and fringe benefits	\$ 114,226,347	\$ 121,372,915	\$ 128,356,544
Professional services and fees	8,180,033	8,234,007	7,716,538
Educational services and support	17,636,772	20,441,569	21,483,708
Travel expenses	1,777,828	1,828,421	1,651,457
Operation of facilities	19,961,238	22,100,469	23,838,128
Other operating supplies and expenses	5,952,185	7,163,378	5,586,188
Depreciation expense	11,468,273	11,579,020	14,400,253
Amortization expense	22,037	34,535	50,822
Total operating expenses	<u>\$ 179,224,713</u>	<u>\$ 192,754,314</u>	<u>\$ 203,083,638</u>

Operating expenses totaled \$192,754,314 and \$203,083,638 during the fiscal years ended June 30, 2008 and 2009, respectively, compared to \$179,224,713 during the fiscal year ended June 30, 2007. These totals represented increases of \$13,529,601 (more than 7 percent) and \$10,329,324 (more than 5 percent), respectively, during the audited years.

The increase in expenditures during the fiscal years ended June 30, 2008 and 2009, was largely the result of salary increases stipulated in collective bargaining agreements. Also, during the fiscal year ended June 30, 2009, the CSUS implemented a change in the method of accounting for depreciation of library materials. During prior fiscal years, the CSUS only recognized depreciation of library materials at the end of their useful lives. Effective during the fiscal year ended June 30, 2009, the CSUS began to depreciate library materials on an annual, straight-line basis. This change had the effect of increasing depreciation expenses and operating expenses, in general, during the fiscal year ended June 30, 2009, compared to prior years.

Nonoperating Revenues:

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

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

	<u>2006 – 2007</u>	<u>2007 – 2008</u>	<u>2008 – 2009</u>
State appropriations	\$ 69,821,514	\$ 74,712,353	\$ 70,874,136
Gifts	71,124	80,372	85,813
Investment income	2,967,918	2,510,138	944,950
Other nonoperating revenues	1,118,156	1,121,951	1,061,288
State-financed plant facilities	221,000	23,000,000	-
Total nonoperating revenues	<u>\$ 74,199,712</u>	<u>\$101,424,814</u>	<u>\$ 72,966,187</u>

Nonoperating revenues totaled \$101,424,814 and \$72,966,187 for the fiscal years ended June 30, 2008 and 2009, respectively, compared to \$74,199,712 during the fiscal year ended June 30, 2007. These totals represent an increase of \$27,225,102 (nearly 37 percent) and a decrease of \$28,458,627 (roughly 28 percent), during the fiscal years ended June 2008 and 2009, respectively.

The sharp increase in nonoperating revenues during the fiscal year ended June 30, 2008 can be primarily attributed to an increase in state-financed plant facilities revenue associated with the construction of an addition to the University's library. In comparison, in the next fiscal year, the University received no such funding, which largely contributed to the large decline in nonoperating revenues during the fiscal year ended June 30, 2009.

In addition to the operating and nonoperating revenues presented above, the University's financial statements disclosed revenues classified as "State appropriations restricted for capital purposes" totaling \$5,777,091 and \$2,624,112 for the fiscal years ended June 30, 2008 and 2009, respectively.

Southern Connecticut State University Foundation, Inc.:

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

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

Audits of the books and accounts of the Foundation were performed by an independent certified public accounting firm for the fiscal years ended June 30, 2008 and 2009, in accordance with Section 4-37f, subsection (8), of the General Statutes. The auditors expressed unqualified opinions on the Foundation's financial statements. In addition, the Foundation's auditors indicated compliance, in all material respects, with Sections 4-37e through 4-37i of the General Statutes.

The Foundation's financial statements reported support and revenue totaling \$2,204,405 and \$130,125 during the fiscal years ended June 30, 2008 and 2009, respectively. Net assets were reported at \$13,501,957 and \$11,655,406 as of June 30, 2008 and 2009, respectively.

CONDITION OF RECORDS

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

Employee Time Sheets, Attendance and Leave Records, and Overtime Records:

Criteria: A system of good internal controls requires that employees complete time sheets that accurately document the use of compensatory time earned and used. Such time sheets should be signed by the employee and the employee's supervisor at the end of the applicable pay period to support time worked and accrued leave time used.

The April 2009 Memorandum of Agreement between the CSUS American Association of University Professors (AAUP) collective bargaining unit and the CSUS Board of Trustees designates May 26, 2009, as an unpaid furlough day for library faculty.

The University's time sheets for maintenance employees require the signatures of a University Vice President or Dean for all overtime hours worked.

The University's time sheets require employee and supervisor signatures and dates.

Condition: In July 2008, the University, in response to an employee union grievance, agreed to revise the format of time sheets for AAUP library staff members. The revised time sheet does not provide for the recording of holiday compensatory time earned or used by such library staff members.

In accordance with the April 2009 Memorandum of Agreement between the CSUS AAUP collective bargaining unit and the CSUS Board of Trustees, May 26, 2009, was designated as an unpaid furlough day for library faculty. The University, however, processed this furlough day in the Core-CT payroll and attendance and leave record system on May 15, 2009. As a result, we noted three instances in which three library staff employees recorded leave time use on their time sheets for May 15, 2009, which the University did not record in the employees' Core-CT attendance and leave records. Instead, a furlough day was posted to each employee's Core-CT attendance and leave record.

Our examination of a sample of library staff time sheets disclosed that six time sheets for the pay period ended June 4, 2009, included a signature of approval that was represented to be that of the Director of Library Services. These signatures, however, were inconsistent with the

signatures of the Director of Library Services that we observed on other time sheets. Further, we noted that attendance records indicated that the Director of Library Services was on vacation on the date when she ostensibly signed time sheets for the pay period ended June 4, 2009. Given the above, it is questionable that library staff time sheets for the pay period ended June 4, 2009, were actually signed by the Director of Library Services.

We examined an additional 39 employee time sheets completed during the audited period and noted the following:

- Six instances in which a supervisor signed time sheets prior to the end of the pay period.
- Four instances in which a supervisor did not date his/her time sheet signature even though the time sheet forms require that supervisors sign and date time sheets.
- Three instances in which an employee signed his/her time sheet prior to the end of the pay period.
- Three instances in which an employee did not date his/her time sheet signature even though the time sheet forms require that employees sign and date time sheets.
- One instance in which a supervisor neither signed nor dated an employee's time sheet.

In addition, we tested ten overtime time sheets and corresponding overtime reports for two maintenance employees who were each paid more than \$50,000 in overtime pay during the audited period. Our testing disclosed that for nine of the ten time sheets tested, time sheets and related overtime reports were not signed by a Vice President or Dean. We did, however, note that in all of these instances, time sheets were signed by supervisors.

Effect:

With respect to the librarian time sheets that did not accommodate the recording of the use and accrual of holiday compensatory time, such documentation could increase the risk of the use of compensatory time not earned or the loss of compensatory time earned.

The premature processing of the May 26, 2009 librarian furlough day lead to the omission of the use of three hours of sick leave, seven hours of vacation leave and seven hours of sick leave, respectively, in the attendance and leave records for three librarians, thus overstating their leave time balances accordingly.

Time sheets that are not signed by an employee's supervisor provide less assurance that such time sheets are being submitted accurately.

In the instances cited, there was reduced support for employee time worked or leave time used.

With respect to the overtime records examined in the instances noted, it is uncertain that the overtime hours worked were properly authorized.

Cause: The librarian time sheet format was the result of an agreement between the University and the AAUP union.

We were told that the premature payroll processing of the May 26, 2009 librarian furlough day was done to synchronize a University scheduled “reading day” before final exams with the May 2009 furlough day.

It is unknown why someone other than the Director of Library Services appears to have signed librarian time sheets for the pay period ended June 4, 2009.

Regarding time sheets that we examined for non-library staff, existing controls were not being carried out as designed.

Recommendation: The University should work to improve internal controls over librarian time sheets and attendance and leave records; should ensure that employee time sheets, in general, are signed and dated by employees and their supervisors only after related work has been performed; and should follow its established overtime approval process policy for maintenance employees. (See Recommendation 1.)

Agency Response: “The University agrees with this finding. Library staff, supervisors and administrators have been reminded of the importance of accurate and timely attendance records. Overtime for maintenance employees is audited by the HR department every 6 months for accuracy and to ensure that the overtime is distributed in accordance with the collective bargaining agreement. Discrepancies have been addressed with the department and the Union. Whenever possible, overtime is pre-planned and distributed in accordance with the collective bargaining agreement.”

Compensatory Time Records:

Criteria: Employee collective bargaining agreements and CSUS human resources policies establish requirements for employee compensatory time.

The State University Organization of Administrative Faculty (SUOAF) collective bargaining agreement provides that “No member shall accrue more than ten (10) days of compensatory time. The Chief Human Resources 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.”

The agreement also provides that “...members shall be eligible for compensatory time on an hour for hour basis when the member is directed to work on a Saturday or Sunday, or extended hours on a workday, only after working forty (40) hours in a week.”

University policy requires that a Vice President or Dean must sign for all overtime compensatory time earned.

Condition:

We examined the records of 15 employees who earned compensatory time during the audit period and noted the following:

- Three instances in which an incorrect amount of an employee’s compensatory time balance was adjusted on the dates specified by the SUOAF collective bargaining agreement.
- Three instances in which two different employees were allowed to use compensatory time in excess of their available compensatory time balance.
- Two instances in which an employee’s compensatory time balance was not adjusted at all on the dates specified by the SUOAF collective bargaining agreement.
- Two instances in which an employee’s compensatory time balance was allowed to exceed the limit of ten days specified in the SUOAF collective bargaining agreement. In each of these instances, the University could not provide the written approval from the Director of Human Resources that the collective bargaining agreement requires in order to exceed the maximum compensatory time balance.
- Two instances in which compensatory time earned was posted to an employee’s attendance and leave record even though the required time sheet signature of a Vice President or Dean was not obtained.
- One instance in which the amount of compensatory time earned and posted to an employee’s attendance and leave record was greater than the amount of compensatory time allowed by the SUOAF collective bargaining agreement. (The agreement,

generally, allows the earning of compensatory time after 40 hours worked in a week. In the instance noted, the employee was credited with compensatory time earned after working 35 hours in a week).

Effect: In some instances, the University did not comply with either the SUOAF collective bargaining agreement or the University's policies regarding compensatory time. This increased the risk of employees using more compensatory time than they earned. We noted three instances in which two employees used more compensatory time than they earned. During November 2008 and April 2009, respectively, one employee used 0.5 hour and 11.5 hours more compensatory time than his compensatory time balances. In November 2007, the other employee used 3.5 hours more than his compensatory time balance.

Cause: Existing controls did not prevent the above conditions from occurring.

Recommendation: The University should improve controls over employee compensatory time by following the applicable requirements established in employee collective bargaining agreements and existing University policies. (See Recommendation 2.)

Agency Response: "The University agrees with this finding. The HR and payroll departments will jointly review the compensatory time requirements of each employee group no later than the end of FY 11 and will establish a procedure for regularly auditing the compensatory time of employees as prescribed by the contract."

Payroll Payments for Unused Leave Time upon Employee Termination:

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 was largely the result of inaccurate permanent attendance and leave records 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 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 had been collected, and no additional payments

were made to former employees who were underpaid. 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 Attorney General regarding actions it may take pertaining to identified incorrect payments for accrued vacation and sick leave.

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

In our audit report covering the 2005-2006 and 2006-2007 fiscal years, we noted no change in the status of the above condition.

Criteria: The Connecticut General Statutes, employee collective bargaining agreements, and CSUS human resources policies all set requirements for payments for unused vacation and sick leave.

Condition: The University informed us that, though it continues to pursue legal advice from the Office of the Attorney General with respect to the cited incorrect payments for accrued vacation and sick leave, none has been provided.

In addition, during our current audit, we tested a sample of payroll payments made to 15 employees at termination for unused vacation and sick leave and noted one incorrect payment. The University overpaid a management employee for accrued sick leave upon his retirement in September 2007. The CSUS *Human Resources Policies for Management and Confidential Professional Personnel* provides that "...upon retirement from the CSU System an employee shall be compensated for ¼ of the sick leave days accumulated by the employee up to a maximum of 60 full days." It appears that the University paid the employee for 65.93 days of sick leave, which exceeded the 60 days maximum allowed per CSUS policy.

Effect: The longer collection efforts last, the greater risk that monies owed will not be collected.

It appears that, in the instance cited, the University did not follow CSUS policies when it comes to payments for unused sick leave upon a management employee's retirement. As a result, the University overpaid an employee in the amount of \$2,758 in gross pay for unused sick leave at retirement.

Cause: Prior errors in employee attendance and leave records resulted in incorrect payments to employees upon their termination. The University has concerns about its legal right to demand recovery for overpayments of termination payments made or to compensate former employees for underpayments of termination payments made to them.

As for the overpayment for unused sick leave noted during our current audit, it appears that this was the result of an oversight on the part of the Payroll Department.

Recommendation: The University should continue pursuing legal advice from the Attorney General regarding old, incorrect payments made to former employees for unused vacation and sick leave. Further, the University should attempt to collect the overpayment for accrued sick leave at retirement noted during our current audit. (See Recommendation 3.)

Agency Response: “The University agrees with this finding. The University will contact the Office of the Attorney General again regarding this issue.”

Employee Background Checks:

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

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

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

Condition: We attempted to examine the background check reports completed for a sample of six new hires during the audited period and noted that the University did not have access to one such pre-employment background check report. The same was true (the University had no access to background check records) with respect to an additional sample of five Residence Life Department employees and one employee's spouse who received University housing during the audited period. The University informed us that these background checks were performed by the University's former background check contractor. As such, the University said that it could no longer access such records. Further, the University did not, generally, retain durable records of employee background check reports. Instead, the University relied on the records retained by its background check contractor.

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

In some instances, sufficient evidence of compliance with the CSUS *Pre-employment Background Verification Policy* was lacking.

Cause: The University relied on its background check contractors to retain University background check records.

Recommendation: The University should retain employee background check reports on durable media to comply with the State Library's records retention requirements. (See Recommendation 4.)

Agency Response: "The University agrees with this finding. The HR office will immediately begin saving copies of background checks in a safe electronic file or in hard copy and will maintain those records in accordance with the Records Retention Act."

Core-CT HRMS Records of Non-permanent Employees:

Criteria: Sound internal controls call for the deactivation of non-permanent employees in the Core-CT Human Resources Management System (HRMS) when such employees are no longer employed by the University or during significant breaks in employment.

Condition: Our examination of a sample of 40 non-permanent employees, consisting of part-time lecturers and student workers whose records were still activated in the Core-CT system as of January 21, 2010, disclosed that 18 of the 40 employees had not been on the payroll for more than three months, and eight of these 18 had not been on the payroll for more than one year. Therefore, it appears that the University is not always promptly

deactivating Core-CT records of non-permanent employees who are no longer employed at the University or who have had significant breaks in service.

Effect: The number of active employees in the Core-CT system is overstated, which could mislead management during the decision-making process. Further, the active status of terminated employees in the University's human resources/payroll information system increases the risk that inappropriate payroll payments could be processed.

Cause: Existing controls were not sufficient to prevent this condition.

Recommendation: The University should monitor its active non-permanent employee records more frequently to identify those employees who are no longer active, and should deactivate corresponding inactive employee records in the Core-CT information system. (See Recommendation 5.)

Agency Response: "The University agrees with this finding. The HR office has implemented a procedure that allows the HR staff to terminate the employee in Banner and then notifies the University's Office of Information Technology (OIT) to remove the employee's access to University technology systems. Additionally, the HR office will complete an annual review of all nonpermanent employee records to be certain all employees who are no longer active have been terminated and access has been removed. The first review following this report will take place prior to the end of FY 11."

Dual Employment:

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

Condition: Our examination of ten dual employment situations disclosed six exceptions.

We noted three instances in which ten-month faculty members at the University held secondary summer positions, but no dual employment certifications were completed. The University informed us that it does not, generally, complete dual employment certification forms when a ten-month faculty member holds a secondary position (generally a part-time lecturer position) during summer terms.

In addition, we noted three instances in which dual employment certifications were completed after the dual employment arrangement had begun. Such documents were signed by University employees from eight to 23 business days after employees began their secondary positions.

Effect: In some instances, the University failed to comply with the dual employment documentation requirements established by Section 5-208a of the General Statutes. This reduced the ability to verify that no conflicts existed between primary and secondary positions for dually employed individuals.

Cause: Existing controls did not prevent these conditions from occurring. Also, it appears that the University was under the impression that ten-month faculty members who work in secondary positions during summer terms are not subject to the dual employment certification requirements of Section 5-208a.

Recommendation: The University should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by promptly documenting, through signed certifications, that no conflicts exist in instances where an employee holds multiple state positions. (See Recommendation 6.)

Agency Response: “The University agrees with this finding. The University will immediately begin requesting dual employment certifications from all employees, including 10-month faculty. Additionally, the HR office is about to implement an automated approval process for new hires and other employment changes (including summer employment of 10-month faculty) which should decrease the likelihood that HR will not have sufficient time to complete the certification until after employment begins.”

Former Employee’s Abuse of Sick Leave:

Criteria: The Connecticut State University American Association of University Professors (CSU-AAUP) collective bargaining agreement defines the situations in which earned sick leave may be used, including “temporary incapacitation for duty,” among others.

Section 4-33a of the General Statutes requires state agencies to “promptly notify the Auditors of Public Accounts and the Comptroller on any unauthorized, illegal, irregular or unsafe handling or expenditure of State or quasi-public agency funds...,” among other things.

Condition: In a letter dated August 24, 2009, the University reported to us that an internal investigation disclosed that an employee, who retired in June

2009 and who was affiliated with the CSU-AAUP union, had been out on sick leave for an extended period of time while evidence indicated that he was apparently working on another job for a different employer. The University had properly reported this matter to the Auditors of Public Accounts. We were, however, informed that, contrary to the requirements of Section 4-33a of the General Statutes, the University had not reported this matter to the Office of State Comptroller. Further, as of December 2009, the University had not attempted to recoup restitution from this retired employee.

Effect: The University did not comply with the requirements of Section 4-33a of the General Statutes. Also, an employee did not comply with the sick leave use guidelines established in the CSU-AAUP collective bargaining agreement.

Delays in attempts to collect overpaid amounts could make it more difficult to recover such payments.

Cause: It appears that the condition above was not communicated to the University's Finance and Administration Department, which handles the reporting of such matters. It is unknown why the University did not attempt to recover payroll payments made to the above employee for the periods when it appeared that the employee improperly used sick leave.

Recommendation: The University should improve its compliance with Section 4-33a of the General Statutes by promptly reporting all instances of improper use of state resources to both the State Comptroller and the Auditors of Public Accounts. Further, the University should seek restitution from the above former employee for payroll payments made for pay periods when the employee improperly used sick leave. (See Recommendation 7.)

Agency Response: "The University agrees with this finding. The University will report any instances of abuse to both the State Comptroller and Auditors of Public Accounts. The University will immediately seek advice from the Office of the Attorney General regarding recoupment of the above amount as the Attorney General's office is currently representing the University in a lawsuit filed by the individual against SCSU."

Travel Expenditures:

Criteria: The Connecticut State University System's *Travel Policies and Procedures* Manual requires that the Athletics Director or her designee identifies before each trip "all University employees and team members who will constitute the team travel party on that trip. This list must be approved by the Director of Athletics prior to the trip."

The manual further requires that, with respect to travel advances, “the requesting employee will submit a completed travel reimbursement form with the required documentation to the Travel Office within 15 business days after completion of the trip.”

In addition, the manual requires that the Travel Office approve travel authorizations to “verify that all supporting documents are attached to the travel authorization and that all figures and requests are in compliance with travel policies.”

It is a good business practice to ensure that expenditures are charged to the correct accounts so that management can make budgeting and other financial decisions based on reliable information.

It is the University’s policy to have certain management employees hand-sign checks amounting to \$25,000 or more rather than using a facsimile signature generated by the University’s automated disbursement system.

Condition:

We tested a sample of 15 travel expenditure payments during the audited years and noted the following:

- Nine instances in which travel expenditures were coded to incorrect accounts.
- Eight instances in which athletic team travel rosters were not signed by the Director of Athletics acknowledging approval of the travel party (in three of these instances, team travel rosters appeared to be incomplete, as some travelers were not included; in six of these instances, travel rosters lacked dates of travel and destination information).
- Six instances in which a completed travel reimbursement form, providing an accounting of travel expenses, was not submitted to the Travel Office within the timeframe of 15 business days required by the CSUS travel policy. Instead, the forms were submitted between 22 and 55 business days after the corresponding trip was completed. In one of these instances, unspent travel advance funds, totaling \$99, were not returned to the University in a timely manner. Such funds were returned 28 business days after the completion of the trip.
- Three trips for which Travel Authorizations were not signed by the Travel Office, though they were signed by University management.
- Two instances in which Travel Authorizations were approved by the Travel Office after the respective trips were completed.

- One instance in which travel expenditures were incurred but no travel authorization was on file.
- One instance in which travel expenditures were incurred for which a corresponding purchase order was prepared and approved after the date of the trip.
- One instance in which the University split a travel advance in the amount of \$29,100 into two checks in the amounts of \$20,000 and \$9,100, respectively. This bypassed the University's policy requiring a designated management employee to hand-sign checks totaling \$25,000 or more.
- One instance in which travel advance funds were used to pay expenses totaling \$204 that were incurred prior to the associated trip. Such expenses should have been processed as a reimbursement rather than paid from a travel advance.

Effect: In some instances, the University did not comply with its established travel policies, which had the effect of weakening internal controls over travel expenditures.

Cause: In some instances, the established internal control procedures were not carried out as designed.

Recommendation: The University should improve internal controls over travel expenditures by complying with the Connecticut State University System's *Travel Policies and Procedures* manual. (See Recommendation 8.)

Agency Response: "The University agrees with these findings. The Accounts Payable and Travel Office continue to update their practices in order to assist the community in meeting AP and Travel requirements. As such, we continue to offer workshops and training to educate the community on university policy and procedure."

Personal Service Agreements and Related Expenditures:

Criteria: A system of sound internal controls calls for the documented acknowledgement of the receipt of goods or services as a means of providing assurance that payments are made only for goods received or services provided..

Prudent business practices require that a purchase should not be initiated before it is properly approved via an approved purchase requisition and purchase order.

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

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

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

- Five instances in which there was no receiving report acknowledging receipt of services. These exceptions related to agreements with entertainers who provided services to the University in connection with student organization events. In each instance, the terms of the contract necessitated the issuance of a check prior to the completion of services. Nevertheless, good business practices still require documented acknowledgement of receipt of services as assurance that services that were paid for were provided.
- Four instances in which a purchase requisition and/or purchase order was completed after the corresponding purchase was initiated. In each instance, the purchase requisition and/or purchase order was dated after the corresponding contractor invoice date.
- Three instances in which a personal service agreement was signed by the University after the contract period had begun. One of these instances required OAG approval of the agreement. Such approval was obtained more than two months after the contract period had begun.

Effect: With respect to the lack of receiving documentation, there was less assurance that the services the University paid for were actually received.

At times, employees charged with authorizing purchases did not have the opportunity to evaluate such purchases before such purchases were initiated.

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

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

Recommendation: The University should improve internal controls over purchases of personal services by making sure that personal service agreements and purchase orders are executed in a timely manner, and by documenting acknowledgement that entertainer services purchased have been rendered. (See Recommendation 9.)

Agency Response: “The University agrees with this finding. Workshops and training sessions will continue to be held periodically for university departments by the procurement areas within Finance and Administration, and such sessions shall emphasize the importance of completing purchase requisitions and personal services agreements in a timely manner. Effective April 1, 2011, the project monitor of the entertainer personal service agreement will sign an acknowledgement attesting that services to the University have been rendered; said acknowledgement will be retained in the Accounts Payable Department.”

Property Inventory:

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

The State of Connecticut’s *Property Control Manual* requires state agencies to report the total value of artwork with a value of \$1,000 or more on the annual property inventory report (CO-59) submitted to the Office of the State Comptroller.

It is a good business practice to maintain accurate inventory records to help ensure that inventory items that should be on hand can be readily located and to accurately report the value of inventory for decision-making purposes.

Chapter nine of the State of Connecticut’s *Property Control Manual* and chapter 10, section C, of the Connecticut State University System’s *Capital Asset Valuation Manual* require that the loss of or damage to University property be reported immediately to the Office of the State Comptroller and the Auditors of Public Accounts.

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

- The University reported artwork valued at \$2,018,143 in its annual property inventory reports submitted to the Office of the

State Comptroller for the fiscal years ended June 30, 2008 and 2009. During our review of these reports, we examined inventory records of the University's artwork and noted that there were no dollar values associated with many of the works of art listed. The University informed us that artwork is donated to the University and, at times, donors do not supply values for their donations. Further, no comprehensive appraisal of University artwork has been performed in recent years.

- We tested a sample of 17 reports of loss or damage to University property that the University submitted to the Office of the State Comptroller and the Auditors of Public Accounts during the audited period and noted 12 instances where such reports did not appear to be submitted in a timely manner. Such reports were dated from approximately one to four months after campus police had filed their investigation reports of such incidents.
- We noted one instance in which the University failed to submit a loss report to the Office of the State Comptroller and the Auditors of Public Accounts for the apparent theft and unauthorized use of a University gasoline credit card in May and June 2007. Subsequently, the University was liable for, and thus paid, unauthorized charges totaling \$666 in August 2007.
- From a sample of 20 stores and supplies inventory items tested, we noted three instances where the quantity of a stores and supplies inventory item recorded in the University's stores and supplies inventory record system varied from the quantities that we counted during our physical inspection of such items. In these exceptions, the University's records of the number of items on hand were higher than the actual number of items on hand by two, four, and eight items, respectively. Further, in one of these instances, the University's inventory record included an overstated per unit cost. The unit cost listed was the cost of ten items rather than one. Also, we noted that stores and supplies inventory control records indicated that for two such items, there was no record that a physical inventory was taken during one of the fiscal years of our audited period; the record for one item did not indicate a physical inventory was taken during the fiscal year ended June 30, 2008; the other indicated none during the fiscal year ended June 30, 2009.

Effect:

It is uncertain if the University is correctly reporting the value of its artwork in its annual property inventory reports submitted to the Office of the State Comptroller. Further, without appraised values, it could be more

difficult for the University to recover insurance claims for any lost or stolen artwork.

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

Cause: No comprehensive appraisal of University artwork has been performed in recent years.

It is unknown why, in some instances, the University delayed the submission of reports of loss or damage of University property and, in one instance, failed to report such a loss.

It appears that controls over the University's stores and supplies were not being carried out as designed.

Recommendation: The University should periodically consider having its works of art appraised, should report losses or damage of University property to the appropriate state agencies in a timely manner, and should take steps to improve the accuracy of its stores and supplies inventory control records. (See Recommendation 10.)

Agency Response: "The University agrees with this finding. The University will be requesting funds to hire an independent art consultant to perform an appraisal of the art collection. It is anticipated that this will take on a multiple year approach given the anticipated cost. On September 10, 2010 the University installed a new inventory system called Maintenance Directs. Thirty days prior to installing a new inventory system the University inventoried the entire Stores Inventory. The new values and ranges for each item were entered into Maintenance Direct. Each day we count a few bins, check the totals we have in the system and make adjustments as needed. We now will inventory our entire stock twice annually."

State Motor Vehicle Usage Logs:

Criteria: The Department of Administrative Service (DAS), in its General Letter No. 115, requires state agencies to, on a monthly basis, "keep daily mileage logs for each state-owned vehicle assigned to them." Such logs provide a means of documenting, through signed certification, that such vehicle use was for state business purposes.

Condition: We attempted to examine a sample of ten mileage logs associated with University-owned vehicles and noted that the University did not maintain

mileage logs for any of these ten vehicles. The University informed us that it discontinued the use of mileage logs for University-owned vehicles in September 2008.

Effect: There was reduced assurance that University-owned vehicles were used for University business only.

Cause: The University informed us that there was a misunderstanding of the requirements regarding the maintaining of vehicle mileage logs.

Recommendation: The University should maintain vehicle mileage logs for all of its vehicles as required by the Department of Administrative Services.
(See Recommendation 11.)

Agency Response: “The University agrees with this finding. The University has re-established the use of vehicle mileage logs since being notified by DAS.”

Paraprofessionals-to-Teachers Program:

Background: The University participated in a partnership with Gateway Community College 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 early 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. The balance of the remaining charges to program participants would be absorbed by the University.

The Paraprofessional Program ended at the completion of the Fall 2009 term.

Criteria: It is a good business practice to establish written agreements when entering into partnership arrangements with other entities. Such agreements should detail the terms and timeline of such arrangements, including the amount of fees due and the responsibilities of the parties involved.

Condition: Our follow-up on the status of University’s Paraprofessionals-to-Teachers

Program disclosed, as noted in our prior audit of the University, that during the audited period, the University still had not established a written agreement with its partners, Gateway Community College and the New Haven Public School System. However, improvement was noted in other areas of the program cited in our prior audit report as needing attention. In particular, during the audited period, we noted that student participants were charged the correct fees, alternative funding was sought, and student accounts indicated zero balances for the Paraprofessional Program courses for which they registered.

Effect: The lack of a written agreement between the University and its Paraprofessional Program partners increased the risk that the terms of the agreement would be misunderstood and not followed.

Cause: Existing controls did not prevent this condition from occurring.

Recommendation: The University should establish written agreements detailing the terms, timeframe, and responsibilities of the parties involved when entering into partnerships with other entities. (See Recommendation 12.)

Agency Response: “The University agrees with this finding. The University has reiterated the importance of use of written agreements with the Vice Presidents and Deans.”

Delinquent Student Accounts:

Criteria: University policy considers a student account to be past due ten days after the due date. Such accounts, according to University policy, are subject to having a hold placed on them, which prevents students from registering for subsequent semesters, and restricts access to official transcripts and grades and/or cancels class schedules. In addition, the University’s student billing policy requires final past due notices and the referral of past due accounts to collection agencies at specified times during the fall and spring terms.

Condition: We examined 20 past due student accounts that the University wrote off during the audited period and noted five instances in which the University failed to place a hold on such an account.

Further, our examination of an additional sample of 15 past due student accounts disclosed the following:

- One instance in which the University referred a delinquent student account to a second collection agency more than two years after the account was initially referred to the first collection

agency.

- Three instances in which the University did not refer a delinquent student account to a first collection agency in a timely manner. In one of these instances, the referral occurred more than three weeks later than the standard established by the University's billing policy. In the second of these instances, the University referred the past due account to a collection agency more than two months after the scheduled time established by University policy. The third of these instances involved charges to a student's account for the Spring 2008 term, which predates the University's billing policy. In this instance, the past due account was referred to a collection agency in June 2008, after the relevant semester was completed.
- Three instances in which a final past due notice was not sent to a student debtor in a timely manner. Two of these notices were sent more than three weeks after the timeframe specified in the University's billing policy. The third notice was sent in May 2008, near the end of the semester for which a balance was owed.

Effect: The University did not follow its own policy with respect to certain past due student accounts, which weakened the University's collection efforts.

Cause: Controls in place were not carried out as designed.

Recommendation: The University should adhere to its established policy on the collection of past due student accounts. (See Recommendation 13.)

Agency Response: "The University agrees with the findings. During the period covered by this report the University was in the process of implementing the procedures related to the newly established billing policy. Since that time the Bursar's Office has established a step-by-step procedure, including a calendar/timeline for working through each step of the overall past due process, which addresses the concerns listed above."

Timeliness of Bank Deposits:

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

Condition: We tested 44 of the University's receipts for timeliness of bank deposits and noted 23 instances, totaling \$324,323, where funds received were deposited into the bank late, according to the standard established by Section 4-32 of the General Statutes. Deposit delays ranged from one to

seven business days and were arrayed as follows:

- 19 receipts totaling \$299,232 were deposited one business day late.
- One receipt totaling \$2,000 was deposited two business days late.
- One receipt totaling \$19,806 was deposited three business days late.
- One receipt totaling \$990 was deposited five business days late.
- One receipt totaling \$2,295 was deposited seven business days late.

Effect: In some instances, the University failed to comply with the prompt deposit requirements established by Section 4-32 of the General Statutes. This exposed funds received to an increased risk of theft or loss.

Cause: It appears that in some instances, departments remotely located from the Bursar's Office delayed turning in receipts to the Bursar's Office for deposit.

Recommendation: The University should improve the timeliness of its bank deposits by adhering to the prompt deposit requirements of Section 4-32 of the General Statutes. (See Recommendation 14.)

Agency Response: "The University agrees with the findings. The University recently implemented multiple communications to the university community with regard to the timeliness of departmental deposits as well as held departmental deposit workshops with those departments who periodically failed to meet the established timeframe. The University will continue to provide multiple notices to the university community and hold departmental deposit workshops to meet the established guidelines."

Revenue Generating Contracts:

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

It is also a good business practice for state agencies to send revenue generating contracts to the Attorney General for review and signature before such contracts are executed.

Condition: Effective in July 2008, the University entered into a revenue generating contract with a food service vendor in which the contractor was to pay the University commissions based on sales. Both the contractor and the

University signed this contract about one month after the contract start date, while the Attorney General's Office signed the contract more than six weeks after the start date. In the meantime, University records indicate that the contractor recorded net sales on campus totaling \$213,664 before the contract was signed by the Office of the Attorney General.

In addition, we noted that various contractors who entered into revenue generating contracts with the University did not pay specified contractual amounts to the University in a timely manner. In the following instances, such amounts were paid to the University after the timeframes specified within the respective contracts:

- Eight instances in which the University did not receive amounts specified in facility usage agreements in a timely manner. We noted that payments totaling \$5,269 were received by the University from one to 14 business days after the dates specified in such agreements.
- Four instances in which the campus bookstore contractor did not pay commissions to the University in a timely manner. Commissions totaling \$234,103, \$222,881, \$236,735, and \$30,553 for the months of January 2008, September 2008, January 2009, and June 2009, respectively, were received by the University between eight and 11 business days late.
- One instance in which the University's food service contractor paid the University the January 2008 monthly commissions on sales in two payments, in the amounts of \$77 and \$642, four and 30 business days late, respectively.
- One instance, in May 2008, in which an electricity provider paid the University \$14,133 for taking part in regional energy conservation measures. Such payment was received by the University 21 business days after the date specified in the contract.

We also noted that the University amended another revenue-generating contract with respect to commission amounts due to the University. While the amendment was approved by the Attorney General, the University implemented the change about one month prior to this approval. Further, the amended contract did not specify the effective date of the change. In addition, this agreement provides that the University collects, on behalf of the contractor, revenue generated from the sale of student discount cards, which students can use to obtain discounts on purchases from participating local businesses. Under the contract, the University is required to distribute this revenue on a monthly basis to the contractor. We noted instances in which the University paid such amounts to the contractor from roughly one to 11.5 months past the

monthly due dates specified in the contract. As of March 2010, we noted outstanding amounts due to the contractor ranging from roughly eight to 19 months past the due dates.

Effect: The lack of timely execution of written contracts decreases assurance that the parties to the contract clearly agree on the terms of the contract. In addition, insufficient monitoring of revenue-generating contracts could lead to late payments of associated revenues.

Cause: It is unclear why the University's food services contract was not executed in a timely manner.

It appears that the University did not sufficiently emphasize the pursuit of the timely collection of revenues generated from revenue-generating agreements, which contributed to the untimely payment of such amounts to the University.

According to the University, it failed to promptly remit the amounts due to the contractor cited above, in part, because the contractor firm was purchased by another company, which resulted in delays and confusion with respect to amounts due. Also, the University informed us that the contractor would, at times, neglect to bill the University in a timely manner. Invoices that we reviewed corroborated the University's assertion of occasional late billing on the contractor's part. However, we noted instances where the University delayed payment to the contractor regardless of the contractor's billing date.

Recommendation: The University should improve controls over revenue-generating agreements by ensuring that such contracts are signed before related services are provided. Such contracts should be submitted to the Attorney General in a timely manner for review and approval. Further, the University should monitor and enforce the terms of such agreements to ensure prompt payment of commissions and prompt remission of associated payments due to contractors. (See Recommendation 15.)

Agency Response: "The University agrees with this finding. Workshops and training sessions will continue to be periodically held for university departments by the contract compliance area within Finance and Administration, and such sessions shall emphasize the importance of timely completion and effective monitoring of revenue generating agreements. For revenue generated contracts that are administered by Finance and Administration, such as the cited campus bookstore, food service and electricity provider, the area of administrative support services has established procedures to better monitor the contractual obligations of these agreements and ensure prompt receipt of commission payments."

Reconciliation of Fund Balance Records and Bank Accounts:

- Background:* The University, on a monthly basis, reconciles its Banner information system records of fund balances with those of the state's Core-CT system. In addition, the University performs monthly bank account reconciliations, comparing its accounting records to bank statements.
- Criteria:* Good internal controls require the monthly reconciliation of accounting records of available fund balances and bank statements, and the prompt resolution of any discrepancies noted.
- Condition:* We tested documentation for three of the University's reconciliations of its Banner system bond fund balances with those recorded in the state's Core-CT system, including those for the months of June 2008, June 2009, and October 2009. All three of the reconciliations tested included incorrect amounts, i.e., amounts that were not reflected in the University's records. Seven of the Core-CT system amounts recorded on the June 2008 reconciliation were incorrect, with variances between the amounts recorded on the reconciliations and the actual Core-CT amounts totaling \$69,022 in aggregate. One of the Core-CT system amounts recorded on the June 2009 reconciliation was incorrect, with a variance between the amount recorded on the reconciliation and the actual Core-CT amount totaling \$2,730. In addition, one of the Banner system amounts recorded on the October 2009 reconciliation was incorrect, with a variance between the amount recorded on the reconciliation and the actual Banner amount totaling \$8,994.

Reconciliation records of bond fund balances for the months of June 2008, June 2009, and October 2009 indicated unresolved differences between the University's Banner system accounting records and Core-CT system records. These differences totaled \$13,100, \$2,730, and \$2,797, respectively, and included amounts that had been outstanding for a period ranging from more than four months to more than three years after they were first noted.

As of November 20, 2009, the University did not complete its Operating Fund available cash reconciliations of Banner records with Core-CT records for the months of August 2009, September 2009 and October 2009. The latest reconciliation that the University could provide to us was for the month of July 2009.

In addition, we noted that the University, at times, did not perform bank statement reconciliations in a timely manner. In particular, we noted that a bank account reconciliation for the month of June 2009 had not been completed until October 2009, roughly three and half months after the corresponding bank statement period.

Further, we noted that bank statement reconciliation documentation that we reviewed included reconciling items that had not been resolved in a timely manner. Such items, though immaterial in amount, had been outstanding for periods ranging from one and a half months to more than one year.

Effect: Delays in completing bank account and available cash reconciliations, in conjunction with the lack of timely resolution of variances noted during such reconciliations, could delay the detection of errors or fraud.

Cause: It is unknown why the above conditions occurred.

Recommendation: The University should ensure that bank statement and available cash reconciliations are performed correctly and in a timely manner, and should promptly resolve any outstanding items noted when performing such reconciliations. (See Recommendation 16.)

Agency Response: “The University agrees with this finding. The Director of Accounting Services will work with the Accounting staff to develop additional cross-checks and reports to timely address all reconciling issues. This includes addressing communication with other departments who provide information necessary to resolve reconciling discrepancies.”

Student Activity Trustee Account Receipts:

Criteria: The Office of the State Comptroller’s *State of Connecticut Accounting Manual* requires that all state agencies receiving money maintain a receipts journal to record the date funds are received.

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

Condition: During the audited period, *Southern News*, the University’s student newspaper, did not maintain records of the dates when advertising revenue was received. Such revenues were credited to the University’s student activity trustee account.

We tested 15 receipts credited to the student activity account and noted that 14 receipts totaling \$15,339 were not deposited into the bank within the 24-hour time frame set by Section 4-32 of the General Statutes. Deposit delays ranged from one business day to 96 business days after the 24-hour requirement. Most of the late deposits fell within the one to three business day range. In addition, we noted one instance in which there was no documentation of the dates when student organization funds were received. Therefore, we could not determine the timeliness of the

associated deposit.

Effect: With respect to *Southern News* advertising revenue, lacking receipt date records, it could not be readily determined whether or not such receipts were deposited into the bank in a timely manner. As a result, such receipts might have been exposed to an increased risk of loss or theft. Also, with respect to *Southern News* advertising revenue, it is unclear whether or not the University was complying with the prompt deposit requirements of Section 4-32 of the General Statutes.

In some instances, the University did not comply with the prompt deposit requirements of Section 4-32 of the General Statutes, exposing funds received to an increased risk of loss or theft.

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

Some of the bank deposit delays were the result of student organization delays in submitting funds to the Bursar's Office for deposit.

Recommendation: The University should ensure that it maintains adequate receipts records of student newspaper advertising revenue and other student activity account revenue. Such records should include the date of receipt as well as the source and amount of the receipt. Also, the University should re-emphasize that student organizations should deliver funds generated from student events to the Bursar's Office in a timely manner. (See Recommendation 17.)

Agency Response: "The University agrees with this finding. The Director of Student Life will meet, discuss and implement new procedures with the *Southern News* Advisor and Student Media Board Chairman to address the issues noted in the finding. These changes will be completed by May 2011."

Student Activity Trustee Account Expenditures:

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

The University's policies for clubs and organizations state that, "all expenditures are made by a University check against a completed Payment Request Form." The Payment Request Form requires the signatures of the student organization treasurer, the faculty adviser, and a University official. Such policies also require that "an approved Travel Authorization (Form CSUFRS-30) should be submitted to the Travel Office at least two (2) weeks prior to travel."

Condition: We tested a sample of 25 student trustee account purchases during the audited period and noted the following:

- Eight instances where Payment Request Forms indicating student organization officer approval were not completed; purchase orders were used instead.
- Five purchases where the Payment Request Form was not signed by a student organization Treasurer.
- Two instances where a student organization faculty advisor did not sign the Payment Request Form.
- One instance where an approved Travel Authorization form was not completed for an out-of-state trip.
- One instance where a Travel Authorization form was signed after the trip occurred.
- One instance where a portion of expenditures, totaling \$107, was incurred prior to an employee's receipt of a corresponding cash advance.

Effect: The University, at times, did not comply with its established policies for student clubs and organizations. As a result, assurance that payments met the approval of student organizations was decreased. In some instances, the approval of University management was not evident.

Cause: In some instances, controls in place were not being carried out as designed.

Recommendation: The University should ensure that expenditures charged to the student activity trustee account are properly approved in accordance with a system of good internal controls, such as those established by the University's policies for student clubs and organizations.
(See Recommendation 18.)

Agency Response "The University agrees with this finding. Language will be added to the Club and Organization Manual outlining specific circumstances that would warrant a variation to the normal signatory requirements (i.e. in extreme cases when a faculty advisor cannot be accessed for a signature a professional staff member of the Student Life staff may sign on their behalf). Beginning immediately Student Life will no longer process any Payment Request Form not signed by a student representative of that organization. Language will be edited in the Club and Organization Manual to read 'Most expenditures are made by a University check against a completed Payment Request Form. In cases when there is no student or advisor signature required (honorariums, PSA's, purchase requisitions, event sheets, journal transfer) a university official will

authorize these purchases.’ These changes will be completed by May 2011.”

Student Activity Class Accounts:

Criteria: CSUS Board of Trustees Resolution #86-61 requires that, with respect to the disposition of assets of inactive student organizations, “class organizations shall designate a beneficiary by the end of the first semester of the senior year.”

Condition: We noted that several dormant student class accounts contained unspent balances for which no beneficiary was named. As of February 8, 2010, class accounts for the classes of 2005, 2006, 2007, and 2009 had balances totaling \$6,285, \$4,969, \$18,724, and \$3,813, respectively.

Effect: There was a lack of compliance with CSUS Board of Trustees Resolution #86-61. Absent a named beneficiary, unspent balances in class accounts could be disposed of in a manner inconsistent with the wishes of the associated class.

Cause: It is unknown why beneficiaries were not selected for the unspent balances of class accounts.

Recommendation: The University’s Office of Student Life should take steps to ensure that class organizations name beneficiaries for class accounts as required by CSUS Board of Trustees Resolution #86-61. (See Recommendation 19.)

Agency Response: “The University agrees with this finding. Student Life staff will contact past presidents to secure Beneficiary Forms from the class of 2005, 2006, 2007, 2008, 2009 and 2010. In addition, securing this document from the current class will become an annual priority. These changes will be completed by May 2011.”

Core-CT Information System Access Controls:

Background: In regard to information systems, the Connecticut State University System primarily uses an electronic information system, known as Banner, to keep its accounting and student academic records. CSUS is considered a limited scope agency when it comes to Connecticut government’s centralized financial and administrative information system, Core-CT, which CSUS uses primarily to process payroll and human resources data.

Criteria: Access to information systems should be limited to only appropriate employees who need such access.

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

Condition: Our review of controls over the University's information technology systems disclosed the following:

- Nine Human Resources Department employees were concurrently provided Agency HR Specialist, Agency Payroll Specialist, and/or Agency Time and Labor Specialist roles in the Core-CT information system. In other words, such employees had write access to both the Core-CT human resources and payroll systems, which enabled them to both add people to the payroll and process payments to them.
- One Accounting Department employee held write access to the payroll information system in Core-CT but did not appear to need such access, nor did such access seem appropriate for this employee.

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

Cause: With respect to the Human Resources Department employees who held write access privileges to both human resources and payroll systems, it appears that the University took the position that such employees were the best suited to perform certain data entry functions within the Core-CT system, and those functions required such access.

It is unknown why an Accounting Department employee was granted write access to the Core-CT payroll system.

Recommendation: The University should regularly review information system access privileges granted to employees to determine if such access is appropriate. Further, the University should remove access privileges from those employees who have unnecessary access to such systems. (See Recommendation 20.)

Agency Response: "The University agrees with this recommendation. Action was taken in 2009 to limit the number of people with HR and benefit access and privileges. Further, the Human Resource Core-CT Security Liaison annually reviews the access privileges of University users in Core-CT to ensure that each maintains the need for their access privileges."

E-mail Policy:

- Criteria:* The State of Connecticut’s *Acceptable Use of State Systems Policy* prohibits users of the state’s e-mail system to distribute union information via state e-mail. The policy goes on to say that, “Should conflict exist between this policy and an agency policy, the more restrictive policy should take precedence.”
- Condition:* The University’s *Mass E-mail Procedures and Restrictions* policy states that, “Union leadership will continue to have access to the state-supported email system to conduct union business as consistent with current practices.” The University informed us that several employee unions have local chapters on campus and that such unions have access to the University’s e-mail system to communicate with their member employees on campus, all of whom, including union leaders and union members, are University employees.
- Effect:* The University’s e-mail policy conflicts with the State of Connecticut’s *Acceptable Use of State Systems Policy*, which does not allow users of the state’s e-mail system to distribute union information via state e-mail.
- Cause:* Connecticut State University System management informed us that it has long been considered consistent with employee collective bargaining agreements at the CSUS to allow union members to distribute union information via University e-mail systems. However, our review of several such agreements disclosed that they do not specifically address such e-mail access.
- Recommendation:* The University should revise its e-mail policy to comply with the State of Connecticut’s *Acceptable Use of State Systems Policy* regarding the distribution of union information via the state’s e-mail system. (See Recommendation 21.)
- Agency Response:* “The University agrees with this finding. The current policy reads, in part: *“The computers, electronic mail, Internet access and voice mail systems are University property and are intended for official business. University business includes, but is not limited to, communication between and among staff members and with individuals and professional or educational organizations outside of the University...”* In the next 6 months the University will examine the use of the email system to ensure compliance with state policy and collective bargaining laws.”

Connecticut Aid for Public College Students (CAPCS) Program:

- Background:* Section 10a-164a of the General Statutes establishes the Connecticut Aid

for Public College Students (CAPCS) Program. Under the program, the Department of Higher Education annually allocates appropriations received from the Board of Governors of Higher Education to each of the state's constituent units of higher education. Such allocations should be used to provide grants for educational expenses and student employment for state residents with substantial financial need enrolled in degree granting or precollege remedial programs.

Criteria: Section 10a-164a, subsection (a), of the General Statutes provides that “for each fiscal year a minimum of five per cent of the total amount of state student financial aid appropriated to each institution [under the CAPCS Program] which exceeds the amount received by each institution for the fiscal year ending June 30, 1988, shall be used for on-campus or off-campus community service work-study placements.”

Condition: In a letter dated December 15, 2010, the University reported to us that it was not in compliance with Section 10a-164a with respect to the required use of five percent of CAPCS Program allocations for on-campus or off-campus community service placements. The University informed us that for the 2008-2009 CAPCS award year, \$171,795 of its CAPCS funding should have been expended for student employment in community services activities but no community services expenditures were made. Similarly, the University reported that, for the 2009-2010 CAPCS award year, \$163,680 of CAPCS funds should have been expended for student employment in community services activities but no expenditures were made in this area.

Effect: The University did not fully comply with Section 10a-164a of the General Statutes with respect to the required CAPCS program expenditures in community services-based student employment.

Cause: It is unknown why the above noncompliance occurred.

Recommendation: The University should make CAPCS Program expenditures for student employment in community services as required by Section 10a-164a of the General Statutes. (See Recommendation 22.)

Agency Response “The University agrees with this finding. Southern Connecticut State University awarded CAPSC for the 2010-2011 year. We sent out emails to students that had financial aid eligibility notifying the students that, if interested in CAPSC, they can earn monies for doing community service work. We currently have 57 students awarded the CAPSC fund. The total allocation that we have to spend is \$155,325 for the 2010-2011 year. A financial aid counselor has been assigned to keep track of the CAPSC spending on a bi-weekly basis. He continues to award students who are interested in CAPSC and have eligibility. We will continue to follow this

process until the end of June. Anticipated completion date is the end of June 2011.”

Other Audit Examination:

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

A summary of the recommendations pertaining to Southern Connecticut State University in the *Report to Management* for the fiscal year ended June 30, 2009, are presented below:

Information technology:

- Perform a periodic review of user access privileges to the network and all mission critical applications to ensure that employee access rights are appropriate for their jobs.
- Consider logging the use of Banner IDs used to compile code in production. To mitigate the risk of unauthorized program changes, ensure the activity logs are reviewed by an individual who is independent of the migration process.
- Implement a control that tracks visitors entering the data center and perform periodic reviews of such visitors. Formally document data center access controls and periodic access review processes. Investigate the risks of having wet, hazardous pipes above the data center and having exterior windows in the data center.

RECOMMENDATIONS

Our prior audit report on the University contained 17 recommendations for improving operations, ten of which are being repeated or restated with modification in our current audit report. Our current audit report presents 22 recommendations, including 12 new recommendations in addition to the ten recommendations that are being repeated or restated from the prior audit report.

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 Human Resources Management System are accurate.** Our current audit disclosed improvement in this area. 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.** During our current audit, the University informed us that it attempted to obtain the above legal advice from the Attorney General. However, no such advice had been provided as of February 9, 2010. Therefore, the recommendation is being repeated. (See Recommendation 3.)
- **The University should comply with collective bargaining agreement provisions governing compensatory time.** We noted that weaknesses persisted in this area during the current audit period. The recommendation is being repeated. (See Recommendation 2.)
- **The University should improve internal controls and comply with the Connecticut State University System's Residence Policy.** We noted improvement in this area during our current audit. The recommendation is not being repeated.
- **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.** As noted during our prior audit, our current audit disclosed some employees have write access to both payroll and human resources functions in the Core-CT Human Resources Management System. Such access is incompatible with good internal controls. The recommendation is, therefore, being restated as part of a recommendation addressing controls over access to the Core-CT information system. (See Recommendation 20.)
- **The University should establish internal controls regarding overtime costs so that management can effectively monitor such expenses.** Our current audit disclosed improvement in this area. The recommendation is not being repeated.

- **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.** Similar to our prior audit, during our current audit, we noted that a number of inactive, non-permanent employees were not deactivated from the Core-CT human resources management system. The recommendation is being repeated. (See Recommendation 5.)
- **The University should take steps to improve internal control over the procurement process and comply with established policies and procedures.** We noted improvement in this area during our current audit. The recommendation is not being repeated.
- **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.** During our current audit, we noted that exceptions regarding personal service-related expenditures persisted. We noted instances where such purchases were initiated prior to the completion of either an approved purchase requisition, purchase order or personal service agreement. In addition, in some instances, personal service agreements were signed after the contract period had already begun. Further, in instances where entertainment services were purchased in connection with student activities, the University had no documentation certifying the receipt of such services. Therefore, we are restating the prior audit recommendation to reflect the conditions noted during the current audit. (See Recommendation 9.)
- **The University should comply with established policies and procedures and improve internal control over travel-related expenditures.** Our current audit disclosed a continued need to improve internal controls over travel expenditures. The recommendation is being repeated. (See Recommendation 8.)
- **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.** We noted late bank deposits during our current audit. The recommendation is being repeated. (See Recommendation 14.)
- **The University should follow its established policies for the collection of student accounts receivable. A review of all delinquent student accounts should be performed to ensure that the individual balances are accurate and in the appropriate stage of collection.** Though we noted that the University diligently collected an amount discovered in our prior audit as being a long outstanding receivable from the District of Columbia Tuition Assistance Grant Program, we noted further exceptions regarding the collection of delinquent student accounts. Therefore, the recommendation is being repeated with modification. (See Recommendation 13.)

- **The University should formally document all partnership agreements to ensure that all of the terms of the agreement are recorded. The University should resolve all outstanding billing adjustments for those participants enrolled in the Paraprofessional Program.** Our current audit disclosed some improvement in this area. It appears that the University correctly charged students enrolled in the program. Also, University student accounts indicated that such students had no corresponding balances owed to the University, and that outstanding billing issues noted in our prior audit have been resolved. However, there was still no formal written agreement detailing the terms of the Paraprofessionals-to-Teachers Program entered into by the University, Gateway Community College, and the New Haven School system. Though the University's Paraprofessional-to-Teachers Program concluded at the end of the Fall 2009 term, we are repeating this recommendation, in part, to emphasize the need to establish formal written agreements whenever the University enters into such agreements. (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.** During our current audit, we noted that weaknesses persisted regarding controls over the University property inventory. The recommendation is being repeated in revised form to reflect conditions noted during our current audit. (See Recommendation 10.)
- **The University should comply with established policies and procedures and improve internal control over University-administered construction projects.** We noted improvement in this area. The recommendation is not being repeated.
- **The University should comply with its established procedures for granting and/or terminating employees' access privileges to its information system and/or Core-CT.** The recommendation was implemented during the current audit period. The recommendation is not being repeated.
- **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.** We noted improvement over software inventory control during the audited years. The recommendation is not being repeated.

Current Audit Recommendations:

1. **The University should work to improve internal controls over librarian time sheets and attendance and leave records; should ensure that employee time sheets, in general, are signed and dated by employees and their supervisors only after related work has been performed; and should follow its established overtime approval process policy for maintenance employees.**

Comment:

Library staff time sheets did not provide for the earning and use of holiday

compensatory time. We noted several instances in which Core-CT system attendance and leave records for library staff did not reflect the use of leave time by such employees. In addition, we noted six time sheets that included the Director of Library Services' signatures of approval but did not appear to be physically signed by the director. Apart from the library staff, we also noted instances where supervisors or employees signed time sheets prior to the end of corresponding pay periods. In addition, in some instances, either employees or supervisors neglected to date their time sheet signatures even though the University's time sheets call for such dates. In some instances, time sheets for maintenance employees who recorded overtime hours were not signed by the University-required Vice President or Dean.

- 2. The University should improve controls over employee compensatory time by following the applicable requirements established in employee collective bargaining agreements and existing University policies.**

Comment:

In some instances, records of SUOAF-AFSCME union employees' compensatory time balances either were not adjusted downward on the dates specified by the collective bargaining agreement or were adjusted incorrectly. Also, in some instances, employees were allowed to use compensatory time in excess of their available balances. In other instances, employees were allowed to accrue compensatory time balances that exceeded the ten-day maximum specified in the SUOAF-AFSCME collective bargaining agreement.

- 3. The University should continue pursuing legal advice from the Attorney General regarding old, incorrect payments made to former employees for unused vacation and sick leave. Further, the University should attempt to collect the overpayment for accrued sick leave at retirement noted during our current audit.**

Comment:

Though attempted during the audited period, the University did not receive legal advice from the Attorney General regarding the collection of old overpayments for sick leave and vacation leave upon employee termination. During our current audit, we noted that the University overpaid an employee \$2,758 in gross pay for accrued sick leave at retirement.

- 4. The University should retain employee background check reports on durable media to comply with the State Library's records retention requirements.**

Comment:

The University relies on its employee background check contractor to retain records of employee background checks performed and does not retain such records on any form of durable media.

5. **The University should monitor its active non-permanent employee records more frequently to identify those employees who are no longer active, and should deactivate corresponding inactive employee records in the Core-CT information system.**

Comment:

Core-CT information system records of inactive, non-permanent employees were not always deactivated in the Core-CT system in a timely manner.

6. **The University should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by promptly documenting, through signed certifications, that no conflicts exist in instances where an employee holds multiple state positions.**

Comment:

Dual employment certification forms were not completed for ten-month faculty members who held secondary, summer positions. Also, in some instances, dual employment certifications were signed after employees began their secondary positions.

7. **The University should improve its compliance with Section 4-33a of the General Statutes by promptly reporting all instances of improper use of state resources to both the State Comptroller and the Auditors of Public Accounts. Further, the University should seek restitution from the above former employee for payroll payments made for pay periods when the employee improperly used sick leave.**

Comment:

Although the University properly reported an employee's abuse of sick leave to the Auditors of Public Accounts, this condition was not reported to the State Comptroller. Further, the University has not attempted to recover the payroll amounts that were paid to an employee for sick leave use that was later determined to be inappropriate.

8. **The University should improve internal controls over travel expenditures by complying with the Connecticut State University System's *Travel Policies and Procedures* manual.**

Comment:

We noted instances where travel expenditures were coded to incorrect accounts, instances where the Director of Athletics did not sign team travel rosters acknowledging approval of the travel party, and instances where travel reimbursement forms were not submitted to the Travel Office in a timely manner, among other exceptions.

- 9. The University should improve internal controls over purchases of personal services by making sure that personal service agreements and purchase orders are executed in a timely manner, and by documenting acknowledgement that entertainer services purchased have been rendered.**

Comment:

At times, personal service agreements and purchase orders for personal services were signed after the contract period had begun. In instances where the University contracted for entertainer services in connection with student activities, there was no documentation of the University's acknowledgement of the receipt of such services.

- 10. The University should periodically consider having its works of art appraised, should report losses or damage of University property to the appropriate state agencies in a timely manner, and should take steps to improve the accuracy of its stores and supplies inventory control records.**

Comment:

The University's artwork has not been appraised in recent years. Consequently, the value of such artwork is uncertain. At times, reports of losses or damage to University property were not submitted to the Office of the State Comptroller and the Auditors of Public Accounts in a timely manner and, on occasion, not submitted at all. In some instances, stores and supplies inventory records did not appear to be accurate.

- 11. The University should maintain vehicle mileage logs for all of its vehicles as required by the Department of Administrative Services.**

Comment:

During the audited period, the University discontinued the use of motor vehicle mileage logs to track the use of its motor vehicles.

- 12. The University should establish written agreements detailing the terms, timeframe, and responsibilities of the parties involved when entering into partnerships with other entities.**

Comment:

As noted during our prior audit, the University did not establish a formal written agreement with Gateway Community College and the New Haven Public School System regarding the Paraprofessionals-to-Teachers Program.

- 13. The University should adhere to its established policy on the collection of past due student accounts.**

Comment:

In some instances, the University did not place holds on past due student accounts. At times, the University did not refer delinquent student accounts to an initial collection agency in a timely manner. We also noted instances where final past due notices were not sent to student debtors promptly.

- 14. The University should improve the timeliness of its bank deposits by adhering to the prompt deposit requirements of Section 4-32 of the General Statutes.**

Comment:

We noted late bank deposits during the audited period. Most of the deposit delays noted were one day past the 24-hour deadline established by Section 4-32 of the General Statutes.

- 15. The University should improve controls over revenue-generating agreements by ensuring that such contracts are signed before related services are provided. Such contracts should be submitted to the Attorney General in a timely manner for review and approval. Further, the University should monitor and enforce the terms of such agreements to ensure prompt payment of commissions and prompt remission of associated payments due to contractors.**

Comment:

The University's commission agreement for food services was signed by both the contractor and the University about one month after the contract start date. Various contractors who entered into University revenue generating agreements, at times, did not pay the University the specified contractual amounts in a timely manner. Among other related exceptions, we also noted an instance where the University implemented an amendment to a revenue-generating agreement prior to the Attorney General's approval of the amendment.

- 16. The University should ensure that bank statement and available cash reconciliations are performed correctly and in a timely manner, and should promptly resolve any outstanding items noted when performing such reconciliations.**

Comment:

We noted that certain bank account and available cash reconciliations were not completed in a timely manner. Some of the items listed on such reconciliations had been outstanding for periods ranging from one and a half months to more than three years. Also, some of the University's bond fund reconciliations included amounts that did not

agree with the University's accounting records and were thus incorrect.

- 17. The University should ensure that it maintains adequate records of student newspaper advertising revenue and other student activity account revenue. Such records should include the date of receipt as well as the source and amount of the receipt. Also, the University should re-emphasize that student organizations should deliver funds generated from student events to the Bursar's Office in a timely manner.**

Comment:

The University's student newspaper, *Southern News*, did not maintain records of the dates when advertising revenue was received. In addition, in some instances, student organizations did not submit organization receipts to the Bursar's Office in a timely manner, which resulted in bank deposit delays.

- 18. The University should ensure that expenditures charged to the student activity trustee account are properly approved in accordance with a system of good internal controls, such as those established by the University's policies for student clubs and organizations.**

Comment:

At times, payments charged to student activity accounts lacked proper documented approval. In some instances, either a Payment Request Form was not completed, or was not signed by the appropriate member of the student organization or by the student organization faculty adviser.

- 19. The University's Office of Student Life should take steps to ensure that class organizations name beneficiaries for class accounts as required by CSUS Board of Trustees Resolution #86-61.**

Comment:

Several dormant student class accounts contained unspent balances for which no beneficiary was named.

- 20. The University should regularly review information system access privileges granted to employees to determine if such access is appropriate. Further, the University should remove access privileges from those employees who have unnecessary access to such systems.**

Comment:

We noted nine Human Resources Department employees who were provided write access to both payroll and human resources functions within the Core-CT Human Resources Management System. Such access is incompatible with the proper

segregation duties necessary to maintain good internal controls. We also noted that an Accounting Department employee was provided write access to payroll functions within Core-CT but does not appear to need such access.

- 21. The University should revise its e-mail policy to comply with the State of Connecticut's *Acceptable Use of State Systems Policy* regarding the distribution of union information via the state's e-mail system.**

Comment:

The University's e-mail policy allows the distribution of union information via the University's e-mail system, while the State of Connecticut's *Acceptable Use of State Systems Policy* does not allow such use.

- 22. The University should make CAPCS Program expenditures for student employment in community services as required by Section 10a-164a of the General Statutes.**

Comment:

The University reported to us that it did not make the required CAPCS Program expenditures for student employment in community services during the 2008-2009 and 2009-2010 award years.

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, 2008 and 2009. 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, 2008 and 2009 are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

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

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

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

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the University'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 University's internal control. We consider the following deficiency, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be a significant deficiency in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 1 – insufficient controls over certain employee time sheets.

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 University's financial operations, noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions, and/or material financial misstatements by the University will not be prevented or detected by the University's internal control.

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

Compliance and Other Matters:

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

The results of our tests disclosed 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 the University's 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 the University's management, the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of

public record and its distribution is not limited.

CONCLUSION

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



Daniel Puklin
Principal Auditor

Approved:



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts