

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
BOARD OF REGENTS FOR HIGHER EDUCATION  
SOUTHERN CONNECTICUT STATE UNIVERSTIY  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013*

**AUDITORS OF PUBLIC ACCOUNTS**  
JOHN C. GERAGOSIAN

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# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

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ROBERT M. WARD

February 15, 2016

### **INTRODUCTION AUDITORS' REPORT BOARD OF REGENTS FOR HIGHER EDUCATION SOUTHERN CONNECTICUT STATE UNIVERSITY FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013**

We have audited certain operations of Southern Connecticut State University (university) in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2012 and 2013. The objectives of our audit were to:

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

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

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

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

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

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

## 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 Eastern Connecticut State University in Willimantic, Central Connecticut State University in New Britain, and Western Connecticut State University in Danbury. During most of the audited period, the university was administered by the Board of Trustees for CSUS through its central office, known as the System Office, in Hartford. Effective January 1, 2012, a consolidation of the administration of the state's public higher education institutions was implemented, with a new Board of Regents for Higher Education serving as the administrative office for CSUS, the Connecticut Community College System, and Charter Oak State College. CSUS, currently part of the Connecticut State Colleges and Universities (ConnSCU) System and a constituent unit of the State of Connecticut's system of higher education, operated principally under the provisions contained in Sections 10a-87 through 10a-101 of the General Statutes.

Dr. Stanley Battle served as acting president from May 14, 2010 through December 31, 2011. Dr. Mary Papazian was appointed university president effective January 31, 2012, and continued to serve in that capacity for the remainder of the audited period and into the summer of 2016. Dr. Joe Bertolino was appointed president effective August 22, 2016.

## Recent Legislation

The following notable legislative changes affecting the university took effect during the audited period:

- Public Act No. 11-43, effective July 1, 2011, expanded in-state tuition benefits to include certain students attending state public higher education institutions, including those without legal immigration status, who reside in Connecticut.
- Public Act No. 11-48 (Section 22), effective July 1, 2011, required the state's higher education institutions to work with the secretary of the Office of Policy and Management, the Department of Administrative Services, and the State Comptroller to more fully utilize the state's Core-CT information system. Effective July 1, 2011, Sections 211 through 227 and Section 230 of the act consolidated the administration of all the state's public higher education institutions, except the University of Connecticut, under a new Board of Regents for Higher Education (BOR). Effective January 1, 2012, the BOR replaced the Board of Trustees for the Connecticut State University System (BOT). The BOT, subject to BOR oversight, served during the transition period.
- Public Act No. 11-52 required, among other things, that state employers provide paid sick leave to certain service workers, including student workers, beginning on January 1, 2012, at the rate of one hour of paid sick leave for each 40 hours worked.
- Public Act No. 13-4, effective upon passage (April 22, 2013), Section 1 of this act modified Section 10a-1b of the General Statutes, shifting the responsibility of appointing the president of the Board of Regents for Higher Education from the Governor to the Board of Regents for Higher Education.

## Enrollment Statistics

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

	<u>Fall 2011</u>	<u>Spring 2012</u>	<u>Fall 2012</u>	<u>Spring 2013</u>
Full-Time Undergraduate	7,524	6,898	7,289	6,627
Full-Time Graduate	938	839	845	805
Total Full-Time	<u>8,462</u>	<u>7,737</u>	<u>8,134</u>	<u>7,432</u>
Part-Time Undergraduate	1,172	1,287	1,236	1,296
Part-Time Graduate	1,899	1,776	1,747	1,753
Total Part-Time	<u>3,071</u>	<u>3,063</u>	<u>2,983</u>	<u>3,049</u>
<b>Total Enrollment</b>	<b><u>11,533</u></b>	<b><u>10,800</u></b>	<b><u>11,117</u></b>	<b><u>10,481</u></b>

The average of the fall and spring semesters' total enrollment was 11,167 and 10,799 during the 2011-2012 and 2012-2013 fiscal years, respectively, compared to an average of 11,613 during the 2010-2011 fiscal year. Enrollment declined slightly with the total average number of enrolled students decreasing by 446 (3.8 percent) from fiscal year 2011 to 2012 and 368 (3.3 percent) from 2012 to 2013.

**RÉSUMÉ OF OPERATIONS**

During the audited period, university operations were primarily supported by appropriations from the state's General Fund and tuition and fees credited to the university's Operating Fund. In addition, the university received capital project 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 ConnSCU System were made available to the ConnSCU 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 primarily consisted of student tuition payments received by the university. Under the provisions of Section 10a-99 subsection (a) of the General Statutes, tuition charges were set by the Board of Regents for Higher Education. The following presents annual tuition charges for full-time students during the audited fiscal years:

	<b>2011 - 2012</b>			<b>2012 - 2013</b>		
Student Status:	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduate	\$ 4,124	\$ 13,346	\$ 6,186	\$ 4,285	\$ 13,866	\$ 6,427
Graduate	5,137	14,311	7,707	5,337	14,869	8,008

In accordance with Section 10a-67 of the General Statutes, the Board of Regents for Higher Education sets tuition amounts for nonresident students enrolled in the ConnSCU 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 and a State University Fee. The following presents these fees, on an annual basis, during the audited fiscal years:

	<b>2011 - 2012</b>			<b>2012 - 2013</b>		
Fee Description:	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
General	\$ 2,988	\$ 2,988	\$ 2,988	\$ 3,086	\$ 3,086	\$ 3,086
State University	966	2,368	966	1,000	2,451	1,000

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 Fee (double occupancy) and Food Service Fee during the audited period:

Fee Description:	<u>2011 - 2012</u>	<u>2012 – 2013</u>
Housing	\$ 5,633	\$ 5,859
Food Service	4,553	4,782

### Operating Revenues

Operating revenues are derived from the sale or exchange of goods and services relating 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 previous fiscal year follow:

	<u>2010 – 2011</u>	<u>2011 - 2012</u>	<u>2012 – 2013</u>
Tuition and Fees (net of scholarship allowances)	\$ 77,254,118	\$ 75,199,803	\$ 76,414,065
Federal Grants and Contracts	13,473,381	14,496,912	14,362,559
State and Local Grants and Contracts	5,047,802	4,743,182	4,061,403
Non-Governmental Grants and Contracts	1,703,563	1,895,478	1,872,935
Indirect Cost Recoveries	280,870	229,889	224,196
Auxiliary Revenues	24,192,814	24,994,518	24,788,281
Other Operating Revenues	<u>4,595,267</u>	<u>11,240,907</u>	<u>11,838,903</u>
Total Operating Revenues	<u>\$ 126,547,815</u>	<u>\$ 132,800,689</u>	<u>\$ 133,562,342</u>

Operating revenues totaled \$132,800,689 and \$133,562,342 during the fiscal years ended June 30, 2012 and 2013, respectively, compared to \$126,547,815 during the fiscal year ended June 30, 2011. These revenues increased \$6,252,874 (4.9 percent) and \$761,653 (0.6 percent) during the 2012 and 2013 fiscal years, respectively.

The increase in operating revenues during the fiscal year ended June 30, 2012 can be primarily attributed to an increase in Connecticut Health and Educational Facilities Authority (CHEFA) bond receipts (accounted for under the Other Operating Revenues category above) earmarked for improvements to nonacademic buildings.

The small increase in operating revenues during the fiscal year ended June 30, 2013 was due, in part, to an increase in tuition and fee rates, offset by a decrease in 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, professional services, supplies, 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>2010 – 2011</u>	<u>2011- 2012</u>	<u>2012 – 2013</u>
Personal Service and Fringe Benefits	\$ 129,112,839	\$ 127,353,503	\$ 133,418,433
Professional Services and Fees	8,145,203	7,783,456	7,850,049
Educational Services and Support	29,653,846	30,062,704	29,116,697
Travel Expenses	1,535,312	1,642,004	1,657,381
Operation of Facilities	11,676,883	11,020,329	10,080,142
Other Operating Supplies and Expenses	5,210,649	7,708,508	5,183,256
Depreciation Expense	13,763,624	14,087,842	18,002,730
Amortization Expense	51,475	45,105	37,320
Total Operating Expenses	<u>\$ 199,149,831</u>	<u>\$ 199,703,451</u>	<u>\$ 205,346,008</u>

Operating expenses totaled \$199,703,451 and \$205,346,008 during the fiscal years ended June 30, 2012 and 2013, respectively, compared to \$199,149,831 during the fiscal year ended June 30, 2011. These expenses increased \$553,620 (0.3 percent) and \$5,642,557 (2.8 percent) during the 2012 and 2013 fiscal years, respectively.

The slight increase in operating expenses during fiscal year 2012 was due, in part, to an expense accrued during the 2012 fiscal year, amounting to some \$1.6 million, for the estimated cost of a refund of federal student financial assistance program funds to the federal government. A U.S. Department of Education review noted that the university did not adequately monitor the enrollment status of certain student recipients. As a result, there was insufficient confirmation to determine whether students awarded Title IV federal program student aid funds met the enrollment eligibility requirements. The expense associated with this refund is classified under the Other Operating Supplies and Expenses category above.

The increase in operating expenses during the 2013 fiscal year can be largely attributed to an increase in depreciation expenses. During the 2013 fiscal year, the completion of a portion of the newly renovated library and the new School of Business building increased facility depreciation costs compared to the previous year.

## **Nonoperating Revenues**

Nonoperating revenues are not derived 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 Division of Construction Services.

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

	<u>2010 – 2011</u>	<u>2011 – 2012</u>	<u>2012 – 2013</u>
State Appropriations	\$ 72,489,017	\$ 61,458,533	\$ 65,841,375
Gifts	297,896	303,191	202,704
Investment Income	174,622	131,733	133,790
State-Financed Plant Facilities	-	-	34,036,441
Other Nonoperating Revenues	<u>883,337</u>	<u>732,334</u>	<u>611,777</u>
Total Nonoperating Revenues	<u>\$ 73,844,872</u>	<u>\$ 62,625,791</u>	<u>\$ 100,826,087</u>

Nonoperating revenues totaled \$62,625,791 and \$100,826,087 during the fiscal years ended June 30, 2012 and 2013, respectively, compared to \$73,844,872 during the fiscal year ended June 30, 2011. The decrease in nonoperating revenues during the 2013 fiscal year, totaling \$11,219,081 (15.2 percent), can be primarily attributed to a decrease in state appropriations received. Nonoperating revenues increased \$38,200,296 (61 percent) during the 2013 fiscal year. This increase is mostly the result of an increase in the amount of state-financed plant facilities revenues during the 2013 fiscal year. In particular, during the 2013 fiscal year, the university recognized the receipt of state-financed plant facilities revenues, which totaled \$34,036,441, upon the completion of capital projects administered by the Department of Administrative Services - Department of Construction Services. Projects completed included interior renovations of the campus police station, an administrative building roof replacement, the renovation of the School of Business building, and the construction of a parking garage.

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

The Southern Connecticut State University Foundation, Inc. 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 organizations that support state agencies. The requirements address the annual filings of an updated list of board members with the state agency for which the foundation was established; financial recordkeeping 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, 2012 and 2013, in accordance with Section 4-37f subsection (8) of the General Statutes. The auditors expressed unqualified

opinions on the foundation's financial statements in both fiscal years. In addition, the auditors in their reports opined that the foundation complied, in all material respects, with Sections 4-37e through 4-37i of the General Statutes.

The foundation's financial statements reported support and revenues totaling \$1,819,661 and \$5,106,899 during the fiscal years ended June 30, 2012 and 2013, respectively. Net assets totaled \$17,219,889 and \$20,142,061 as of June 30, 2012 and 2013, respectively.

## STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

### Employee Attendance and Leave and Compensatory Time Records

*Criteria:* State employee collective bargaining agreements and Connecticut State University System personnel policies for unclassified employees in the Connecticut State University System establish criteria for leave time accruals for employees within the Connecticut State University System.

Proper internal controls require that employers stop crediting and recording employee leave time upon the employee's separation from employment. Furthermore, leave balances should be eliminated upon an employee's separation from state service to accurately reflect the university's liability for unused leave.

Article 16 of 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."

*Condition:* We tested the attendance and leave records of five employees who separated from university employment during the audited period and noted the following:

1. Seven instances in which the university did not reduce an employee's sick or vacation leave balance to zero upon separation from university employment. In four of these instances, the employee's leave time continued to accrue and was recorded in attendance records after the employee's separation from university employment.
2. One instance in which the university reduced an employee's leave time balances upon the employee's separation from university employment. However, sick and vacation leave continued to accrue in the employee's attendance records for roughly eight months after the employee's separation.

We reviewed the compensatory records of ten university employees who earned or used compensatory time during the audited period and noted the following:

1. One instance in which the university did not reduce an employee's compensatory time balance to reflect 3.5 hours of unused, expired time. The SUOAF collective bargaining agreement requires such an adjustment. Furthermore, we noted that because this adjustment was not made, the employee was allowed to use these hours when they should not have been available.
2. Two instances in which the university did not promptly reduce the compensatory time balances of employees in the SUOAF bargaining unit. In both instances, the university adjusted the employees' expired compensatory time balances on August 23<sup>rd</sup>, six business days after the August 15<sup>th</sup> required adjustment date specified in the SUOAF collective bargaining agreement.
3. One instance in which a SUOAF union employee accrued compensatory time in excess of the ten-day maximum stipulated in the SUOAF collective bargaining agreement without receiving the required approval from the chief human resources officer. At the end of October 2012, the employee's compensatory time balance exceeded the maximum by 13.5 hours.

*Effect:*

Certain university attendance and leave records were overstated with respect to employee leave time balances as they included balances that should have been eliminated upon the employee's separation from service. This could, in turn, result in overstatements of the university's reported liability for accrued employee leave time.

Regarding the compensatory time exceptions noted, in some instances, the university did not comply with compensatory time requirements established in the SUOAF collective bargaining agreement.

*Cause:*

Existing controls were not effective in preventing this condition.

*Recommendation:*

Southern Connecticut State University should improve controls over employee attendance and leave records to ensure that leave time accruals are discontinued and leave time balances are eliminated upon an employee's separation from university employment. The university should also take steps to improve compliance with the compensatory time requirements set by the SUOAF collective bargaining agreement. (See Recommendation 1.)

*Agency Response:* “The university agrees with this finding. Changes in the process for leave time balances in the last four calendar years now includes adding negative amounts into the appropriate leave plan and inactivating all leave plans upon employee termination to ensure all balances are properly removed. Compensatory time is audited by Payroll each pay cycle to ensure employees don’t exceed maximums established by the collective bargaining agreements.”

## **Dual Employment**

*Criteria:* Section 5-208a of the General Statutes bars state employees from being compensated by more than one state agency, or for more than one position within the same agency, unless the appropriate certification is in place. This certification attests 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 the personnel records of nine university employees who were concurrently employed in more than one state position during the audited years disclosed the following exceptions:

1. One instance in which a university employee simultaneously held a secondary position at another state agency without a completed dual employment certification form on file. In this instance, the university paid the employee \$38,801 in gross pay during the dual employment period. The secondary state agency paid the employee \$4,312 in gross pay during this period.
2. One instance in which a university employee concurrently held multiple positions within the university without an approved dual employment form in place. The university paid the employee \$20,834 in gross pay for services performed during the dual employment period.
3. One instance in which an employee held multiple positions within the university but the related dual employment form was approved by the university after the fact. The university signed the dual employment certification after the end of the dual employment period. In this instance, the university paid the employee \$13,675 in gross pay for services performed for these 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 decreased assurance that no

conflicts of interest or schedules existed between primary and secondary positions for dually employed individuals.

*Cause:* Existing controls did not prevent these conditions.

*Recommendation:* Southern Connecticut State University should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by promptly documenting, through signed certifications, that an employee holding multiple state positions is free of any conflicts of interest or conflicts in schedules. (See Recommendation 2.)

*Agency Response:* “The university agrees with this finding. The Office of Human Resources continually enhances its record keeping regarding dual-employment to assure both agencies have signed the forms and maintains the signed forms in the employees’ personnel file. We also include the requirement in the letter of appointment to new employees and existing employees. Current academic year forms are filed into the employees’ files at the end of that academic year.”

### **Payroll Payments to Federally Funded Employees**

*Criteria:* Title 2 Code of Federal Regulations Section 200.430(h)(2) (formerly OMB Circular A-21) provides that “charges for work performed on federal awards by faculty members during the academic year are allowable at the IBS (institutional base salary) rate.” With certain exceptions, “...in no event will charges to federal awards, irrespective of the basis of computation, exceed the proportionate share of the IBS for that period. This principle applies to all members of faculty at an institution. IBS is defined as the annual compensation paid by an IHE (institution of higher education) for an individual’s appointment, whether that individual’s time is spent on research, instruction, administration, or other activities.”

*Condition:* The university charged excess personnel costs to a federal award (CFDA 84.224 Assistive Technology, “Handheld Technology to Improve Educational Outcomes for Students with ASP”) received from the U.S. Department of Education during the audited period. In particular, the rate of pay that the university paid two faculty members for grant work exceeded the pay rate limit prescribed by Title 2 Code of Federal Regulations Section 200.430(h)(2). The code limits such charges to the faculty member’s base salary rate. The university compensated two faculty members who performed grant work at a rate of \$100 per hour for a total of 528.5 hours of grant work performed. Accordingly, we noted salary payments, totaling \$52,850, charged to the program during the audited period. However, the faculty

members' base salary rates during the audited period ranged from \$59.90 to \$63.70 per hour, which should have amounted to \$32,216 in base rate gross pay charged to the grant for the work performed. As a result, the university charged at least \$20,634 in personnel costs to the grant that exceeded the employees' base salary rates of pay.

*Effect:* The university did not comply with the personnel cost limitation set forth in Title 2 Code of Federal Regulations Section 200.430(h)(2) with respect to salaries of faculty members charged to federal programs. This led to the charging of excess, questionable costs to a federal program.

*Cause:* We could not determine the cause of this condition.

*Recommendation:* Southern Connecticut State University should ensure that personnel costs charged to federal programs are charged at a rate of pay that does not exceed the employee's base rate of pay to adhere to the requirements of Title 2 Code of Federal Regulations Section 200.430(h)(2). Furthermore, the university should work with its grantor to determine whether any of the questioned payroll costs noted during the audit should be repaid. (See Recommendation 3.)

*Agency Response:* "The university agrees with this finding. The university has addressed this issue by stating and enforcing the following policy change. The redressed policy can be found at: [http://www.southernct.edu/spar/uploads/textWidget/wysiwyg/documents/Faculty\\_and\\_Staff\\_Guide.pdf](http://www.southernct.edu/spar/uploads/textWidget/wysiwyg/documents/Faculty_and_Staff_Guide.pdf) in which page 13 which states:

In no event will the hourly rate on 10.12 time charged to federal grants exceed the faculty members' normal hourly rate of pay as calculated by payroll, unless prior approval has been received from the funding agency.

The university has discussed the possibility of repayment of any overbillings with the grantor. This is pending. The faculty member in question has continued to work at no cost to the grant since funds were exhausted at the higher rate. When this happens the university calculates the in-kind value of the extra work performed and reports it as in-kind to the funder. When the faculty member returns from the Leave of Absence, the university will verify the unpaid hours and calculate the total value of his work based upon the total hours worked on the grant multiplied by the correct hourly rate. Any overbillings will be returned to the grantor."

### **Core-CT HRMS Records of Non-permanent Employees**

- Criteria:* Sound internal controls call for the deactivation of non-permanent employee records 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:* We examined the Core-CT records of ten non-permanent employees who separated from university employment during the audited period. At the time of review in May 2014, we noted two instances in which the university did not deactivate the Core-CT employment records of employees whose period of non-permanent employment ended. In the instances noted, one of the individuals had not been an active employee for about five months; the other remained inactive for almost 11 months.
- Effect:* The number of active employee records in the Core-CT system is overstated.
- Cause:* Existing controls were not sufficient to prevent this condition.
- Recommendation:* Southern Connecticut State University should monitor its active non-permanent employee records more frequently to identify employees who are no longer active. The university should then deactivate Core-CT records of inactive employees noted. (See Recommendation 4.)
- Agency Response:* “The university agrees with the finding. Since 2014, the Office of Human Resources has created a procedure for de-activation of employee records. When an employee separates from the university, the employee’s record in Core-CT is terminated. For part-time lecturers, a report is executed after the start of the Fall and Spring semesters and compared to lecturers who have been hired for that semester. Any lecturers not employed for the Fall semester are inactivated in Core-CT. For student employees, a report is run in the fall and spring semesters. The report will include a listing of all student workers who have not been active; those no longer employed by the university are inactivated in Core-CT.”

### **Interim President’s Transition Agreement Payments**

- Background:* Dr. Stanley Battle was appointed acting president, effective May 14, 2010, and served in that capacity through December 31, 2011. Dr. Mary Papazian was appointed university president effective January 31, 2012, and remained university president through the audited period.

The Board of Regents for Higher Education Human Resources Policies for Management and Confidential Professional Employees states that an annual housing allowance shall be provided to university presidents in lieu of campus housing.

*Criteria:* According to the December 2011 employment transition agreement entered into between the university's prior interim president, Dr. Stanley Battle, and the Board of Regents for Higher Education, the interim president was provided a sabbatical leave from January 1, 2012 through March 31, 2012. The agreement further stated that, during the sabbatical, the interim president would be paid the same salary as was paid prior to the sabbatical, excluding the presidential housing allowance.

*Condition:* Our audit disclosed that the university paid its former interim president an amount in excess of the amount stipulated in the interim president's employment transition agreement. Specifically, the university paid him \$1,827 in gross pay as a housing allowance while on sabbatical, which should not have been paid, per the agreement.

*Effect:* The university did not fully comply with the stipulations in the former interim president's employment transition agreement. As a result, the university overpaid the former interim president \$1,827 in gross pay.

*Cause:* It appears that the controls in place were not sufficient to prevent this condition.

*Recommendation:* Southern Connecticut State University should pursue recovery of the overpayment made to its former interim president while he was on sabbatical. (See Recommendation 5.)

*Agency Response:* "The university agrees with the finding. The university did stop the payment in 2012 as soon as it became aware that Dr. Battle should no longer be receiving the housing allowance. In 2012, the university did not attempt to recover the overpayment. The university has sent a letter to Dr. Battle on June 2, 2016 to recover the overpayment."

*Auditors' Concluding Comments:*

The letter referred to in the university's response was dated after we brought this matter to the university's attention.

### **Purchasing of Professional Services and Other Items**

*Criteria:* It is a good business practice to defer payments to contractors until services have been completely provided.

Section 1-84, subsection (i) of the General Statutes provides, with certain exceptions, that “No public official or state employee or member of the official or employee’s immediate family or a business with which he is associated shall enter into any contract with the state, valued at one hundred dollars or more...unless the contract has been awarded through an open and public process, including prior public offer and subsequent public disclosure of all proposals considered and the contract awarded.”

According to the Connecticut State University System Procurement Manual, changes to an existing purchase order shall be made via the submission of a new purchase requisition along with an explanation for those changes.

The Connecticut State University System’s Travel Policies and Procedures Manual sets forth requirements relating to travel expenditures. These policies require that an approved travel authorization be submitted to the Travel Office at least two weeks prior to travel. Additionally, the policies require that, before each athletic team trip, the athletic director or a designee identify “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.” It goes on to state that if an advance was issued and it was greater than the total expenditure, the excess must be returned to the Travel Office with the completed travel reimbursement form.

*Condition:*

We tested 15 professional services expenditure transactions totaling \$78,454 during the period under review. Our testing disclosed one instance in which the university amended a personal service agreement in July 2011 with a firm whose principal officer was a state employee at the time. This contract extended the university’s original personal service agreement through June 30, 2012. It also increased the agreed-upon cost for services from a maximum of \$25,000 to a maximum of \$54,000. Under the terms of the contract, the contractor was to provide academic support services to student athletes.

The university, however, did not publicly advertise for bids. It, therefore, did not comply with the open and competitive purchasing requirements of Section 1-84, subsection (i) of the General Statutes, which apply when state agencies do business with state employees,

their immediate family members, or a business with which the employees are affiliated.

We tested 25 nonpayroll expenditure transactions during the audited period totaling \$576,929. This examination disclosed two instances totaling \$17,694, in which an expenditure exceeded the amount approved on a purchase order. In one of these instances, totaling \$9,984, the expenditure exceeded the approved amount on a purchase order by \$620. In the other instance totaling \$7,710, the expenditure exceeded the approved amount on a purchase order by \$45.

Our examination of 15 travel-related payments totaling \$100,261 disclosed the following:

1. Eight instances in which an approved travel roster, signed by the director of athletics or a designee, was not completed for a particular team trip. Instead, the university completed, in advance, a blanket roster including all the possible anticipated travelers for a particular sport during the sport's annual season.
2. Three instances in which a travel authorization form was not submitted in a timely manner. In the exceptions noted, travel authorizations were submitted to the university travel office 11, 21, and 96 business days late, respectively.
3. Two instances in which a travel reimbursement form, providing an accounting of travel expenses for a particular trip, was not submitted to the university travel office within the 15-day timeframe required by the Connecticut State University System travel policy. One form was submitted to the university travel office 20 business days late. In the other instance, there was no record of the date when the travel reimbursement form and unspent travel advance funds totaling \$167 were submitted to the university travel office. However, based on the date the traveler signed the reimbursement form, these items appear to have been submitted to the travel office at least 139 business days after the trip ended and 124 business days (or more than six months) after the submission was due.
4. One instance in which the university paid a contractor prior to the completion of certain services. The university issued a check to the contractor, dated October 12, 2011, in the amount of \$23,375 to cover the football team's bus transportation for the entire fall 2011 term. However, we noted that two of the trips paid for occurred after the check issuance date. One of these trips, which amounted to \$2,950, was on October 15,

2011; the other, which amounted to \$2,300, was on October 22, 2011. Therefore, the university prepaid \$5,250 for bus transportation for these two trips.

5. One instance in which an expenditure exceeded the amount approved on the travel authorization by \$346.

*Effect:* In some instances, the university did not follow its established procurement policies. As a result, controls over the university's purchasing process were weakened.

*Cause:* Established controls were not always being carried out as designed.

*Recommendation:* Southern Connecticut State University should improve internal controls over its purchasing operations by ensuring that it complies with the Connecticut State University System purchasing and travel policies. (See Recommendation 6.)

*Agency Response:* "The university agrees with the finding. The university now utilizes a Personal Services checklist which includes verifying if the prospective vendor is a state employee, is part of their immediate family, or is a business with which the employee is affiliated. The Accounts Payable department continues to monitor paperwork received for adherence to university policies and procedures. When a violation is discovered, the Accounts Payable Coordinator writes to the individual informing them of the proper procedure and requests a justification when appropriate. Since these findings were noted, the Athletics department has revised their process to assure compliance regarding travel rosters, appropriate signatures and inclusion of all dates, etc."

### **Purchasing Cards (P-Cards)**

*Criteria:* Per the Southern Connecticut State University Purchasing Card Procedures manual, every transaction charged to a purchasing card must be supported by a receipt. In addition, P-Card purchases are restricted to \$999 or less per transaction.

The university's policies also identify various restricted, unallowable purchases, such as the purchase of professional services, equipment, and gasoline.

University procedures require Director of Residence Life approval for Office of Residence Life purchasing card transactions.

It is university policy to perform audits of purchasing cardholder activity to ensure that policies and procedures are being followed.

- Condition:* We examined the activity of 15 cardholders during five months of the audited period and noted the following:
1. Thirty instances totaling \$3,366 in which a purchasing card was used to make a restricted, unallowed purchase.
    - In 28 of these instances totaling \$1,238, a purchasing card was used to purchase gasoline.
    - In one of these instances totaling \$675, a purchasing card was used to purchase professional services.
    - In one of these instances totaling \$1,453, a purchasing card was used to purchase equipment.
  2. Two instances totaling \$3,100 in which a transaction was not supported by a receipt or invoice.
  3. Five monthly cardholder statements for which the audit performed by the university did not identify all the instances of noncompliance that we noted during our testing.
  4. Three instances totaling \$1,268 in which an Office of Residence Life transaction was not approved by the Director of Residence Life.
  5. Ten instances totaling \$21,177 in which a transaction exceeded the \$999 single purchase limit.
  6. One instance in which an employee exceeded the \$10,000 monthly charge limit by \$646.
- Effect:* In some instances, the university was not in full compliance with its purchasing card procedures, which weakened internal controls in this area.
- Cause:* Established control procedures for the use of purchasing cards were not always executed properly.
- Recommendation:* Southern Connecticut State University should strengthen controls over the use of purchasing cards by taking steps to ensure it complies with established purchasing card policies and procedures.  
(See Recommendation 7.)

*Agency Response:* “The university agrees with the finding. However there are some instances where we require some latitude in determining the best way in which the P-card can be used and state as such in our P-Card manual:

‘Exemptions or questions regarding restricted purchases may be granted on a case by case basis upon the approval of a member from the Purchasing Card Program Administrator, or another member of the P-card Administration.’

The university will provide sufficient written documentation and approvals of why exceptions were/are made in order to provide clear support for those exceptions.”

### **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 they are being followed in accordance with the language of the contract.

*Condition:* We noted that various contractors who entered into revenue-generating contracts with the university did not pay the specified contractual amounts to the university in a timely manner. In the following instances, these amounts were paid to the university after the timeframes stipulated within the respective contracts:

- Ten instances, of the 18 facilities usage agreement receipts we tested, in which the university did not receive the fee specified in a facility usage agreement in a timely manner. We noted that payments totaling \$33,919 were received by the university from one to 16 business days late.

In addition, one of these facilities usage agreements, with total payments amounting to \$11,515, was not signed by a university official.

- Three instances, of the 15 commission payments we tested, in which a credit union did not promptly pay the university quarterly commission payments for on campus automatic teller machine usage. The payments for the September through December 2011 quarter, the April through June 2012 quarter, and the April through June 2013 quarter, totaling \$3,222, \$1,766, and \$1,653, respectively, were received by the university from three to 11 business days late.

- Effect:* Insufficient monitoring of revenue-generating contracts could lead to late payments of associated revenues.
- Cause:* It is unknown why contractors did not remit payments promptly.
- Recommendation:* Southern Connecticut State University should improve controls over revenue-generating agreements by monitoring and enforcing the terms of these agreements to better ensure prompt payment of commissions and other revenues due to the university. (See Recommendation 8.)
- Agency Response:* “The university agrees with this finding. An updated notice will be disseminated through the university’s Facilities Usage Committee regarding the importance of monitoring such agreements and ensuring prompt payment of commissions due. Additionally, since the previous audit, the Finance department has developed a calendar of commissions due by the university’s large contractors (i.e. B&N Bookstore and Chartwells) and email reminders to the contractors regarding the approaching commission due date(s).”

### **Student Event Revenue**

- Criteria:* Section 4-32 of the General Statutes generally 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:* We reviewed 15 student event receipts transactions totaling \$16,854 and noted the following:
1. Six instances of delayed bank deposits totaling \$8,192 in which student event receipts were deposited between one and eight business days late.
  2. Three instances in which the fundraising request form was not completed at least two weeks prior to the fundraising event. The forms were completed at least seven days late in two instances and nine in the third.
  3. Two instances in which the required fundraising request form was not on file.
- Effect:* In some instances, the university was not in full compliance with the prompt deposit requirements of Section 4-32 of the General Statutes. This exposed funds received to an increased risk of loss or theft. In addition, in some instances, the university did not adhere to its policies

regarding the timely completion of student event fundraising request forms.

*Cause:* It appears that the controls in place were not sufficient to prevent these conditions from occurring.

*Recommendation:* Southern Connecticut State University should strengthen internal controls over student event receipts by complying with the prompt deposit requirements of Section 4-32 of the General Statutes. In addition, the university should take steps to ensure that student organizations submit fundraising requests to the Office of Student Life in a timely manner. (See Recommendation 9.)

*Agency Response:* “The university agrees with this finding. The Office of Student Life & Activities continues to be proactive in their efforts to educate students involved in clubs and organizations to deposit funds within the 24 hour time allotment. The student club/organization fund raising policy is posted on the Collegiate link in the university’s website.”

### **Student Accounts Receivable**

*Background:* The university established a student payment plan that allows students to defer the payment for tuition and fees. Under the plan, students enter into an agreement that allows them to pay the university amounts owed through a series of installment payments that are due on specified dates.

*Criteria:* The Connecticut State Library, under the authority of Sections 11-8 and 11-8a of the General Statutes, establishes records retention schedules for state agencies. The state library requires that state agency accounts receivable records be retained for at least three years or until audited, whichever is later.

It is a good business practice to ensure that the university obtains documented student approval of student payment plan agreements to confirm that students approve of the terms of these arrangements.

*Condition:* Our examination of 12 delinquent student accounts during the audited period disclosed six instances in which past due collection letters for accounts resolved through in-house collections methods were not retained. The university informed us that such letters were routinely destroyed after delinquent account balances were paid. According to the university, effective during the fall of 2013, it began retaining these records.

We examined 20 student payment plan records for the audited period and noted two instances in which a payment plan initiated over the telephone was not signed and returned by the student. As a result, we could not adequately verify that the student approved the terms of the payment plan.

*Effect:* Internal control over delinquent student accounts was weakened, subjecting the university to an increased risk that amounts owed to the university would not be paid in full. Also, in some instances, the university did not comply with the records retention requirements established by the state library.

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

*Recommendation:* Southern Connecticut State University should improve controls over student accounts receivable by retaining related records, such as copies of collection letters sent, for the time period required by the Connecticut State Library. The university should also take steps to ensure that it obtains signed student agreements for all student payment plans. (See Recommendation 10.)

*Agency Response:* “The university agrees with the audit findings related to record retention regarding past due letters. The Business Office now retains an electronic copy of each letter sent on past due accounts and a copy of the signed payment plan. The Student Accounts Office establishes payment plans in person, online, and via the telephone. While a signature is not possible by telephone, the acknowledgement is the payment of the \$45.00 payment plan enrollment fee collected at the time of enrollment. Students are sent an automated email upon enrollment into a plan no matter how a student enrolls, and it does show the set-up fee along with the other details of the plan, which may be cancelled at any time without penalty. Further, as there is no interest assessed on the payment plans, it is only an agreement to pay the billed charges at a later installment date. Therefore, the lack of a signature doesn't prohibit our ability to collect the billable charges. This is similar to students who have not enrolled in any plan being held responsible for billed charges.”

### **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.

A system of sound internal controls requires that purchases be properly approved prior to ordering goods and services.

The university's Policies Governing Clubs and Organizations Manual states that "all expenditures are made by a university check against a completed Payment Request Form." The manual goes on to state that "payment request forms must be signed by the organization's treasurer and faculty advisor."

The manual also requires that "officers of funded organizations must submit minutes from their meetings to the Office of Student Life via email. These minutes must clearly indicate all action taken by the group, particularly that concerning financial matters."

*Condition:*

We examined 25 purchases totaling \$119,329, which were charged to student activity trustee accounts during the audited period and noted the following:

1. Six instances totaling \$13,616 in which a student activity account purchase was initiated before proper approval documentation (purchase requisition, purchase order, personal service agreement, and/or minutes of student organization meetings authorizing the purchase) was in place.
2. Five instances totaling \$8,854 in which a student activity account purchase was not adequately supported by documentation of approval of the expenditure by the student organization.
3. One instance totaling \$3,024 in which the university did not pay a contractor for services provided in a timely manner. The university issued a check to the contractor 24 business days after the due date stipulated in the contract.

*Effect:*

The university, at times, did not comply with the Policies Governing Clubs and Organizations Manual with respect to maintaining minutes of student organization meetings and preparing payment request forms signed by student organization officers. As a result, there was less assurance that payments made met the approval of student organizations.

*Cause:*

In some instances, established controls were not being carried out as designed.

The university's Office of Student Life informed us that it does not require, nor would it be practical for, individual student activity account purchases charged to certain accounts, such as club sports, to

be supported by approvals recorded in minutes of student organization meetings. Rather, these expenses are processed if they fall within the budgets approved by the Student Government Association.

*Recommendation:* Southern Connecticut State University should improve controls over student activity account expenditures by following its own procedures detailed in the Policies Governing Clubs and Organizations Manual. The university should maintain minutes of student organization meetings and payment request forms signed by student organization officers to support student activity purchases. In addition, the university should take steps to ensure that proper approvals are in place before student activity account purchases are initiated. (See Recommendation 11.)

*Agency Response:* “The university agrees with this finding. Currently, the Office of Student Life & Activities does not require Programs Council, Club Sports or Student Government to record their approvals in student organization meetings. However, Student Government passes a budget through a formal vote that addresses each line item that affects these areas. While they may not approve an expenditure for a specific music artist or novelty, they are approving a “concert” line (as an example) in the Programs Council budget. The Director and staff continually revisit all of the financial policies governing clubs and organizations before the end of the year to ensure sound fiscal management. Payment request forms are checked by the Office of Student Life & Activities for accuracy and completeness. If the document is missing signatures, it is returned to the student advisor for completion.”

### **Information Technology Disaster Recovery Plan**

*Criteria:* Disaster recovery and business continuity plans should be established to help minimize the risks of negative business impact in the event of an information technology service interruption. These plans should be updated regularly and routinely tested to ensure systems and data can be recovered promptly following a disaster or other interruption.

Furthermore, the university’s disaster recovery plan states that “the members of the Disaster Response Team are responsible for testing the plan at least once per year.”

*Condition:* The university informed us that, at the time of our examination in March 2014, the disaster recovery plan in place at the university was never tested.

*Effect:* Without periodic testing, there is decreased assurance that the disaster recovery plan will produce the intended results.

*Cause:* It is unknown why the university's disaster recovery plan was not tested.

*Recommendation:* Southern Connecticut State University should comply with the testing requirement of its disaster recovery plan, which states that the plan be tested on an annual basis. The results of these tests should be documented. (See Recommendation 12.)

*Agency Response:* "The university agrees with this finding. SCSU's current IT leadership, which is not the team that created or last commented on the DR plan in question, agrees with the findings of the auditor. The current IT leadership reviewed the old DR plan and decided it needed serious revisions. An interim DR plan was submitted and is undergoing further improvements. This will be a continuous improvement process.

The IT – DR plan is directly tied to SCSU's Emergency Management Plan (EMP) and will be inextricably tied to the Business Continuity Plan (BCP) that is also under development. The current IT leadership agrees that some form of testing is needed. As part of the EMP exercise in January 2016 and the DR plan revision, IT performed a DR exercise/review that should not be considered a full test, but brought to the forefront how DR would be handled."

## **IT System Access and Data Breaches**

*Background:* The ConnSCU System uses an enterprise administrative information system, known as Banner, to maintain its accounting and student academic records. The ConnSCU System is considered a limited scope agency with respect to the Connecticut state government's centralized financial and administrative information system, Core-CT, which the ConnSCU System uses primarily to process payroll and human resources data.

*Criteria:* A good internal control system requires a separation of duties among employees so that certain 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 to reduce the risk of error or fraud.

Internal controls should limit access to information systems to only properly authorized individuals. This authorization should be documented.

Sound internal controls over information systems require that information system access granted to employees be promptly terminated upon employee separation from employment.

Section 4-33a of the General Statutes states, “all boards of trustees of state institutions, state department heads, boards, commissions, other state agencies responsible for state property and funds...shall promptly notify the Auditors of Public Accounts and the Comptroller of any unauthorized, illegal, irregular or unsafe handling or expenditure of state or quasi-public agency funds or breakdowns in the safekeeping of any other resources of the state or quasi-public agencies or contemplated action to do the same within their knowledge.”

The Board of Regents for Higher Education has established policies and procedures for the Connecticut State Universities to reduce the risks associated with data breaches. In particular, the board requires that universities reformat, rebuild, and resolve the vulnerabilities of an infected system before returning it to the user.

Board policy also requires “whenever possible, Class A (confidential) Data” to be “encrypted when stored locally, off the server, to prevent unauthorized access of stored data.”

*Condition:*

At the time of our review in April 2014, three employees from the Human Resources Department were concurrently provided the Agency HR Specialist role and the Agency Payroll Specialist and/or Time and Labor Specialist roles in the state’s Core-CT information system. In effect, the employees had write access to both the Core-CT human resources and payroll systems, which would give them the ability to independently add people to the payroll system and process payments to them.

While the university informed us that it had compensating controls in place during the audited period to offset the risk of this lack of segregation of duties, it appears that these control procedures were not adequately documented. The university’s system consists, in part, of having the Payroll Department, which is organizationally independent of the Human Resources Department, perform audits of changes in employee pay on a biweekly basis. This audit would ensure that the payroll changes made were reasonable, valid, correct, and authorized. However, these reviews are not documented. In particular, the audit does not provide for a certification that an examination was performed. Also, there are no documented supervisory reviews of these audits.

In addition, we tested 15 Banner accounts created during the 2012 and 2013 fiscal years. Our review disclosed one instance in which the university was unable to provide us with documentation to support that an employee's Banner user account was properly approved.

We also examined 15 Banner user accounts for employees who separated from university employment during the audited period. Our testing disclosed the following:

1. Five instances in which the university did not terminate an employee's Banner user accounts upon separation from the university. In these instances, the accounts were still open at the time of our review in March 2014. This means that the accounts were active for periods ranging from almost one year to more than two years after the employees separated from university employment.
2. Four instances in which the university did not promptly terminate an employee's Banner user account upon the employee's separation from the university. In the instances noted, the user accounts were disabled between five and thirteen business days after the employees had separated from the university.

Our inquiries of university management disclosed two data breaches that occurred during the audited period or shortly thereafter. The first, which occurred in March 2013, involved a university computer that was infected with malware. In this instance, it is possible that protected, confidential data were compromised. The board of regents' policy requires that universities reformat, rebuild, and resolve vulnerabilities before infected systems are returned to the user. In this instance, the university did not follow this policy.

In the second incident, which occurred in August 2013, a university employee lost a thumb drive containing unencrypted, confidential data. In this instance, the university did not follow board of regents policy, which requires "whenever possible, Class A (confidential) Data" to be "encrypted when stored locally, off the server, to prevent unauthorized access of stored data."

The university informed us that it notified the individuals whose data was compromised by the two breaches and offered them free identity theft protection services for a two-year period.

In addition, the university could not provide us evidence that it reported these data breaches to the Auditors of Public Accounts and

the State Comptroller, as required under Section 4-33a of the General Statutes.

*Effect:*

Internal controls over information systems were weakened.

In one instance noted, there was reduced assurance that an employee with access to the university's Banner information system was properly granted access to the system.

The failure to promptly deactivate employee access to information systems upon separation from employment exposes data to an increased risk of unauthorized use, corruption, or destruction.

With respect to the data breaches noted, the lack of compliance with the board of regents' data information security policies exposed confidential data to the risk of unauthorized, improper, and potentially fraudulent use. Furthermore, as the university did not report these matters to the Auditors of Public Accounts and the State Comptroller, there was noncompliance with Section 4-33a of the General Statutes.

*Cause:*

It is unknown why the university did not document its Payroll Department audits of biweekly payroll changes.

Existing controls were not, at times, being carried out as designed.

*Recommendation:*

Southern Connecticut State University should promptly deactivate information system access upon an employee's separation from university employment. In addition, the university should document Payroll Department audits of payroll changes made to ensure that such changes are valid, authorized, and correct. The university should also comply with the board of regents' information security requirements with respect to data breaches and promptly report such breaches to the Auditors of Public Accounts and State Comptroller in accordance with Section 4-33a of the General Statutes. (See Recommendation 13.)

*Agency Response:*

"The university agrees with this finding. IT leadership acknowledges that access termination is an area for continuous improvement and collaboration. Revoking access is becoming more automated, but has not achieved full automation. When HR enters a termination, access is automatically changed in Banner and an automated work ticket is generated for the A/D account to be changed. Automation efforts will continue with the incorporation of the federated ID/SSO initiative, reduction of double entry, and will be checked and supported by periodic reviews of termination lists generated and shared by HR. This is in line with the System Office's recent policy. As for

compliance with Section 4-33a, the university has revised procedures between IT and Finance to address the reporting requirements.”

### **Email Policy**

*Criteria:* The State of Connecticut’s Acceptable Use of State Systems Policy prohibits users of the state’s email system to distribute union information via state email. 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:* As noted during the prior audit of the university, the current audit disclosed that, at the time of review in June 2014, the university’s Mass E-mail Procedures and Restrictions Policy stated that, “Union leadership will continue to have access to the state-supported email system to conduct union business as consistent with current practices.”

*Effect:* The university’s practice of allowing employee unions to use its email system is not in compliance with the State of Connecticut’s Acceptable Use of State Systems Policy, which prohibits users from distributing union information via state email.

*Cause:* At the time of our review in June 2014, university management informed us that the university and the Board of Regents for Higher Education were working on resolving this issue, but had not yet resolved it.

*Recommendation:* Southern Connecticut State University should continue its efforts to resolve the conflict between its email policy and the State of Connecticut’s Acceptable Use of State Systems Policy, which prohibits the distribution of union information via the state email system. (See Recommendation 14.)

*Agency Response:* “The university agrees with the finding. The university continues to seek guidance on the matter with CSCU/BOR representatives as it is still in discussion with such parties.”

### **Property Loss Reporting**

*Criteria:* Section 4-33a of the General Statutes states, “all boards of trustees of state institutions, state department heads, boards, commissions, other state agencies responsible for state property and funds...shall promptly notify the Auditors of Public Accounts and the Comptroller of any unauthorized, illegal, irregular or unsafe handling or expenditure of state or quasi-public agency funds or breakdowns in the safekeeping of

any other resources of the state or quasi-public agencies or contemplated action to do the same within their knowledge.”

The Connecticut State University System’s Capital Asset Valuation Manual provides that “Loss of or damage to University or System Office property, whether real or personal, should be reported immediately to the Office of the State Comptroller and the Auditors of Public Accounts....”

*Condition:* We examined 15 property loss reports that the university completed during the audited period. The reports detailed property losses with an aggregate historical cost of \$37,472. Our review of these reports disclosed five instances in which loss reports consisting of eight items with a historical cost totaling \$15,561 were not filed with the Auditors of Public Accounts and the Office of the State Comptroller in a timely manner. The reports were completed from 11 to 20 business days after the loss was initially noted by the university.

*Effect:* The university, at times, did not comply with the prompt loss reporting requirements of Section 4-33a of the General Statutes and the Connecticut State University System Capital Asset Valuation Manual.

*Cause:* It appears that the controls in place were not sufficient to effect the timely submission of property loss reports.

*Recommendation:* Southern Connecticut State University should ensure that property loss reports are filed promptly with the Auditors of Public Accounts and the Office of the State Comptroller. (See Recommendation 15.)

*Agency Response:* “The university agrees with this finding. Changes to procedures between the University Police and Controller’s Office will eliminate the delays noted in the report.”

### **Other Audit Examination**

The Board of Regents for Higher Education has entered into agreements with a public accounting firm to conduct certain auditing and consulting services on an annual basis, including an audit of the combined financial statements of the Connecticut state universities. As part of its audit work, the firm has made an annual study and evaluation of the universities’ 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 2012-2013 fiscal year, which includes any unresolved prior year recommendations, is presented below:

Information technology:

- Management should formalize the update to the IT Strategic Plan to ensure that all IT department projects and activity are aligned to support the overall university strategy.
- Management should consider logging the use of Banner IDs used to compile code in production. Activity logs should be reviewed periodically by an individual independent of the migration process to address the lack of segregation of duties between code development and code migration.
- Management should reduce the use of generic IDs and passwords and require end users to use their own accounts to perform their duties. In instances in which this cannot be achieved, compensating controls should be investigated.
- Management should implement a process to ensure that it promptly deactivates system access for contractors and temporary employees who no longer require access.

Our audit disclosed that the university made improvements with respect to the first three bullet points. However, we noted that further improvement is needed in regards to the last bullet point, especially when it comes to the prompt termination of Banner user account access. This issue is presented above in the State Auditor's Findings and Recommendations section.

## RECOMMENDATIONS

The prior audit report on the university contained 19 recommendations for improving operations, 12 of which are being repeated or restated with modifications in the current audit report. The current audit report presents 15 recommendations, including three new recommendations.

### *Status of Prior Audit Recommendations:*

- **SCSU should improve internal controls over payroll and human resources operations by ensuring that employee timesheets are signed and dated by the required employees only after related work was performed. In addition, the university should ensure that documented approval for hiring part-time faculty members is obtained prior to the dates when such employees begin working.** The current audit disclosed improvement in this area. The recommendation is not being repeated.
- **SCSU should take steps to ensure that payments to employees for accrued sick leave at retirement are made correctly in accordance with applicable collective bargaining agreements and Connecticut State University policies. Furthermore, the university should pursue recovery of the overpayment made to an employee for accrued sick leave at retirement that was disclosed during our prior audit. The university should also pay the amount owed to the employee who we noted was underpaid for unused sick leave at retirement during the current audited period.** The current audit disclosed improvement in the university's calculation of payouts to employees for unused vacation and sick leave upon separation from the university. We also noted that the university issued a payment to the underpaid employee noted during the prior audit. In addition, the university recovered the overpayment for unused sick leave at retirement that we noted in the prior audit. However, we still found weaknesses in the university's procedures for eliminating employee leave balances after separation from employment. Therefore, the recommendation is being repeated with modification. (See Recommendation 1.)
- **SCSU should retain documentation to support tuition reimbursement payments made to employees in accordance with the State Library's records retention requirements.** Improvement was noted during the current audit. The recommendation is not being repeated.
- **SCSU should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by promptly documenting, through signed certifications, that there are no conflicts of interest or conflicts in schedules, in instances in which an employee holds multiple state positions.** The current audit disclosed that further improvement is needed with respect to the completion of dual

employment certifications. The recommendation is being repeated. (See Recommendation 2.)

- **SCSU should ensure that unused employee leave time balances for which payouts have been made are properly removed from the Core-CT system. The university should also discontinue accruals of employee leave time upon an employee's separation from employment. In addition, the university should comply with the SUOAF and NP-5 collective bargaining agreements with respect to the timely expiration of employee compensatory time balances and the maximum number of compensatory time hours allowed.** During the current audit, we noted that sufficient improvement has not been made in this area. The recommendation is being repeated with modification. (See Recommendation 1.)
- **SCSU should improve its time and effort reporting system for employees whose wages are charged to federal programs by complying with the time and effort reporting requirements prescribed by OMB Circular A-21.** During the current audit we noted improvement in this area. The recommendation is not being repeated.
- **SCSU 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.** We noted exceptions in this area during the current audit. The recommendation is being repeated. (See Recommendation 4.)
- **SCSU should follow the Department of Administrative Services' requirements for calculating total wages for employees for whom workers' compensation claims were filed.** The current audit disclosed improvement in this area. The recommendation is not being repeated.
- **SCSU should take steps to ensure that purchases are initiated only after a properly approved purchase order is in place and should ensure that all purchasing contracts are signed by all of the interested parties, including the Office of the Attorney General, when required.** We noted improvement in this area during the current audited period. The recommendation is not being repeated.
- **SCSU should improve its controls over travel expenditures by adhering to the Connecticut State University System travel policies.** Based on the current audit, further improvement is needed in this area. The recommendation is being repeated with modification to reflect our current audit findings. (See Recommendation 6.)
- **SCSU should improve controls over purchasing card purchases by complying with its established purchasing card policies and procedures.** The current audit disclosed that improvement is needed in this area. Therefore, the recommendation is being repeated. (See Recommendation 7.)

- **SCSU should improve internal controls over property by following the policies and procedures established by the State Property Control Manual and the Connecticut State University System's Capital Asset Valuation Manual.** The current audit disclosed significant improvement in tracking, maintaining, and disposing of capital equipment. However, further improvement is needed in regards to the prompt reporting of equipment losses. Therefore, the recommendation is being repeated with modification to reflect the conditions noted during the current audit. (See Recommendation 15.)
- **SCSU should implement a system for recording the dates when funds are received at non-Bursar's Office departments. Furthermore, the university should reaffirm its policy that requires offices remotely located from the Bursar's Office to submit receipts to the Bursar's Office in a timely manner in order to comply with the prompt deposit requirements of Section 4-32 of the General Statutes.** The current audit disclosed that significant improvement was made in this area. The recommendation is not being repeated.
- **SCSU should improve controls over revenue-generating agreements by monitoring and enforcing the terms of these agreements to ensure prompt payment of commissions and other revenues due to the university. Furthermore, the university should ensure that such contracts are submitted to the Office of the Attorney General in a timely manner for review and approval.** During the current audit, we noted some improvement in this area; however, instances of late payments to the university persisted, particularly in regard to facilities usage agreements. The recommendation is being repeated with modification. (See Recommendation 8.)
- **SCSU should improve controls over student accounts receivable by retaining related records, such as student payment plan agreements and copies of collection letters sent, for the time period required by the State Library. The university should also place holds on delinquent student accounts as required by Connecticut State University System procedures. Furthermore, the university should post approved write-offs to student accounts in a timely manner. Finally, SCSU should ensure that all of the terms of student payment plans, including enrollment fees charged, are specified in the written payment plan agreements presented to students.** The current audit disclosed some improvement in this area. However, further improvement is needed. Therefore, the recommendation is being repeated with modification. (See Recommendation 10.)
- **SCSU should take steps to ensure that revenue generated from student organization events is deposited into the bank promptly. Accordingly, the university should develop and implement a system to adequately record the dates when student organization revenue is received. Furthermore, student organizations should adhere to the fund-raising reporting requirements established by university student organization policies.** Although the current audit disclosed improvement with respect to recording the dates when student organization revenues were received, further improvement is needed to comply with requirements relating to, and controls over,

student organization revenues. The recommendation is, therefore, being restated to reflect the weaknesses noted during the current review. (See Recommendation 9.)

- **SCSU should ensure that expenditures charged to student activity trustee accounts are properly approved and supported by documented student body approval.** During the current audit, we saw no improvement in this area. The recommendation is being repeated. (See Recommendation 11.)
- **SCSU should prepare accurate Schedules of Expenditures of Federal Awards.** During the annual Statewide Single audits of federal programs for the fiscal years ended June 30, 2012 and 2013, we tested the university's Schedules of Expenditures of Federal Awards (SEFA). Those tests disclosed that the university's SEFA for the fiscal years ended June 30, 2012 and 2013 understated federal Perkins Loan Program (CFDA 84.038) expenditures by \$480,758 and \$443,116, respectively. However, during the two subsequent Statewide Single audits, which covered the 2014 and 2015 fiscal years, we noted no SEFA-related audit findings. Therefore, the recommendation is not being repeated.
- **SCSU 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.** The current audit disclosed that the university had not revised its email policy, as it was awaiting a system-wide response on this matter from the Board of Regents for Higher Education. The recommendation is, therefore, being repeated with modification. (See Recommendation 14.)

*Current Audit Recommendations:*

- 1. Southern Connecticut State University should improve controls over employee attendance and leave records to ensure that leave time accruals are discontinued and leave time balances are eliminated upon an employee's separation from university employment. The university should also take steps to improve compliance with the compensatory time requirements set by the SUOAF collective bargaining agreement.**

Comment:

At times, the university did not eliminate or discontinue crediting employee leave time balances when employees separated from university employment. Also, in some instances, the university did not reduce or reduce in a timely manner expired SUOAF union employee compensatory balances in accordance with the collective bargaining agreement.

- 2. Southern Connecticut State University should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by promptly documenting, through signed certifications, that an employee holding multiple state positions is free of any conflicts of interest or conflicts in schedules.**

Comment:

In some instances dual employment certifications were not completed for employees who concurrently held more than one state position. In one instance, the certification was completed after the dual employment period ended.

- 3. Southern Connecticut State University should ensure that personnel costs charged to federal programs are charged at a rate of pay that does not exceed the employee's base rate of pay to adhere to the requirements of Title 2 Code of Federal Regulations Section 200.430(h)(2). Furthermore, the university should work with its grantor to determine whether any of the questioned payroll costs noted during the audit should be repaid.**

Comment:

The university paid federal grant-funded employees and charged corresponding personnel costs to a federal program at a rate of pay in excess of the institutional base salary rate allowed by federal regulations.

- 4. Southern Connecticut State University should monitor its active non-permanent employee records more frequently to identify employees who are no longer active. The university should then deactivate Core-CT records of inactive employees.**

Comment:

We noted instances in which the university did not deactivate nonpermanent employee records in the Core-CT system after employees had separated from university employment.

- 5. Southern Connecticut State University should pursue recovery of the overpayment to its former interim president while he was on sabbatical.**

Comment:

The university overpaid its former interim president \$1,827 in gross pay for a housing allowance that was expressly excluded from the interim president's employment transition agreement.

- 6. Southern Connecticut State University should improve internal controls over its purchasing operations by ensuring that it complies with the Connecticut State University System purchasing and travel policies.**

Comment:

We noted an instance in which the university amended a personal service agreement, increasing the maximum value to \$54,000, with a firm whose principal officer was a state employee at the time of the amendment. The university, however, did not put the amended contract out to bid. We also noted instances in which, contrary to Connecticut State University policy, athletic team travel rosters were not completed to identify the travelers on each individual team trip, among other travel expenditure exceptions.

- 7. Southern Connecticut State University should strengthen controls over the use of purchasing cards by taking steps to ensure it complies with established purchasing card policies and procedures.**

Comment:

We noted numerous instances in which purchasing cards were used for restricted, unallowed purchases. We also noted instances in which the purchasing card \$999 single purchase limit was exceeded.

- 8. Southern Connecticut State University should improve controls over revenue-generating agreements by monitoring and enforcing the terms of these agreements to better ensure prompt payment of commissions and other revenues due to the university.**

Comment:

At times, contractors did not pay the university facility usage fees or commission payments in a timely manner.

- 9. Southern Connecticut State University should strengthen internal controls over student event receipts by complying with the prompt deposit requirements of Section 4-32 of the General Statutes. In addition, the university should take steps to ensure that student organizations submit fundraising requests to the Office of Student Life in a timely manner.**

Comment:

We noted instances in which student organization event receipts were not deposited in a timely manner. We also noted that some student event fundraiser requests were not promptly submitted to the Office of Student Life.

- 10. Southern Connecticut State University should improve controls over student accounts receivable by retaining related records, such as copies of collection letters sent, for the time period required by the Connecticut State Library. The university should also take steps to ensure that it obtains signed student agreements for all student payment plans.**

Comment:

During the audited period the university did not retain past due collection letters for delinquent student accounts resolved through in-house collection methods. In two instances noted, the university did not obtain signed student payment plan agreements when they were initiated over the telephone.

- 11. Southern Connecticut State University should improve controls over student activity account expenditures by following its own procedures detailed in the Policies Governing Clubs and Organizations Manual. The university should maintain minutes of student organization meetings and payment request forms signed by student organization officers to support student activity purchases. In addition, the university should take steps to ensure that proper approvals are in place before student activity account purchases are initiated.**

Comment:

In some instances, student activity account purchases were initiated before properly documented approvals were in place or without sufficient student body approval on file.

- 12. Southern Connecticut State University should comply with the testing requirement of its disaster recovery plan, which states that the plan be tested on an annual basis. The results of these tests should be documented.**

Comment:

The university informed us that, as of March 2014, its information technology disaster recovery plan had never been tested.

- 13. Southern Connecticut State University should promptly deactivate information system access upon an employee's separation from university employment. In addition, the university should document Payroll Department audits of payroll changes made to ensure that such changes are valid, authorized, and correct. The university should also comply with the board of regents' information security requirements with respect to data breaches and promptly report such breaches to the Auditors of Public Accounts and State Comptroller in accordance with Section 4-33a of the General Statutes.**

Comment:

In some instances, Banner system user accounts were not deactivated in a timely manner, or not deactivated at all, upon an employee's separation from university employment. The university's payroll department did not document its biweekly audits of payroll changes. Our inquiries disclosed two data breaches for which the university did not follow the Board of Regents for Higher Education data information security policies to mitigate the risk of unauthorized, fraudulent, or otherwise improper use of university data. Also, the university did not report these data breaches to the Auditors of Public Accounts and State Comptroller.

- 14. Southern Connecticut State University should continue its efforts to resolve the conflict between its email policy and the State of Connecticut's Acceptable Use of State Systems Policy, which prohibits the distribution of union information via the state email system.**

Comment:

During the current audit, in June 2014, the university informed us that the Board of Regents for Higher Education was working on, but had not yet resolved, the conflict between the university's email policy and the State of Connecticut's email policy regarding the use of its email system for union business.

- 15. Southern Connecticut State University should ensure that property loss reports are filed promptly with the Auditors of Public Accounts and the Office of the State Comptroller.**

Comment:

In some instances, property loss reports were not submitted to the Auditors of Public Accounts and Office of the State Comptroller in a timely manner.

**CONCLUSION**

In 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 F. Puklin  
Principal Auditor

Approved:



John C. Geragosian  
Auditor of Public Accounts