

STATE OF CONNECTICUT

AUDIT REPORT

UNIVERSITY OF CONNECTICUT
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

AUDITORS OF PUBLIC ACCOUNTS

KEVIN P. JOHNSTON ♦ ROBERT G. JAEKLE

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September 19, 2001

**AUDITORS' REPORT
UNIVERSITY OF CONNECTICUT
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

We have made an examination of the financial records of the University of Connecticut (University) for the fiscal year ended June 30, 1999. The University is a component unit of the University of Connecticut system, which includes the University, the Health Center, the University of Connecticut Foundation, Inc. (Foundation) and the University of Connecticut Law School Foundation, Inc. (Law School Foundation). This report thereon consists of the Comments, Recommendations and Certification which follow.

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

COMMENTS

FOREWORD:

The University of Connecticut operates generally under the provisions of Title 10a, Chapter 185, where applicable, and Chapter 185b, Part III, of the General Statutes. The University is a constituent unit of the State system of public higher education under the central authority of the Board of Governors of Higher Education. The University is governed by a Board of Trustees of the University of Connecticut, consisting of 19 members appointed or elected under the provisions of Section 10a-103 of the General Statutes.

Auditors of Public Accounts

This Board, subject to Statewide policy and guidelines established by the Board of Governors of Higher Education, makes rules for the governance of the University and sets policies for administration of the University pursuant to duties set forth in Section 10a-104 of the General Statutes. The members of the Board of Trustees at June 30, 1999, were:

Ex officio members:

John G. Rowland, Governor of the State of Connecticut
Shirley C. Ferris, Commissioner of Agriculture Theodore S. Sergi, Commissioner of Education

Appointed by the Governor:

James F. Abromaitis, Unionville
Louise M. Bailey, West Hartford, Secretary
William R. Berkley, Greenwich
Michael H. Cicchetti, Litchfield
John R. Downey, Redding
Linda P. Gatling, Southington
Roger A. Gelfenbien, Wethersfield, Chairman
Lenworth M. Jacobs, West Hartford
Claire R. Leonardi, Harwinton
Irving R. Saslow, Hamden
Jennifer C. Smith, Farmington
Richard Treibick, Greenwich

Elected by alumni:

Louise S. Berry, Danielson
Frank A. Napolitano, Manchester

Elected by students:

Alyssa Benedict, Willington.
Brian J. Collins, West Hartford

Effective June 30, 1998, Michael H. Bellafiore of West Hartford completed his term. He was succeeded by Alyssa Benedict of Willington. Further, June 30, 1999 marked the completion of the terms of Brian J. Collins of West Hartford and Jennifer C. Smith of Farmington.. They were succeeded by James M. Donich of Colchester and Michael J. Martinez of Meriden respectively.

Pursuant to Section 10a-108 of the General Statutes, the Board shall appoint a President of the University to be the chief executive and administrative officer of the University and of the Board of Trustees. Philip E. Austin served as President during the audited period.

The University's main campus is located at Storrs, Connecticut. The University maintains additional facilities and carries out programs at locations across the State. These facilities and programs include:

Avery Point:

University of Connecticut at Avery Point
Marine Sciences Program
National Undersea Research Center
Connecticut Sea Grant College Program

Hartford area:

University of Connecticut at Hartford
University of Connecticut School of Law
MBA Program at Hartford
School of Social Work

Farmington:

University of Connecticut Health Center

Stamford:

University of Connecticut at Stamford
MBA Programs at Stamford
Bartlett Arboretum

Torrington:

University of Connecticut at Torrington

Waterbury:

University of Connecticut at Waterbury

Operations of the University Health Center are examined and reported upon separately by the Auditors of Public Accounts.

Section 10a-112a of the General Statutes states that the museum of natural history at the University shall be the State Museum of Natural History. Similarly, the University's William Benton Museum of Art is designated the State Museum of Art by Section 10a-112g.

Recent Legislation:

During the period under review legislation was passed by the General Assembly affecting the University. The most significant of which is presented below.

Special Act 99-10, – Section 56 of this Act, Effective July 1 1999, appropriated funds to constituent units of higher education for the purposes of freezing tuition.

Public Act 99-242 - Section 2(q) of this Act, Effective July 1 1999, authorizes the issuance of general obligation bonds for the purpose of planning and design of the University of Connecticut Waterbury Campus.

Public Act 99-285 – Section 11 of this Act, Effective July 1 1999, amended Section 10a-151b of the Connecticut General Statutes, to allow constituent units of public higher education to make purchases using competitive negotiations as well as competitive bidding. Section 11 of Public Act 99-285 also increased the minimum cost of purchases

that must be advertised from \$25,000 to \$50,000 and requires that purchases costing \$50,000 or less rather than \$25,000 or less be made in the open market

RÉSUMÉ OF OPERATIONS:

Public Act 95-230, codified primarily within Title 10a of the General Statutes and known as “The University of Connecticut 2000 Act,” authorized a massive infrastructure improvement program at the University. Subdivision (10) of subsection (a) of Section 4 of this act authorized the University to borrow money and issue securities in the aggregate principal amount of \$980,000,000 to fund this program. Subdivision (1) of subsection (a) of Section 7 capped the amounts to be issued in any one fiscal year, limiting the total amount to be issued to \$962,000,000. Both limitations apply only to project funding, additional debt can be issued to cover financing costs or to fund reserves.

Subsection (c) of Section 7 of Public Act 95-230 provides that the securities issued to fund this program are to be issued as general obligations of the University. However, the debt service on these securities is to be financed by a State debt service commitment funded from the resources of the General Fund. The securities will, in effect, be general obligations of the State.

Subsection (a) of Section 5 of Public Act 95-230 also gave the University the authority to manage the program, including the authority to make payments directly, rather than process them through the State Comptroller. Additionally, it removed the \$2,000,000 cost limit for administration of construction projects by the University.

Subdivision (1) of subsection (b) of Section 9 of Public Act 95-230 established a permanent endowment fund, the net earnings on the principal of which are to be dedicated and made available for endowed professorships, scholarships and programmatic enhancements. The University is participating in this program.

To encourage donations, subparagraph (A) of subdivision (2) of subsection (b) of Section 9 of Public Act 95-230 provided for State matching funds for eligible donations deposited into the fund, limiting the total amount matched to \$10,000,000 in any one year. It specified that the match, which was to be financed from the General Fund, will be paid into the fund during the fiscal years ending June 30, 1998, 1999 and 2000. The amount paid was to be equal to the endowment fund eligible gifts received for the calendar year ending the preceding December thirty-first. If funds were not budgeted for this purpose, bonds were authorized to be issued to finance the match. The authority for such issuances was limited to \$10,000,000 in any one fiscal year and \$20,000,000 in the aggregate.

Effective July 1, 1997, Section 7 of Public Act 97-293, codified as Section 10a-109c of the General Statutes, extended this endowment matching grant program through the fiscal year ended June 30, 2007, reduced the State match to a one to two ratio (one State dollar for two private dollars) for donations involving a written commitment made on or after July 1, 1997, and increased the cumulative authorization for the State matching amount to \$72,500,000. It also specified that the program be administered by the Department of Higher Education and established the Higher Education State Matching Grant Fund to facilitate the process.

Effective July 1, 1998, Section 28 of Public Act 98-252 authorized the deposit of State

matching funds in “the university or in a foundation operating pursuant to sections 4-37e and 4-37j consistent with the deposit of endowment fund eligible gifts.” This provision was made to clarify the issue of whether State matching funds could become foundation assets or must be deemed assets of the University.

Statistics compiled by the University's registrar showed the following enrollments in the University's credit programs, including the Health Center, during the audited period and the preceding fiscal year.

Student Status	1997-1998			1998-1999		
	Summer	Fall	Spring	Summer	Fall	Spring
Undergraduates	7,792	14,382	13,522	7250	14855	14113
Graduates	1,579	6,235	5,522	1291	5928	5690
School of Law	162	632	608	165	615	597
Medicine – Students		337	337		334	334
Medicine – Other ⁽¹⁾		521	521		529	529
Dental – Students		167	166		169	169
Dental – Other ⁽¹⁾		84	66		79	79
Totals	9,533	22,358	20,742	8,706	22,509	21,511

(1) - Other includes residents, interns and post-graduate clinical enrollment.

Under the provisions of Section 10a-105, subsection (a), of the General Statutes, fees for tuition were fixed by the University's Board of Trustees. The following summary shows annual tuition charges during the 1997-1998 and 1998-1999 fiscal years.

Student Status	1997-1998			1998-1999		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduates	\$4,158	\$12,676	\$6,236	\$4,158	\$12,676	\$6,236
Graduates	5,118	13,298	7,678	5,118	13,298	7,678
School of Law	10,630	22,420	15,946	10,630	22,420	15,946

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

- General Fund appropriation accounts.
- The University of Connecticut Operating Fund.
- The University of Connecticut Research Foundation Fund.
- The University Bond Liquidation Fund (used for both the University and the Health Center).

The University maintained additional funds that were not reflected in the State Comptroller's records. The most significant of which relate to the UCONN 2000 infrastructure improvement program. Such funds are used to account for the revenue from the issuance of UCONN 2000 bonds and expenditures related to the UCONN 2000 capital improvement program.

The University of Connecticut also maintains a "Special Local Fund" which is used by the University to account for endowments, scholarships and designated funds, loans, agency funds and miscellaneous unrestricted balances.

Additionally, there are certain activity funds associated with the University which, though they are legally controlled by the University they are not considered part of the University of Connecticut system reporting entity. These include the following University activity funds:

- Graduate Student Senate Activity Fund
- Storrs Associated Student Government Activity Fund
- Connecticut Daily Campus Activity Fund
- WHUS Radio Station Activity Fund
- Student Organizations Activity Fund
- UConn PIRG (Storrs) Activity Fund
- Student Bar Association Activity Fund
- Legal Clinic Activity Fund
- Law Review Activity Fund
- School of Social Work Activity Fund
- Hartford Associated Student Government Activity Fund
- UConn Public Interest Research Group (Hartford) Activity Fund
- Torrington Associated Student Government Activity Fund
- Torrington Snack Bar Activity Fund
- Stamford Associated Student Government Activity Fund
- Southeastern (Avery Point) Associated Student Government Activity Fund
- Waterbury Associated Student Government Activity Fund
- Student Television Activity Fund

The University's accounting system reflects the accounting model in general use by colleges and universities, per the American Institute of Certified Public Accountants' industry audit guide Audits of Colleges and Universities. Under this model, the University maintains separate fund groups for current unrestricted, current restricted, endowment and similar, loan and plant funds. University financial statements are adjusted as necessary, combined with those of the State's other institutions of higher education and incorporated in the State's Comprehensive Annual Financial Report using the discrete presentation format. Significant aspects of the operations of

the University, as shown on Agency prepared financial statements, are discussed in the following sections of this report.

University employment remained relatively stable during the audited period. University position summaries show that permanent full time and graduate assistant filled positions aggregated 3,724 and 3,911 as of May 1998 and May 1999, respectively.

Current Unrestricted Funds:

Current unrestricted funds account for all resources available for current operations that have not been restricted as to use by outside donors. Current operations include expenditures for educational and general purposes of the University, together with auxiliary service operations, which include, among others, student residences, food services, and athletics.

The University's current unrestricted fund balance decreased by \$4,428,724, or 12 percent, from \$35,631,983 as of June 30, 1998, to \$31,203,259 as of June 30, 1999. Current unrestricted revenues increased by \$23,020,717, or 5.8 percent, from \$397,659,046 for the 1997-1998 fiscal year to \$420,679,763 for the 1998-1999 fiscal year. The University's main source of current unrestricted revenues was General Fund support of \$204,171,237 and \$213,181,741 for the fiscal years ended 1998 and 1999, respectively.

Current Restricted Funds:

Current restricted funds account for resources made available to the University for operating purposes that have been restricted by outside donors. These resources generally are in the form of gifts, grants and contracts received by the University in support of research, educational, and public service activities. Revenues are recognized when related funds have been expended.

The University's current restricted fund balance decreased by \$1,949,419, or 10 percent, from \$19,503,056 as of June 30, 1998, to \$17,553,637 as of June 30, 1999.

Endowment and Similar Funds:

Endowment and similar funds are subject to the restrictions of gift instruments, requiring in perpetuity that principal be invested. Quasi-endowment funds have been established by the University's administration for the same purposes as endowment funds.

The University's endowment and similar funds fund balances increased by \$815,115 or 13 percent from \$6,494,970 as of June 30, 1998, to \$7,310,085 as of June 30, 1999.

The University's endowment balances are smaller than would normally be expected for such an institution. However, it has been their longstanding practice to deposit funds raised with the University of Connecticut Foundation or the Law School Foundation.

A summary of the Foundations' assets, liabilities, support and revenues and expenditures follows.

	Foundation		Law School Foundation	
	Fiscal Year Ended		Fiscal Year Ended	
	June 30, 1998	June 30, 1999	June 30, 1998	June 30, 1999
Assets	\$153,815,000	\$209,491,000	\$7,273,000	\$8,388,000
Liabilities	4,950,000	8,032,000	50,000	63,000
Fund Balances	148,865,000	201,459,000	7,223,000	8,325,000
Support and Revenue	59,057,000	71,764,000	2,027,000	1,838,000
Expenditures	16,071,000	19,170,000	476,000	736,000

Loan Funds:

Loan funds account for resources, primarily from the Federal Government, which provide loans to students on a revolving basis (repayments of principal and interest become available for loans to other students.)

Loans made under the Federal Perkins Loan Program were the primary component of this University fund group. This program provides low interest loans to undergraduate and graduate students with exceptional financial need.

University loans receivable decreased \$131,974, or 1 percent, from \$11,615,826 as of June 30, 1998, to \$11,483,852 as of June 30, 1999.

Agency Funds:

Agency funds account for the resources handled in a custodial manner for other agencies and affiliated organizations.

University agency fund deposit balances were \$3,502,390 and \$1,490,021 as of June 30, 1998 and 1999, respectively.

Plant Funds:

The Plant Funds fund group is made up of three subgroups, unexpended plant funds, funds for retirement of indebtedness and investment in plant. The unexpended plant funds subgroup is used to account for unexpended resources available for acquisition, renewal and replacement of physical plant. The funds for retirement of indebtedness subgroup is used to account for resources held for the retirement of and interest on debt. The investment in plant subgroup is used to account for plant assets and related liabilities, such as indebtedness associated with funds borrowed and expended for the acquisition or construction of plant assets.

Bonds authorized by the General Assembly and the State Bond Commission provide most of the capital funding accounted for in the University's Plant Funds fund group. General obligation bonds are met from general State revenues, while revenues generated by Agency operations are

used to fund the debt service requirements of revenue bonds.

Total assets in the Unexpended and Retirement of Indebtedness subgroups, as reported by the University, decreased from \$155,203,041 as of June 30, 1998 to \$102,437,379 as of June 30, 1999. The University's financial statements show an increase in net investment in plant of \$104,361,805, or 14 percent, from \$724,736,755 as of June 30, 1998, to \$829,098,560 as of June 30, 1999. The collective change within the Plant Funds group reflects the completion of several large construction projects.

Microchemistry Laboratory

Section 12-577 of the General Statutes requires that the accounts and records of the Microchemistry Laboratory be audited as part of our audit of the accounts and records of the University. This audit has been limited to assessing certain aspects of the Microchemistry Laboratory's operation, primarily amounts reported as expended by the laboratory.

Under Title 12, Chapter 226, Section 12-577 (b) of the General Statutes, the Microchemistry Laboratory, a unit of the College of Agriculture and Natural Resources at the University, is responsible for the testing performed under Connecticut's greyhound racing dog drug testing program. It was directed by Dr. Dennis Hill during the audited period.

Public Act 85-471, effective July 1, 1985, codified as Section 12-575(b), established a Microchemistry Laboratory Fund, to be held in trust by the State Treasurer, to account for urine testing of racing dogs performed by the microchemistry laboratory unit of the College of Agriculture and Natural Resources at the University of Connecticut. Public Act 86-107, effective July 1, 1986 amended Section 12-575 (b), establishing the Microchemistry Laboratory Fund as a fund accounted for by the State Comptroller.

Public Act 89-324, effective July 1, 1989, codified as Section 12-575 (b), repealed the statutory authorization for the Microchemistry Laboratory Fund. Subsequently, the activities of the Microchemistry Laboratory have been accounted for in separate accounts within the University's accounting system.

Prior to July 1, 1989, subsection (b) of Section 12-577 of the General Statutes mandated that the operations of the Microchemistry Laboratory be audited by a certified auditing company on a biennially basis to establish the actual cost for the testing of urine of racing dogs. Public Act 89-213, effective July 1, 1989, amended Section 12-577, substituting the requirement that the Auditors of Public Accounts, as part of their audit of the University of Connecticut, audit the accounts and records of the Microchemistry Laboratory and make a separate report of their findings relative to the Microchemistry Laboratory.

Operations of the Microchemistry Laboratory:

The Microchemistry Laboratory performs drug tests on urine samples of greyhound racing

dogs, which are collected by personnel of the State of Connecticut Division of Special Revenue. The responsibilities of the Microchemistry Laboratory and the Division of Special Revenue, with respect to this activity, are defined in a Memorandum of Understanding dated July 30, 1985. The laboratory's objective is to determine if any banned drugs are present in the urine.

Initially the Microchemistry Laboratory was compensated by the Division of Special Revenue on a per sample basis. This was changed when Public Act 85-471 created the Microchemistry Laboratory Fund. Public Act 85-471 directed that, to pay for the laboratory testing, one quarter of one percent of the total money wagered on dog racing events be paid into the fund. Revenues in excess of the actual cost of the testing were to be returned to the General Fund.

When Public Act 89-324 abolished the Microchemistry Laboratory Fund it also eliminated this source of funding. Effective with the fiscal year beginning July 1, 1989, the Microchemistry Laboratory began submitting annual budgets to the Division of Special Revenue for review and approval. Each year, the University's accounting department prepares a transfer invoice requesting payment of the budgeted amount from the Division of Special Revenue. The transfer is funded from the Division of Special Revenue's General Fund appropriation. The University also submits to the Division of Special Revenue annual reports that summarize the year's revenue and expenditures for the laboratory.

Public Act 97-277, effective July 1, 1997, codified as 12-577 limits the number of tests to an amount not to exceed 16,000 in any fiscal year. The laboratory tested 17,219 samples during the 1997-1998 fiscal year. The increase in tests performed was due primarily to the resumed operations of the Shoreline Star Greyhound Park as of March 20, 1998. We were informed that there were no incremental costs arising from the additional tests. For the fiscal year 1998-1999 fiscal year, 15,896 samples were tested.

Section 14 of Special Act 99-1 (June Special Session), effective July 1, 1999, revised Section 12-577 of the General Statutes and provides that the microchemistry laboratory shall conduct, within available appropriations, such number of tests on such specimens as required, provided the total number of such tests conducted does not exceed twenty thousand in any fiscal year and provided, if only one facility for dog racing is operating, the total number of such tests conducted does not exceed sixteen thousand samples in each fiscal year.

Expenditures for the laboratory consist primarily of payroll, lab supplies, equipment and repairs. The laboratory has six permanent full time employees and also utilizes some student labor. The revenues and expenditures of the Microchemistry Laboratory were recorded in the University's accounting system and reported to the Division of Special Revenue on, essentially, a cash basis. The Microchemistry Laboratory's recorded revenues and expenditures for the fiscal year ended June 30, 1999 are shown below.

Fiscal Year Ended June 30,

1999

Revenues

Transfers in from Special Revenue	\$452,317
Other Revenue	<u>65,975</u>
Total Revenues	<u>\$518,292</u>

Expenditures

Personal Services	\$251,547
Outside Professional Services	13,000
Fringe Benefits	1,557
Travel	3,210
Repairs	33,322
Laboratory Supplies	75,899
Equipment	121,665
Other Expenditures	<u>28,216</u>
Total Expenditures	<u>\$528,416</u>

Traditionally, the State has not processed, against agency appropriations, fringe benefit assessments for employees paid out of the General Fund. The majority of the personal services expenditures charged to the Microchemistry Laboratory were for employees paid out of the General Fund. As a result, the Microchemistry Laboratory expenditures shown above include only a minor portion of the fringe benefit charges associated with the personal service costs incurred. A comparison of such fringe benefit charges with those actually posted follows.

<u>Fiscal Year Ended June 30.</u>	<u>Full (Calculated) Charges</u>	<u>Posted Charges</u>	<u>Unrecorded Costs</u>
1999	\$69,989	\$1,557	\$68,432

PROGRAM EVALUATION:

Section 2-90 of the Connecticut General Statutes authorizes the Auditors of Public Accounts to review an area of an agency's operations for performance and efficiency.

Audit Objective:

As our performance review we examined the submission of course syllabuses by instructors. The preparation and distribution of a course syllabus, containing certain basic information, is an effective method of communicating an instructor's expectations to students. As such, a syllabus is a useful tool in assisting in educating students.

Our review was conducted in order to determine if, based upon the results of our examination, we could make any recommendations which might assist the University in achieving its goal, as outlined in its mission statement, of providing "high quality undergraduate education to students...".

Scope and Methodology:

To accomplish our objectives we requested the syllabuses for a variety of courses, selected at random, offered at the University in the Spring 2000 semester. We selected our sample from the Spring 2000 directory of classes. After selecting our sample we called the Provost's Office, the Dean's Office of the school in which the course was administered, the department that offered the course and individual instructors in an effort to determine if course syllabuses had been prepared, as well as to determine if anyone was monitoring the submission of course syllabuses.

Results:

The finding of our performance evaluation follows:

Submission and Monitoring of Course Syllabuses:

Background: As noted above, the preparation and distribution of a course syllabus, containing certain basic information, is an effective method of communicating an instructor's expectations to students. Additionally, the monitoring of the submission of course syllabuses can be an effective management tool to assist in assuring that the actual content of a course is consistent with course descriptions as published in the University's catalog.

Criteria: One of the objectives contained within the University's mission statement is to provide a high quality undergraduate education to students. A properly prepared and distributed course syllabus would assist in achieving this objective by communicating to students an instructor's expectations and the manner in which they will be evaluated.

- Condition:* Based upon the results of a random sample of courses offered in the Spring 2000, semester we have concluded there is no University-wide requirement that a course syllabus be prepared, there exists no consistent filing place for course syllabuses and that the information conveyed in course syllabuses varies by instructor.
- Effect:* Some instructors may not be preparing and distributing course syllabuses to students. In those instances in which students do receive a course syllabus, the quality of the information transmitted to students varies.
- Cause:* The University has no policy requiring the submission and monitoring of course syllabuses.
- Recommendation:* The University should consider the requirement that instructors prepare and distribute a course syllabus, containing certain standardized information, for all courses and that such syllabuses be monitored and filed at the department level. (See Recommendation 1.)
- Agency Response:* “The Senate Executive Committee has agreed to assign syllabus audit issues to an appropriate committee for review and disposition. Additional information will be provided when it becomes available.”

CONDITION OF RECORDS

Areas in need of improvement, along with discussions concerning improvements in managerial control, are presented in this section of the report.

Bursar's Operations:

The University's Bursar is responsible for the administration of the University's student accounts receivable system (SARS), an automated system which provides billing and recordkeeping for students' charges and payments of tuition and fees, as well as recordkeeping for other University accounts receivable. This includes amounts due from faculty, staff and outside parties, but not amounts due for accounts administered by the Office of Grants and Contracts. The Office of Grants and Contracts maintains a separate accounts receivable system.

Student charges are first entered into SARS by extracting information from THESIS, the system used for registration data. Subsequent adjustments of individual student billings are entered manually by the Bursar's Office personnel.

With regard to Student Accounts Receivable System access we found the following:

Criteria: A characteristic of good internal control is a plan of organization which provides appropriate segregation of functional responsibilities. The reconciliation of tuition revenues to registration data in detail is a key control. Granting employees write access to both SARS and THESIS could, potentially, compromise this control procedure. (An employee given "write access" can change records. This contrasts with "read access" which confers the ability to view, but not change, records.)

Condition: Employees of the Office of the Registrar are not given significant write access to SARS. Similarly, Bursar's Office employees are not given significant write access to THESIS. (Some employees do have the ability to change certain information, such as biographical data, in both systems. This level of access does not appear to be a problem.)

However, some Division of Extended and Continuing Education and regional campus employees (including employees who collected student payments) are given write access to both SARS and THESIS. Additionally, we noted that, although regional campus reconciliations are reviewed by a high level employee from the Bursar's Office, they may be performed by employees with write access to both systems.

- Effect:* The lack of segregation described above weakens the internal control.
- Cause:* The distribution of functional responsibilities to available personnel was intended to permit efficient processing of transactions by a limited staff.
- Recommendation:* Segregation of duties with respect to the student registration and student billing systems should be increased. (See Recommendation 2.)
- Agency Response:* “In the last reporting period responsibility for the Regional Campuses Business Office functions was transferred from the University Controller to the Regional Campus Directors. We are optimistic that this organizational change will provide the framework to realign job duties at the Regional Campuses. It should also be noted that annual internal audits of the Regional Campus Business Offices provide a modicum of compensating control. Further, progress continues with the new PeopleSoft system implementation, that when completed, will provide new and additional internal controls.”

Entities Affiliated with the University:

- Criteria:* Sections 4-37e through 4-37j of the General Statutes set the requirements regarding private foundations affiliated with State agencies.
- In those instances in which an affiliated entity does not fall under the purview of Sections 4-37e through 4-37j, prudent business practice dictates that the University establish an agreement with the organization which defines the rights and obligations of each party.
- Condition:* On October 28, 1999, we reported to the Governor that during the course of our audit we became aware of several non-profit organizations, having some affiliation with the University, which were not in compliance with the statutory provisions of Sections 4-37e through 4-37j of the General Statutes.
- In most instances the University has not entered into any formal agreements with these entities establishing the obligations of each party.
- The most significant of these, the 4-H Development Fund Inc., appears to have been established for the purpose of receiving or using private funds for purposes that support the University and as

such is subject to the provisions of Sections 4-37e through 4-37j of the General Statutes.

Effect: The lack of a formal agreement between the University and a non-profit corporation affiliated with the University jeopardizes the rights of both parties. Additionally, the University may not be in compliance with Sections 4-37e through 4-37j of the General Statutes.

Cause: The University has not developed a system that identifies affiliated entities.

Recommendation: The University should develop procedures to identify entities affiliated with the University, enter into formalized agreements with these entities when appropriate and ensure that those entities that fall under the provisions of Sections 4-37e through 4-37j of the General Statutes are in compliance with the Statutes. (See Recommendation 3.)

Agency Response: “The University now has a signed agreement with the Litchfield County 4-H Foundation. Draft agreements have been provided to 4-H Camps. University officials are now working with these camps to resolve issues that the camps have identified.

There are ongoing discussions with individuals and as a group with the Connecticut 4-H Development Fund. We are making progress but are not yet at a point of agreement. Their articles of incorporation do not say they should raise monies – only hold and disperse. The CANR Assistant Dean and Director of the Cooperative Extension Service is working to separate the 4-H program fund raising and move that back to the University and for the Development Fund to modify its articles of incorporation to be the 4-H Resource Center. The 4-H Development Fund Inc. appears to have been established for the purpose of receiving or using private funds for purposes that support the University and as such is subject to the provisions of Sections 4-37e through 4-37j of the General Statutes.

The bottom line is that we are working and making progress toward implementing the auditors’ recommendations.”

Supervisory Review and Approval of Paid Time:

Criteria: Supervisory review and approval of paid time is a key feature of

internal control with respect to payroll.

Condition: A review of the control procedures for identification of those employees that should have supervisory approval of paid time revealed inadequacies in detecting temporary non-academic employees.

Effect: There is a greater chance that improper or erroneous payments will be made without supervisory review and approval of paid time.

Cause: The University has not developed procedures that ensure that supervisors review and approve time paid for temporary non-academic employees.

Recommendation: Procedures that provide for positive supervisory verification that temporary non-academic employees are entitled to the salary payments they receive should be improved. (See Recommendation 4.)

Agency Response: “The University of Connecticut agrees with the recommendation. IT personnel from Human Resources and the Director of Payroll continue to work to strengthen policies and procedures for recording time worked by temporary non-academic employees. Specifically, they work toward a goal of developing an electronic payroll authorization application. The electronic authorization will contain a field that can be used to identify an academic or non-academic employee. Identified non-academic employees will be obligated to prepare and file time cards under supervisory auspice as do other University employees.”

Student Payroll:

Criteria: Payroll disbursements should be supported by timecards signed by a supervisory employee.

Condition: A review of 15 payments made by the Avery Point campus Athletic Department to student employees revealed that 14, or approximately 93 percent were not signed by a supervisor.

Effect: The lack of supervisory signatures weakens the effectiveness of the internal control structure.

Cause: Apparently the Athletic Department at Avery Point did not consider signatures by supervisors for student payroll a high priority.

Recommendation: The University should emphasize the need for supervisory approval of student payroll. (See Recommendation 5.)

Agency Response: “The University’s Payroll Director, in his March 16, 2001 letter to the responsible Avery Point official cited, restates the University of Connecticut’s position on supervisory approval for student time cards. Further, general letters to the University community will be sent reaffirming the necessity of supervisory review and approval of student time cards.”

Land Sales:

Criteria: Section 4b-21(b) of the Connecticut General Statutes states that “Any state agency, department or institution having custody and control of land, an improvement to land or interest in land, belonging to the state, shall inform the Secretary of the Office of Policy and Management in writing when such land improvement or interest or any part thereof is not needed by the agency, department or institution.” Sections 4b-21(c)(2)(A) and 4b-21(c)(2)(B) of the Connecticut General Statutes require the approval of the Secretary of the Office of Policy Management and the State Properties Review Board prior to the sale of such land, improvement or interest.

Condition: The University sold land and buildings, that were formerly part of the Mansfield Training School, without any correspondence or approval from the Office of Policy and Management or the State Properties Review Board.

Effect: Uncertainty exists as to whether the University has complied with Section 4b-21 of the General Statutes.

Cause: University personnel believe that Section 4b-21 of the General Statutes allows the University to sell land independent of any approval of, or correspondence with, the Secretary of the Office of Policy and Management and the State Properties Review Board.

Recommendation: The University should request a formal opinion of the Attorney General to determine if any outside approval or correspondence is needed to sell real property. (See Recommendation 5.)

Agency Response: “The University of Connecticut maintains its position that it has statutory authority to sell real property directly without outside approval. Regardless, we will seek further clarification on this matter from the State Attorney General.”

Accounts Receivable:

Criteria: Sound financial management practice dictates that the University make a concerted effort to collect amounts owed to it by outside parties.

Condition: During our analysis of non-grant/non-student accounts receivable, we noted several older accounts for which the University had yet to receive payment. The most significant of which was an amount in excess of \$44,000 due for water and sewer services provided by the University to a commercial building complex located near the campus. When we discussed the lack of payment with University personnel, it became apparent that there had been no clear establishment of responsibility for pursuing collection of this type of delinquent accounts receivable.

Effect: The lack of timely collection of the receivables has an opportunity cost associated with it since the University could have earned interest on amounts owed to it, had such amounts been collected. Also, as time passes the ultimate collection of these receivables becomes less likely.

Cause: Confusion appears to exist as to who is responsible for the collection of delinquent non-grant/non-student accounts receivable.

Recommendation: The University should establish policies that assign responsibility for the collection of delinquent non-grant/non-student accounts receivable. (See Recommendation 7.)

Agency Response: “The University’s Office of Internal Auditing recently completed a comprehensive internal audit of the Accounts Receivable area. A myriad of issues were identified and related recommendations made. Responsible University management has already agreed to some of the audit recommendations and is still in the process of assessing others. We are optimistic that recommended remedial actions will address State Auditor concerns.”

Activity Funds:

Criteria: The Accounting Procedures Manual for Activity and Welfare Funds issued by the State Comptroller, in accordance with Section 4-53 of the General Statutes, establishes procedural requirements for activity funds.

Condition: Problems with respect to activity funds noted during our current audit are listed below.

- Daily Campus:
 - Inadequate controls over fixed assets.
- Public Interest Research Group:
 - Lack of vendor invoices supporting

disbursements.

- Student Television Activity Fund:
 - Inadequate accounting records.
- Avery Point ASG:
 - Failure to deposit receipts in accordance with statutory requirements.
 - Improper supporting documentation on file for disbursements.
 - Inadequate controls over proper signatures on checks.

Effect: The conditions described above weaken or demonstrate weaknesses in internal control.

Cause: The primary cause appears to be inexperienced staff resulting from high turnover, an inevitable consequence of student administration.

Recommendation: The University should inform activity fund custodians of the procedures to follow to eliminate the conditions described above. (See Recommendation 8.)

Agency Response: “Efforts have been heightened in the past year to ensure compliance with all applicable policies and procedures regarding the business operations of these organizations. Such efforts include (but are not limited to): 1) the development of a comprehensive internal policies and procedures manual to supplement the Comptroller's manual and provide further clarification on issues associated with these organizations, 2) an increased level of involvement by the Business Office staff in communicating/re-emphasizing/re-training Activity Fund staff and students, 3) periodic round-table discussions with Activity Fund officers aimed at ensuring compliance and consistency of application of policies and procedures, 4) discussions with senior administration regarding re-affirmation of this department's oversight responsibility of these organizations, 5) requiring the submission of original supporting documentation for all disbursement requests for Storrs Activity Funds.”

Illegal, Irregular or Unsafe Handling of State Funds:

Criteria: Section 4-33a of the General Statutes requires State agencies to report any unauthorized, illegal, irregular or unsafe handling of State funds to the Auditors of Public Accounts and the Comptroller. Section 4-32 of the General Statutes requires an

agency to deposit monies it receives within 24 hours of receipt.

Condition:

Several such incidents came to our attention during and subsequent to the audited period.

On October 19, 1999, as required by Section 2-90 of the General Statutes, we reported to the Governor and other State Officials that the University of Connecticut's Director of Internal Audit had informed us that several of the University's Cooperative Extension Service Offices had deposited University revenues into non-University bank accounts. Further examination by our staff found that an \$80,000 Federal grant, as well as approximately \$37,000 in other miscellaneous revenues, had been inappropriately deposited. All unspent funds were subsequently deposited into a State bank account. We were informed by University personnel that their analysis of spent funds did not indicate any inappropriate use.

On September 6, 2000, we reported to the Governor and other State Officials that the University of Connecticut's Office of Internal Audit had informed us of the results of its investigation of unsafe cash handling procedures within the University's cash food operations. Their investigation revealed 36 instances of late deposits that were violations of Section 4-32 of the General Statutes.

On January 7, 2001, we reported to the Governor and other State Officials the following instances of late deposits:

- West Hartford Regional Campus Cashier's Office - Four out of the six deposits tested, totaling \$13,560, were between two to five days late in being deposited.
- Avery Point Regional Campus Associated Student Government – Cash receipts in the amount of \$155 from the sale of dance tickets in April of 1999 were collected but never deposited. While it appears that the \$155 was either lost or stolen the Associated Student Government Coordinator (a University employee) took it upon herself to deposit \$155 of her own money to cover the missing funds.

Effect:

State funds were handled in an illegal, irregular or unsafe manner.

Cause:

There was a lack of understanding of State requirements on the part of the employees processing these receipts.

Recommendation:

The University should take additional steps to inform employees of depository requirements and amend control procedures to prevent

late deposits. (See Recommendation 9.)

Agency Response: “The University of Connecticut Controller will remind the University community of statutory depository requirements. The Office of Internal Auditing will continue to note statutory depository infractions and make control recommendations to help mitigate late deposit incidents.”

Federal Programs:

Background: Our review of the University of Connecticut’s financial records pertaining to major Federal programs for the fiscal year ended June 30, 1999, revealed certain areas that, while not required to be reported to the Federal government, need attention. Major Federal programs administered by the University consisted of Student Financial Aid programs authorized under Title IV of the Higher Education Act of 1965 and Federal Research and Development Programs. The examination disclosed certain instances of noncompliance with Federal requirements, as well as certain matters involving the University’s internal control as follows:

Research and Development:

Our examination did not note any immaterial instances of noncompliance with Federal requirements pertaining to Research and Development programs.

Student Financial Assistance:

Cash Management

Federal Supplemental Educational Opportunity Grant (FSEOG) CFDA # 84.007

Federal Award Agency: Department of Education

Award Year: 1998-1999

Criteria: The U.S. Department of Education’s Payee Guide for the Grant Administration and Payment System recommends that payees should reconcile their grant awards on a regular basis. The Guide also requires institutions to resolve any excess cash balances throughout the year.

Condition: An excess cash balance remained in the FSEOG program during May 1999 and had not been resolved as of November 1999. The details of the excess cash balance follow:

\$6,544 between May 1999 and September 15, 1999
\$1,494 between September 16, 1999 and October 24, 1999
\$1,000 since October 25, 1999

Effect: Funds drawn down from the U.S. Department of Education exceeded expenditures charged to the program resulting in the excess cash balance.

Cause: The University recorded expenditure adjustments in May 1999, resulting in the drawdown of excess funds.

Recommendation: The University should resolve the excess cash balance in the FSEOG program by reallocating drawn down funds among grant awards or by returning funds to the U.S. Department of Education. (See Recommendation 10.)

Agency Response: “We agree with this finding. The Cash Management Services Section of Sponsored Programs is responsible for Title IV Federal Supplemental Educational Opportunity Grant (FSEOG) drawdowns. On Wednesday, December 15, 1999, the Financial Assistant II in OSP adjusted the amount of the weekly drawdown by the amount of the excess cash balance on that date. In this fashion, the excess cash balance will be eliminated. In the future, the Financial Assistant II will reconcile the drawdown request to equal the expenditures to ensure that no further excess drawdowns are executed. The Manager of Cash Services will incorporate this procedure in the section’s policy documents, for ultimate inclusion in OSP’s Policies and Procedures Manual.”

Special Tests: Verification

Federal Supplemental Educational Opportunity Grant (CFDA # 84.007)
Federal Family Education Loans (CFDA # 84.032)
Federal Work-Study Program (CFDA # 84.033)
Federal Perkins Loan Program – Federal Capital Contributions (CFDA # 84.038)
Federal Pell Grant Program (CFDA # 84.063)
Federal Award Agency: Department of Education
Award Year: 1998-1999

Criteria: 34 CFR 668.56 requires an applicant selected for verification to submit documentation used in determining the applicant’s Expected Family Contribution (EFC). The documentation must be submitted in accordance with 34 CFR 668.57.

Condition: From a sample of 25 student aid applications selected for verification, we noted that one recipient, a dependent student, overstated the U.S. income tax paid by his parents on the Free Application for Federal Student Aid by \$768, by including self-employment taxes paid. The University did not note this error in its verification process and, therefore, did not recalculate

the applicant's EFC.

Effect: Corrections to information contained in the Student Aid Management (SAM) System were not made, even though documentation received through the verification process required that the information should have been adjusted.

Cause: The staff member responsible for verifying applicant information used to determine the EFC did not adjust the conflicting data.

Recommendation: The University should ensure that corrections are made to information contained in SAM to reflect adjustments required by the verification process. (See Recommendation 11.)

Agency Response: "We agree with this finding and attribute it to human error. The Office of Student Financial Aid Services will ensure that the SAM system is updated properly with documented figures. On or before December 16, 1999, the EFC for the student in question has been recalculated using the correct tax figures."

Special Tests: Disbursements to or on Behalf of Students - Notifications

Federal Family Education Loans (CFDA # 84.032)

Federal Perkins Loan Program – Federal Capital Contributions (CFDA # 84.038)

Federal Award Agency: Department of Education

Award Year: 1998-1999

Criteria: Per 34 CFR 668.165(a)(2), if an institution credits a student's account at the institution with FFEL or Federal Perkins Loan Program funds, the institution must notify the student, or parent of – (i) The date and amount of disbursement; (ii) The student's right, or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan. However, the institution does not have to provide this information with regard to FFEL Program funds unless the institution received the loan funds from a lender through an EFT payment or master check; and (iii) The procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement.

Condition:

- The University notifies the student, rather than the parent, when a Parent Loan for Undergraduate Students (PLUS) loan is credited to the student's account.
- The University's notification for FFEL program funds indicates neither the right to cancel a portion of the loan disbursement nor the procedures by which the loan recipient must notify the University that he or she wishes to cancel the loan.
- The University does not have a form to notify the student that his or

her account was credited with Federal Perkins Loan Program funds.

Effect: The loan recipient (student or parent) does not receive some of the information required by Federal regulations with respect to crediting a student's account with FFEL or Federal Perkins Loan Program funds.

Cause: The Bursar's Office has not revised its policies and procedures to comply with Federal regulations.

Recommendation: The University should revise its policies and procedures in order to comply with 34 CFR 668.165(a)(2). (See Recommendation 12.)

Agency Response:

- "We agree with the finding. The Bursar's Office will notify the parent when the PLUS loan is credited to the student's account."
- "We agree with this finding. The Bursar's Office notification to the students says, "You have 14 days from receipt of this letter to decline this loan". We will add procedures to this statement."
- "We agree with this finding. Effective 1999-2000 the Office of Student Financial Aid Services notifies students (via a letter) when Federal Perkins Loan funds are credited to their account, as well as their right to cancel the loan."

Special Tests: Disbursements to or on Behalf of Students - Credit Balances

Federal Supplemental Educational Opportunity Grant (CFDA # 84.007)

Federal Family Education Loans (CFDA # 84.032)

Federal Perkins Loan Program – Federal Capital Contributions (CFDA # 84.038)

Federal Pell Grant Program (CFDA # 84.063)

Federal Award Agency: Department of Education

Award Year: 1998-1999

Criteria: Per 34 CFR 668.164(e), whenever an institution disburses Title IV program funds by crediting a student's account and the total amount of all Title IV program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but (1) no later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or (2) no later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

Condition:

- The University requires financial recipients to sign a reply copy of their award letter; included in this award letter is a stipulation which gives the Bursar permission to apply the recipient's aid toward all charges/fees owed to the University and that, if a credit balance in the

student's account exists, the aid funds are available from the Bursar upon the request of the student. Federal regulations state that any existing credit balance after the first day of classes must be paid to the recipient within 14 days from the date the balance occurred.

- From our sample of 30 aid recipients with credit balances resulting from the application of financial aid funds to their accounts, five students were paid between two days and three months later than required. Five students' credit balances were applied to subsequent charges that were incurred more than 14 days after the financial aid funds were credited to their accounts.

Effect: The University is not in compliance with Federal regulations and is mandating that students request payment of funds resulting from credit balances in their accounts. The University is required to pay the amount of the credit balance to the recipient.

Cause: The University requires financial aid recipients to sign a reply copy of their award letter which states that the student gives the Bursar permission to apply his or her financial aid toward all charges/fees owed to the University, and, that if a credit balance exists, the funds are available from the Bursar upon request. If a student does not request that an existing credit balance be paid to the student, then the University applies the balance to subsequent charges incurred.

Recommendation: The University should pay existing credit balances resulting from the application of Title IV funds directly to the recipient within the required timeframes. (See Recommendation 13.)

Agency Response: "We agree with this finding. Effective Summer 1999 the Office of Student Financial Aid Services revised the language used on the award letter removing "upon the request of the student." Effective January 2000, the phrase will be enhanced to read "the check is available for immediate pickup from the Bursar's Office."

Special Tests: Disbursements to or on Behalf of Students – Federal Work-Study Program Job Schedule Conflicts

**Federal Work-Study Program (CFDA # 84.033)
Federal Award Agency: Department of Education
Award Year: 1998-1999**

Criteria: Sound internal controls require that adequate procedures be in place to ensure that Federal Work-Study student payroll expenditures are a result of work actually performed. 34 CFR 675.19(b)(2) requires the institution to establish and maintain program and fiscal records that include a certification that each student has worked and earned the amount being

paid. The student's supervisor, an official of the institution or off-campus agency, shall sign the certification.

Condition: From a sample of 25 students who received Federal Work-Study funds, we noted four students who had one or more instances in which their class schedule conflicted with time worked as shown on time sheets documenting hours worked. This situation indicates a lack of internal control related to the Federal Work-Study program.

Effect: In the cases cited, assurance was lessened that Federal Work-Study student payroll expenditures reflected payment for work actually performed. Each student's supervisor bears partial responsibility in assuring that the student is not working when scheduled to attend classes so that the student will not jeopardize their academic eligibility to attend the University.

Cause: In certain instances, supervisors may not be monitoring whether there are conflicts between a student's work and class schedules.

Recommendation: The University should improve internal controls over payments to Federal Work-Study recipients. (See Recommendation 14.)

Agency Response: "We agree with this finding in part. The students worked during a scheduled class(es), however, we are unaware of a regulation that prohibits a student from doing so. It is possible that the class attendance was not mandatory on the day(s) the students worked during scheduled class time."

Special Tests: Refunds – Calculation of Amounts Returned, Untimely Refunds

Federal Supplemental Educational Opportunity Grant (CFDA # 84.007)

Federal Family Education Loans (CFDA # 84.032)

Federal Perkins Loan Program – Federal Capital Contributions (CFDA # 84.038)

Federal Pell Grant Program (CFDA # 84.063)

Federal Award Agency: Department of Education

Award Year: 1998-1999

Criteria: The criteria for calculating Title IV program refunds are contained in 34 CFR 668.22. The criteria for returning funds to FFEL lenders are contained in 34 CFR 682.607.

Condition: 1. In our review of the University's non-pro rata refund calculations, we noted one instance in which the Disbursements Office did not include a tuition waiver, a form of University aid, in the aid section of the calculation. This resulted in \$520 being underrefunded to the FFEL program, which we consider to be a questioned cost.

2. We reviewed the University's pro rata refund calculations and noted one instance in which the University used the pro rata refund calculation for a student who had previously attended the institution. This situation requires use of the non-pro rata refund calculation, rather than the pro rata refund calculation.
3. In our review of the University's pro rata refund calculations, we noted that the University does not calculate the number of weeks in the semester in accordance with the requirements of 34 CFR 668.2(b)(2). Because of this, we noted one instance in which the University underrefunded a student \$569.
4. We reviewed the timeliness of disbursement of refunds to programs and/or students and noted seven instances in which FFEL loans were not returned to lenders within 60 days of the students' withdrawal dates. The range in the untimely return of funds to lenders was between 1½ weeks and 2½ months. The majority of FFEL funds that were not returned in a timely manner were returned three weeks later than required under the Federal regulations.

Effect: Refunds were not calculated in the correct amounts and were also not returned in a timely manner.

- Cause:*
1. The office responsible for performing refund calculations was not aware that a tuition waiver is considered to be a form of University financial aid.
 2. This appears to be a clerical error.
 3. The University disputes that its pro rata refund policy is not in compliance with the Federal regulation.
 4. The time frame between the completion date of the Voluntary Separation Notice in the Department of Student Affairs to the authorization of the refund calculation in the Disbursements Office was the primary cause of this condition.

Recommendation: The University should ensure that refunds are calculated in accordance with Federal regulations and are made to lenders in a timely manner. (See Recommendation 15.)

- Agency Response:*
1. "The Bursar's Office does not agree with this statement. The identification of a tuition waiver as a payment for refund purposes is inappropriate in our judgment."
 2. "We agree with this finding, and the Bursar's Office will initiate a full review."
 3. "The Bursar's Office questions the finding as the semester is

traditionally considered 16 weeks long. However, we will review our procedures to insure compliance.”

4. “We agree with the finding and the Bursar’s Office will concentrate on more timely refunds to students.”

Auditors’ Concluding Comments:

Regarding the disagreement of the identification of a tuition waiver as a payment for refund purposes, we used the refund calculation worksheets contained in the *Federal Student Aid Handbook for 1998-1999* to reperform the calculations in our testcheck. The instructions accompanying the worksheets state, “the total should include **all** aid not just SFA funds paid to school charges.”

Reporting

Federal Supplemental Educational Opportunity Grant (CFDA # 84.007)

Federal Work-Study Program (CFDA # 84.033)

Federal Perkins Loan Program – Federal Capital Contributions (CFDA # 84.038)

Federal Pell Grant Program (CFDA # 84.063)

Federal Award Agency: Department of Education

Award Year: 1998-1999

Criteria: The *Instructions Booklet for Fiscal Operations Report for 1998-1999 and Application to Participate for 2000-2001 (FISAP)* contains the instructions for completing the Fiscal Operations Report.

Condition: The amount reported on the University’s FISAP for Total Graduate/Professional Tuition and Fees included \$6,976,698 collected by the UConn Health Center for its School of Medicine and School of Dental Medicine. The University of Connecticut Health Center (UCHC), although under the same administrative control as the University of Connecticut, was granted Title IV eligibility separately from the University by the Institutional Participation Division of the U.S. Department of Education. The UCHC does not receive or request campus-based funds. We also noted that continuing educational fees for graduate students totaling \$7,295,268 were reported as undergraduate tuition and fees.

Effect: Information provided to the U.S. Department of Education was inaccurate. Total tuition and fees for undergraduate students was overstated by \$7,295,268, and for graduate students was understated by a net total of \$318,570.

Cause: Staff members who complete the FISAP have not been instructed not to include tuition and fees collected by the UCHC on the FISAP. A clerical error was the cause for misreporting graduate fees as undergraduate fees.

Recommendation: A management official of the University should review summary information against supporting documentation to ensure that the FISAP is prepared in accordance with Federal regulations. (See Recommendation 16.)

Agency Response: “We agree with this finding. The Bursar’s Office will discontinue including the UConn Health Center fees for Medicine and School of Dental Medicine in two FISAP figures. On December 15, 1999, the Office of Student Financial Aid Services edited the 1998-99 FISAP using our revised figures.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

In our previous report on our audit examination of the University, we presented nine recommendations pertaining to University operations. The following is a summary of those recommendations and the actions taken thereon:

Recommendations addressing University operations:

- Increase segregation of duties with respect to certain Bursar's operations. This recommendation is being repeated. (See Recommendation 1.)
- Make provision for the ready identification of all departmental administrative costs. Our current review noted that the University's Office of Cost Analysis has developed alternative techniques that satisfy the substance of our recommendation. The recommendation is not being repeated.
- A detailed endowment policy should be developed. It has been demonstrated to us that the University shall be implementing this recommendation shortly. The recommendation is not being repeated.
- Develop procedures that provide for positive supervisory verification that temporary academic and similar employees are entitled to the salary payments they receive. This recommendation is being repeated. (See Recommendation 3.)
- The University should emphasize the need for supervisory approval of student payroll. This recommendation is being repeated. (See Recommendation 4.)
- The University should request a formal opinion of the Attorney General to determine if any outside approval or correspondence is needed to sell real property. This recommendation is being repeated. (See Recommendation 5.)
- The University should increase its efforts to collect grant accounts receivable. The University has implemented this recommendation. The recommendation is not being repeated.
- Address the use of University resources by the Public Archaeology Survey Team, Inc.. The University has implemented this recommendation. The recommendation is not being repeated.
- The University should take additional steps to inform employees of depository requirements and amend control procedures to prevent late deposits. This recommendation is being repeated. (See Recommendation 8.)

Recommendations addressing Federal Programs which were not required to be reported to the Federal government:

- In our prior audit report we recommended that the University should provide subrecipients with the CFDA title and number, when such information is available. The University has developed and implemented procedures to comply with this recommendation. This finding is not being repeated.
- In our prior audit report we noted several instances in which the person authorizing an expenditure transaction did not have a signature card on file. We found no such conditions during our current audit. This finding is not being repeated.
- In our prior audit we recommended that the University should develop procedures to provide reasonable assurance that no contract or agreement for purchases of goods or services is made with a debarred or suspended party. The University has developed and implemented procedures in this area. This finding is not being repeated.
- In our previous review, we noted instances in which Federal Work-Study recipients received payment for work which was performed after the recipients had terminated from the University. This recommendation is not being repeated.
- Our previous audit disclosed that the University had drawn down Pell Grant funds based on journal vouchers which were not based on the actual disbursement of funds. This recommendation is not being repeated.
- Our prior audit contained a finding that the University should draw down only the Federally-funded portion of SEOG expenditures. This recommendation is not being repeated.
- Our previous audit disclosed that the University did not retain all Federal Cash Transactions Reports submitted to the U.S. Department of Education. These reports are no longer required, therefore the finding is not being repeated.
- We recommended that the University should ensure that all information is verified in accordance with 34 CFR 668.56 and *The Verification Guide*. A finding related to Verification is included in this report. (See Recommendation 10.)
- We recommended that the University should revise its written policies regarding verification in order to fully comply with Federal regulations. This finding is not being repeated.
- We recommended that the University should comply with 34 CFR 668.165(a). This regulation relates to the required notifications which must be made to loan recipients when a student's account is credited with Perkins Loan or FFEL funds. A related finding is being repeated in this report. (See Recommendation 11.)
- We recommended that written procedures should be developed that require students to notify the Financial Aid Office if the student chooses to decline all or a portion of awarded FFEL loans by direct contact with the lender. This finding is not being

repeated.

- Our prior audit contained a finding that the University should ensure that refunds are calculated in accordance with Federal regulations and funds are returned to lenders in a timely manner. This finding is being repeated. (See Recommendation 14.)

Current Audit Recommendations:

- 1. The University should consider the requirement that instructors prepare and distribute a course syllabus, containing certain standardized information, for all courses and that such syllabuses be monitored and filed at the department level**

Comment:

A properly prepared and distributed course syllabus would assist in communicating to students an instructor's expectations and the manner in which they will be evaluated.

- 2. Segregation of duties with respect to the student registration and student billing systems should be increased.**

Comment:

The University should not give employees significant write access to both SARS, the student billing system, and THESIS, the system used for registration data.

- 3. The University should develop procedures to identify entities affiliated with the University, enter into formalized agreements with these entities when appropriate and ensure that those entities that fall under the provisions of Sections 4-37e through 4-37j of the General Statutes are in compliance with the Statutes.**

Comment:

The lack of formalized agreements jeopardizes the rights of both entities. Additionally, the University may not be in compliance with Sections 4-37e through 4-37j of the General Statutes.

- 4. Procedures that provide for positive supervisory verification that temporary non-academic employees are entitled to the salary payments they receive should be improved.**

Comment:

There is a greater chance that improper or erroneous payments will be made without supervisory review and approval of paid time. This is a special concern with respect to

temporary non-academic and similar employees as, once such employees have been added to the University's payroll, checks will be issued until their ending dates, unless the Payroll Department is notified otherwise.

5. The University should emphasize the need for supervisory approval of student payroll.

Comment:

A significant percentage of payments made by the Avery Point Athletic Department to student employees lacked supervisory signatures.

6. The University should request a formal opinion of the Attorney General to determine if any outside approval or correspondence is needed to sell real property.

Comment:

Uncertainty exists as to whether the University complied with Section 4b-21 of the General Statutes when real property was sold.

7. The University should establish policies that assign responsibility for the collection of delinquent non-grant/non-student accounts receivable.

Comment:

The assignment of responsibility for the collection of delinquent non-grant/non-student accounts receivable will help ensure timely collection.

8. The University should inform activity fund custodians of the procedures to follow in an effort to eliminate undesirable conditions and strengthen internal control.

Comment:

We noted several recurring problems during our review of activity funds.

9. The University should take additional steps to inform employees of depository requirements and amend control procedures to prevent late deposits.

Comment:

Our examination of University operations disclosed instances of untimely deposits of receipts.

10. The University should resolve the excess cash balance in the FSEOG program by

reallocating drawn down funds among grant awards or by returning funds to the U.S. Department of Education.

Comment:

We noted an excess cash balance within the FSEOG program during the audited period.

- 11. The University should ensure that corrections are made to information contained in the Student Aid Management System to reflect adjustments required by the verification process.**

Comment:

We noted that one recipient, a dependent student, overstated the U.S. income tax paid by his parents on the Free Application for Federal Student Aid by \$768. The University did not note this error in its verification process and, therefore, did not recalculate the applicant's EFC.

- 12. The University should revise its policies and procedures in order to comply with 34 CFR 668.165(a)(2).**

Comment:

Loan recipients (student or parent) did not receive some of the information required by Federal regulations with respect to crediting a student's account with Federal Family Education Loans or Federal Perkins Loan Program funds.

- 13. The University should pay existing credit balances resulting from the application of Title IV funds directly to the recipient within the required timeframes.**

Comment:

The University is not in compliance with Federal regulations and is mandating that students request payment of funds resulting from credit balances in their accounts. The University is required to pay the amount of the credit balance to the recipient.

- 14. The University should improve internal controls over payments to Federal Work-Study recipients.**

Comment:

From a sample of 25 students who received Federal Work-Study funds, we noted four students who had one or more instances in which their class schedule conflicted with time worked as shown on time sheets documenting hours worked. This situation indicates a lack of internal control related to the Federal Work-Study program.

- 15. The University should ensure that refunds are calculated in accordance with Federal**
-

regulations and are made to lenders in a timely manner.

Comment:

The University did not calculate refunds correctly and such refunds were not returned in a timely manner.

16. A management official of the University should review summary information against supporting documentation to ensure that the Fiscal Operations Report is prepared in accordance with Federal regulations.

Comment:

Information provided to the U.S. Department of Education was inaccurate. Total tuition and fees for undergraduate students was overstated by \$7,295,268, and for graduate students was understated by a net total of \$318,570.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the University of Connecticut (University) for the fiscal year ended June 30, 1999. The University is a component unit of the University of Connecticut system, which includes the University, the Health Center, the University of Connecticut Foundation, Inc. and the University

of Connecticut Law School Foundation, Inc. This audit was primarily limited to performing tests of the University's compliance with certain provisions of laws, regulations, contracts and grants and to understanding, and evaluating the effectiveness of, the University's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the University are complied with, (2) the financial transactions of the University are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the University are safeguarded against loss or unauthorized use. The financial statement audit of the University for the fiscal year ended June 30, 1999, is included as a part of our Statewide Single Audit of the State of Connecticut for that fiscal year.

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

Compliance:

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

As part of obtaining reasonable assurance about whether the University complied with laws, regulations, contracts and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the University's financial operations for the fiscal year ended June 30, 1999, we performed tests of its compliance with certain provisions of the laws, regulations, contracts and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

The management of the University is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants applicable to the University. In planning and performing our audit, we considered the University's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the University's financial operations in order to determine our auditing procedures for the purpose of evaluating the University's financial operations, safeguarding of

assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives.

However, we noted certain matters involving the internal control over the University's financial operations, safeguarding of assets, and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over the University's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the University's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grants. We believe the following findings represent reportable conditions: inadequate segregation of duties with respect to certain Bursar's operations; no supervisory verification that services were rendered by certain non-academic employees ; and unclear responsibility for the collection of certain accounts receivable.

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

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

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

CONCLUSION

We wish to express our appreciation to the staff of the University for the cooperation and courtesies extended to our representatives during this examination.

Gregory J. Slupecki
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

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