

STATE OF CONNECTICUT

**AUDITORS' REPORT
BOARD OF TRUSTEES FOR THE
CONNECTICUT STATE UNIVERSITY
WESTERN CONNECTICUT STATE UNIVERSITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

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July 1, 2002

AUDITORS' REPORT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2000

We have examined the financial records of Western Connecticut State University (University) for the fiscal year ended June 30, 2000.

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

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

COMMENTS

FOREWORD:

Western Connecticut State University is one of four institutions that collectively form the Connecticut State University, and is responsible to the Board of Trustees for the Connecticut State University, a constituent unit of the State system of higher education. Located in Danbury, Connecticut, Western Connecticut State University consists of two campuses, the Midtown campus and the Westside campus.

The University operates primarily under the provisions contained in Sections 10a-87 through 10a-101 of the General Statutes. Dr. James R. Roach served as University President during the audited period.

Recent Legislation:

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

Public Act 99-285, Section 8, codified as Section 10a-99a, subsection (a), of the General Statutes, revamps the distribution of the State endowment fund matching grants for the Connecticut State University (CSU) system and its individual institutions. Section 9, codified as Section 4-37f, subsection (9)(D) of the General Statutes, requires CSU endowments to adhere to investment and spending policies that conform to the prudent investor standards of the Connecticut Uniform Management of Funds Act. Section 11, codified as Section 10a-151b, subsection (b), of the General Statutes, gives public higher education constituent unit and institution heads more flexibility when they purchase equipment, supplies, and contractual services, allowing them to use competitive negotiations and raising the minimum cost thresholds over which competitive bidding or competitive negotiations are required. This Act was effective on July 1, 1999.

Public Act 00-187, Section 24, codified as Section 10a-20a, subsection (c), of the General Statutes, increased the maximum State matching grant for CSU endowed chairs from \$750,000 to \$1,000,000, effective on May 26, 2000.

Public Act 00-204, Section 11, codified as Section 10a-99, subsection (d), of the General Statutes, requires CSU to waive tuition for dependent children of any State or municipal employee killed in the line of duty. This Section was effective June 1, 2000.

Enrollment Statistics:

Enrollment statistics compiled by the University showed the following enrollments for full-time and part-time students during the audited period and the preceding fiscal year:

	<u>Fall 1998</u>	<u>Spring 1999</u>	<u>Fall 1999</u>	<u>Spring 2000</u>
Full-time undergraduate	2,964	2,741	3,101	2,934
Full-time graduate	<u>16</u>	<u>32</u>	<u>17</u>	<u>18</u>
Total full-time	<u>2,980</u>	<u>2,773</u>	<u>3,118</u>	<u>2,952</u>
Part-time undergraduate	1,447	1,460	1,557	1,607
Part-time graduate	<u>945</u>	<u>938</u>	<u>914</u>	<u>925</u>
Total part-time	<u>2,392</u>	<u>2,398</u>	<u>2,471</u>	<u>2,532</u>
Total Enrollment	<u>5,372</u>	<u>5,171</u>	<u>5,589</u>	<u>5,484</u>

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

RÉSUMÉ OF OPERATIONS:

Operations of the University were primarily supported by appropriations from the State's General Fund and by tuition and fees credited to the University Operating Fund. During the 1999-2000 fiscal year, a General Fund appropriation was not made to the University directly. Rather, a General Fund appropriation for the entire Connecticut State University (CSU), primarily for personal services and related fringe benefits, was made available to the System's Central Office, where allocations of this amount were calculated, and transfers of these funds were made periodically to the campuses' Operating Funds.

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

Operating Fund:

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

	<u>1998-1999</u>	<u>1999-2000</u>
Tuition and educational fees	\$17,123,275	\$18,923,906
Federal aid-miscellaneous	6,522,832	6,878,902
Research foundation	24,215	39,465
Miscellaneous private donations	883,673	967,479
Sale of property	0	12,050
Refunds of expenditures	69,500	100,004
Other grants and transfers-restricted	<u>25,907,858</u>	<u>29,192,523</u>
Total receipts	<u>\$50,531,353</u>	<u>\$56,114,329</u>

As shown above, receipts for Operating Fund accounts totaled \$56,114,329 for the fiscal year ended June 30, 2000, compared to \$50,531,353 for the fiscal year ended June 30, 1999. The increase of \$5,582,976 in the 1999-2000 fiscal year was mainly within the receipts category of Other grants and transfers—restricted, a category largely made up of General Fund appropriation transfers from the CSU Central Office to the University's Operating Fund. The CSU Central Office received a larger appropriation in the audited period, compared to the preceding fiscal year, to cover an additional pay-period. Furthermore, the State legislature granted a supplemental appropriation to CSU to offset a tuition freeze as shown below. The University's portion of the allotment was \$1,197,917.

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

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	<u>1998-1999</u>	<u>1999-2000</u>
Undergraduate:		
In-State	\$ 2,062	\$ 2,062
Out-of-State	6,674	6,674
Graduate:		
In-State	2,568	2,568
Out-of-State	7,156	7,156

Besides full-time tuition, Operating Fund receipts included student payments for continuing education course programs and summer session courses. In addition, the Operating Fund was used to account for income derived from auxiliary activities and business operations, such as dormitories and dining facilities. Receipts generated from the General Fee were also credited to the Operating Fund. Also, the State University fee, fixed by the Board of Trustees under authority granted in Section 10a-99 of the General Statutes, was assessed on all full-time students during the audited period and accounted for within the Operating Fund. In addition, an Information Technology fee was assessed on all full-time students and included in Operating Fund receipts.

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

	<u>1998-1999</u>	<u>1999-2000</u>
General Fee:	759	814
University Fee:		
In-State	615	637
Out-of-State	1,512	1,565
Information Technology Fee:	120	125

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

	<u>1998-1999</u>	<u>1999-2000</u>
Personal services	\$28,724,035	\$31,323,116
Contractual services	6,698,473	8,033,680
Commodities	1,609,270	2,898,825
Revenue refunds	2,130,600	1,292,162
Sundry charges	1,339,226	7,626,260
Equipment	<u>719,680</u>	<u>1,283,990</u>
Total Expenditures	<u>\$41,221,284</u>	<u>\$52,458,033</u>

Expenditures from Operating Fund accounts totaled \$52,458,033 for the audited period, and were primarily for personal services and employee fringe benefits, various University operating costs and equipment. When comparing expenditure levels, it should be noted that, as discussed in our previous audit report, expenditures recorded by the Comptroller for the 1998-1999 fiscal year contain an adjustment processed by the University intended to reclassify the amount of transfers to the local vendor check system for the purpose of vendor payments (coded as 5-39) recorded in the previous fiscal year. Such an adjustment had the effect of understating expenditures during the 1998-1999 fiscal year in an amount equal to overstated expenditures in the preceding fiscal year(s). The adjustment amount, reflected as negative sundry charges, totaled slightly in excess of \$6,000,000. Operating expenditures for the purpose of comparison with subsequent year activity, therefore, exceeded \$47,000,000. The increase of \$2,599,081 for personal services in the 1999-2000 fiscal year was primarily the result of an additional payroll period, which occurs every eleven years. There were 27 pay periods in the audited period, compared to 26 in the preceding fiscal year.

Grants Fund:

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

Receipts of the fund totaled \$5,964,857 during the fiscal year ended June 30, 2000, and consisted primarily of transfers of funds from the Department of Public Works. Grant expenditures totaled \$6,893,406 during the audited year. The major portion of expenditures during the audited period was coded to general repairs and institution buildings.

State Capital Projects:

Capital project fund expenditures during the fiscal year ended June 30, 2000, totaled \$12,734,035, and included transfers from the Department of Public Works that were charged to the University's capital project funds and credited to the Inter-agency/Intra-agency Grants - Tax Exempt Proceeds Fund.

Expenditures were primarily for the construction of new buildings and facilities on campus and for the renovation and improvement of existing structures. Most notable among these expenditures were construction costs of a new facility for the Ruth HAAS Library and improvements to the University's utility system.

Fiduciary Funds:

During the audited period, the University was responsible for the operation of two Activity Funds and one Welfare Fund. The descriptions of each fund and its corresponding balances, as prepared by the University, are as follows:

Student Activity Fund:

Established and operated under the provisions of Sections 4-52 through 4-55 of the General Statutes, the Student Activity Fund is used for the benefit of the student body and contains accounts whose funds are largely under the control of the University's Student Government Association (SGA). During the audited period, the SGA consisted of students elected or appointed to its legislative, executive and judicial branches and also included one appointed faculty member.

Revenues during the audit period totaled \$243,257. Revenues consisted primarily of student activity fees and funds raised from various student functions and activities.

Expenditures for the same period totaled \$236,092. Expenditures charged to this fund supported the student organizations and their related activities. These were coded primarily to contractual services.

Institutional Activity Fund:

The Institutional Activity Fund operated under the provisions of Sections 4–52 through 4–55 of the General Statutes. The Fund was established to account for activities that may benefit students or employees of the institution.

Revenues totaled \$341,430. Revenues consisted primarily of monies generated from fund-raising for athletic and social events as well as monies collected from symposiums and trips.

Expenditures totaled \$328,988. Expenditures were mostly made to cover the costs of athletic and other social events.

Institutional General Welfare Fund:

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

Revenues during the audit period totaled \$103,146. A major source of revenues was scholarship funds and program fees.

Expenditures for the same period totaled \$95,071. Expenditures were primarily coded to grants and financial aid and disbursed in the form of scholarships and other fees.

University Foundation of Western Connecticut, Inc.:

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

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

An audit of the books and accounts of the Foundation was performed by an independent certified public accounting firm for the fiscal year ended June 30, 2000, in accordance with Section 4-37f, subsection (8) of the General Statutes. We were provided with that audit report on Foundation operations. The report showed no material inadequacies in Foundation records and indicated compliance, in all material respects with Sections 4-37e through 4-37i of the General Statutes.

CONDITION OF RECORDS

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

Compensatory Time:

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

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

Conditions: Our review of the University’s compensatory time records revealed the following:

The University did not comply fully with the provisions of Article 16.2 of the SUOAF-AFSCME bargaining agreement. We noted two employees whose compensatory time accrual balances were not reduced to zero on August 15. One employee was allowed to accrue more than the contractual limit. Another employee was allowed to accrue compensatory time without the approval of the first appropriate manager outside of the bargaining unit. In addition, two of the employees submitted the required compensatory accrual and usage forms in an untimely manner.

Effect: The University did not fully comply with provisions of the SUOAF-AFSCME bargaining agreement contract dealing with compensatory time. Internal controls over compensatory time are weakened.

Cause: Apparently, procedures were not in place to ensure compliance with requirements in this area.

Recommendation: The University should take the necessary steps to ensure that compensatory time records are accurate and in accordance with applicable

collective bargaining agreements, personnel policies and statutes. (See Recommendation 1.)

Agency Response: “We agree with this finding. The University implemented procedures for accounting for compensatory time during the 1999 – 2000 fiscal year for the first time. Because the procedures were new to employees, the University provided a few employees with some flexibility regarding the submission of compensatory time records. The University will look at the feasibility of moving the management of compensatory time from the Human Resource Department to the Payroll Department. Compensatory time is a function of time and attendance and should be handled by the Payroll Department. It will be the Payroll Department’s responsibility to ensure the compensatory time records are accurate and in compliance with set policies.”

Personal Service Agreements:

Criteria: Sound internal control procedures require personal service agreements to be signed by appropriate University officials prior to the contract term. In addition, good business practice requires that services be completed prior to the authorization of payment.

Conditions: Our testing of 25 personal service agreement contracts during the audited period revealed the following:

We noted nine instances where the personal service agreement was approved by one of the necessary parties either after corresponding services had begun or after services had been completed.

In five instances, a University official certified that the services were performed and approved for payment prior to the completion of the services.

Effect: Internal controls over personal service agreements were weakened.

Cause: Internal control policies were not being followed.

Recommendation: The University should improve internal controls over personal service agreements by taking steps to ensure that appropriate officials document approval of these contracts in a timely manner. (See Recommendation 2.)

Agency Response: “We agree with this finding. The University will make efforts to ensure the existing procedures are followed and that the appropriate officials approve these documents in a timely manner.”

Equipment Inventory & Reporting

Criteria: Accurate inventory records are an integral part of internal control. Reconciliation of the amount expended for equipment to the change in the inventory record balance is an important facet of the control structure. The State of Connecticut's Property Control Manual provides additional guidance in this area.

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

From a sample of 25 equipment items purchased during the audited period, two equipment items could not be located. One item was recorded on the property control records with the wrong serial number and was not tagged.

From a sample of 40 equipment items selected from the property control records, we found inaccuracies and other control weaknesses. Four equipment items could not be located. Two items were recorded on the property control records with the wrong serial number. In two cases, we were told equipment items on the property control records were on loan to employees, but no documentation approving the loans was on file in the inventory department. We found one item in a location contrary to what was reported on the property control record. In another case, an item was improperly disposed of.

From a sample of 25 equipment items chosen randomly, we found five items in locations contrary to what was reported on the property control records. Three equipment items were not included on the property control records. In another case, an equipment item was missing a tag number.

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

The University does not regularly reconcile the amount expended for equipment and supplies to the change in the inventory record balances.

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

Cause: Internal control policies were not being followed.

Recommendation: Control over the University's equipment inventory should be improved. (See Recommendation 3.)

Agency Response: “We agree with this finding. The University maintains a continuous effort to improve the process. CSU is currently implementing a new inventory control system from Que Tel. This system will be utilized to track and control the University’s assets and controllable property. A new Assistant Director of Property Management was hired recently to help improve the process. In addition, the Fiscal Affairs Office is in the process of hiring a staff accountant who will be responsible for implementing the fixed asset portion of Banner Finance, monitoring the recording of fixed assets to the general ledger and reconciling the new Que Tel fixed asset system to the general ledger. With these additions and new systems in place the University feels confident that the inventory and property control findings will be resolved.”

Receipts – Timeliness of Reporting:

Background: Our review of the processing of receipts included the examination of monies received at the Cashier’s Office. Our examination disclosed the following.

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

To “account for” means to inform the State Treasurer, through the medium of a CO-39, of all receipts received.

Condition: We tested the timeliness of 31 receipts received at the Cashier’s Office. We noted 13 instances where monies received were not reported to the State Treasurer within 24 hours of receipt. The reporting delay ranged from two to four days.

Effect: The University violated provisions of Section 4-32 of the General Statutes by not accounting for receipts in a timely manner.

Cause: With respect to the cases cited, established control procedures in the area of reporting receipts to the State Treasurer were not adequately carried out.

Recommendation: The University should comply with Section 4-32 of the General Statutes by ensuring that all receipts received are accounted for in a timely manner. (See Recommendation 4.)

Agency Response: “We agree with this finding. The implementation of the Banner Student module has caused some delays with certain functions within the Cashiers’

Office. In some cases the CO-39 deposit slips were not processed on a daily basis but the safe guarding of cash was always maintained. Management interprets the main purpose of Section 4-32 of the General Statutes for the University as the proper handling of cash to lessen the exposure of fraud or misuse. The University acknowledges that full compliance to Section 4-32 is necessary and has implemented staffing changes in the Cashiers' Office to ensure the CO-39 deposit slips are processed as required."

Accounts Receivable:

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

Conditions: Our review of a sample of ten students with individual account receivable balances revealed the following:

Four students with individual account receivable balances were never sent collection letters, as required by the University's policies and procedures. Consequently, these accounts were never sent to collections.

One student's account with an outstanding account receivable balance was not sent to a collection agency after a series of internal collection letters were sent.

Two students were allowed to attend classes when they had outstanding debts from the previous semester.

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

Cause: Informal internal control policies were not being followed.

Recommendation: The University should formalize its policies and procedures and improve internal control over accounts receivable. (See Recommendation 5.)

Agency Response: "We agree with this finding. The implementation of the Banner Student module has caused some delays with certain functions within the Cashiers' Office. Management does realize the importance of this issue and will make it a priority to follow the current collection policies and procedures that are in place."

William A. O'Neill Athletic and Convocation Center Issues:

- Criteria:* Sections 4-32 and 4-33 of the General Statutes require that each State institution receiving revenue for the State exceeding \$500 deposit these receipts intact within 24 hours into a bank account approved by both the State Treasurer and State Comptroller.
- Condition:* Our prior review disclosed that the management firm contracted to operate the University's William A. O'Neill Athletic and Convocation Center (Center) had been depositing all revenues generated from the Center into its own private bank account. University officials informed us that this practice continued during the current audit period. The University's continuance of this practice is based on a contract amendment which stipulates that the Center's revenues be deposited into a separate account established by the management firm from which Center expenses are paid. Net profit, if any, is forwarded to the University. The contract, and the University's implementation of its terms, violated Sections 4-32 and 4-33 of the General Statutes, which require the prompt deposit of State funds intact into bank accounts approved by both the State Treasurer and State Comptroller.
- Effect:* During the audit period, receipts were not being deposited in a timely manner, intact, and to an approved State account, as required.
- Cause:* During the audited period, the University's contract with the management firm stipulated that the Center's revenues are to be deposited into a separate account established by the management firm.
- Resolution:* The University requested a change in legislation that would allow continuation of the current operation of the Center. The General Assembly, during its February Session, 2002, enacted such legislation, deeming that funds or revenues collected from ticket sales and deposited into the Center's account are not State funds for the purposes of Sections 4-32 and 4-33 until they are remitted to the University pursuant to the contract. The funds may remain in the Center's account for a period not to exceed forty days. The legislation is effective July 1, 2002.

Other Audit Examination:

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

The areas pertaining to Western Connecticut State University as set forth in the *Report to Management* relating to the 1999-2000 fiscal year are presented below.

- **Cash:** The University should establish formal policies and procedures whereby checks uncashed after a certain period of time are transferred into a holding account and monitored over time. Management should periodically review this account to ensure that funds are being remitted to the State in the proper amounts and within the necessary timeframe.
- **Property Management:** A reconciliation of the Fixed Asset System to the general ledger should be performed monthly.
- **Students' Billing:** A reconciliation between the general ledger and CSUSIS should be performed on a quarterly basis. The aging analysis of the Student Receivable file should be performed on a quarterly basis.
- **General:** The University should consider revising its procurement and payables policies to include on-line purchase requisitions. A complete reassessment of the purchasing authorization process should be conducted to determine that appropriate procedures, flow of information, and levels of review is documented and relative to the materiality of the expenditures.
- **Information Systems:** The University should strengthen NT Network security by limiting users to three log-on attempts before they are locked out of the system and activate the password expiration settings feature for 60-90 days. The computer room facility should have its own lock and the room should be cleared of discarded boxes. Management should develop a formal Information Technology Strategic Plan. Management should review security violation reports. Management should review the roles and responsibilities of key computer administrators to ensure that fully trained back-up personnel are available. Vacant administrator positions should be filled to prevent reliance upon one individual. The University should store critical back-up tapes in a secure, fireproof, and waterproof environment to help ensure timely recovery of data. Management should review and limit the number of University computing personnel that have been granted high level DEC VAX system access privileges. Management should develop formal procedures for granting and removing user access rights to the various computer systems.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The University should deposit promptly all monies received at other than Business Office locations as required by Section 4-32 of the General Statutes and maintain adequate records including documentation of date of receipt. Improvement was noted in this area; therefore the recommendation is not being repeated.
- The University should strengthen its controls over student club revenues and expenditures by promptly depositing the receipts into properly authorized bank accounts in a timely manner, by preparing accountability reports for revenue producing club events to ensure the proper collection, recording and reporting of receipts, by preparing purchase requests before incurring costs and require venter invoices before making payments. Improvement was noted in this area; therefore the recommendation is not being repeated.
- The University should deposit promptly all revenues generated by its O’Neill Athletic and Convocation Center intact into a bank account approved by the State Comptroller and State Treasurer in accordance with Section 4-32 and 4-33 of the General Statutes, amend the contract to eliminate prepayment of expenditures, obtain source documentation of expenditures, and initiate periodic reviews of the Center’s revenue and expenditures records maintained by the management firm. The matter was resolved subsequent to the audit period due to a legislative change.
- The University should strengthen its controls over fixed assets to ensure accurate reporting and safeguarding of assets. The recommendation is being repeated with modification. (See Recommendation 3.)
- The University should develop and implement a time and effort reporting system as required by the Federal Office of Management and Budget Circular A-21. The University developed and implemented a time and effort reporting system; therefore the recommendation is not being repeated.
- The University should seek and establish authority to grant Vice President tuition waivers, improve controls over tuition waivers granted to individuals over 62 years of age, and grant veteran tuition waivers only to those individuals meeting the statutory requirements. Improvement was noted in this area; therefore the recommendation is not being repeated.
- The University should take steps to ensure the correctness of payments made to employees at termination. Improvement was noted in this area; therefore the recommendation is not being repeated.

- The University should consider issuing a written policy concerning work-study specifically that classroom attendance should not be substituted for work-study. The University developed such a policy; therefore the recommendation is not being repeated.
- The University should improve internal controls over the purchasing process. The University should also allow sufficient lead-time in order to process contracts in a timely manner, including obtaining Attorney General approval. The recommendation is being repeated with modification. (See Recommendation 2.)
- The University should comply with the Federal regulations related to high school transcripts. Subsequent testing of Federal student financial assistance has disclosed that the matter was resolved; therefore the recommendation is not being repeated.
- The University should ensure that refunds are made to lenders and Title IV programs in a timely manner and are calculated in accordance with Federal regulations. Subsequent testing of Federal student financial assistance has disclosed that the matter was resolved; therefore the recommendation is not being repeated.

Current Audit Recommendations:

- 1. The University should take the necessary steps to ensure that compensatory time records are accurate and in accordance with applicable collective bargaining agreements, personnel policies and statutes.**

Comment:

The University did not fully comply with the compensatory time provisions of the applicable collective bargaining agreements.

- 2. The University should improve internal controls over personal service agreements by taking steps to ensure that appropriate officials document approval of these contracts in a timely manner.**

Comment:

Our testing revealed a number of personal service agreements that were approved by one of the necessary parties either after corresponding services had begun or after services had been completed. In addition there were a number of instances, where a University official certified that services were performed prior to the completion of the services.

- 3. Control over the University's equipment inventory should be improved.**

Comment:

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

- 4. The University should comply with Section 4-32 of the General Statutes by ensuring that all receipts received are accounted for in a timely manner.**

Comment:

We tested the timeliness of 31 receipts received at the Cashier's Office. We noted 13 instances where monies received were not reported to the State Treasurer within 24 hours of receipt. The reporting delay ranged from two to four days.

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

Comment:

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

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of Western Connecticut State University for the fiscal year ended June 30, 2000. 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 Western Connecticut State University for the fiscal year ended June 30, 2000, 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 auditing standards and the 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 Western Connecticut State University complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grants and to obtain a sufficient understanding of the internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Compliance:

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

As part of obtaining reasonable assurance about whether the University complied with laws, regulations, contracts, and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the University's financial operations for the fiscal year ended June 30, 2000, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

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

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

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

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

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

CONCLUSION

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

Walter J. Felgate
Associate Auditor

Approved:

Kevin P. Johnston
Auditor Public Accounts

Robert G. Jaekle
Auditor of Public Account