

STATE OF CONNECTICUT

**AUDITORS' REPORT
BOARD OF TRUSTEES FOR THE
CONNECTICUT STATE UNIVERSITY
WESTERN CONNECTICUT STATE UNIVERSITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2002**

**AUDITORS OF PUBLIC ACCOUNTS
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FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2002**

We have examined the financial records of Western Connecticut State University (University) for the fiscal years ended June 30, 2001 and 2002.

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 01-93, codified as Section 10a-155b of the General Statutes, requires that each student who resides in on-campus housing be vaccinated against meningitis as a condition of such residence beginning with the 2002-2003 school year. This Act also requires the University to provide information about meningitis to all prospective students and develop procedures for receiving and keeping a record of student vaccination status. This Act was effective from its passage, June 6, 2001.

Public Act 01-141, Section 4, states that upon authorization of the Board of Governors of Higher Education, the Board of Trustees for the Connecticut State University System may establish a five-year program to award education doctoral degrees. This program would be available for students entering from May 1, 2002, until January 30, 2007. Section 5, amends Section 10a-88 of the General Statutes modifying the qualifications for future student members of the Connecticut State University Board of Trustees. The student's term shall terminate if the member ceases to be a matriculating student in good standing, either as a full-time undergraduate student or as a full-time or part-time graduate student, at the State University from which such student member was elected. Section 6 of this Act amends Section 10a-99a, subsection (a), of the General Statutes, revamping the distribution of the State endowment fund matching grants for the Connecticut State University (CSU) System and its individual institutions. These Sections of the Act became effective July 1, 2001.

Section 9 of this Act amended Section 10a-99a of the General Statutes, to allow alumni donations to the foundations of the individual CSU universities, which were made between July 1, 1997 and September 30, 2001, to be retroactively eligible for State matching grants. Section 9 of the Act became effective October 1, 2001.

Public Act 01-165, Section 2, subsection (a), codified as Section 10a-72e of the General Statutes, requires that the constituent units of the State system of higher education, including the Connecticut State University System, develop a plan to ensure that there is unification among their nursing programs to assist nurses in advancing their education and nursing credentials. Subsection (b), requires such boards of trustees to implement the plan not later than July 1, 2004. This Act was effective on July 6, 2001.

Public Act 01-173, Section 31, amended Section 10a-77, subsection (d), of the General Statutes to waive tuition for the dependent children of a volunteer firefighter or supernumerary or auxiliary police officer killed in the line of duty. This Section of the Act is effective from its passage, June 7, 2002.

Public Act 02-107, effective July 1, 2002, amended various sections of the General Statutes to eliminate the terms activity fund and welfare fund and to designate such funds as trustee accounts.

Public Act 02-110, Section 1, codified as Section 19a-342, subsection (b), of the General Statutes, prohibits smoking in public university dormitories. This Act was approved June 6, 2002, with an effective date of July 1, 2003.

Public Act 02-126, Section 5, amended Section 10a-99, subsection (d), of the General Statutes to waive tuition at the Connecticut State University System for resident surviving spouses and dependent children of Connecticut residents killed in the September 11, 2001 terrorist attacks or anthrax attacks occurring between September 11, 2001 and December 31, 2001. This Section of the Act was effective June 7, 2002.

Public Act 02-140, Section 1, codified as Section 10a-151b, subsection (i), of the General Statutes, defines that funds or revenues collected between the period from July 1, 2002 to June 30, 2006, from ticket sales by the contractor hired by the University to operate and manage its O'Neill Center, shall not be deemed to be State funds for the purposes of Sections 4-32 and 4-33 of the General Statutes. These funds may be deposited in the contractor's account for a period not to exceed forty days to pay all expenses related to the event for which the tickets were sold. The contractor must make an accounting of the portion of the funds to be remitted to the University pursuant to the terms of the contract. Section 2, amended Section 10a-151b, subsection (b), of the General Statutes to allow constituent units of public higher education purchase authority to accept electronic bids, quotations, and proposals. Section 2 further states that if sealed bids or proposals are received electronically, they shall be maintained within a safe and secure electronic environment until such time as they are publicly opened. These Sections of the Act became effective July 1, 2002.

Enrollment Statistics:

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

	<u>Fall 2000</u>	<u>Spring 2001</u>	<u>Fall 2001</u>	<u>Spring 2002</u>
Full-time undergraduate	3,318	3,136	3,583	3,344
Full-time graduate	<u>22</u>	<u>26</u>	<u>29</u>	<u>36</u>
Total full-time	<u>3,340</u>	<u>3,162</u>	<u>3,612</u>	<u>3,380</u>
Part-time undergraduate	1,563	1,528	1,497	1,586
Part-time graduate	<u>903</u>	<u>876</u>	<u>809</u>	<u>800</u>
Total part-time	<u>2,466</u>	<u>2,404</u>	<u>2,306</u>	<u>2,386</u>
Total Enrollment	<u>5,806</u>	<u>5,566</u>	<u>5,918</u>	<u>5,766</u>

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

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audited period, General Fund appropriations were not made to the University directly. Rather, General Fund appropriation for the entire Connecticut State University, primarily for personal services and related fringe benefits, were 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>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>
Tuition and educational fees	\$18,923,906	\$21,137,161	\$24,727,424
Other grants and transfers-restricted	29,192,523	28,379,890	31,713,210
Federal aid-miscellaneous	6,878,902	2,156,980	2,066,641
Miscellaneous private donations	967,479	1,391,732	1,577,633
Refunds of expenditures	100,004	123,966	106,070
Research foundation	39,465	13,052	-
Sale of property & miscellaneous	<u>12,050</u>	<u>-</u>	<u>5,728</u>
Total receipts	<u>\$56,114,329</u>	<u>\$53,202,781</u>	<u>\$60,196,706</u>

As shown above, receipts for Operating Fund accounts totaled \$53,202,781 and \$60,196,706 for the fiscal years ended June 30, 2001 and 2002, respectively, compared with \$56,114,329 for the fiscal year ended June 30, 2000, a \$4,082,377 increase over the audited years. A significant portion of this increase can be attributed to tuition and educational fees, which was primarily the result of an increase in the University's fee structure. As shown below, during the audited period, the University's full-time tuition charge increased by eight percent. In addition, the University's General fees and University fees increased by fifteen and seven percent, respectively. Furthermore, the University's overall enrollment increased during the audited period, which correlated to augmented tuition and educational fees.

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.

	<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>
Undergraduate:			
In-State	\$ 2,062	\$ 2,142	\$ 2,226
Out-of-State	6,674	6,934	7,204

Graduate:

In-State	2,568	2,668	2,772
Out-of-State	7,156	7,436	7,726

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 by the General Fee, which is set annually by the Board of Trustees for the Connecticut State University to help support operational costs of student-related activities, 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. Revenues generated from this fee were used to repay debt from bonds issued to fund construction or acquisition costs associated with University buildings and facilities. Furthermore, the Information Technology Fee, which is used to support the cost of student computer and related expenses, was assessed on all full-time students and included in the 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>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>
General Fee:	\$ 814	\$ 864	\$ 937
University Fee:			
In-State	637	659	682
Out-of-State	1,565	1,620	1,677
Information Technology Fee:	125	125	150

The Housing Fee and Food Service Fee, required of resident students, are also included in the Operating Fund receipts. The following summary shows the average annual Housing Fee (double occupancy) and Food Service Fee during the audited period and the preceding fiscal year.

	<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>
Housing Fee:	\$ 3,114	\$ 3,255	\$ 3,426
Food Service Fee:	2,300	2,392	2,512

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

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	<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>
Personal services	\$31,323,116	\$32,258,096	\$35,333,539
Contractual services	8,033,680	6,440,256	87,467
Commodities	2,898,825	2,159,294	(2,559)
Revenue refunds	1,292,162	970,951	(8)
Sundry charges	7,626,260	8,653,018	16,285,767
Equipment	<u>1,283,990</u>	<u>989,480</u>	<u>(1,931)</u>
Total Expenditures	<u>\$52,458,033</u>	<u>\$51,471,095</u>	<u>\$51,702,275</u>

Expenditures from Operating Fund accounts totaled \$51,471,095 and \$51,702,275 for the two audited years, respectively, and were primarily for personal services and employee fringe benefits, various University operating costs and equipment. The increase of \$4,010,423 in personal services was largely the result of salary increases attributed to collective bargaining increases.

Expenditures classified as sundry charges fluctuated significantly, totaling \$8,653,018 and \$16,285,767 for the fiscal years 2000-2001 and 2001-2002, respectively, compared to \$7,626,260 for the fiscal year 1999-2000. The increase of \$7,632,749 in the fiscal year 2001-2002 was primarily the result of a failure by the University to adjust amounts drawn from the Comptroller for local account disbursement to actual expenditures in a timely manner. Thus, the expenditure category sundry charges, which reflected the amounts drawn as generic expenditures, was overstated by the same amount that other categories were understated, mainly within categories titled Contractual services, Commodities and Equipment. (For further details on this weakness, see the subheading titled "Financial Data Reported to the State Comptroller" in the "Condition of Records" section of this report.)

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 \$1,394,647 and \$3,902,634 during the fiscal years ended June 30, 2001 and 2002, respectively, and consisted primarily of transfers of funds from the Department of Public Works. Grant expenditures totaled \$1,839,846 and \$1,694,521 during the respective audited years. 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 years ended June 30, 2001 and 2002, totaled \$6,120,504 and \$7,389,097 respectively, 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.

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. During the audited period, the Student Government Association consisted of students elected or appointed to its legislative, executive and judicial branches and also included one appointed faculty member.

Revenues during the audited period totaled \$256,857 and \$244,890, respectively. Revenues consisted primarily of student activity fees and funds raised from various student functions and activities.

Expenditures during the audited period totaled \$233,637 and \$211,476, respectively. 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 during the audited period totaled \$418,634 and \$425,031, respectively. Revenues consisted primarily of monies generated from fund-raising for athletic and social events as well as monies collected from symposiums and trips.

Expenditures during the audited period totaled \$364,132 and \$456,616, respectively. 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 audited period totaled \$254,971 and \$179,894, respectively. A major source of revenues was scholarship funds and program fees.

Expenditures during the audited period totaled \$242,273 and \$142,095, respectively. 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.

Audits of the books and accounts of the Foundation were performed by an independent certified public accounting firm for the fiscal years ended June 30, 2001 and 2002, in accordance with Section 4-37f, subsection (8) of the General Statutes. Both reports disclosed no material inadequacies in the 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: The University’s record keeping and monitoring of compensatory time needs improvement. Our sample included ten members from the SUOAF-AFSCME bargaining unit. Our review disclosed the following conditions:

Three employees submitted the required compensatory accrual and usage forms in an untimely manner.

One employee was permitted to charge more than a day of compensatory time before the time was accrued.

One employee’s timesheet did not agree with the time reported on the compensatory time accrual and usage form. This form reflected compensatory time charged that was not recorded on the employee’s timesheet.

One employee was allowed to accrue more than the contractual limit without the approval of the University’s Chief Personnel Officer.

Another employee’s compensatory time earned between June 1st and August 15th was not reduced to zero on January 15th, as specified in the contract.

- 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:* “The University agrees with this finding. Since compensatory time is a function of time and attendance, administration of this benefit has been moved from the Human Resource Department to the Payroll Department. Payroll will be responsible for the accuracy of the compensatory time records and ensure that all provisions in the AFSCME Collective Bargaining Agreement are followed.”

Personal Service Agreements:

- Criteria:* Sound internal control procedures require personal service agreements to be signed by appropriate officials prior to the contract term. In addition, good business practice requires that services be completed prior to the authorization of payment. The Connecticut State University System’s Personal Service Agreement Procedures Manual provides additional guidance in this area.
- Conditions:* Our testing of 15 payments made pursuant to 11 personal service agreement contracts during the audited period revealed the following:
- We noted eight 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 one instance, a University official certified that the services were performed and approved for payment prior to the completion of the services.
- We noted five instances where the University Accounts Payable Department processed a payment without obtaining the appropriate documentation and/or signature attesting that the services have been rendered.

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: “The University agrees with this finding. Due to the continued problems the University was experiencing with compliance concerning Personal Service Agreements [PSA’s] a new three- strike policy was created. A letter was sent to all Financial Managers on February 10, 2003 reminding them of our policies concerning PSA’s and notifying them of the new three-strike policy. This new policy contains a verbal warning for the first offense, a written warning for the second offense and finally, loss of authority to authorize these contracts on the third offense. The University is following these new procedures and has issued some second-strike written warnings for noncompliance.”

Accounts Receivable:

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

Conditions: Our review of a sample of 25 students with individual account receivable balances revealed the following:

Seven students with individual account receivable balances were never sent collection letters, as required by the University’s policies and procedures. Consequently, six of these accounts were never sent to an outside collection agency.

In addition, two students with individual account receivable balances were not sent to an outside collection agency after a series of internal collection letters were unsuccessful.

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 3.)

Agency Response: “The University agrees with this finding. The implementation of the Banner Student module caused some delays with certain functions within the Cashier’s Office. Vast improvements have been made over the last year in the Accounts Receivable area. The University moved to a monthly billing cycle and has begun to automate the dunning letter process. These new initiatives have improved our receivable rates and have allowed the Cashier’s Office to keep in line with the University’s collection policies.”

Software Inventory:

Criteria: The State of Connecticut’s Property Control Manual states “a software inventory must be established by all agencies to track and control all of their software media, licenses or end user license agreements, certificates of authenticity, documentation and related items.” The Manual further states that “each agency will produce a software inventory report on, at minimum, an annual basis... A physical inventory of the software library, or libraries, will be undertaken by all agencies at the end of each fiscal year and compared to the annual software inventory report. This report will be retained by the agency for audit purposes.”

Condition: The University does not maintain a software inventory that tracks and controls all of its software media, licenses or end user license agreements, certificates of authenticity, and other related items. Furthermore, the University does not conduct a physical inventory of software on an annual basis.

Effect: The University is not in compliance with software inventory requirements contained in the State of Connecticut’s Property Control Manual.

Cause: The University does not currently have a policy requiring individual departments purchasing software to notify a designated responsible person of such purchase. Therefore, it is difficult to maintain a centralized software inventory.

Recommendation: Control over the University’s software should be improved by establishing procedures designed to ensure compliance with the State of Connecticut’s Property Control Manual. (See Recommendation 4.)

Agency Response: “The agency agrees with this finding. The Purchasing Office does notify IT if departments request to purchase software before the orders are generated. Shipping and Receiving often notify IT before giving the department the software that they had ordered. The procedural controls for Purchasing, Shipping and Receiving, and IT will be reiterated and

reinforced. Procedures with Shipping and Receiving will be put in place so that all software is distributed through IT. IT will work to bring various software lists together in one web-based system. IT will undertake doing a physical inventory of all software annually.”

Information System Controls:

Background: Our review of the University’s information system included the examination of access privileges to Banner. Banner is the Connecticut State University’s client-server based administrative software.

Criteria: The University has formal procedures for granting access privileges to Banner. These procedures require that an employee be granted the appropriate security profile necessary to perform the assigned duties of the position. This procedure is documented on a Banner Access Request Form, which must be signed by the requesting employee’s supervisor.

In order to ensure system integrity, all computer access should be disabled immediately upon the separation of an employee.

Condition: From a sample of 25 employees listed as having active access to Banner, we found two that separated from the University. In addition, we found five employees who did not have the appropriate Banner Access Request Form on file.

From a sample of 25 employees who separated from the University during the audit period, we found four who retained their Banner access privileges. The amount of time that this access remained active after their separation ranged from 614 to 740 days. Subsequent to our review and notification, the University disabled the separated employees’ access privileges.

Effect - Internal control over the University’s information system was weakened.

Cause - The University did not comply with its established procedures for granting employees access to its information system.

It appears that those responsible for terminating separated employees’ computer accounts are not being notified of separations on a timely basis or are not acting upon notification on a timely basis.

Recommendation - Internal control over the University’s information system should be improved. (See Recommendation 5.)

Agency Response: “The agency agrees with this finding. The University does have a terminating employee policy. IT was notified of the four employees who

were separated during the audit period and retained their Banner access privileges. This was due to a staffing problem which has been corrected. A new hire has assumed the responsibility for deactivating Banner accounts.

The University is refilling a vacant position whose responsibility it will be to ensure that all employees who have Banner access have the appropriate Banner Access Request Form on file.”

Internal Control over Receipts:

Background: Our review of the processing of receipts included the examination of monies received by student activity clubs/groups. The examination disclosed the following:

Criteria: The State of Connecticut’s Accounting Procedures Manual for Activity and Welfare Funds sets forth requirements relating to the revenue/receipts process. The Manual states that “...All cash belonging to the Fund will be deposited within 24 hours after receipt except if otherwise authorized by the State Treasurer, or the total amount is less than \$500. Total daily receipts of less than \$500 may be held until the total receipts to date amount to \$500, but not for a period of more than seven calendar days.”

Condition: We tested the timeliness of 25 bank deposits containing individual receipts originally received by student activity clubs/groups at locations other than the University’s central cashiering office. We found 10 instances of late deposits totaling \$12,274. The deposit delays ranged from two days to 10 months.

Effect: The University was not in compliance with its established policies and procedures. This weakens internal control.

Cause: Internal control policies were not being followed.

Recommendation: The University should comply with the requirements governing Student Activity Fund receipts as set forth in the State of Connecticut’s Accounting Procedures Manual for Activity and Welfare Funds. (See Recommendation 6.)

Agency Response: “The University agrees with this finding. Since these infractions involved locations other than the University’s Cashier’s Office, the University will send a letter to all departments, clubs and organizations reminding them of our deposit policies. It will be emphasized that all deposits must be stamped in when received and deposited within the amount of time permitted under stipulated policies.”

Financial Data Reported to the State Comptroller:

Criteria: State agencies should provide accurate financial data to the State Comptroller to ensure that the Comptroller's records are accurate.

Condition: Cash transfers from the University's Operating Fund bank account to its direct disbursement account are classified, generically, as direct disbursement expenditures (coded 5-39) when the cash is transferred. Subsequently, when payments are made out of the direct disbursement account, the University advises the State Comptroller of the specific expenditure classifications applicable to the payments made. The State Comptroller's records are adjusted accordingly, decreasing amounts coded to 5-39 and increasing amounts coded to expenditure categories reflecting actual payments made. If this process is working correctly, the total of 5-39 expenditures recorded on the State Comptroller's records at year-end should equal zero.

During the 2001-2002 fiscal year, the University did not advise the State Comptroller to adjust the specific expenditure classification for expenditures incurred before year-end. Accordingly, the specific expenditure figures reported on the State Comptroller's accounting system were not accurate.

The State Comptroller's records showed that the University's generic (5-39) Operating Fund expenditures totaled \$5,777,533 for the 2001-2002 fiscal year instead of showing a total of zero.

Effect: University expenditures were not accurately classified in the State Comptroller's records. This could potentially affect decisions made in reliance on the information shown in those records.

Cause: The request to transfer funds from the University's Operating Fund bank account to its direct disbursement account was not made in a timely manner.

Recommendation: The University should follow the State Comptroller's prescribed procedures to correctly account for such direct disbursement expenditures. (See Recommendation 7.)

Agency Response: "The University agrees with this finding. Although the expenditure report was not filed before year-end FY' 02, it was completed. The report was filed with the Comptroller's Office on September 18, 2002. The delay was due to questions concerning the total amount of expenditures to report. The University was advised that the process is working correctly if the total of 5-39 expenditures recorded on the State Comptroller's records

at year-end equals zero. The University often has expenditures in excess of the funds that are drawn down from the Comptroller's Office for any given year. Identifying the expense categories for those specific funds is further complicated with the effects of carryover funds from previous fiscal years. In the future the University will file the expenditure report with the Comptroller's Office in a timely manner."

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 2001-2002 fiscal year are presented below.

- **General:** At the time that the implementation of the on-line purchase requisition commences, the University should consider revising their procurement and payables policies to ensure that they obtain efficiencies in operations. A complete reassessment of the purchasing authorization process should be conducted to determine that appropriate procedures, flow of information, and levels of review are documented and relative to the materiality of the expenditures. The University should tag and record all assets in the fixed asset system upon delivery. The University should retain documentation to support any time needed to prepare an asset for its intended use so the accounting department can use the correct date to begin depreciation.
- **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 for a certain period of time. 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.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- 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. The recommendation is being repeated. (See Recommendation 1.)
- 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. The recommendation is being repeated. (See Recommendation 2.)
- Control over the University's equipment inventory should be improved. Improvement was noted in this area; therefore the recommendation is not being repeated.
- The University should comply with Section 4-32 of the General Statutes by ensuring that all receipts are accounted for in a timely manner. Improvement was noted in this area; therefore the recommendation is not being repeated.
- The University should formalize its policies and procedures and improve internal control over accounts receivable. The recommendation is being repeated. (See Recommendation 3.)

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. 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.

4. Control over the University's software should be improved by establishing procedures designed to ensure compliance with the State of Connecticut's Property Control Manual.

Comment:

The University does not maintain a complete software inventory that tracks and controls all of its software media, licenses or end user license agreements, certificates of authenticity, and other related items. Furthermore, the University does not conduct a physical inventory of software on an annual basis.

5. Internal control over the University's information system should be improved.

Comment:

We found that a number of separated employees were listed as having access privileges to the University's information system. In addition, we found a number of employees who did not have the appropriate access form on file.

6. The University should comply with the requirements governing Student Activity Fund receipts as set forth in the State of Connecticut's Accounting Procedures Manual for Activity and Welfare Funds.

Comment:

We tested the timeliness of 25 bank deposits containing individual receipts originally received by student activity clubs/groups at locations other than the University's central cashiering office. We found 10 instances of late deposits totaling \$12,274. The deposit delays ranged from two days to 10 months.

- 7. The University should follow the State Comptroller's prescribed procedures to correctly account for such direct disbursement expenditures.**

Comment:

University expenditures were not accurately classified in the State Comptroller's records.

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 years ended June 30, 2001 and 2002. 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 years ended June 30, 2001 and 2002, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with 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 years ended June 30, 2001 and 2002, 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 the University's information system.

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