

STATE OF CONNECTICUT



***AUDITORS' REPORT
BOARD OF TRUSTEES FOR THE CONNECTICUT STATE UNIVERSITY
WESTERN CONNECTICUT STATE UNIVERSITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2006***

AUDITORS OF PUBLIC ACCOUNTS

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Table of Contents

INTRODUCTION	1
COMMENTS	1
Foreword	1
Recent Legislation	2
Enrollment Statistics	2
Résumé of Operations	2
Operating Revenues	3
Operating Expenses	4
Nonoperating Revenues	5
University Foundation of Western Connecticut, Inc.	5
CONDITION OF RECORDS	7
Internal Control over Payroll Related Expenditures	7
Compensatory Time	7
Flex Time	8
Procurement	9
Personal Service Related Expenditures	12
Travel Expenditures	13
Accounting Control over Receipts	15
Reconciliation of Accounting Records	16
Petty Cash Fund	17
Accounts Receivable	19
Equipment Inventory	20
Construction Projects Administered by the University	22
Information System Controls	23
Software Inventory	24
Local Fund Receipts	25
Local Fund Expenditures	26
Other Audit Examination	28
RECOMMENDATIONS	30
CERTIFICATION	35
CONCLUSION	37

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AUDITORS' REPORT
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FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2006

We have examined the financial records of Western Connecticut State University (University) for the fiscal years ended June 30, 2005 and 2006.

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

This report on 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 from July 1, 2004 until August 1, 2004 when Dr. James W. Schmotter was appointed University President.

Recent Legislation:

The following notable legislative change took effect during the audited period:

Public Act 05-4, Section 1, amended Section 10a-149 of the General Statutes, to authorize the Connecticut State University System to award education doctoral degrees. This Act became effective on July 1, 2005.

Enrollment Statistics:

Enrollment statistics compiled by the University for full-time and part-time students during the two audited years, were as follows:

	<u>Fall 2004</u>	<u>Spring 2005</u>	<u>Fall 2005</u>	<u>Spring 2006</u>
Full-time undergraduate	3,873	3,563	4,002	3,671
Full-time graduate	<u>97</u>	<u>87</u>	<u>94</u>	<u>114</u>
Total full-time	<u>3,970</u>	<u>3,650</u>	<u>4,096</u>	<u>3,785</u>
Part-time undergraduate	1,264	1,283	1,193	1,204
Part-time graduate	<u>650</u>	<u>632</u>	<u>618</u>	<u>632</u>
Total part-time	<u>1,914</u>	<u>1,915</u>	<u>1,811</u>	<u>1,836</u>
Total Enrollment	<u>5,884</u>	<u>5,565</u>	<u>5,907</u>	<u>5,621</u>

RÉSUMÉ OF OPERATIONS:

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

- The University Operating Fund,
- Grants Fund, and
- State Capital Project Funds.

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 audited period, General Fund appropriations were not made to the University directly. Rather, General Fund appropriations for the entire Connecticut State University System primarily for personal services and related fringe benefits, were made available to the System's Central Office, where allocations of this amount were calculated, and transfers of these funds were made periodically to each campuses' Operating Funds.

The financial information reported in the section below is derived from the Connecticut State University System's combined financial statements, which are audited by an independent public accounting firm.

The 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 as an enterprise fund. Significant aspects of the operations of the University, as presented in the Agency prepared financial statements, are discussed in the following sections of this report.

Operating Revenues:

Operating revenue results from the sale or exchange of goods or services that relate to the University's primary function of instruction, academic support and student services.

Operating revenue as presented in the University's financial statements for the audited period follows:

	<u>2004-2005</u>	<u>2005-2006</u>
Tuition and fees (net of scholarship allowances)	\$25,316,195	\$24,351,209
Federal grants and contracts	1,381,292	2,786,373
State and local grants and contracts	2,526,389	1,780,625
Non-Governmental grants and contracts	50,113	11,311
Indirect cost recoveries	7,785	4,000
Auxiliary revenues	9,568,940	11,255,592
Other sources	<u>82,542,092</u>	<u>52,693,296</u>
Total operating revenues	<u>\$121,392,806</u>	<u>\$92,882,406</u>

Under the provisions of Section 10a-99, subsection (a), of the General Statutes, tuition and fees were fixed by the University's Board of Trustees. The following summary presents annual tuition charges during the 2004-2005 and 2005-2006 fiscal years.

	2004-2005			2005-2006		
		Out-of-			Out-of-	
Student Status	In-State	State	Regional	In-State	State	Regional
Undergraduates	\$2,862	\$9,264	\$4,294	\$3,034	\$9,820	\$4,552
Graduates	3,566	9,934	5,348	3,780	10,530	5,669

The following summary presents the annual General, State University, and Information Technology Fees, which are also included within the operating revenues category of tuition and fees.

	2004-2005			2005-2006		
		Out-of-			Out-of-	
Fees	In-State	State	Regional	In-State	State	Regional
General		\$1,528			\$1,611	
State University	765	1,879	765	792	1,945	792
Information Technology		218			223	

The Housing Fee and Food Service Fee, required of resident students, are included in the operating revenues category titled "Auxiliary revenues". The following summary presents the average annual Housing Fee (double occupancy) and Food Service Fee during the audited period.

Fees	2004-2005	2005-2006
Housing	\$4,110	\$4,268
Food Service	2,940	3,050

The other sources category of operating revenue primarily consists of internal revenue transfers and reclassifications between funds. In addition, the University also records the value of capital projects funded by the Connecticut Health and Education Facilities Authority (CHEFA) within this category.

The increase in the Federal grants and contracts category of \$1,405,081 was primarily the result of the increase in funding for various grants and scholarships. The increase in the auxiliary revenues category of \$1,686,652 was primarily the result of an increase in the University's Housing and Food Service Fees. As presented above, the University's housing and food service charges increased by four percent between the 2004-2005 and 2005-2006 fiscal years. The primary reasons for the decrease of \$29,848,796 in the other sources category were the decrease of CHEFA funding, reclassification of prior year revenues, and reclassification of transfers between the Connecticut State University System Office and the University.

Operating Expenses:

Operating expenses generally result from payments made for goods and services to assist in achieving the University's primary function of instruction, academic support and student services.

Operating expenses include employee compensation and benefits, supplies, services, utilities and depreciation. Operating expenses as presented in the University's financial statements for the audit period follow:

	<u>2004-2005</u>	<u>2005-2006</u>
Personal service and fringe benefits	\$53,159,449	\$57,894,841
Professional services and fees	3,179,245	3,956,268
Educational services and support	5,955,665	6,727,632
Travel expenses	783,214	936,108
Operation of facilities	60,269,407	40,471,576
Other operating supplies and expenses	15,421,901	3,398,237
Depreciation expense	<u>6,537,462</u>	<u>7,530,715</u>
Total operating expenses	<u>\$145,306,343</u>	<u>\$120,915,377</u>

The increase in the personal service and fringe benefits category of \$4,735,392 in the 2005-2006 fiscal year was primarily the result of salary increases attributed to collective bargaining

increases. The decrease in the operation of facilities category of \$19,797,831 was due to a reduction in expenses in plant facilities between the 2004-2005 and 2005-2006 fiscal years. A significant portion of the \$12,023,664 decrease in the category titled other operating supplies and expenses was primarily the result of the reclassification of transfers between the Connecticut State University System Office and the University, and does not represent a change in actual expenditures.

Nonoperating Revenues:

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

Nonoperating revenues as presented in the University's financial statements for the audited period follow:

	<u>2004-2005</u>	<u>2005-2006</u>
State appropriations	\$35,380,291	\$36,911,023
Gifts	139,404	187,609
Investment income	456,694	956,349
Other nonoperating revenues	306,522	298,649
State financial plant facilities	<u>34,120,050</u>	<u>1,798,402</u>
Total nonoperating revenues	<u>\$70,402,961</u>	<u>\$40,152,032</u>

In addition to the operating and nonoperating revenues presented above, the University's financial statements also disclosed revenues classified as State appropriations restricted for capital purposes totaling \$9,593,848 and \$3,383,121 for the fiscal years ended June 30, 2005 and 2006, respectively.

The decrease in the State financial plant facilities category was due to the fact that there were fewer capital projects completed at the University by the DPW during the fiscal year ended June 30, 2006.

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 4-37k of the General Statutes set requirements for organizations such as the Foundation. The requirements include and address the annual filing of an updated list of board members with the State agency for which the foundation was established, financial record

Auditors of Public Accounts

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, 2005 and 2006, in accordance with Section 4-37f, subsection (8), of the General Statutes. We were provided with two audit reports on Foundation operations, one for each of the audited years. 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 disclosed certain areas requiring attention, as discussed in this section of the report.

Internal Control over Payroll Related Expenditures:

Criteria: Sound internal control procedures require that an employee's appointment to a position must be approved prior to any work being performed.

Condition: Our testing of 20 payroll related expenditures during the audited period, noted three instances where employees were permitted to work before their appointment forms were approved.

Effect: The condition described above weakens internal control over payroll related expenditures, which could result in work being performed that was not authorized and/or funded.

Cause: Internal control policies were not being followed.

Recommendation: The University should improve internal controls over the employment process to ensure that appointment forms are approved prior to any work being performed. (See Recommendation 1.)

Agency Response: "We agree with the recommendation. The policy for appointment forms to be approved prior to a student working is posted on the Human Resources (HR) website in the Student Employment Procedures (revised September 26, 2007) and is communicated via e-mail to student supervisors prior to the start of each appointment period by the Financial Aid Office. In regards to Part-time Lectures, the procedures state that the signed appointment letter must be completed prior to beginning of employment."

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 Compensatory Time Accrual and Usage Form (Compensatory Time Form) should be approved after the end of the reporting period to ensure that the time reported is correct. The Compensatory Time Form should be dated by the supervisor to attest timely approval.

The State University Organization of Administrative Faculty (SUOAF) AFSCME bargaining agreement, Article 16.2, 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.”

Conditions: Our review of a sample of 10 employees earning compensatory time, disclosed the following:

- One instance where an employee was allowed to accrue more than 10 days of compensatory time without the approval of the Chief Personnel Officer.
- Two instances where the employee’s supervisor did not date the Compensatory Time Form.
- Two instances where the employee and/or supervisor submitted and approved the Compensatory Time Form before the end of the reporting period.

Effect: Internal controls over compensatory time are weakened. The University did not fully comply with provisions of the SUOAF AFSCME bargaining agreement contract. In one instance, an employee used 37 hours of compensatory time that was not approved by the Chief Personnel Officer.

Cause: Internal control policies were not being followed.

Recommendation: The University should monitor and improve compliance with established controls over the record keeping of compensatory time. (See Recommendation 2.)

Agency Response: “We agree with the recommendation. Aspects of compensatory time are manual because the Core-CT system is unable to prevent compensatory time from exceeding the maximum hours. Each pay period a report of compensatory time balances is continuing to be run when the payroll is closed, and the WCSU Payroll Department manually checks for time over 70 hours. A list of employees who are close to 70 (if any) is prepared for the next payroll period to insure that sheets entered after this pay period is closed will not cause an employee to exceed the 70 hour maximum for the previous pay period. Supervisors have been reminded to be sure to sign and date compensatory time forms appropriately to correct those issues.”

Flex Time:

Criteria: The Core-CT Human Resource Management System (HRMS) is the University’s official time and attendance record.

Sound business practices require that time and attendance information is accurate.

The University has a policy which allows personnel from both the Management/Confidential and SUOAF AFSCME bargaining units to work a flexible work schedule defined as flex time. Flex time allows employees who are required to work late on a particular day the ability to shorten their workday by the same number of hours on another day in the same pay period as permitted by operating needs.

Condition: Our review of the University's time and attendance records disclosed instances where employees worked a flexible work schedule but their actual hours in Core-CT HRMS disclosed that the employee worked a standard work schedule. In these instances, the employees worked extended hours in a particular day and a reduced number of hours in another day that were not reflected in Core-CT HRMS for those individual days.

Effect: The time and attendance records as reported in Core-CT HRMS may not reflect the actual hours worked.

Cause: The University data inputs the time reported on timesheet into Core-CT, which does not always represent the actual hours worked.

Recommendation: The University should review its current time and attendance policies and procedures to ensure that the time reported in the Core-CT HRMS is accurate. (See Recommendation 3.)

Agency Response: "We agree with the recommendation that the time reported in Core-CT should be accurate. The University will continue to verify that employees are reporting their hours worked correctly. Employees who use flex time should report a total of 70 hours of regular pay over the two week pay period. If an employee works more than 40 hours in a week that time is reported in Core-CT as compensatory time. The signed worksheets are the verification of actual time worked during each pay period. We believe the current process correctly reflects the hours in the aggregate being reported in Core-CT."

Procurement:

Criteria: Section 10a-151b of the General Statutes governs the purchase of equipment, supplies, and contractual services, and execution of personal service agreements by constituent units of higher education. This statutory provision requires that purchases exceeding \$10,000 shall be based, when possible, on competitive bids or competitive negotiation. Each bid or proposal shall be kept sealed until opened publicly at the time stated in the notice soliciting such bid or proposal.

The purchase order is the primary commitment document with respect to acquisitions of supplies, equipment, materials, and services. Commitment documents should be properly authorized prior to the shipment and billing of goods or services.

The Connecticut State University System's Procurement Manual provides additional guidance in this area.

Conditions: Our sample for procurement testing consisted of reviewing 20 expenditures for the audited period. Our testing disclosed the following:

- One instance where the University contracted with a vendor for \$16,520 during the fiscal year ended June 30, 2006, without obtaining competitive bids and/or entering into the competitive negotiation process as required by the General Statutes.
- One instance where the goods and/or services were ordered before the issuance of a purchase requisition and purchase order. In addition, the vendor's invoice was approved for payment prior to the issuance of these documents.
- One instance where the University processed an expenditure transaction without the issuance of a purchase order. In addition, the University was missing three out of the five original vendor invoices.
- One instance where the University did not take advantage of a billing discount, which provided for a one percent discount for remitting payment within ten days of the invoice date. In this instance, by not taking advantage of the billing discount, the University lost \$1,971. The cumulative effect of not taking the billing discount on all invoices submitted by this vendor during the fiscal year ended June 30, 2006, was a loss of \$11,955.

Effect: The University is not in compliance with established policies and procedures. In the condition of the transaction cited for lack of competitive negotiation, it could not be determined whether the University received the most competitive price for the purchase made.

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

Recommendation: The University should take steps to improve internal control over the procurement process and comply with established policies and procedures. (See Recommendation 4.)

Agency Response: "The CSU Purchasing Manual was finalized after the time period being audited. The university currently follows the procedures outlined in the manual.

With regards to contracting with a vendor without obtaining competitive bids, the items acquired here are unique and proprietary to the operation of the University's boiler house. In the future, WCSU will review the market to determine if another vendor can provide the product for our boiler system. The CSU Purchasing Manual, issued subsequent to the payment for these items, governs the process of issuing purchase orders and awards pertaining to proprietary items. This process will be employed on future related acquisitions.

With regards to ordering goods and services prior to the issuance of a purchase order, the Manual does not require a purchase order on this item. The CSU Purchasing Manual, issued subsequent to the purchase order noted on the exception report, addresses authorized and unauthorized purchases and the University's right to withhold payment in the event an unauthorized payment is deemed to be unauthorized or not be in the best interests of the University. The CSU Purchasing Manual provides a guide regarding authorized and unauthorized purchases. According to our purchasing director this is acceptable in this situation.

The University always tries to take advantage of billing discounts when making payments. In this situation we did not receive the invoice in time to take the discount.”

*Auditors Concluding
Comments:*

The CSU System's Procurement Manual states “All requests for the purchase of goods and services must be accomplished by the submittal of an authorized and approved purchase requisition. Exceptions are the P-Card program, approved direct purchases and approved on-line ordering systems.” The Manual further states that “Purchase orders are generated by the Purchasing Department directly from the requirements outlined in the approved purchase requisition.” The transaction cited above with regard to ordering goods and services prior to issuance of a purchase order, represented the purchase of bulletins for a graduation ceremony, which totaled \$3,213. This transaction does not appear to meet the criteria of an exception for not having an authorized and approved purchase requisition. Further, the University did process a purchase order for this transaction but it was generated and approved approximately two months after the goods were ordered.

In this instance, it appears that the invoices were received in time to take the discount. However, if the invoices were not received in time to take advantage of the discount, the University should request that the vendor submit the invoices in a timely manner.

Personal Service Related Expenditures:

Criteria: Section 10a-151b of the General Statutes governs the purchase of equipment, supplies, and contractual services, and execution of personal service agreements by constituent units of higher education.

The Connecticut State University System's Personal Service Agreement Procedures Manual sets forth requirements relating to personal service related expenditures processed on a Personal Service Agreement (PSA) or Honorarium Payment Request (Honorarium) Form.

Sound internal control procedures require that, if payment is issued prior to a service being completed there is an after-the-fact certification that such services were rendered.

Conditions: Our testing of 10 personal service related expenditures during the fiscal year ended June 30, 2006, disclosed the following:

- Two instances where the PSA or Honorarium Form was not signed by one of the necessary parties prior to the contract term. In one of these instances, it was only the Attorney General's (AG) Office's approval that was obtained after the start of the contract period.
- Two instances where the University contracted for services exceeding \$3,000 without completing the required PSA Form. In both instances, the work was performed prior to obtaining the required approvals. In addition, these service contracts were not reviewed and approved by the AG's Office.
- One instance where the PSA to provide food service at the University from July 1, 2005 to June 30, 2006, was signed by the vendor and University on August 10, 2006 and September 11, 2006, respectively. The original PSA totaling \$3,023,820 was never signed by the AG's Office. The University amended the PSA to add an additional year of service to the contract. The amended PSA covered the period from July 1, 2005 to June 30, 2007, which totaled \$6,539,232. This amendment was signed by the vendor and University on January 19, 2007 and January 23, 2007, respectively. The AG's Office approved the amendment on March 7, 2007. In addition, the required Gift Certification Form that must accompany all State contracts with a value of \$50,000 or more was signed by the vendor on February 3, 2007.

Effect: The University did not comply with its established policies and procedures, which weakens internal control, and increases the likelihood that inappropriate personal service expenditures may be made and not be detected by management in a timely manner.

Cause: Internal control policies were not being followed.

Recommendation: The University should improve internal controls over personal service related expenditures and comply with the procedures promulgated in the Connecticut State University System's Personal Service Agreement Procedures Manual. (See Recommendation 5.)

Agency Response: "We agree that that the University must comply with the CSU Manual. We will have the PSA forms approved by the AG before the contract start date.

With regards to the signature by (one) of the necessary parties prior to contract term, both contracting parties signed prior to the contract term. The AG signed after the start of the contract period of 2/1/06 and payment was not made until 5/8/06.

With regards to the signature by one of the necessary parties prior to contract term, the University agrees with this finding. The CSU Purchasing Manual issued subsequent to this PSA provides guidelines in this area.

With regards to the PSA to provide Food Service, the document referenced in the audit finding is an amendment to an existing contract initiated in 2000 and expiring in June of 2008. The amendment is issued to provide an annual update to changes in pricing. In April of 2006, the University's Contracting Department was directed to rewrite the Food Service contract so it would be in accord with requirements mandated by the AG's Office. In working with the AG's Office during this process, it was decided to combine the requirements for fiscal year 2005-2006 (7/1/05 – 6/30/06) and fiscal year 2006-2007 (7/1/06 – 6/30/07) onto one contract. The AG signed the PSA on March 7, 2007. The completed amendment for these fiscal years was signed on January 19, 2007 by the Contractor, January 23, 2007 by the University. As these were amendments to a contract in place since 2000, as the University is currently out to bid for a new food service contract, subsequent contracts will adhere to the new format implemented in this latest rewrite of the contract."

Travel Expenditures:

Criteria: The Connecticut State University System's Travel Policy and Procedures Manual sets forth requirements relating to travel-related expenditures.

Conditions: Our review of a sample of ten travel-related expenditures disclosed the following:

- Three instances where the required travel authorization was either approved after the travel had been completed or the paperwork was never completed.
- One instance where a blanket travel authorization was issued and approved without the required information. The missing information included the account coding and dollar amount of authorization.
- Four instances where the employee did not submit a completed travel reimbursement form with the required documentation to the Travel Office within 30 calendar days after completion of the trip. The number of days late ranged from four to 156 days.
- One instance where an employee was reimbursed for mileage using an incorrect mileage reimbursement rate, which resulted in an underpayment of \$48.

Effect: The University did not comply with its established policies and procedures, which weakens internal control, and increases the likelihood that inappropriate travel expenditures may be made and not be detected by management.

Cause: Internal control policies were not being followed.

Recommendation: The University should comply with established policies and procedures and improve internal control over travel-related expenditures. (See Recommendation 6.)

Agency Response: “The University agrees with the recommendation.

Bullet #1: Regarding (3) instances where the required travel authorization was either approved after the travel had been completed or was never completed, the University agrees with this finding. The Travel Manual provides for the issuance of a policy exception form when after the fact travel authorizations are submitted. This policy exception form will be required for all after the fact travel authorizations. Travel training has been conducted at the University and will continue, with this issue being addressed.

Bullet #2: Regarding (1) instance where a blanket travel authorization was issued and approved with required information (the accounting string and dollar amount of authorization), current procedures require the accounting string to appear on the travel authorization form. The cash advance contains an accounting string with appropriate signatures.

Bullet #3: Regarding (4) instances where the employee did not submit a completed travel reimbursement voucher with the required documentation to the Travel Office within (30) calendar days after the completion of the trip, the University agrees with this finding. While it is difficult to

understand why a traveler would not seek the funds he/she is owed by the University related to travel reimbursement in a timely fashion, the traveler will be required to file a policy exception form to obtain the owed money. Failure to submit a policy exception form will result in the denial of the reimbursement and termination of the encumbrance for the reimbursement.

The University will continue as it has in the past to supply the traveler a written set of instructions stipulating the terms associated with travel reimbursement. The University will continue to emphasize this procedure in its travel training.

Bullet #4: Regarding (1) instance where the employee was reimbursed for mileage using the incorrect mileage reimbursement rate, resulting in an underpayment of \$48.00, the submitted travel authorization was approved for a specified amount and ultimately paid against that approved amount, which included the mileage rate listed. In review, the University agrees with this finding and will reimburse the traveler \$48.00 as calculated by the University. The University will review its travel authorization forms to ensure the correct mileage reimbursement rate is listed.”

Accounting Control over Receipts:

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.

Sound internal control procedures call for the maintenance of records of monies received, including documentation of the receipt date.

Conditions: During our examination of the University’s cash receipts system, we reviewed 25 cash receipts that were deposited during the audit period. Our review disclosed the following:

- We identified four instances of late deposits. The deposit delays ranged from one to nine business days. In all four instances, we noted that the delays occurred prior to the Bursar’s Office receiving the funds.
- We also identified five departments that received receipts directly on behalf of the University, but did not have formal written policies and procedures governing the handling of such receipts. In addition, we noted that these departments had no records to support the original receipt date.

Effect: The University was not in compliance with provisions of Section 4-32 of the General Statutes.

At these locations there were weaknesses of internal control over receipts. In addition, we could not determine with certainty how long monies were held pending deposit. This condition also increased the risk of loss or theft of funds.

Cause: Internal control policies were not being followed.

Recommendation: The University should formalize its policies and procedures and improve internal control over receipts to ensure compliance with the prompt deposit requirements of Section 4-32 of the General Statutes. The University should consider implementing a control procedure that requires each department collecting funds to use a standard receipts journal to document the receipt date. (See Recommendation 7.)

Agency Response: “The University agrees with this recommendation. We will contact the departments who have receipts and reinforce the guidelines and require them to provide documentation as to when they receive funds. We will provide them with a log to record the date of the receipts. The University will also include this information with our ongoing Accounts Payable/Purchasing user training.”

Reconciliation of Accounting Records:

Criteria: The State of Connecticut’s Accounting Manual requires that each agency reconcile its records with those of the Office of the State Comptroller (OSC).

Accepted internal control standards require that bank reconciliations be performed in a timely manner. Additionally, internal control standards require the identification and prompt resolution of reconciling items.

Conditions: Our review of the University’s reconciliations of available cash to the OSC’s central accounting system, disclosed that the reconciliations were not performed in a timely manner. The reconciliations for the fiscal years ended June 30, 2005 and 2006 were performed on September 15, 2005 and August 30, 2006, respectively. In addition, these reconciliations contained several reconciling items that occurred during the fiscal year that were not resolved at fiscal year end.

Our review of the University’s bank reconciliations, disclosed that the reconciliations were not performed in a timely manner. The reconciliation for the fiscal year ended June 30, 2006, was performed on September 28, 2006. The individual who prepared the reconciliation for the fiscal year

ended June 30, 2005, did not sign and/or date when the reconciliation was completed. There was also no supervisory signature attesting that the reconciliation was reviewed and approved. In addition, these reconciliations contained several reconciling items that occurred during the fiscal year that were not resolved at fiscal year end.

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

Cause: Internal control policies were not being followed. During this period of time, the University had several staff changes that may have caused the delays in performing the monthly reconciliations.

Recommendation: The University should follow its internal control procedures to ensure that reconciliations are performed in a timely manner. This would include ensuring that pending items are reviewed and resolved in a timely manner. (See Recommendation 8.)

Agency Response: “We are increasing the cross training of employees to improve the timely handling of reconciling items. Transactions and reconciliations are now being signed by the person preparing the work and being approved by the supervisor as appropriate.”

Petty Cash Fund:

Background: The University maintains a Petty Cash Fund. The balance of this Fund as of June 30, 2006, was \$25,000.

Criteria: The State of Connecticut’s Accounting Manual provides policies and procedures for maintaining a Petty Cash Fund. These policies require that before increasing the amount of an existing fund, a request should be submitted to the Comptroller’s Office. These policies and procedures also provide guidance on the administration and oversight of petty cash funds.

Accepted internal control standards require that bank reconciliations be performed in a timely manner. Additionally, internal control standards require the identification and prompt resolution of reconciling items.

Conditions: During our review of the University’s Petty Cash Fund reconciliations for the fiscal years ended June 30, 2005 and 2006, our review disclosed the following:

- We noted 13 transactions listed on the fiscal year ended June 30, 2005 reconciliation that were listed as outstanding checks. Further review of these items disclosed that these transactions appear to be amounts owed to various individuals from prior period overpayments to the Petty Cash Fund. These funds were inappropriately transferred from

the Petty Cash Fund to the University's Operating Fund during the fiscal year ended June 30, 2006, instead of being returned to the intended beneficiary.

- The Petty Cash Fund was used to process inappropriate disbursements. The University processed a \$397 disbursement on May 4, 2006, for a retirement gift. The Petty Cash Fund was reimbursed for this disbursement on September 1, 2006. In addition, the University processed loans to its employees totaling \$4,200 and \$2,966 that remained outstanding as of June 30, 2005 and 2006, respectively. These loans represented payments for work completed that should have been issued through the normal paycheck process but were not because of a University error.
- The University increased the Petty Cash Fund in the fiscal year ended June 30, 2006, by \$15,000 without notifying the Comptroller's Office.
- The fiscal year ended June 30, 2006 Petty Cash Fund bank reconciliation was not performed in a timely manner. The reconciliation was performed and approved on September 1, 2006.

Effect: The University's Petty Cash Fund is not always operating in compliance with established policies and procedures. The conditions described above weaken internal control over petty cash and increases the likelihood of inappropriate disbursements that may not be detected by management.

Cause: Internal control policies were not followed. In addition, a lack of administrative oversight may have contributed to the conditions.

Recommendation: The University should comply with the State of Connecticut's Accounting Manual and improve control over petty cash. The University should comply with the State Comptroller's Payroll Manual when processing any payroll related expenditure. In addition, the University may want to consider if maintaining a \$25,000 balance in the Petty Cash Fund is necessary. (See Recommendation 9.)

Agency Response: "We agree with the Recommendations that the University should improve control over petty cash and comply with the State of Connecticut's Accounting Manual.

In regards to the \$277.11 in bullet number one, in the June 30, 2005 reconciliation, these are old items that are not related to outstanding checks. These items are from as far back as 1996 and are overpayments from various people that can not be identified.

We agree that we should have received permission from the Office of State Comptroller in advance to increase the Petty Cash Fund. We will follow this policy in the future. During fiscal year 2007-2008, we are also going to reduce the current Petty Cash amount to \$10,000. The current

University procedure does not allow gifts to be paid for with University funds.

The items that are on the reconciliation as receivables are being addressed. Beginning in fiscal year 2007-2008, we have developed a collection procedure to follow-up with these items which include mailing letters to the individuals and then turning them over to collections as necessary.

The Petty Cash reconciliation will be completed on a timely basis starting in fiscal year 2007-2008 and the open items are being researched.

In the unusual situation where an employee does not receive a check for work already performed due to a clerical error and use of the State Comptroller's petty cash check would result in further delays, we will issue a check from the WCSU Petty Cash account. This is not an advance or a loan, the employee is due the payment for work completed. If we did not issue a petty cash check to the employee, the employee would need to wait up to two weeks for the Comptroller's petty cash check unless the University were to incur additional state expense and inefficiency of sending a check runner to Hartford for a single check.

The University generally does follow the procedures prescribed by the Office of the State Comptroller for the issuance of petty cash checks when it is not a hardship to the employee or a source of inefficiency. If this procedure is followed, the State Comptroller's petty cash check repays the University payroll advance."

Accounts Receivable:

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

The University has established procedures for the collection of outstanding receivables. These procedures require that several internal collection attempts be made before an account is referred to an outside collection agency. Once an account is transferred to an outside collection agency there are specific timeframes by which non-paying accounts should be returned to the University before the account is forwarded to a second outside collection agency. During the entire collection process the individual student's account is placed on hold to prevent registration or transcript issuance.

Conditions: Our review of a sample of 25 students with individual account receivable balances as of June 30, 2006, disclosed nine instances where the University did not follow its collection procedures. The conditions noted include the following:

- Two students' accounts were not sent internal collection letters in a timely manner. These same accounts were never referred to an external collection agency.
- Two students' accounts were not referred to an outside collection agency in a timely manner.
- Four students' accounts were not referred to a second outside collection agency in a timely manner.
- One student's account, with an outstanding balance of \$8,324, primarily from charges associated with the 2002/2003 academic year, went through the entire collection process and was deemed uncollectible. Subsequent to these collection procedures it was determined that a significant portion of the charges were not valid because the student withdrew from the University during the Fall 2002 semester. The University requested and received approval to write-off \$483 of the outstanding balance in July 2006. As of June 30, 2007, there is an active outstanding balance of \$2,619.

Effect: The University did not comply with its established policies and procedures, which weakens internal control. This condition may jeopardize collections, and thus result in a loss of revenue. Errors to account receivable records result in inaccuracies with the financial statements.

Cause: A University representative informed us that many of the instances disclosed were the result of a staffing shortage and that personnel assigned to this function were concentrating on current billings.

Recommendation: The University should follow its established policies for the collection and write-off of student accounts receivable. In addition, the University should perform a review of all its delinquent accounts to ensure that the individual balances are accurate and in the appropriate stage of collection. (See Recommendation 10.)

Agency Response: "We agree with the recommendation. The University currently follows the established procedures. Delinquent accounts are monitored on a regular basis. The Cashiers Department has reviewed the accounts listed and these students have been sent the appropriate collection letters as required by our procedures."

Equipment Inventory:

Criteria: The Connecticut State University System's Capital Valuation and Asset Management Manual provides policies and procedures for physical and reporting controls over capital assets.

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

- Certain amounts presented on the annual Fixed Assets/Property Inventory Report (CO-59) either contained errors or could not be readily traced to supporting documentation.
- From a sample of 25 equipment items selected from the inventory records, two equipment items could not be located. One of these two missing items was part of a group of 42 items totaling \$116,421. Further review, disclosed that all 42 equipment items were reported on both the University and Connecticut State University System Office's property control records.
- From a sample of 15 equipment items identified by a random inspection of the premises, we found two items that were not listed on the current inventory records. Upon further review, the University had recorded these items as disposals during the submission of the CO-59 for the fiscal year ended June 30, 2006.
- From a sample of 15 disposed equipment items, the University disposed of five items prior to obtaining one of the required authorization signatures. In addition, one item that was listed as disposed of during the fiscal year ended June 30, 2006, was located during our random inspection of the premises.

Effect: The University's property control records are not maintained in compliance with established policies and procedures. The conditions described above weaken internal control over equipment and increases the likelihood that the loss of equipment may occur and not be detected by management.

Cause: Internal control policies were not being followed.

Recommendation: The University should comply with the Connecticut State University System's Capital Valuation and Asset Management Manual and improve control over capital assets. (See Recommendation 11.)

Agency Response: "We agree that we should comply with the Connecticut State University System's Capital Valuation and Asset Management Manual.

Bullet 1. The items on the CO-59 have been corrected. Two of the items were corrected in June 2006 and the others were corrected on the June 2007 CO-59 report. In regards to the art work, this has been corrected on the June 2006 CO-59. Quetel inventory system keeps track of all artwork including artwork valued at less than \$1,000. Only capitalized artwork will be listed on the CO-59. The stores and supply inventory is not on a computerized system. A physical inventory is performed three to four times a year. Purchases are recorded as additions and deletions are based

on the following calculation: Prior year actual physical inventory plus purchases, reconciled to final current year actual physical inventory.

Bullet 2. As soon as the error was identified, the CSU System Office was notified. We checked all PBX rooms and equipment to insure that there were no other duplications. This was reported correctly on the June 2007 CO-59.

Bullet 3. The procedure for disposal has been changed. Items are scanned for surplus prior at the receiving location to insure that they are properly recorded.

Bullet 4. Item 803902084 disposal was a keypunch error. Item listed for disposal was 803w02084. Disposals are now coded to a room that contains surplus, so that there will be less chance for keypunch error. Instead of individually disposing of any item by keypunching individual tag numbers, a report can be run based on the specific room, and the item can be marked for disposal.”

Construction Projects Administered by the University:

Criteria: Section 4b-52 of the General Statutes states that before an Agency can administer and/or award a contract for construction, renovations, repairs or alterations to any State facility, permission must be received from the Department of Public Works (DPW).

The DPW Guidelines and Procedures Manual for Agency Administered Projects requires that an agency seek permission to administer their own construction projects

Conditions: Our current audit examination of six construction projects administered by the University disclosed two instances where there was no formal documentation on file certifying that DPW gave permission to the University to administer the construction project.

Effect: The University did not comply with established policies and procedures, which weakens internal control.

Cause: Internal control policies were not being followed.

Recommendation: The University should comply with established policies and procedures and improve internal control over University administered construction projects. (See Recommendation 12.)

Agency Response: “We agree that we must follow internal controls and ensure that we have the forms from DPW on file.”

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. In addition, we also reviewed the University's controls over access privileges to Core-CT. Core-CT is the Connecticut State government's central financial and administrative computer system.

Criteria: In order to ensure system integrity, all access to critical information systems should be disabled promptly when such access is no longer required.

During the audited period, it was the practice of the University Computing Department to disable an individual's Banner access upon notification from the Human Resources Department.

In order to disable an individual's Core-CT access, the University's designated Security Liaisons must notify the Core-CT Security Administrator by submitting the required Core-CT Application Security Request Form.

Conditions: From a sample of 30 employees who separated employment from the University during the audited period, our review disclosed six instances where the employees' Banner access was not disabled upon termination.

From a sample of 21 employees that were listed as having active access to Core-CT, our review disclosed two instances where access was not disabled upon termination.

Effect: Internal control over the University's information system is weakened when an employee's access is not disabled promptly upon termination.

Cause: The University did not comply with its established procedures for terminating employees' access privileges to its information system and/or Core-CT.

Recommendation: The University should comply with its established procedures for terminating employees' access privileges to its information system and/or Core-CT. (See Recommendation 13.)

Agency Response: "The University agrees. Human Resources (HR) has made changes to improve the notification process. When a full-time employee leaves, HR notifies University Computing (UC) so that they can disable access to Banner and other systems excluding Core-CT.

Subsequent to this audit period, a new procedure was implemented whereby every month HR runs a report of all terminated people to verify that an e-mail has been sent to UC with the termination information. Also, HR has been providing UC with a copy of the property sign-off form used for terminated employees.

Also, when a temporary employee leaves, HR sends an e-mail to UC notifying them. HR is the source of all employment information for full-time, part-time, and temporary staff. This includes official start and termination dates as well as transfers.

As part of the full-time termination process, HR notifies UC and others of their last day. Additionally, UC periodically disables accounts that have not been used during the prior twelve months. UC runs this process multiple times per year.

When an employee with access to Core-CT leaves, HR sends the required Core-CT form to Hartford to have the individual access removed.”

Software Inventory:

Criteria: The State of Connecticut’s Property Control Manual states that “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 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: During the audited period, the University did not maintain a complete software inventory report. Consequently, a physical inventory of the software library was not performed.

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 have formal policies and procedures in place to track all individual software that has been purchased/installed by faculty and staff.

Recommendation: The University should comply with the software inventory requirements contained in the State of Connecticut’s Property Control Manual. (See Recommendation 14.)

Agency Response: “Management agrees with this comment and has made considerable progress with regard to software inventory. The University has purchased Track-It! Software for both the University Computing Help Desk and for hardware and software inventory. The Help Desk module has been implemented as well as the inquiry portion of the hardware and software inventory module. We are still working on fully implementing software inventory with a goal of completing it in 2008.”

Local Fund Receipts:

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

Criteria: Sections 4-52 through 4-55 of the General Statutes set guidelines for the establishment and operation of trustee accounts and authorizes the State Comptroller to approve the establishment of such funds in accordance with procedures she prescribes.

The University’s Student Organization Guidebook (Guidebook) sets forth requirements relating to the revenue/receipts process. The Guidebook states that all monies collected by a student organization must be deposited in the Cashier’s Office within 24 hours. The Guidebook also stipulates that approval to conduct a fundraising event must be received from the Student Center/Student Life Office prior to the event.

Sound internal control procedures call for the maintenance of adequate records of monies received, and documenting the date of receipt. In order to ensure that income generated from a fundraising activity is accounted for, the organization receiving the funds should submit a revenue accountability report.

The State of Connecticut’s Accounting Procedures Manual for Activity and Welfare Funds provides additional guidance in this area.

Conditions: We tested the timeliness of 25 bank deposits containing individual receipts originally received by student related clubs/groups, at locations other than the University Cashier’s Office. Our review disclosed the following:

- Five instances where receipts totaling \$3,394 were deposited from one to nine business days late. In addition, we noted nine instances totaling \$7,377, where the clubs/groups had no record of the original receipt date. In these cases, we could not determine if the funds were deposited promptly.
- Ten instances where the clubs/groups had no revenue accountability report on file for the funds collected.

- Seven instances where the University lacked documentation to determine if the fundraising activity was approved before the event was held.

Effect: At these locations there were weaknesses of internal control over receipts. In addition, we could not determine how long monies were held pending deposit. This condition also increased the risk of loss or theft of funds.

Cause: Internal control policies were not being followed.

Recommendation: The University should comply with the established local fund policies and procedures and improve internal control over the receipts process. (See Recommendation 15.)

Agency Response: “WCSU agrees that we should make the deposits within 24 hours based upon Connecticut General Statute 4-32.

The University’s Cashiers Department has developed a form (Accountability form) that the students must fill out with the information on who is depositing the cash and when it was received.

The University agrees that the Student group should have approval to do a fundraiser. The Minutes of the Student Club meetings should reflect the approval. The Student Activities department provided training, in the Fall of 2007, for the students that included the requirement that the minutes reflect the approval for any fundraising or raffle activity and those deposits must be made within 24 hours. They held training sessions in the Fall of 2007.”

Local Fund Expenditures:

Criteria: Sections 4-52 through 4-55 of the General Statutes set guidelines for the establishment and operation of trustee accounts and authorize the State Comptroller to approve the establishment of such funds in accordance with procedures she prescribes.

In addition to the State of Connecticut’s Accounting Procedures Manual for Activity and Welfare Funds, the University has adopted its own procedures relating to the expenditure/disbursement process. These procedures are outlined in the University’s Student Organization Guidebook.

The Connecticut State University System’s Personal Service Agreement Procedures Manual provides guidance for transactions involving the acquisition of personal services.

The Connecticut State University System's Travel Policy and Procedures Manual sets forth requirements for student travel that is funded by Activity Funds.

Conditions: Our testing of 25 local fund expenditures disclosed the following:

- Six instances where the University did not encumber the PSA in Banner.
- Three instances where the PSA was not signed by one of the necessary parties prior to the contract term.
- Two instances where the University contracted for services exceeding \$3,000 without completing the required PSA Form. In both instances, these service contracts were not approved by the Attorney General's Office.
- Five instances where travel-related expenditures did not comply with established policy. The conditions included the lack of submitting required travel forms, the lack of bidding a group's airfare and/or providing documentation that the lowest cost airfare was obtained, and the lack of documentation maintained to support mileage reimbursement related expenditures.
- Four instances where an organization's meeting minutes were either not on file or did not comply with established policies and procedures. In the cases, where the meeting minutes were on file, they lacked several required elements.
- Four instances where the transaction was coded incorrectly.
- One instance where the purchase of a controllable equipment item was not properly reported on the inventory system.

Effect: The University did not comply with established local fund policies and procedures, which weakens internal control, and increases the likelihood that inappropriate expenditures may be made and not detected by management in a timely manner.

Cause: Internal control policies were not being followed.

Recommendation: The University should comply with the established local fund policies and procedures, and improve internal control over the purchasing process. (See Recommendation 16.)

Agency Response: "We agree with the recommendations.

In regard to encumbrances, WCSU has implemented a new procedure in fiscal year 2007-2008 and the Cashiers Department is encumbering Personal Services Agreements (PSA).

The coding on the PSA is now checked by Accounting before finalized.

WCSU agrees that Personal Service Agreements (PSA) are required on contracts for services over \$3,000. In late fiscal year 2005-2006 a new Purchasing manual was developed and implemented. During fiscal year 2006-2007, a process was implemented for PSA's to conform to the fiscal year 2005-2006 manual put in place to ensure this is done.

Starting in fiscal year 2007-2008, student groups use the Travel Department and complete travel authorization and travel reimbursement forms. Student clubs will follow the CSU travel policies.

The Student Activities Office provided training to students regarding deposit and PSA requirements. Training sessions were held to explain to them the detail that should be included in the Club minutes approving expenditures and activities and following travel policies.

The University has a current policy that all controllable equipment must be tagged and reported on the inventory system. WCSU is in the process of getting approval to change the policy."

Other Audit Examination:

The Board of Trustees of the Connecticut State University has entered into agreements with a public accounting firm to perform 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 relevant to Western Connecticut State University, as set forth in the *Report to Management* relating to the 2005-2006 fiscal year, are presented below:

- General: The University should ensure that the accounts receivable collection process is being implemented in a timely manner.
- Information Systems: Management should continue to work towards implementing additional security measures around the Banner application to ensure that financial and student information are adequately protected. Management should regularly review audit logs generated from Banner for the user IDs with access to the Banner Oracle database to ensure that activity is authorized and appropriate. Management should implement a process for the receipt of positive confirmation from the business owners as evidential matter of the review of user access rights. The University should continue to contribute to the establishment and adoption of the system-wide program development and change

control initiative. Management should continue to pursue their plan to obtain funding to purchase a generator with the capacity to accommodate the data center and its components in the event of an outage.

RECOMMENDATIONS

Our prior report contained nine recommendations. There was no satisfactory resolution of any of these recommendations. All nine recommendations have been repeated or restated to reflect current conditions. Seven additional recommendations are being presented as a result of our current examination.

Status of Prior Audit Recommendations:

- The University should improve internal controls over personal service agreements and comply with the procedures promulgated in the Connecticut State University System's Personal Service Agreement Procedures Manual. The recommendation is being repeated. (See Recommendation 5.)
- The University should comply with established policies and procedures and improve internal control over travel-related expenditures. The recommendation is being repeated. (See Recommendation 6.)
- The University should take steps to improve internal control over the procurement process and comply with established policies and procedures. The recommendation is being repeated. (See Recommendation 4.)
- The University should follow its established policies for the collection and write-off of student accounts receivable. The recommendation is being repeated. (See Recommendation 10.)
- The University should comply with the Connecticut State University System's Capital Valuation and Asset Management Manual and improve control over capital assets. The recommendation is being repeated. (See Recommendation 11.)
- The University should comply with established policies and procedures and improve internal control over University administered projects. The recommendation is being repeated. (See Recommendation 12.)
- The University should comply with the software inventory requirements contained in the State of Connecticut's Property Control Manual. The recommendation is being repeated. (See Recommendation 14.)
- The University should comply with the established local fund policies and procedures and improve internal control over the receipts process. The recommendation is being repeated. (See Recommendation 15.)
- The University should comply with the established local fund policies and procedures and improve internal control over the purchasing process. The recommendation is being repeated. (See Recommendation 16.)

Current Audit Recommendations:

- 1. The University should improve internal controls over the employment process to ensure that appointment forms are approved prior to any work being performed.**

Comment:

Our testing of payroll related expenditures during the audited period, disclosed instances where employees were permitted to work before their appointment forms were approved.

- 2. The University should monitor and improve compliance with established controls over the record keeping of compensatory time.**

Comment:

Internal control weaknesses were noted during our review of compensatory time records. In addition, we noted several instances where the University did not comply with the compensatory time provisions of the SUOAF-AFSCME bargaining agreement.

- 3. The University should review its current time and attendance policies and procedures to ensure that the time reported in the Core-CT HRMS is accurate.**

Comment:

Our review disclosed instances where employees worked a flexible work schedule that was not in agreement with the time reported in Core-CT HRMS.

- 4. The University should take steps to improve internal control over the procurement process and comply with established policies and procedures.**

Comment:

A significant number of expenditure transactions were not processed in compliance with established policies and procedures. Most significantly, we noted an instance where it could not be determined whether the University received the most competitive price for purchases made.

- 5. The University should improve internal controls over personal service related expenditures and comply with the procedures promulgated in the Connecticut State University System's Personal Service Agreement Procedures Manual.**

Comment:

A significant number of personal service related expenditure transactions were not processed in compliance with the University's established policies and procedures.

6. The University should comply with established policies and procedures and improve internal control over travel-related expenditures.

Comment:

A significant number of travel-related expenditure transactions were not processed in compliance with established policies and procedures.

7. The University should formalize its policies and procedures and improve internal control over receipts to ensure compliance with the prompt deposit requirements of Section 4-32 of the General Statutes. The University should consider implementing a control procedure that requires each department collecting funds to use a standard receipts journal to document the receipt date.

Comment:

Our review of receipts received at locations other than the Bursar's Office disclosed four instances of late deposits. In addition, we also identified five departments that received receipts directly on behalf of the University but did not have formal written policies and procedures governing the handling of such receipts.

8. The University should follow its internal control procedures to ensure that reconciliations are performed in a timely manner. This would include ensuring that pending items are reviewed and resolved in a timely manner.

Comment:

The University's reconciliations were not performed in a timely manner. In addition, there were outstanding items that were not reviewed and resolved in a timely manner.

9. The University should comply with the State of Connecticut's Accounting Manual and improve control over petty cash. The University should comply with the State Comptroller's Payroll Manual when processing any payroll related expenditure. In addition, the University may want to consider if maintaining a \$25,000 balance in the Petty Cash Fund is necessary.

Comment:

Our examination of the University's Petty Cash Fund disclosed a significant number of exceptions with policies and procedures and other control weaknesses.

- 10. The University should follow its established policies for the collection and write-off of student accounts receivable. In addition, the University should perform a review of all its delinquent accounts to ensure that the individual balances are accurate and in the appropriate stage of collection.**

Comment:

Our review of a sample of students with individual accounts receivable balances disclosed a number of instances where established policies for the collection and write-off of accounts were not followed.

- 11. The University should comply with the Connecticut State University System's Capital Valuation and Asset Management Manual and improve control over capital assets.**

Comment:

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

- 12. The University should comply with established policies and procedures and improve internal control over University administered construction projects.**

Comment:

Two instances were noted where there was no documentation on file certifying that DPW gave permission to the University to administer the construction projects.

- 13. The University should comply with its established procedures for terminating employees' access privileges to its information system and/or Core-CT.**

Comment:

From a sample of employees who had terminated employment with the University, our review disclosed a number of instances where their information systems and/or Core-CT access were not disabled in a timely manner.

- 14. The University should comply with the software inventory requirements contained in the State of Connecticut's Property Control Manual.**

Comment:

The University did 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. Further, the University did not conduct a physical inventory of its software during the audited period.

15. The University should comply with established local fund policies and procedures and improve internal control over the receipts process.

Comment:

The University did not comply with its established local fund policies and procedures over the receipt process. We could not verify the prompt deposit of local fund receipts. In addition, we found several instances where the clubs/groups had no revenue accountability report on file to support the amount of funds collected.

16. The University should comply with established local fund policies and procedures and improve internal control over the purchasing process.

Comment:

A significant number of local fund expenditure transactions were not processed in compliance with established policies and procedures.

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, 2005 and 2006. 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 audits of Western Connecticut State University for the fiscal years ended June 30, 2005 and 2006, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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, 2005 and 2006, 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: weaknesses in controls over the procurement process; weaknesses in controls with the monitoring of accounts receivable; the lack of adequate controls over equipment and supplies; and inadequate control 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 are material or significant weaknesses.

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
Principal Auditor

Approved:

Kevin P. Johnston
Auditor Public Accounts

Robert G. Jaekle
Auditor of Public Accounts