

STATE OF CONNECTICUT



*AUDITORS' REPORT
BOARD OF TRUSTEES FOR THE CONNECTICUT STATE UNIVERSITY
WESTERN CONNECTICUT STATE UNIVERSITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008*

AUDITORS OF PUBLIC ACCOUNTS
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FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008

We have examined the financial records of Western Connecticut State University (University) for the fiscal years ended June 30, 2007 and 2008.

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 W. Schmotter served as University President during the audited period.

Recent Legislation:

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

Public Act 07-7, June Special Session, Sections 101-108, effective July 1, 2008, authorized the Connecticut State University System Infrastructure Act (Infrastructure Act). The legislation within the Infrastructure Act establishes the CSUS 2020 Fund, which will be a general obligation bond fund held and administered by the State Treasurer to account for the bonds authorized to fund various infrastructure improvements to the CSU System. It is estimated that the total cost of the projects identified in the Infrastructure Act will be \$950,000,000.

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 2006</u>	<u>Spring 2007</u>	<u>Fall 2007</u>	<u>Spring 2008</u>
Full-time undergraduate	4,131	3,898	4,375	4,091
Full-time graduate	<u>77</u>	<u>76</u>	<u>98</u>	<u>97</u>
Total full-time	<u>4,208</u>	<u>3,974</u>	<u>4,473</u>	<u>4,188</u>
Part-time undergraduate	1,253	1,153	1,144	1,157
Part-time graduate	<u>625</u>	<u>596</u>	<u>594</u>	<u>581</u>
Total part-time	<u>1,878</u>	<u>1,749</u>	<u>1,738</u>	<u>1,738</u>
Total Enrollment	<u>6,086</u>	<u>5,723</u>	<u>6,211</u>	<u>5,926</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. 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’s financial statements are adjusted as necessary 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>2006-2007</u>	<u>2007-2008</u>
Tuition and fees (net of scholarship allowances)	\$26,982,133	\$30,426,640
Federal grants and contracts	2,462,102	3,325,680
State and local grants and contracts	2,203,955	2,432,945
Non-Governmental grants and contracts	22,003	1,634
Indirect cost recoveries	4,235	12,200
Auxiliary revenues	12,551,513	13,152,359
Other sources	<u>21,469,717</u>	<u>5,873,620</u>
Total operating revenues	<u>\$65,695,658</u>	<u>\$55,225,078</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 2006-2007 and 2007-2008 fiscal years.

	2006-2007			2007-2008		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduates	\$3,187	\$10,315	\$4,781	\$3,346	\$10,831	\$5,020
Graduates	3,970	11,061	5,955	4,169	11,614	6,253

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.

Fees	2006-2007			2007-2008		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
General	\$1,736			\$1,961		
State University	820	2,014	820	849	2,084	849
Information Technology	223			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	2006-2007	2007-2008
Housing	\$4,684	\$5,059
Food Service	3,233	3,556

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 tuition and fees category of \$3,444,507 in the 2007-2008 fiscal year was primarily the result of an increase in the University's fee structure and a rise in full-time enrollment. As presented above, the University's full-time tuition charge increased by five percent between the 2006-2007 and 2007-2008 fiscal years. In addition, the University's General fees and University fees increased by thirteen and four percent, respectively, during the same time-period. The primary reasons for the decrease of \$15,596,097 in the other sources category were the decrease in 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>2006-2007</u>	<u>2007-2008</u>
Personal service and fringe benefits	\$61,508,159	\$65,266,332
Professional services and fees	3,894,675	3,741,305
Educational services and support	8,007,822	10,506,552
Travel expenses	873,202	1,098,732
Operation of facilities	20,156,230	13,803,643
Other operating supplies and expenses	4,003,752	4,434,626
Depreciation expense	<u>8,214,095</u>	<u>8,712,487</u>
Total operating expenses	<u>\$106,657,935</u>	<u>\$107,563,677</u>

The increase in the personal service and fringe benefits category of \$3,758,173 in the 2007-2008 fiscal year was primarily the result of salary increases attributed to collective bargaining increases. The increase in the educational services and support category of \$2,498,730 was due to the rise in financial aid related expenditures. A significant portion of the \$6,352,587 decrease in the category titled operation of facilities 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>2006-2007</u>	<u>2007-2008</u>
State appropriations	\$39,867,331	\$42,307,340
Gifts	179,308	217,293
Investment income	1,335,368	1,128,815
Other nonoperating revenues	400,589	790,160
State financial plant facilities	<u>3,920,762</u>	<u>1,807,183</u>
Total nonoperating revenues	<u>\$45,703,358</u>	<u>\$46,250,791</u>

In addition to the operating and nonoperating revenues presented above, the University's financial statements also presented revenues classified as State appropriations restricted for capital purposes totaling \$2,050,629 and \$3,913,416 for the fiscal years ended June 30, 2007 and 2008, 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, 2008.

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 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, 2007 and 2008, in accordance with Section 4-37f, subsection (8), of the General Statutes. We were provided with audit reports on Foundation operations, for each of the audited years. Both reports disclosed no material inadequacies in Foundation records and indicated compliance, in all material respects, with Sections 4-37e through 4-37i of the General Statutes.

CONDITION OF RECORDS

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

Core-CT Roles – Lack of Separation of Duties:

Criteria: Good internal control requires that adequate separation of duties should be present between the payroll and human resources functions. Access to the Human Resource Management System module in Core-CT should be limited in such a manner that payroll and human resources employees do not share the same roles in the system.

Condition: Our review identified 11 instances where staff has access to both payroll and human resources functions in Core-CT. This access allows staff the ability to create and also issue payments to employees.

Effect: Internal controls are weakened when roles in Core-CT are not limited. When there is no separation of duties between the payroll and human resources functions, employees have the ability to influence the entire process.

Cause: The University believes the access that is currently assigned to its employees is necessary because of the way Core-CT roles have been established in the system.

Recommendation: The University should establish a separation of duties between its payroll and human resources functions. Payroll and human resources staff should be assigned roles appropriate with their function. (See Recommendation 1.)

Agency Response: “Based on the current business practices and limited staffing within the Human Resources Department and Payroll Departments, we are not able to segregate duties solely based on security classes within Core-CT. Because of this, and based on past audit recommendations, a check and balance system was created to prevent possible inappropriate activities from occurring. A biweekly audit report was created that is run by the Payroll Department supervisor every biweekly pay period. The name of this report within the Core-CT EPM is CT_WCU_HR_PR_AUDIT_REPORT

This report allows our Payroll Supervisor to view all transactions made in Core-CT within the Human Resources Department and the Payroll Department, thus eliminating the ability for someone to create a “phantom” employee. Also, based on the EPM setup in Core-CT it is

necessary for some users to have dual security roles (Human Resources and Payroll) within Core-CT to create some reports via the EPM, thus again eliminating the ability to perform certain business practices solely based on the security classes within Core-CT.”

Procurement:

Criteria:

Section 10a-151b of the General Statutes governs the purchase of equipment, supplies, 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.

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

Section 4-252, subsection (c), of the General Statutes, as well as Governor Rell’s Executive Orders No. 1 and No. 7C, require that the University obtain gift and campaign certifications at the time of the execution of a contract and annually thereafter through the term of the contract, from any person, firm or corporation awarded a contract with the University, if such contract exceeds \$50,000 in a calendar or fiscal year.

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

Conditions:

Our sample for procurement testing consisted of reviewing 25 expenditures for the audited period. Our testing disclosed the following:

- Two instances where the University contracted with a vendor without obtaining competitive bids and/or entering into the competitive negotiation process as required by the General Statutes. In the first instance, the University contracted with a vendor to perform hazardous waste disposal services. During the fiscal year ended June 30, 2008, the University paid this vendor \$11,164. In the second instance, the University contracted with an employee to purchase art supplies, which totaled \$1,477 and \$1,561 for the fiscal years ended June 30, 2007 and 2008, respectively. In addition to the art supplies procured during the audited period, there were other payments to this individual’s business in prior years.

- One instance where the University did not obtain the required annual gift and campaign certifications for a multi-year contract that exceeded \$50,000.
- Two instances where the goods and/or services were ordered before the issuance of a purchase requisition and purchase order. In both these instances, the vendor's invoice was approved for payment prior to the issuance of these documents. In another instance, the purchase requisition was approved after the issuance of the purchase order.
- Two instances where the transactions were coded incorrectly.

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

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

Recommendation: The University should take steps to improve internal control over the procurement process and comply with established policies and procedures. (See Recommendation 2.)

Agency Response: “The University agrees with the finding associated with the absence of competitive bidding concerning the hazardous waste disposal services. Emphasis will be on utilizing vendors on State contract for these critical, time-sensitive services. Regarding contracting with an employee for art supplies, as the Purchasing Department did not retain visibility to the fact that the contracted party was employed by the University, upon learning of this situation, the Purchasing Department notified the user department that no further orders would be placed with this contractor. The Purchasing Department will review this circumstance with the University's Ethics Officer.

Concerning the annual gift and campaign certifications, as the original certifications from the inception of the noted multi-year award in fiscal year 2005 were not time sensitive in terms of expiration, updated certifications were not obtained. With the inception of new certifications since the noted implementation of the multi-year award, annual affidavits will be obtained.

The University continues to conduct annual open training sessions for administrative staff and faculty with an emphasis on addressing late submittal of requisition, bid regulations and the utilization of state contracts. The University's Purchasing website was revised effective fiscal year 2010 to include the incorporation of an online overview of the acquisition process for all employees. The University continues to work

closely with the Connecticut State University System Office's Contract Compliance Officer in its Purchasing activities."

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 Procurement Manual sets forth requirements relating to personal service related expenditures processed on a Personal Service Agreement (PSA) or Honorarium Payment Request (Honorarium) Form.

Conditions: Our testing of 15 personal service related expenditures during the audited period disclosed the following:

- Ten instances where the PSA or Honorarium Form was not signed by one of the necessary parties prior to the beginning of the contract term. In three of these instances, services were provided before the contract was approved. In addition, one instance was noted where a PSA was not signed by one of the necessary parties. In this instance, the PSA was not reviewed and approved by the Attorney General's Office.
- Three instances where the University did not encumber the PSA in Banner (the accounting system utilized by the State University System.)
- One instance where the University contracted for services exceeding \$3,000 without completing the required PSA Form. In this instance, the service contract was not reviewed and approved by the Attorney General's Office.

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: The departments requesting services are not submitting the requests to the Purchasing Department with enough lead time to allow for the review and approval of these contracts. With respect to the other conditions cited, established control procedures were not followed.

Recommendation: The University should comply with established policies and procedures and improve internal control over personal service related expenditures processed on a Personal Service Agreement or Honorarium Payment Request Form. (See Recommendation 3.)

Agency Response: “The University’s Department of Administrative Services continues to hold training workshops and sessions providing an overview of the personal service agreement and honoraria process. These sessions convey the policies and procedures of personal service related expenditures with focused attention on timely submission and approval requirements. The University’s website was revised during the 2009-2010 fiscal year to include the incorporation of an online overview of the acquisition process for all employees. Late submission of honoraria and personal services agreements as approved by Management must continue to be accompanied by cause and corrective action by the submitting party.

While a significant number of the instances of signing personal services agreements after the start of the contract terms were attributable to situations requiring the University to meet unforeseen and required student disability service needs on an immediate basis, emphasis continues for timely submittal of the requirements to allow for appropriate sign-off.

Regarding the banner encumbrances of personal services agreements and honoraria, since the audit period examined, the University has implemented steps within the Accounts Payable area to allow for the encumbrance of these awards.”

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:

- Two instances where the budget authority did not sign the travel authorization and/or costs were incurred prior to the approval of the travel authorization.
- One instance where there were missing receipts. In this instance, the required policy exception request form was not on file.
- One instance where a transaction was miscoded to the incorrect expenditure category.
- Seven instances where the employee did not submit a completed travel reimbursement form with the required documentation to the Travel Office within 15 calendar days after completion of the trip. The number of days late ranged from three to 63 business days.

The following conditions pertain specifically to the transactions in our sample that involved travel by athletic teams:

- Three instances 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 rosters, related to team travel, were not approved by the Director of Athletics prior to the trip. The roster includes the names of the employees and athletes to be included in the official travel party.
- Four instances where the list containing the signatures of those who received meal money in lieu of having a meal purchased for them lacked the required information. The amount of cash that each individual received was not on the documents when signatures were obtained. It appears that the amounts were inserted at the completion of the trip, when the petty cash advance was reconciled.
- Four instances where the University lacked a travel expense report covering expenses incurred by all travelers of the official travel party, including expenses charged directly to the University.

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 in a timely manner.

Cause: Internal control policies were not being followed.

The employees that traveled did not always submit the travel reimbursement form with the required documentation to the Travel Office in a timely manner.

Recommendation: The University should comply with established policies and procedures and improve internal control over travel-related expenditures. (See Recommendation 4.)

Agency Response: “The University agrees with the audit comments concerning the budget authority signatures and receipts associated with the submitted travel authorizations. For late submission of travel and receipts, a completed and approved Policy Exception Form will continue to be required from every individual who does not comply. The Travel Office will continue to educate the WCSU community of Travel Policy rules and requirements through training and on-line website communication. The travel website has been updated to include overview training of the policies and procedures. As a number of the audit comments are associated with the University’s Athletic Department, while the University has enacted several changes with regards to athletic travel since the noted audit period, the travel department will review policies and procedures associated with athletic travel with the Director of Athletics and cognizant personnel. Further examination of the use of blanket authorizations and rosters will

be made, as the University utilizes these documents in a manner it understands to be consistent with historical practices and the travel manual.”

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 4 to 52 business days. In all four instances, we noted that the delays occurred prior to the Cashier’s Office receiving the funds.
- We also identified four departments that received receipts directly on behalf of the University that did not maintain any records to support the individual transaction 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. It appears that departments receiving funds are not submitting the receipts to the Cashier’s Office in a timely manner.

Recommendation: The University should improve controls over cash receipts and ensure that all deposits are made in a timely manner in accordance with Section 4-32 of the General Statutes. (See Recommendation 5.)

Agency Response: “The University agrees with the finding. The Bursar’s Office sends a reminder email to departments of the need for the timely deposit of all receipts and notifies them of any deposit that was not made within state

time limits. Deposit forms have been updated to include a statement of requirements.”

Petty Cash Fund:

Background: The University maintains a Petty Cash Fund. The balance of this Fund as of June 30, 2008, was \$10,000.

Criteria: The State of Connecticut’s Accounting Manual provides policies and procedures for maintaining a Petty Cash Fund. 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 for the fiscal years ended June 30, 2007 and 2008, we noted the following:

- The University’s Petty Cash Fund journal does not contain the minimum required information. The journal should list all fund receipts and expenditures. The journal only listed the checks issued from the Petty Cash Fund.
- There were five months during the audited period that the Petty Cash Fund was not reconciled in a timely manner.
- The Petty Cash Fund bank reconciliation format for the fiscal year ended June 30, 2008 was revised. The revised format contained reconciling items, which were not listed on prior monthly reconciliations. In addition, this revised format did not document the individual who prepared and approved the reconciliation.
- The Petty Cash Fund was used to process inappropriate disbursements. During the audited period, the University issued 16 separate checks totaling \$14,465, to the Theater Department to purchase miscellaneous supplies for various performances.
- The University processed 14 loans (payroll advances) to its employees totaling \$6,456 during the audited period. 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 loans were intended to be temporary until a corrected payroll check was issued. Ten of these loans were issued without the employee signing a promissory note. Four of the ten loans totaling \$954 were still outstanding as of April 1, 2009. In addition, two loans issued in October 2005, totaling \$509, were outstanding as of April 1, 2009.

- 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 in a timely manner.
- 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. (See Recommendation 6.)
- Agency Response:* "The University will no longer use the petty cash fund for payroll related matters. The University will also explore new methods of facilitating the Theatre Arts Department that will eliminate the use of petty cash. Reconciliations are now done in a timelier manner."

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, 2007 and 2008, were performed on September 19, 2007 and August 28, 2008, respectively. In addition, these reconciliations contained several reconciling items that occurred during the prior and current fiscal years 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 reconciliations for the fiscal years ended June 30, 2007 and 2008, were performed on September 26, 2007 and September 12, 2008, respectively. The University did not have completed reconciliations on file for the months ended April 30, 2007 and May 31, 2007. In addition, these reconciliations contained several reconciling items that occurred during the prior and current fiscal years 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 7.)
- Agency Response:* “Reconciliations are now being done in a more timely fashion. Reconciling items are now being researched and cleared in a more timely fashion.”

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 accounts receivable balances as of June 30, 2008, disclosed a number of instances where the University did not follow its own collection procedures. The conditions noted include the following:

- Three students’ accounts were not sent internal collection letters in a timely manner.
- Four students’ accounts were not sent to an outside collection agency within a timely manner.
- Two students’ accounts were not transferred back to the University from an outside collection agency after the company was unsuccessful in collecting from non-paying accounts in a timely manner.
- One student’s account was sent three internal collection letters, the last of which was sent on June 3, 2004, for charges totaling \$7,242 that primarily pertained to the Fall 2003 semester. On May 22, 2007, the University processed a billing adjustment reducing this outstanding

balance to \$1,212. The University never sent this account to an outside collection agency. However, the University approved and included this account on the list of outstanding accounts that were deemed uncollectible as of June 30, 2008.

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 accounts 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 8.)

Agency Response: “The University agrees with the finding. A review of accounts receivable was conducted in 2007. Accounts were identified that appeared to have gaps in collection activity. The collection process is continually improving with automated reports and regular monitoring of activity. The collection agencies have been reminded of the contractual requirement to return accounts to the University if there has been no activity for 12 months.”

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 20 newly purchased assets during the audited period, we noted ten laptops that were reported on the property control records at the incorrect value. Upon further review, these ten laptops were part of a larger purchase of 100 laptops. All 100 laptops were understated on the property control records by \$236 per computer, with a total understatement of \$23,644.

- From a sample of 25 equipment items selected from the inventory records, one equipment item could not be located. Three items were found in a location other than the location reported on the inventory records. Two item's serial numbers that were recorded during physical inspection did not agree with the serial numbers reported on the inventory record. One item's model number recorded during physical inspection did not agree with the model number reported on the inventory record. One item was identified as being off-campus without having a completed Record of Equipment on Loan Form. One instance where a laptop issued to an employee in April 2003 was still on loan in January 2009. In this instance, it appeared that the item was loaned out indefinitely.
- From a sample of 17 equipment items identified by a random inspection of the premises, we found one item that did not have a barcode and was not listed on the current inventory record.
- From a sample of five controllable assets, one item was found in a location other than the location reported on the inventory records.
- From a sample of 10 fine art pieces, one item was found in a location other than the location reported on the inventory records.

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 in a timely manner.

Cause: Internal control policies were not being followed.

The University did not capitalize the additional memory and other peripherals purchased for the laptops.

It appears that equipment items were moved without notifying the Property Control Unit.

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 9.)

Agency Response: "With regards to the first audit comment, the University agrees with the finding. Trades and Access Control areas are being evaluated for inventory to be included in the CO-59 for the 2009-2010 fiscal year. The report given to the auditors for other property owned with trustee funds was erroneously provided from the locator system (Quetel) which does not reflect the funding source. This report must be obtained from the Banner system which is the source for this information. Concerning item 2, the University agrees with the finding. Additional memory and DVD drives

were installed in these laptops sometime after the purchase. In the 2009-2010 fiscal year these items will be corrected. The University agrees in part with the third audit finding. This one equipment item has been located and after moving it for safety reasons has been designated for disposal. The University disagrees with item 3 in regards to the two incorrect serial numbers, as the laptop serial numbers were confirmed to be correct. The University concludes that an incorrect serial number may have been noted, given the significant number of numbers on the bottom of the laptops. The incorrect model number has been corrected and the locations have been updated and a property pass has been issued regarding the remaining items of item 3.

Item 4 was found to be in our system by serial number and has been bar-coded. The University agrees with items 5 and 6 of the audit comments. Items have been noted in their current location.”

Loss Reporting:

Criteria: Section 4-33a of the General Statutes requires all State agencies to promptly notify the Auditors of Public Accounts and the State Comptroller of any unauthorized, illegal, irregular, or unsafe handling of State funds or breakdowns in the safekeeping of other State resources.

The State of Connecticut’s Property Control Manual prescribes the format for loss reporting. A Report of Loss or Damage to Real and Personal Property (Other than Motor Vehicles) – CO-853 (CO-853 Report) should be used to report all losses or damages to real and personal property other than vehicles pertaining to theft, vandalism, criminal or malicious damage, lost or misplaced funds, missing property (cause unknown) or damages caused by wind, fire or lightning.

In addition, 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: During our review of loss reports submitted during the audited period, we noted 14 instances where the University did not submit a CO-853 Report for capitalized equipment items that were missing and/or damaged in a timely manner. In two of these instances, the untimely submission of the CO-853 Reports involved the reporting of missing items not found during the University’s annual physical inventories. The items missing during the annual physical inventory for the fiscal years ended June 30, 2006 and June 30, 2008, were reported on August 27, 2006 and September 2, 2008, respectively.

Effect: The University did not comply with Section 4-33a of the General Statutes.

Cause: Internal control policies were not being followed.

The University's annual physical inventory takes approximately one year to complete. The physical inventory for the fiscal year ended June 30, 2008, was started approximately July 1, 2007, and completed approximately June 30, 2008. The University does not file a CO-853 Report for those items deemed missing during the physical inventory until approximately two months after fiscal year end.

Recommendation: The University should comply with Section 4-33a of the General Statutes, which requires prompt notification to the Auditors of Public Accounts and the State Comptroller when there is a breakdown in safekeeping of State resources. (See Recommendation 10.)

Agency Response: "The University has historically submitted its loss report forms at the end of the inventory cycle because it was its experience that a significant number of missing items are found during follow-up efforts. For individual CO-853 Reports, Property Management will work with the Campus Police Department and other cognizant departments to ensure timely reporting."

Auditors Concluding Comments: The University's decision to delay the submission of the CO-853 Reports was not in compliance with established procedures.

Equipment on Loan:

Background: As of December 31, 2008, the University's logbook of equipment on loan listed 390 items that were currently reported as on loan to an employee or student.

Criteria: The Connecticut State University System's Capital Valuation and Asset Management Manual provides policies and procedures for equipment on loan to an employee or student of the University.

These policies state "A loan approval form must be completed and signed by the supervisor of each employee, or the student life representative of each student, to whom equipment is loaned, setting forth the duration of the loan. The duration of the loan of the asset may be extended by the supervisor of the employee or the student life representative of the student, provided the employee or student demonstrates a continued need for use of the equipment. A new loan approval form must be completed and signed by the supervisor of the employee, or the student life representative of the student, as applicable, setting forth the extended period of the

loan...The Property Control Unit will be responsible for maintaining a logbook to hold the forms and to follow-up on equipment out on loan.”

Conditions: Our review of a sample of 19 items listed as active on the logbook of equipment items on loan, disclosed a number of instances where the University did not follow established policies and procedures. The conditions noted include the following:

- Two instances where the equipment on loan form was not on file with the Property Control Unit.
- Ten instances where the equipment on loan form lacked the required approval for the loan of equipment.
- Ten instances where the equipment on loan form lacked the anticipated return date of the equipment item. In many of these instances, the equipment on loan form stated “to be determined”.
- One instance where a laptop issued to an employee in July 2002 was still on loan in January 2009. When we requested to physically inspect the laptop, the item was returned to the University. The employee that returned the laptop stated that it was no longer needed.
- One instance where an item was returned to the University, but the Property Control Unit was not notified of the return.

Effect: The University’s equipment on loan 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 in a timely manner.

Cause: Internal control policies were not followed. The Property Control Unit does not appear to have been provided with all of the equipment on loan forms in a timely manner. In addition, a lack of administrative oversight may have contributed to these conditions.

Recommendation: The University should follow its established policies and improve control over the monitoring of equipment on loan. In addition, the University should perform a review of its current list of equipment on loan to ensure that the logbook is accurate, and to determine if such equipment is still needed by the employee and/or student. (See Recommendation 11.)

Agency Response: “The University agrees with the underlying condition that the Property Control Unit does not appear to have been provided with all the equipment on loan forms in a timely manner, leading to the audit comments. Property Management will work with University Computing and other cognizant departments to ensure the property pass information are in compliance. Property Management will also continue to educate employees regarding proper inventory policies and procedures.”

State-owned Vehicles - Mileage Reports:

Background: The University reported that they owned 49 motor vehicles (in service) as of June 30, 2008. We physically examined five of these motor vehicles in February 2009 and found that three were not in service. Upon further review, we were informed that the University had an additional six motor vehicles that were also taken out of service. A University representative informed us that the motor vehicles were removed from service over the last several months but was unable to provide specific dates for such actions.

Criteria: Department of Administrative Services (DAS) General Letter No. 115 – “Policy for the Use of State-Owned Motor Vehicles and Personally-Owned Motor Vehicles on State Business” provides policies and procedures for state-owned motor vehicles. This Policy requires that each agency maintain records regarding the usage of State-owned vehicles, including but not limited to daily mileage logs.

Good internal controls dictate that detailed mileage logs be maintained so management can ensure that motor vehicles are being properly utilized.

Condition: Our review of the nine motor vehicles that were removed from service disclosed that the University does not maintain detailed mileage logs for all of its vehicles. Five out of the nine motor vehicles did not have daily mileage logs on file during the audited period. The remaining four vehicles had some mileage logs on file but many appeared to be incomplete and/or contained errors.

Effect: The University is not in compliance with DAS General Letter No.115.

The condition described above weakens internal control over motor vehicles and increases the likelihood that the University may be incurring additional operating costs associated with maintaining vehicles that are not properly utilized.

Cause: A University representative informed us that the requirement to maintain mileage logs only pertained to motor vehicles owned by the DAS.

Recommendation: The University should improve internal control over the use of its motor vehicles by maintaining daily mileage logs to ensure that they are properly utilized. The utilization of daily mileage logs will also provide management additional evidence to support any operational decision to keep or remove a motor vehicle from service in attempts to control its operating costs. (See Recommendation 12.)

Agency Response: “The University concurs with this finding and will immediately initiate a policy to keep daily usage (mileage) logs for all vehicles. The University will have a log in each vehicle so that the user(s) of those vehicles can complete them timely and accurately. These logs will be available for review and audit. The University’s current policy states all of its vehicles should only be used for business purposes.”

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 require that an agency submit to the DPW’s Special Projects Unit a Certificate of Compliance Form (Compliance Form) for all completed projects that exceed \$50,000.

The State of Connecticut’s Property Control Manual prescribes the format for reporting all property owned by each State agency.

Conditions: Our current audit examination of seven construction projects administered by the University, disclosed the following:

- One instance where there was no documentation on file certifying that DPW gave permission to the University to administer the construction project.
- Two instances where there was no evidence that change orders exceeding \$10,000 were submitted to DPW for approval.
- Six instances where the Compliance Form was not completed properly. In two of these six instances, the Compliance Form was not submitted to DPW in a timely manner.
- Two instances where the University did not capitalize architectural and/or engineering fees associated with a project. These same costs were not added to the value of the building on the CO-59.
- Two instances where the University did not report the value of the capitalized improvement on the CO-59 in a timely manner. In both of these instances, the University recorded the project costs in the category titled “construction in progress”.

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 13.)

Agency Response: “1. We agree that there was an instance where there was no documentation on file certifying that DPW gave permission to the University to administer the construction project.

2. We agree that there was a \$27,241 change order for the Newbury Hall Lobby/Lounge Renovation Project where the University did not acquire the needed DPW approval.

The second audit instance involved two change orders for the IDF/MDF telecommunication Rooms Renovation. The first change order was for \$2,294 and the second change order was for \$9,539. Neither change order exceeded the \$10,000 limitation as stated in the Department of Public Works Guidelines and Procedures Manual for Agency Administered Projects (dated 5/1/03). The manual states in the Construction Phase Section, Item 3 that the agency must submit change order requests to DPW/Special Project Unit “only if the Change Order [singular reference] exceeds \$10,000 dollars [emphasis added].” The manual does not mandate change orders that cumulatively exceed \$10,000. Logic supports a single limit per change order because if multiple change orders were processed independently at different times it would be impossible to know that a future change order (second, third, or fourth change order) would ultimately cause the cumulative total to exceed \$10,000.

3. We agree that there were six instances where the Compliance Form was not completed properly and in two of these six instances, the Compliance Form was not submitted to DPW in a timely manner.
4. We agree, during the 2009-2010 fiscal year the \$11,000 architecture/engineering costs related to IDF/MDF Telecom Room Renovations will be added to this project. Also, construction administration costs of \$2,900 will be added to the Heat Wheel Replacement project during the 2009-2010 fiscal year. In the future, the Fiscal Affairs Department will consult with the Planning and Engineering Department to ensure all costs to a project have been captured prior to the capitalization of a project.
5. We agree, currently the Fiscal Affairs Department and the Planning and Engineering Department are working closely to determine project end dates to ensure the capitalization of a project is made in the correct month.”

Auditors Concluding

Comments:

In this instance the University received approval from DPW to administer an agency project titled “Renovate IDF/MDF Room” on June 30, 2005, for \$70,000. The University issued the original purchase order to the vendor selected to perform the work on July 12, 2006, for \$92,710. On March 2, 2007, the University issued change order one incorporating two technical changes, which revised the amount of the purchase order to \$104,543.

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, access to critical information systems should be disabled promptly when such access is no longer required. In addition, access should be limited to only those who require such access to perform their current job functions.

During the audited period, it was the practice of the University’s 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:

Our review of a sample of three part-time employees identified as having access privileges to Banner, disclosed the following:

- One instance where an employee’s access was not disabled promptly upon termination.

Our review of a list of employees identified as having access privileges to Core-CT during the audited period, disclosed the following:

- Two instances where an employee’s access was not disabled promptly upon termination.
- Three instances where employees had their access removed and the account locked by Core-CT Security in July 2008 because there was no login activity with the respective accounts in at least a year’s time.

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.

The University did not have a control procedure in place to monitor those individuals that had been granted access privileges to Core-CT to determine if such access, or the level of access, is still required.

Recommendation: The University should improve internal control over access privileges to its information system and/or Core-CT. The University should disable all computer access to its information system and/or Core-CT promptly upon an individual's termination of employment and/or when such access is no longer required. (See Recommendation 14.)

Agency Response: "We agree with the comment. Each semester the University Computing Department requests a report of active adjunct faculty employees, graduate assistants, and university assistants. This report is normally requested a few weeks into the beginning of the semester. The report submitted to University Computing includes the following: employee id#, last name, first name, middle initial, prefix, title, department, effective date, and end date. Since the report includes the end date for the employee the University Computing Department at that time has all of the data necessary to terminate an employee's access at the end of their employment contract, thus there is no need to have another report submitted at the last day of employment for these groups of employees.

With regards to the two employees and their Core-CT access the first case, a Core-CT Application Security Request Form was faxed to Core-CT on January 8, 2007, which was the Monday following the employee's last day of employment which was Friday, January 5, 2007. The deactivation didn't occur at Core-CT until January 24, 2007, which is outside of our control. Basically from the agency standpoint we processed everything in as timely a fashion as possible. With regards to the employee terminated on June 10, 2004, a Core-CT Application Security Request Form wasn't processed upon termination. The reason for this was two different departments were responsible for security access. However, the process has been changed since then and now the HR Security Liaison processes all termination of access with Core.

Lastly, an employee was working for a two week time period as a re-employed retiree and we did not inform the University Computing Department of the last day in order to terminate access. From now on we

will make sure to notify the University Computing Department via e-mail notification of the last day of work for re-employed retirees in similar situations.”

Report Required by Statute:

Criteria: Section 4-37g, subsection (b), of the General Statutes states that “In the case of an audit required pursuant to section 4-37f, that was not conducted by the Auditors of Public Accounts, the executive authority and chief financial official of the state agency shall review the audit report received pursuant to said section and, upon such review, the executive authority shall sign a letter indicating that he has reviewed the audit report and transmit a copy of the letter and report to the Auditors of Public Accounts.”

Condition: The University Foundation of Western Connecticut’s audit reports for the fiscal years ended June 30, 2007 and 2008 were not filed in a timely manner with the Auditors of Public Accounts. The respective audit reports with the signed letter indicating that the executive authority of the University reviewed these reports were transmitted in April 2009.

Effect: The University did not transmit the required reports in a timely manner.

Cause: It appears that this was a clerical oversight.

Recommendation: The University should institute procedures to ensure that all reports required by Statute are transmitted in a timely manner. (See Recommendation 15.)

Agency Response: “The University has incorporated the sending of this letter into the list of items we must send out annually.”

Financial Reporting:

Background: In conjunction with our audits of the State's Comprehensive Annual Financial Reports (CAFR) for the fiscal years ended June 30, 2007 and 2008, we reviewed the Department’s Schedule of Expenditures of Federal Awards (SEFA) submitted to the Comptroller.

Criteria: The submission of complete and accurate Federal financial expenditure information is instrumental in producing a fairly stated SEFA. Reports should be in compliance with the State Comptroller's requirements as set forth in the State Accounting Manual and other instructions.

Condition: Our review of the University's SEFA for the fiscal years ended June 30, 2007 and 2008, disclosed omissions that required adjustments to the SEFA

reported by the University. These financial reporting findings resulted in expenditure amounts that were improperly reported for four different Federal programs. These findings resulted in a net understatement to the SEFA totaling \$193,999 and \$72,226 during the fiscal years ended June 30, 2007 and 2008, respectively. Revisions to the amounts reported were submitted by our Office to the State Comptroller.

Effect: These conditions, if not corrected, would have caused inaccurate and/or incomplete information to be reported on the State's SEFA.

Cause: The University did not follow instructions published by the State Comptroller. In one instance, the University incorrectly recorded a Federal grant as a State grant in their accounting records.

Recommendation: The University should prepare the Schedule of Expenditures of Federal Awards in accordance with the State Comptroller's requirements. (See Recommendation 16.)

Agency Response: "The Fiscal Affairs Office will consult with the Grants Officer as to the classification of all grants."

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 prescribed.

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 procurement process. These procedures are outlined in the University's Student Organization Guidebook.

The Connecticut State University System's Procurement 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:

- Seven 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.

- Seven instances where the University did not encumber the transaction in the Banner System.
- One instance where the PSA was not signed by one of the necessary parties prior to the contract term. In this instance, services were provided before the contract was approved.
- Two instances where the PSA or Honorarium Form was approved on the day of the event by one of the required parties. In both of these instances, the vendor who provided the services was from out of state.
- One instance where a travel authorization was approved after the trip had ended.
- One instance where the goods were ordered before the issuance of a purchase requisition and purchase order.
- Two instances where goods and services were ordered without the completion of a purchase requisition and purchase order.
- Four instances where the transaction was coded incorrectly.

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 17.)

Agency Response: “The University agrees with the finding. All minutes are kept by the Director of Student Clubs and the minute dates are required on all Disbursement Forms. All PSA’s are signed and approved by the Director of Administrative Services, Director of Student Clubs and when necessary, the Attorney General’s Office. All PSA’s are encumbered in Banner. The new on-line student training, started during the 2009-2010, fiscal year addresses the importance of getting all documentation in on time.”

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 prescribed.

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 15 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:

- Seven instances where receipts totaling \$19,025 were deposited from one to 45 business days late. In addition, we noted four instances totaling \$5,708, 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
- Five instances where the clubs/groups had no revenue accountability report on file for the funds collected.

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 18.)

Agency Response:

"The University agrees with the finding. The Student Organization Deposit Slip has been updated. It requires the date that the funds have been received by the Student Organization and an accountability of funds. The Bursar's Office sends a reminder e-mail to the Director of Student Clubs, if needed, for timely deposits of all receipts.

All student club officers have to complete Student Organization Leadership Training on-line before a club can be activated. Also, the

Director of Student Clubs is working on accountability reports for fundraisers.”

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.

There were no relevant areas pertaining to Western Connecticut State University included in the *Report to Management* relating to the 2007-2008 fiscal year.

RECOMMENDATIONS

Our prior report contained 16 recommendations. There has been satisfactory resolution of four of these recommendations. The remaining 12 recommendations have been repeated or restated to reflect current conditions. Six additional recommendations are being presented as a result of our current examination.

Status of Prior Audit Recommendations:

- The University should improve internal controls over the employment process to ensure that appointment forms are approved prior to any work being performed. Improvement was noted in this area; therefore the recommendation is not being repeated.
- The University should monitor and improve compliance with established controls over the record keeping of compensatory time. Improvement was noted in this area; therefore the recommendation is not being repeated.
- 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. Improvement was noted in this area; therefore the recommendation is not being repeated.
- 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 2.)
- 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. The recommendation is being repeated with modification. (See Recommendation 3.)
- The University should comply with established policies and procedures and improve internal control over travel-related expenditures. The recommendation is being repeated. (See Recommendation 4.)
- 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. The recommendation is being repeated with modification. (See Recommendation 5.)
- 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. The recommendation is being repeated with modification.

(See Recommendation 6.)

- 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. While we noted improvements, we did note certain exceptions that need to be addressed, and are repeating this recommendation. (See Recommendation 7.)
- 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. The recommendation is being repeated. (See Recommendation 8.)
- 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 9.)
- The University should comply with established policies and procedures and improve internal control over University administered construction projects. The recommendation is being repeated. (See Recommendation 13.)
- The University should comply with its established procedures for terminating employees' access privileges to its information system and/or Core-CT. The recommendation is being repeated with modification. (See Recommendation 14.)
- The University should comply with the software inventory requirements contained in the State of Connecticut's Property Control Manual. Improvement was noted in this area; therefore the recommendation is not being repeated.
- The University should comply with established local fund policies and procedures and improve internal control over the purchasing process. The recommendation is being repeated. (See Recommendation 17.)
- The University should comply with established local fund policies and procedures and improve internal control over the receipts process. The recommendation is being repeated. (See Recommendation 18.)

Current Audit Recommendations:

- 1. The University should establish a separation of duties between its payroll and human resources functions. Payroll and human resources staff should be assigned roles appropriate with their function.**

Comment:

Our review disclosed 11 instances where staff has access to both payroll and human resources functions in Core-CT. This access allows staff the ability to create and also issue payments to employees.

- 2. 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.

- 3. The University should comply with established policies and procedures and improve internal control over personal service related expenditures processed on a Personal Service Agreement or Honorarium Payment Request Form.**

Comment:

A significant number of personal service related expenditure transactions were not processed in compliance with the University's established policies and procedures. Most significantly, we noted 10 instances where the Personal Service Agreement or Honorarium Form was not signed by one of the necessary parties prior to the contract term.

- 4. 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.

- 5. The University should improve controls over cash receipts and ensure that all deposits are made in a timely manner in accordance with Section 4-32 of the General Statutes.**

Comment:

Our review of receipts disclosed four instances of late deposits. In addition, we also identified four departments that received receipts directly on behalf of the University that did not maintain any records to support the individual transaction receipt date.

- 6. 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.**

Comment:

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

- 7. 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.

- 8. 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.

- 9. 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.

- 10. The University should comply with Section 4-33a of the General Statutes, which requires prompt notification to the Auditors of Public Accounts and the State Comptroller when there is a breakdown in safekeeping of State resources.**

Comment:

During our review of loss reports submitted during the audited period, we noted a number of instances where the University did not submit the required paperwork in a timely manner.

- 11. The University should follow its established policies and improve control over the monitoring of equipment on loan. In addition, the University should perform a review of its current list of equipment on loan to ensure that the logbook is accurate, and to determine if such equipment is still needed by the employee and/or student.**

Comment:

Our review of a sample of 19 items listed as active on the logbook of equipment items on loan, disclosed a number of instances where the University did not follow established policies and procedures.

- 12. The University should improve internal control over the use of its motor vehicles by maintaining daily mileage logs to ensure that they are properly utilized. The utilization of daily mileage logs will also provide management additional evidence to support any operational decision to keep or remove a motor vehicle from service in attempts to control its operating costs.**

Comment:

Our review of the nine motor vehicles that were removed from service disclosed that the University does not maintain detailed mileage logs for all of its vehicles.

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

Comment:

Our current audit examination of seven construction projects administered by the University identified a significant number of inaccuracies and other control weaknesses.

- 14. The University should improve internal control over access privileges to its information system and/or Core-CT. The University should disable all computer access to its information system and/or Core-CT promptly upon an individual's termination of employment and/or when such access is no longer required.**

Comment:

The University did not disable a significant number of terminated employee's access privileges to its information system and/or Core-CT.

15. The University should institute procedures to ensure that all reports required by Statute are transmitted in a timely manner.

Comment:

The University Foundation of Western Connecticut's audit reports for the fiscal years ended June 30, 2007 and 2008 were not filed in a timely manner with the Auditors of Public Accounts.

16. The University should prepare the Schedule of Expenditures of Federal Awards in accordance with the State Comptroller's requirements.

Comment:

Our review of the University's Schedule of Expenditures of Federal Awards for the fiscal years ended June 30, 2007 and 2008, disclosed omissions that required adjustments to the Schedule of Expenditures of Federal Awards reported by the University.

17. The University should comply with the 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.

18. The University should comply with the 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.

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, 2007 and 2008. This audit was primarily limited to performing tests of the University's compliance with certain provisions of laws, regulations, contracts and grant agreements 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 grant agreements applicable to the University are complied with, (2) the financial transactions of the University are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, 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, 2007 and 2008, 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 the University complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements 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.

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

In planning and performing our audit, we considered the University's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Agency's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the Agency's internal control over those control objectives.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance requirements was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to

properly initiate, authorize, record, process, or report financial data reliably, consistent with management's direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the following deficiencies, described in detail in the accompanying "Condition of Records" and "Recommendations" sections of this report, to be significant deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 1 - lack of separation of duties between payroll and human resources functions; Recommendations 2 & 3 - inadequate controls over the procurement process; Recommendation 8 - weaknesses in controls with the monitoring of accounts receivable and Recommendations 9 & 12 - deficiencies in equipment inventory control procedures and Recommendation 14 - inadequate control of the University's information systems .

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with certain provisions of laws, regulations, contracts, and grant agreements or the requirements to safeguard assets that would be material in relation to the Agency's financial operations, noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions, and/or material financial misstatements by the Agency being audited will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over the Agency's financial operations, safeguarding of assets, and compliance with requirements, was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the University complied with laws, regulations, contracts and grant agreements, 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 Agency's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which we reported to Agency management in the accompanying "Condition of Records" and "Recommendations" sections of this report.

The University's responses to the findings identified in our audit are described in the accompanying "Condition of Records" section of this report. We did not audit the University's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of Agency management, 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