

STATE OF CONNECTICUT



*AUDITORS' REPORT
BOARD OF TRUSTEES FOR THE CONNECTICUT STATE UNIVERSITY
WESTERN CONNECTICUT STATE UNIVERSITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2010*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

Table of Contents

INTRODUCTION	1
COMMENTS	1
Foreword.....	1
Recent Legislation	2
Enrollment Statistics	2
Résumé of Operations.....	3
Operating Revenues	4
Operating Expenses.....	5
Nonoperating Revenues	5
Western Connecticut State University Foundation, Inc.	6
CONDITION OF RECORDS	8
Procurement.....	8
Personal Services Purchasing	10
Purchasing Cards	11
Travel Expenditures.....	13
Compensatory Time Records for SUOAF-AFSCME Employees.....	15
Payroll Payments for Unused Sick Leave at Retirement.....	16
Employee Background Checks.....	17
Dual Employment.....	18
Federal Time and Effort Reporting.....	19
Property Inventory	20
Timeliness of Bank Deposits of Non-Bursar’s Office Receipts	23
Revenue Generating Contracts	24
Incorrect Student Status Classification	27
Student Activity Trustee Accounts Receipts	28
Student Activity Trustee Account Expenditures.....	29
Information System Access Controls.....	31
Petty Cash Fund.....	34
Schedule of Expenditures of Federal Awards.....	35
Other Audit Examination.....	36
RECOMMENDATIONS	38
CERTIFICATION	46
CONCLUSION	49

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT M. WARD

May 30, 2012

AUDITORS' REPORT BOARD OF TRUSTEES FOR THE CONNECTICUT STATE UNIVERSITY WESTERN CONNECTICUT STATE UNIVERSITY FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2010

We have examined the financial records of Western Connecticut State University (WCSU or university) for the fiscal years ended June 30, 2009 and 2010.

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 that examination consists of the Comments, Condition of Records, Recommendations, and Certification that follow.

COMMENTS

FOREWORD:

Western Connecticut State University, located in Danbury, Connecticut, is one the four higher education institutions that collectively make up the Connecticut State University System (CSUS). The other three are Central Connecticut State University in New Britain, Eastern Connecticut State University in Willimantic, and Southern Connecticut State University in New Haven. During the audited period, the university was administered by the Board of Trustees for the Connecticut State University System through its System Office in Hartford. CSUS, a constituent unit of the State of Connecticut's system of higher education, operates principally 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 changes affecting the university took effect during the audited period:

- Public Act No. 08-71 – Effective July 1, 2008, Section 2 of this act requires the Connecticut State University System to waive tuition for any state resident who is a dependent child or surviving spouse of a state resident killed in action while serving on active duty in the United States Armed Forces on or after September 11, 2001.
- Public Act No. 09-159 – Effective July 1, 2009, Section 5 of this act allows the Connecticut State University System to recover federal educational assistance payments under the 2008 Post-9/11 Veterans Educational Assistance Act by limiting the waiver for eligible veterans who apply for these benefits. It requires that the universities waive only the tuition charges that exceed the amount of federal benefits granted for tuition and establishes a formula for calculating the federal benefit amount. The act also provides that veterans whose benefits have been denied or withdrawn under the 2008 Post-9/11 Veterans Educational Assistance Act may still be eligible for tuition waivers under the existing laws codified in the General Statutes.

Enrollment Statistics:

WCSU provided the following enrollment statistics for full-time and part-time students during the audited period:

	<u>Fall 2008</u>	<u>Spring 2009</u>	<u>Fall 2009</u>	<u>Spring 2010</u>
Full-time undergraduate	4,599	4,211	4,756	4,463
Full-time graduate	105	108	126	123
Total full-time	<u>4,704</u>	<u>4,319</u>	<u>4,882</u>	<u>4,586</u>
Part-time undergraduate	1,170	1,150	1,113	1,141
Part-time graduate	588	612	622	599
Total part-time	<u>1,758</u>	<u>1,762</u>	<u>1,735</u>	<u>1,740</u>
Total Enrollment	<u>6,462</u>	<u>6,081</u>	<u>6,617</u>	<u>6,326</u>

The average of the fall and spring semesters' total enrollment was 6,272 and 6,472 during the 2008-2009 and 2009-2010 fiscal years, respectively, compared to an average of 6,069 during the 2007-2008 fiscal year. The total average number of students enrolled at WCSU increased by 203 (3.2 percent) from fiscal year 2008 to fiscal year 2009, and increased by 200 (3.1 percent) from the 2009 fiscal year to the 2010 fiscal year. The increase in enrollment during the audited period can, in

part, be attributed to slow economic growth following the global financial crisis of 2008. During difficult economic times, enrollment traditionally increases as people seek to improve their job skills, change careers, or continue their education rather than face a challenging job market.

RÉSUMÉ OF OPERATIONS:

During the audited period, operations of WCSU were primarily supported by appropriations from the state’s General Fund and tuition and fees credited to the university’s Operating Fund. In addition, the university received capital projects funds generated from state bond issues. Such funds were earmarked to finance various capital projects on campus.

General Fund appropriations were not made to WCSU 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 Connecticut State University System Office where the allocations of these amounts were calculated, and transfers of these funds were made periodically to the university’s Operating Fund.

Operating Fund receipts consisted in large part of student tuition payments received. Under the provisions of Section 10a-99, subsection (a), of the General Statutes, tuition charges were set by the Board of Trustees. The following presents annual tuition charges for full-time students during the audited fiscal years:

	2008 – 2009			2009 – 2010		
Student Status:	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduate	\$ 3,514	\$ 11,373	\$ 5,271	\$ 3,742	\$ 12,112	\$ 5,614
Graduate	4,377	12,195	6,566	4,662	12,988	6,994

In accordance with Section 10a-67 of the General Statutes, the Board of Trustees for the Connecticut State University System set tuition amounts for nonresident students enrolled in the State University System through the New England Regional Student Program at an amount equal to one and one-half that of in-state tuition.

Tuition for part-time students is charged on a prorated basis according to the number of credit hours for which a student registers.

Besides tuition, WCSU charged students various other fees during the audited years, including a General Fee and a State University Fee, among others. The following presents these fees, on an annual basis, during the audited fiscal years.

	2008 – 2009			2009 – 2010		
Fee Description:	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
General	\$ 2,555	\$ 2,555	\$ 2,555	\$ 2,670	\$ 2,670	\$ 2,670
State University	879	2,157	879	910	2,232	910

Auditors of Public Accounts

In addition, the Housing Fee and Food Service Fee, required of resident students, represent a significant portion of the operating revenues category titled Auxiliary Revenues. The following presents the average annual Housing Fee (double occupancy) and Food Service Fee during the audited period:

Fee Description:	2008 – 2009	2009 – 2010
Housing	\$ 5,384	\$ 5,639
Food Service	3,774	4,038

Operating Revenues:

Operating revenue results from the sale or exchange of goods and services that relate to the university's educational and public service activities. Major sources of operating revenue include tuition and fees, federal grants, state grants, and auxiliary services.

Operating revenues as presented in the university's audited financial statements for the audited period and the previous fiscal year follow:

	<u>2007 – 2008</u>	<u>2008 – 2009</u>	<u>2009 – 2010</u>
Tuition and Fees (net of scholarship allowances)	\$30,426,640	\$33,932,162	\$38,181,512
Federal Grants and Contracts	3,325,680	3,906,994	5,332,454
State and Local Grants and Contracts	2,432,945	2,205,784	2,329,391
Non-Governmental Grants and Contracts	1,634	8,201	-
Indirect Cost Recoveries	12,200	14,261	200
Auxiliary Revenues	13,152,359	14,706,620	16,034,882
Other Operating Revenues	<u>5,873,620</u>	<u>5,099,676</u>	<u>1,598,505</u>
Total Operating Revenues	<u>\$55,225,078</u>	<u>\$59,873,698</u>	<u>\$63,476,944</u>

Operating revenues totaled \$59,873,698 and \$63,476,944 during the fiscal years ended June 30, 2009 and 2010, respectively, compared to \$55,225,078 during the fiscal year ended June 30, 2008. These figures reflect annual increases in operating revenues totaling \$4,648,620 (8.42 percent) and \$3,603,246 (6.02 percent) during the fiscal years ended June 30, 2009 and 2010, respectively. Such increases can be primarily attributed to increases in tuition and fee rates and increases in student enrollment that occurred during the audited period. During the fiscal year ended June 30, 2010, increases in reported operating revenues were somewhat offset by a decline in revenues in the Other Operating Revenues category. This decrease, for the most part, does not represent an actual decrease in revenues but instead reflects a change in financial statement presentation. During the fiscal year ended June 30, 2010, the CSUS began to present adjustments for plant fund additions at the university level in its financial statements rather than in a consolidated format as was previously the case. As such, for the fiscal year ended June 30, 2010, net adjusted lower figures were presented for each of the CSUS universities in the combining financial statements for both revenues (in the Other Operating Revenues category) and expenses (in the Operation of Facilities category) with no real net effect change in revenues and expenses.

Operating Expenses:

Operating expenses generally result from payments made for goods and services to achieve WCSU's mission of instruction and public service. Operating expenses include employee compensation and benefits, professional services, supplies, and depreciation, among others.

Operating expenses as presented in the university's audited financial statements for the audited period and the previous fiscal year follow:

	<u>2007 – 2008</u>	<u>2008 – 2009</u>	<u>2009 – 2010</u>
Personal Service and Fringe Benefits	\$ 65,266,332	\$ 68,960,568	\$ 68,635,320
Professional Services and Fees	3,741,305	3,621,911	5,297,045
Educational Services and Support	10,506,552	9,757,606	13,689,488
Travel Expenses	1,098,732	830,136	689,211
Operation of Facilities	13,803,643	13,475,660	8,849,629
Other Operating Supplies and Expenses	4,434,626	4,679,402	4,117,845
Depreciation Expense	8,712,487	9,408,695	9,208,111
Amortization Expense	-	32,025	44,017
Total Operating Expenses	<u>\$ 107,563,677</u>	<u>\$ 110,766,003</u>	<u>\$ 110,530,666</u>

Operating expenses totaled \$110,766,003 and \$110,530,666 during the fiscal years ended June 30, 2009 and 2010, respectively, compared to \$107,563,677 during the fiscal year ended June 30, 2008. During the fiscal year ended June 30, 2009, operating expenses increased by \$3,202,326 (2.98 percent) over the previous fiscal year. This increase is primarily due to scheduled employee salary increases in accordance with collective bargaining agreements. Operating expenses decreased by \$235,337 during the fiscal year ended June 30, 2010, compared to the previous fiscal year. The decrease can be attributed, in part, to the change in financial statement presentation (reflected in the Operation of Facilities category) mentioned in the Operating Revenues section above. The state's 2009 agreement with the State Employees Bargaining Agent Coalition (SEBAC) also drove down operating expenses during the fiscal year ended June 30, 2010. This agreement, among other things, froze CSUS salaries during the fiscal year ended June 30, 2010, at 2009 fiscal year levels. In addition, it established a retirement incentive program, which contributed to a decline in the number of university employees in the 2010 fiscal year.

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 functions of instruction, academic support, and student services. Nonoperating revenues include items such as the state's General Fund appropriation, private gifts and donations, 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.

Auditors of Public Accounts

Nonoperating revenues during the audited years and the previous fiscal year were presented in the university's audited financial statements as follows:

	<u>2007 – 2008</u>	<u>2008 – 2009</u>	<u>2009 – 2010</u>
	\$		
State Appropriations	42,307,340	\$ 43,902,657	\$ 45,119,024
Gifts	217,293	145,014	146,095
Investment Income	1,128,815	316,122	112,701
Other Nonoperating Revenues	790,160	653,757	646,275
State Financed Plant Facilities	1,807,183	552,898	-
Transfers to the State of Connecticut	-	-	(2,462,936)
Total Nonoperating Revenues	<u>\$ 46,250,791</u>	<u>\$ 45,570,448</u>	<u>\$ 43,561,159</u>

Nonoperating revenues totaled \$45,570,448 and \$43,561,159 during the fiscal years ended June 30, 2009 and 2010, respectively, compared to \$46,250,791 during the fiscal year ended June 30, 2008. Such revenues decreased by \$680,343 (1.47 percent) and \$2,009,289 (4.41 percent) during the fiscal years ended June 30, 2009 and 2010, respectively, compared to the preceding fiscal years. The decrease during the fiscal year ended June 30, 2009, was primarily the result of a decline in investment income due to falling interest rates during the audited years and a decrease in state financed plant facilities as a result of fewer university capital projects being completed during the year. The decrease in nonoperating revenues during the fiscal year ended June 30, 2010 is primarily due to a transfer of funds to the State of Connecticut. During the fiscal year ended June 30, 2010, the university transferred \$2,462,936 of its reserves to the State of Connecticut to comply with Public Act 09-7 enacted by the September 2009 Special Session of the General Assembly and Public Act 10-179, which together required that a total of \$15,000,000 be transferred from the Connecticut State University operating reserve account to the state's General Fund during the fiscal years ended June 30, 2010 and 2011.

In addition to the operating and nonoperating revenues presented above, the university's financial statements disclosed revenues classified as State Appropriations Restricted for Capital Purposes totaling \$279,308 and \$2,386,192 for the fiscal years ended June 30, 2009 and 2010, respectively.

Western Connecticut State University Foundation, Inc.:

The Western Connecticut State University Foundation, Inc. is a private, nonprofit corporation established to raise funds to support the activities of the university.

Sections 4-37e through 4-37k of the General Statutes define and set requirements for such state organizations. The requirements 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 the use of facilities and resources, compensation of state officers or employees, and the state agency's responsibilities with respect to affiliated 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, 2009 and 2010, in accordance with Section 4-37f, subsection (8), of the General Statutes. The auditors expressed unqualified opinions on the foundation's financial statements. In addition, the foundation's audit reports disclosed no reportable instances of noncompliance with Sections 4-37e through 4-37i of the General Statutes.

The foundation's financial statements reported revenues totaling \$(691,309) and \$2,036,537 during the fiscal years ended June 30, 2009 and 2010, respectively. The negative revenues reported for the fiscal year ended June 30, 2009 were due to a net loss on investments, which was offset by contributions and other revenue. Net assets were reported at \$9,185,815 and \$10,743,789 as of June 30, 2009 and 2010, respectively.

CONDITION OF RECORDS

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

Procurement:

Criteria: Prudent business practices require that a purchase should not be initiated before it is properly approved, and that such approval should be documented via a properly approved purchase requisition and purchase order.

Payments for purchases made should be charged to the correct accounts to help ensure that financial statements and the accounting records on which they are based are not misstated.

Condition: We examined a sample of 25 university purchases, totaling \$2,052,040, and noted the following:

- Four instances totaling \$59,684, in which a purchase was initiated prior to the processing of a purchase order;
- Three instances totaling \$13,877, in which the university did not retain a signed purchase order to support a purchase (only an unsigned purchase order was provided to us);
- Three instances totaling \$139,865, in which a purchase order was signed by an employee who was not authorized to sign purchase orders;
- Two instances totaling \$1,247,070, in which the university coded a payment for a purchase to an incorrect account.

In one of these instances, the university incorrectly coded a final payment, totaling \$1,245,000, for the purchase of a building and land to an expense account. However, such a payment should have been coded as a reduction of the university's long term liability for the building and land purchase.

It should be noted that, despite the instances of lack of documented approval cited above, the purchases in our sample appeared to have been

reasonable, consistent with the types of purchases that a university typically makes in its day-to-day operations, and otherwise supported.

Effect:

The lack of documented prior approval of purchases increases the risk that unauthorized or improper purchases will occur.

The miscoding of payments noted could distort the university's financial statements. In turn, the university's management, and others who rely on the university's financial statements, could make decisions based on incorrect data.

Cause:

WCSU informed us that it was university policy to send original signed purchase orders to vendors, and to only retain unsigned purchase orders. The university considered this to be a method to prevent duplicate purchase orders from erroneously being sent to vendors. However, this method had the effect of reducing evidence that purchases were properly approved.

Regarding the miscoded building and land payment, the university informed us that the employees who were initially involved in the accounting treatment of this purchase in 2003 are no longer employed at the university. Lacking institutional memory, we were told that current Accounting Department staff chose what they felt was the best choice for coding the final payment.

Recommendation:

WCSU should improve controls over the purchasing process by ensuring that all purchases are properly approved beforehand. These approvals should be documented by purchase orders signed by authorized employees; signed copies of purchase orders should be retained, and related payments should be charged to the correct accounts. (See Recommendation 1.)

Agency Response:

“With regards to the comment regarding unsigned purchase orders, to help prevent any potential for inadvertent duplication of orders, the only signed copy of the purchase order is the copy supplied directly to the vendor, with any internal copies of the purchase order unsigned. In consideration of the auditor's recommendation, to validate that appropriate signatures were applied, the University going forward will sign off on the purchasing department's copy of the purchase order.

Regarding the four instances, totaling \$59,684, in which a purchase was initiated prior to the processing of a purchase order, the University agrees with this comment. Purchasing training will continue to emphasize the need for timely submittal of requisitions to the Purchasing Department.

Concerning signatures on purchase orders, early in fiscal year 2011, following recommendations resulting from previous audits, the University amended its contract signing levels to ensure identified personnel were authorized to sign purchase orders.

In regards to bullet point number four, WCSU agrees with the comment.”

Personal Services Purchasing:

Criteria: Prudent business practices require that a purchase should not be initiated before it is properly approved via an approved purchase requisition and purchase order.

It is a good business practice to ensure that a written personal service agreement is in place and signed by all relevant parties before related services are provided.

Condition: We examined 25 payments made to independent contractors for personal services provided during the audited period and noted the following:

- Five instances in which the university processed a purchase requisition or purchase order after corresponding services were rendered and obligations were incurred. The expenditures incurred prior to documented approval totaled at least \$26,775.
- Two instances in which written personal service agreements, totaling \$3,000, were signed by the university or the contractor after the contract period had ended. In both of these instances, the university signed the contract after the contract period had ended. In one of these instances, the contractor signed the contract after the contract period had ended.
- One instance, totaling \$7,800, in which the university purchased professional services without retaining a corresponding signed purchase order (only an unsigned purchase order was on hand).

Effect: At times, employees charged with authorizing purchases either did not approve such purchases before they were initiated or did not document such approval. This increased the risk that unauthorized purchases could be made.

Regarding the untimely execution of personal service agreements, in some instances, there was less assurance that the terms of agreements for personal services met the approval of the interested parties before related services were delivered.

Cause: At times, established controls were not being followed.

As noted above, the university's policy is to send original signed purchase orders to vendors without retaining signed copies. Only unsigned copies were retained.

Recommendation: WCSU should improve controls over personal services purchases by ensuring that corresponding purchase requisitions, purchase orders, and personal service agreements are signed before such purchases are initiated. Further, the university should retain signed copies of such purchase orders. (See Recommendation 2.)

Agency Response: "With regards to the circumstances involving the University processing a purchase requisition and/or purchase order after corresponding services were rendered, the University agrees with this comment. The Purchasing Department will continue to emphasize the need for timely submittal of paperwork to management and through training sessions.

In review of the two instances where written personal service agreements, totaling \$3,000.00 in aggregate, were signed by the University or the contractor after the contract period had begun, the University agrees with this comment. The Purchasing Department will continue to emphasize timeliness of paperwork in its training sessions.

Regarding the one instance where the University purchased professional services totaling \$7,800, where the University purchased professional services without retaining a corresponding signed purchase order, the University, in consideration of the auditor's recommendation, to validate that appropriate signatures were applied, going forward will sign off on the purchasing department's copy of the purchase order."

Purchasing Cards:

Criteria: The Western Connecticut State University Purchasing Card Policy provides the university's rules for the use of university purchasing cards. The policy says that the "single item purchase limit is not to exceed Nine Hundred Ninety-nine Dollars [\$999]." The policy further states that, "splitting a single item purchase to circumvent the purchasing card threshold of \$1,000 is not allowed." In addition, the policy requires cardholders to sign and date monthly purchasing card statements as certification that the statements were reconciled to supporting documentation and that the purchases made were consistent with university policies.

Condition: We examined university records associated with five monthly purchasing

card statements, including credit card charges totaling \$86,564 during the audited period. The following exceptions were noted:

- 12 instances where single purchasing card purchases exceeded the \$999 single purchase limit established by the university's purchasing card policy. In five of these instances, it appears that purchases were split into smaller dollar amount transactions to avoid being subject to the \$999 per single purchase limit.
- Four instances where an employee failed to sign the monthly purchasing card statement or log. These signatures serve as certification that purchases were consistent with university policies and procedures.
- Two instances where the university was unable to provide us with supporting documentation for purchasing card transactions. In one of these instances, the purchase receipt(s) totaling \$78 could not be provided. In the other instance, the university could not provide us the individual purchasing card statement, associated receipts, and the related purchasing card log. The master purchasing card statement for this month indicated that these unsupported charges totaled \$978.
- Two instances where a monthly purchasing card log was not signed by a supervisor. These signatures would indicate supervisory review of the propriety of the purchasing card purchases listed.
- One instance where a purchasing card was used to purchase a piece of furniture totaling \$195. However, furniture was among the unallowable, restricted purchases listed in the university's purchasing card policy.

Effect: In some instances, the university did not comply with its established purchasing card policies and procedures, which increased the risk of improper purchases being made.

Cause: In some instances, controls were not being carried out as designed.

Recommendation: WCSU should improve internal controls over purchasing card purchases by following the Western Connecticut State University Purchasing Card Policy. (See Recommendation 3.)

Agency Response: "The Purchasing Card Program represents a relatively new program with initial implementation in FY09 and FY10. With regards to the single

purchase limit of \$999, the situations noted represent acquisitions where a purchase order could not be used or an immediate need was identified and using a purchasing card represented the most efficient, cost effective method available to execute the purchase. As the University's purchasing card policies allow for exemptions on a case by case basis, and in the majority of these instances the individual values of the items being acquired were less than \$1,000, these purchases were made via the purchasing card. The University continues to provide purchasing card training as implementation continues. With regards to the signatures on the purchasing logs, the University agrees with this finding. As the credit card statement is time sensitive where late payment results in finance fees, it is imperative that the monthly bill be paid in a timely fashion. While the University awaits the development of a technological infrastructure where there is a direct link from the P-Card to the Banner finance system to better support a p-card program thereby eliminating the need for the logs, the Purchasing Department will continue to request the purchasing logs be submitted in a timely fashion. Concerning the missing receipts, the University has implemented a missing receipt form to provide for those isolated incidences where receipts are not found. Regarding the furniture acquisition for \$195, after reviewing the University's P-Card policies regarding furniture acquisition, it was discovered that a discrepancy was present in the University's policies regarding furniture purchases. The University will amend its policies to provide clarity and eliminate any discrepancies and ambiguity concerning furniture purchases using the P-Card."

Travel Expenditures:

Criteria:

The Connecticut State University System's Travel Policies and Procedures Manual requires that before each trip the Athletic Director or a designee identifies "all University employees and team members who will constitute the team travel party on that trip. This list must be approved by the Director of Athletics prior to the trip."

The manual further requires that, with respect to travel advances, "the requesting employee will submit a completed travel reimbursement form with the required documentation to the Travel Office within 15 business days after completion of the trip."

It is a good practice to ensure that expenditures are charged to the correct accounts so that management can make budgeting and other financial decisions based on reliable information.

Condition:

We tested a sample of 18 travel expenditure payments during the audited years and noted the following:

- Five instances in which athletic team travel rosters were not signed by the athletic director, acknowledging approval of the travel party; in two of these instances, team travel rosters appeared to be inaccurate, as a traveler was omitted from one and erroneously included on another.
- Three instances in which travel expenditures were coded to incorrect accounts.
- Two instances in which a completed employee expenditure voucher, providing an accounting of travel expenses, was not submitted to the Travel Office within the 15 business day timeframe required by the CSUS travel policy. Instead, the forms were submitted 48 and 60 business days, respectively, after the corresponding trip was completed. In one of these instances, unspent travel advance funds totaling \$103, were not returned to the university in a timely manner. These funds were returned 46 business days after the due date.
- Two athletic team trips for which no athletic team travel roster was on file.
- One instance in which a travel authorization was approved after the trip was completed.
- One instance in which an employee expenditure voucher was not signed by the Travel Office as certification that travel expenses were proper.

Effect: In some instances, the university did not comply with its established travel policies, which had the effect of weakening internal controls over travel expenditures.

Cause: In some instances, the established internal control procedures were not carried out as designed.

Recommendation: WCSU should improve internal controls over travel expenditures by complying with the Connecticut State University System's Travel Policies and Procedures Manual. (See Recommendation 4.)

Agency Response: “The University agrees with these comments. With regards to timely submittal of travel authorizations, while the Travel Office does not retain authority over approval of travel and processes travel once management approval is granted, the Travel Office will continue to update its practices and processes in order to assist the University in meeting Travel requirements and offer training to educate the community on policies and procedures. Concerning the timeliness of submission of employee vouchers, the travel office will continue to require approved policy exception forms with the late submittal of payments. Regarding the three instances in which travel expenditures were coded to incorrect accounts, the University agrees with this comment and will review its coding of travel going forward. In consideration of athletic team travel, as the noted travel authorizations were approved by the Director of Athletics and lists of travel parties were forwarded prior to travel, the Travel Office will continue to obtain the travel party lists associated with team travel and work with the Director to ensure the latest, most complete lists are submitted. Concerning the instance in which an Employee Expenditure Voucher was not signed by the Travel Office as certification that travel expenses were proper, the University agrees with this finding. As this represents an oversight within the travel office, the travel office will take steps to ensure this does not repeat itself.”

Compensatory Time Records for SUOAF-AFSCME Employees:

Criteria: The State University Organization of Administrative Faculty (SUOAF-AFSCME) collective bargaining agreement provides that “No member shall accrue more than ten (10) days of compensatory time. The Chief Human Resources 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.”

Condition: We examined the records of 20 employees who earned compensatory time during the audited period and noted that six employees were allowed to accrue compensatory time in excess of the ten-day limit specified in the SUOAF collective bargaining agreement. In each of these instances, the university could not provide the written approval from the Director of Human Resources that the collective bargaining agreement requires in order to exceed the maximum compensatory time balance.

Effect: In some instances, the university did not comply with the SUOAF collective bargaining agreement. This increased the risk of employees using more compensatory time than they earned.

Cause: The university was operating under the assumption that holiday compensatory time earned and used should not be included in employee balances for compensatory time when determining whether or not an employee reached the ten-day limit. However, the SUOAF collective bargaining agreement does not mention that such balances should be excluded from such calculations.

Recommendation: WCSU should improve controls over SUOAF-AFSCME employee compensatory time by following the requirements of the SUOAF-AFSCME collective bargaining agreement with respect to the maximum compensatory time balances allowed for bargaining unit members. (See Recommendation 5.)

Agency Response: “We agree with the finding. A memo will need to be sent to all SUOAF employees indicating this change in procedures.”

Payroll Payments for Unused Sick Leave at Retirement:

Criteria: The Maintenance and Service Unit (NP-2) employee collective bargaining agreement provides that, “Each employee who retires... shall be compensated, as of the date of his/her retirement from state service, at the rate of one-fourth (1/4) of his/her daily salary for each day of sick leave accrued to his/her credit as of his/her last day on the active payroll up to a maximum payment equivalent to sixty (60) days pay.”

Condition: We tested a sample of 11 employees who retired during the audited period and noted one incorrect payment for unused sick leave at retirement. The university overpaid an employee affiliated with the Maintenance and Service Unit (NP-2) employee collective bargaining unit for accrued sick leave upon the employee’s retirement in July 2008. The university should have paid the employee \$14,058 in gross pay but actually paid him \$16,283 in gross pay, which amounts to an overpayment of \$2,225. It appears that the university paid the employee for 69.5 days of sick leave, which exceeded the 60 days maximum allowed per the NP-2 collective bargaining agreement.

Effect: It appears that, in the instance cited, the university did not follow the NP-2 collective bargaining agreement when it comes to payments for unused sick leave upon employee retirement. As a result, the university overpaid an employee in the amount of \$2,225 in gross pay for unused sick leave at retirement.

Cause: The overpayment appears to have been the result of an oversight.

Recommendation: WCSU should take steps to ensure that payments to employees for accrued sick leave at retirement are made as specified in applicable collective bargaining agreements. Furthermore, the university should attempt to recover the overpayment made to an employee for accrued sick leave at retirement that was disclosed during our audit. (See Recommendation 6.)

Agency Response: “We agree with the finding. We have made amendments to the payout worksheet used so that the maximum of 60 days is included and highlighted. A letter has been sent to the employee on the overpayment, requesting the paying back of the overpayment and the employee has agreed.”

Employee Background Checks:

Criteria: The CSUS Pre-employment Background Verification Policy requires that, “All regular, full-time and part-time external candidates for employment with a CSU university or the CSU System Office, as well as potential re-hires with a break in service, must undergo a pre-employment background investigation according to this procedure as part of the employee screening process...Documentation shall be retained for the appropriate retention period for employment records promulgated by the State of Connecticut and by university and CSU System Office personnel search policies and procedures.”

CSUS Board of Trustees Resolution 06-52 provides that, “Before occupancy in a university residence pursuant to this policy may commence, each proposed resident aged eighteen (18) years or over shall submit him or herself to the same criminal conviction investigation, sex offender registry status review, and social security verification that is required of the staff member prior to employment.”

The Connecticut State Library’s State Agencies’ Records Retention/Disposition Schedule requires that state agencies retain employee background check records for the duration of employment plus 30 years.

Condition: The university informed us that it did not retain employee background check reports. Rather, it relied on the background check firm under contract to retain such records for the university. We were further informed that, to comply with the CSUS Pre-employment Background Verification Policy with respect to confidentiality, the university chooses not to keep such reports in employee personnel files. However, this policy does not preclude the university from keeping such records on file elsewhere.

Effect: The university did not comply with the State Library's records retention requirements regarding the retention of employee background check records. Relying on a private firm to retain state records increases the risk that such records could become inaccessible, especially if the background check contractor's going concern status were in jeopardy.

Cause: The university relied on its background check contractors to retain the university's background check reports.

Recommendation: WCSU should retain employee background check reports on durable media to comply with the State Library's records retention requirements. (See Recommendation 7.)

Agency Response: "We agree with the finding that we do not keep copies of the background investigation reports in an employee's personnel file. The University is able to access these complete reports at any time via the background investigation vendor's computer system. This has been the process that all of the CSU campuses have followed since it began checking the backgrounds on all new hires. WCSU will now modify the process to keep the actual results of the background check."

Dual Employment:

Criteria: Section 5-208a of the General Statutes bars state employees from being compensated by more than one state agency unless the appointing authorities at such agencies certify that the duties performed and hours worked are outside the responsibilities of the employee's primary position, that there is no conflict in schedules between the positions, and no conflict of interest exists between or among the positions.

Condition: Our examination of ten dual employment situations disclosed three exceptions.

We noted two instances in which dual employment certifications were completed after the dual employment situation had begun. In one of these instances, the university completed the dual employment certification more than three months after the employee began a secondary position at the university. In the other instance, the university completed the dual employment certification after the fact, more than one year and four months after the employee completed a temporary, secondary position at the university.

In addition, we noted one instance in which a dual employment certification was prepared but was not signed by the university, the

employee's secondary employer.

Effect: In some instances, the university failed to comply with the dual employment documentation requirements established by Section 5-208a of the General Statutes. This reduced assurance that no conflicts existed between primary and secondary positions for dually employed individuals.

Cause: Existing controls did not prevent these conditions from occurring.

Recommendation: WCSU should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by promptly documenting, through signed certifications, that no conflicts of interest or conflicts in schedules exist in instances where an employee holds multiple state positions. (See Recommendation 8.)

Agency Response: "We agree with the finding; however, this audit finding is based on FY09/10 and since this time significant improvements have been made with regards to this area. Our revised process includes a mechanism in which a timelier follow up is conducted with the employee who has informed us that they will be dually employed. For instance, if someone informs the University that they have dual employment and their completed dual employment form is not returned in a timely fashion a letter is sent to the individual informing them of such and giving them a due date in which to return the completed dual employment form. If the dual employment form is not returned by the due date then a second letter is sent (via certified mail) with another due date which informs the individual that failure to return the completed form by the due date may impact their future employment. Since this process was implemented during the fall 2010 semester, we are not aware of anyone not completing a dual employment form who informed us that they were dually employed."

Federal Time and Effort Reporting:

Criteria: Federal Office of Management and Budget Circular A-21 establishes principles for determining costs applicable to grants, contracts, and other agreements between the federal government and educational institutions. Under the circular, the method of distributing payroll charges must recognize the principle of after the fact confirmation or determination so that costs distributed represent actual costs. In order to accomplish this, institutional records must adequately document that payroll expenses posted to an account were incurred during the course of carrying out the program accounted for in the account. According to the circular, it is required to document confirmation that

personal services charges to a federal program represent a reasonable estimate of the work performed by the employee for the benefit of the program during the period. An acceptable method of documentation includes the use of statements signed by the employee, principal investigator, or the responsible official(s), using suitable means of verification that the work was performed. For professorial and professional staff, the statements must be prepared each academic term, but no less frequently than every six months.

Condition: For the fiscal years ended June 30, 2009 and 2010, we reviewed two federal grants to which the university charged payroll expenditures. We requested the corresponding time and effort report certifications for a sample of five employees whose salaries were charged to these grants. The university informed us that no such certifications were completed.

Effect: The university was not in compliance with Circular A-21 requirements concerning the documentation of payroll costs charged to federal programs.

Cause: The university was under the impression that its existing documentation was sufficient to document its payroll costs charged to federal programs.

Recommendation: WCSU should implement a time and effort reporting system for documenting payroll costs charged to federal programs to ensure compliance with the requirements of federal Office of Management and Budget Circular A-21. (See Recommendation 9.)

Agency Response: “We agree with the finding. The University will implement record keeping of time and effort for employees being charged to a grant.”

Property Inventory:

Criteria: The Connecticut State University System Capital Asset and Valuation Manual and the State of Connecticut Property Control Manual provide guidance on the requirements and internal controls that need to be implemented with respect to equipment, supplies, and software inventories.

The State of Connecticut’s Property Control Manual requires state agencies to report the total value of stores and supplies on the annual property inventory report (CO-59) submitted to the Office of the State Comptroller if the estimated value of the inventory is over \$1,000.

The manual further requires that state agency identification tag numbers should be placed on equipment items in an area where the number can be

seen easily.

Chapter nine of the State of Connecticut's Property Control Manual and Chapter 10, section C, of the Connecticut State University System's Capital Asset Valuation Manual require that the loss of or damage to university property be reported immediately to the Office of the State Comptroller and the Auditors of Public Accounts.

The CSUS Capital Asset Valuation Manual provides for the loan of university equipment to university employees for designated durations in order to conduct state business.

Condition:

Our examination of the university's internal controls over property disclosed the following:

- We tested a sample of ten reports of loss or damage to university property that the university submitted to the Office of the State Comptroller and the Auditors of Public Accounts during the audited period and noted nine instances in which a loss report did not appear to be submitted in a timely manner. Such reports were dated from approximately three weeks to more than nine months after the dates of the corresponding losses. Furthermore, we noted that three of these loss reports were not signed.
- Our examination of a sample of ten computer equipment items that were off campus on loan to university employees as of August 15, 2010, disclosed that five of these equipment items were still on loan even though it was months, and in one instance years, past the approved, designated date when such equipment items were required to be returned to the university. In addition, documentation disclosed that one item, though returned, was returned more than two months past the designated return date.
- Two equipment items, with a cost of \$1,620 and \$2,586, respectively, either were not tagged with state identification numbers or such tags were placed in a location that was not visible.
- The university's annual property inventory report (CO-59) submitted to the State Comptroller for the fiscal year ended June 30, 2010, included incorrect values for stores and supplies. The deletion amount reported was understated by \$43,849. In turn, the current balance amount as of June 30, 2010, was overstated by \$43,849.

Effect: In some instances, the university failed to comply with the property control requirements set forth by the State Comptroller and the Connecticut State University System's Capital Asset Valuation Manual. This exposed university property to an increased risk of loss or theft.

Cause: With respect to the delayed submission of reports of loss or damage of university property to the Auditors of Public Accounts and the State Comptroller, we were informed that the university Property Control Department does not submit such reports until the campus police complete their investigations of such losses.

Regarding overdue university property on loan to employees, the university informed us that it was in the process of reviewing equipment on loan documentation for possible renewal but had not yet completed this process.

It is unknown why the two equipment items noted above did not appear to be tagged with state identification numbers.

Regarding the incorrect stores and supplies values reported on the university's annual property inventory report, we were told that this was the result of an oversight on the university's part.

Recommendation: WCSU should improve controls over equipment and improve compliance with the Connecticut State University System's Capital Asset Valuation Manual by reporting losses or damage of university property to the appropriate state agencies in a timely manner and improving controls over property on loan, among other things.
(See Recommendation 10.)

Agency Response: "Concerning the lost item reporting, the University agrees with the findings in regards to untimely submissions of CO853 forms. In FY11, in response to previous audits, the Property Management and University Police Departments reviewed lost item reporting methods to streamline and improve timeliness. With regards to the three instances of unsigned CO853 reports, the University agrees with these comments. Effective September of 2010, the University has followed the State Comptroller's initiatives concerning digitally generated CO853 reports where filing fillable digital formatted copies is permissible.

Equipment on loan circumstances involving computer and computer related items, the University agrees with the audit comments. The Property Management Department continues to develop improved processes in addressing equipment on loan forms along with emphasizing to University employees the need to respond to the equipment on loan

requests in a timely fashion.

Regarding the equipment items which were not tagged or the tag not visible, the items noted were tagged but unfortunately the tags were not visible after the equipment had been mounted in the racks. This has been corrected on these items so tags are visible.

Concerning the comment on the CO59, the University agrees the deletion amount reported was understated by \$43,849. In turn, the current balance amount as of June 30, 2010, was overstated by \$43,849.”

Timeliness of Bank Deposits of Non-Bursar’s Office Receipts:

Criteria: Section 4-32 of the General Statutes requires that each state institution receiving cash receipts amounting to \$500 or more deposit these monies into the bank within 24 hours of receipt.

Condition: We tested 14 university receipts received at offices remotely located from the Bursar’s Office and noted eight instances, totaling \$9,123, in which funds received were deposited into the bank late, according to the standard established by Section 4-32 of the General Statutes. Deposit delays ranged from one to three business days. In one of these instances, the university did not post a receipt to the university’s accounting information system, Banner, in a timely manner. The receipt, totaling \$4,288, was posted seven business days after the corresponding bank deposit.

Effect: In some instances, the university failed to comply with the prompt deposit requirements established by Section 4-32 of the General Statutes. This exposed funds received to an increased risk of theft or loss.

Cause: It appears that, in some instances, departments remotely located from the Bursar’s Office delayed turning in receipts to the Bursar’s Office for deposit.

Recommendation: WCSU should re-emphasize that offices remotely located from the Bursar’s Office should submit receipts to the Bursar’s Office in a timely manner to improve the timeliness of bank deposits and comply with the requirements of Section 4-32 of the General Statutes.
(See Recommendation 11.)

Agency Response: “We agree with the finding and that the university will reemphasize the

need to deposit all receipts timely. In addition, as of December 19, 2011, the State Treasurer has given us a one business-day waiver for deposits of receipts.”

Revenue Generating Contracts:

Criteria: It is a good business practice to ensure that contracts are signed before the terms of the contract are carried out. In addition, the parties to a contract should monitor the terms of the contract to determine whether they are being carried out in accordance with the language of the contract.

Condition: We noted that various contractors who entered into revenue generating contracts with the university did not pay specified contractual amounts to the university in a timely manner. In the following instances, such amounts were paid to the university after the timeframes specified within the respective contracts:

- In eight of the nine facilities usage agreements that we reviewed, we noted instances in which the contractor did not pay the university within the timeframe specified in the agreements. Late payments ranged from one to 183 days past the due dates. We also noted that one of these agreements was not signed by the university, while two were signed after the contract period had begun.
- Four instances in which the university’s automated teller machine (ATM) contractor did not appear to submit commission payments to the university in a timely manner. Commissions for the months of November 2008, June 2009, September 2009 and February 2010 appeared to have been submitted between five and 15 business days late.
- In one instance, the campus bookstore contractor paid commissions to the university in an untimely manner. Commissions totaling \$144,523 for the month of June 2009 were paid by the contractor at least five days late.
- In one instance, the university’s dormitory laundry services contractor was delinquent in paying the university a commission on monthly laundry income. As of August 25, 2010, the date of our review, the university had not received the commission for the month of June 2010, which means this payment was at least nine business days late.

Also, with respect to the university's contract with a laundry services provider, we noted that the contractor paid the university commission payments due in a manner that appears to be inconsistent with the terms of the contract.

Under the agreement, the contractor was to pay the university commissions from the income generated from laundry equipment installed in dormitories on campus. The contractor agreed to pay a minimum monthly guarantee of \$3,500 or 58 percent of laundry income, whichever is the greater amount. Such payments were due monthly. Instead, it appears that the contractor paid the university the lesser of \$3,500 or 58 percent of income on a monthly basis. Then, at year-end, the contractor paid the university a settlement check that included an adjustment for any amounts due to the university for monthly commission amounts paid during the year that varied from the agreement terms. In effect, the contractor delayed payment of some portions of monthly commissions due to the university until year-end.

In addition, we examined a memorandum of agreement (MOA) between the Board of Education and Services for the Blind (BESB) and the university regarding the administration of certain beverage and food vending machines on campus. Under the agreement, which ran from July 3, 2006 through June 30, 2010, BESB contracted with Coca Cola Bottling Company of New England (Coca Cola) to operate such vending machines at the university. In turn, Coca Cola was required to pay the university a commission of 35 percent on gross sales generated by certain vending machines. We noted that the MOA was deficient in that it lacked a due date for payment of commissions to the university. Further, contrary to the MOA, the commission percentage paid to the university for the period of December 2009 through June 2010 was decreased from 35 percent to 25 percent on gross sales of beverages and 15 percent on snacks. However, there was no written amendment to the original MOA addressing this change. We did, however, note that the change in commission rates appeared to be reasonable as the new rates were consistent with the rates stipulated in BESB's new underlying subcontract with Coca Cola.

Effect: Insufficient monitoring of revenue generating contracts could lead to late or incorrect payments of associated revenues.

Cause: It appears that the university did not sufficiently emphasize the monitoring and collection of revenues generated from revenue-generating agreements.

Recommendation: WCSU should improve its monitoring of revenue-generating agreements to better ensure that the terms of such contracts are being followed. Also, the university should ensure that the terms of such agreements specify the dates when commission payments are due, and should amend such agreements, in writing, when necessary. (See Recommendation 12.)

Agency Response: “Regarding the comment involving the ATM contract, the University agrees with this finding. The ATM contract referred to was terminated in March of 2010.

With regards to the note involving the bookstore contract, the University agrees with this finding and has issued an amendment to the existing bookstore contract addressing timeliness of payments.

Concerning the instance of a late commission payment for the laundry contract, the University agrees with this finding. The June 2010 payment, which was for purchases totaling \$148.75 for the month of June 2010, was incorporated into a commission payment received by the University in August of 2010.

With regards to the laundry agreement, the full text of the payment clause is confusingly and poorly written. The practices observed in the audit reflect an interpretation of the agreement that has been shared by both parties to the agreement throughout its life. With regards to the comments raised by this audit, both parties, in recognizing the ambiguity of the language and potential conflicts in interpreting the variable compensation calculations, payments, and payment schedules, shall in coordination with CSU’s Contract Compliance Officer evaluate and re-write the compensation clause to provide clarity, reflect historical and agreed upon practices, and eliminate any ambiguity.

With regards to the comments regarding vending, the University in the audited time period was under contract with the Board of Educational Services for the Blind (BESB). BESB assumed all vending operations at WCSU in July of 2006 with the contract handled by Coca Cola. BESB administered this program at WCSU. As this program was administered by BESB, BESB entered into all terms and conditions with Coca Cola and was responsible for the University receiving the commissions due. In June of 2010, BESB relinquished its authority to provide vending services at WCSU based on its inability to provide the services needed (vending/pouring rights) in a University environment.”

Incorrect Student Status Classification:

Criteria: Section 10a-29 of the General Statutes defines the status of a student, whether in-state or out-of-state, for tuition purposes. Subsection (8) of the statute provides that “A student that is from another state, territory, or possession of the United States...shall be classified as an in-state student if such student (A) attended for three years and graduated from a high school in this state, and (B) was sponsored, housed and supported during attendance at such school by a program...established as a nonprofit organization that raises charitable funds on the local level for the purpose of giving students who are minority students, from single parent homes or living in poverty, an opportunity to attend school in a different environment.”

Condition: We noted an instance in which the university incorrectly classified a student as an in-state student during the fall 2009 and spring 2010 terms when the student should have been considered an out-of-state student for tuition purposes. Banner system records and other records that we examined indicate that the student resided in Florida since at least November 2008.

In turn, the university incorrectly charged the student the lower in-state rates for tuition and the State University Fee for these semesters.

Effect: The university undercharged the student for tuition and the State University Fee for the fall 2009 and spring 2010 terms. The university charged the student the undergraduate in-state tuition rate of \$1,871 per semester for each of these terms but should have charged the undergraduate out-of-state tuition rate of \$6,056 per semester. This amounts to a total tuition undercharge of \$8,370 during the audited period.

Similarly, the university charged the student the undergraduate in-state State University Fee rate of \$455 per semester for the fall 2009 and spring 2010 terms but should have charged the undergraduate out-of-state State University Fee rate of \$1,116 per semester. This amounts to a total State University Fee undercharge of \$1,322 during the audited period.

Overall, the university undercharged this student \$9,692 for tuition and fees during the audited period.

Cause: The university based the student’s in-state status on the fact that the student attended an in-state high school. However, it appears that the university did not take into account the more restrictive provisions of Section 10a-29, subsection (8) of the General Statutes. This statute

requires, for in-state status eligibility, not only attendance at an in-state high school, but also sponsorship, housing and support of the student while attending such high school to be provided by a nonprofit organization established to provide opportunities to minority students.

Recommendation: WCSU should take steps to ensure that students are properly classified as in-state or out-of-state students for tuition and fee purposes. Further, the university should identify the tuition and fee amounts that the university undercharged the incorrectly classified student noted during our audit, and should pursue collection of those amounts.
(See Recommendation 13.)

Agency Response: “The University agrees with this response. In the future WCSU will ensure that when students are added to the system, their address is verified.”

Student Activity Trustee Account Receipts:

Criteria: Good internal controls require that cash receipts be recorded promptly in cash receipts journals. Prompt recording of cash receipts provides a trail of monies received, helping to prevent their loss or theft.

Section 4-32 of the General Statutes requires that each state institution receiving cash receipts amounting to \$500 or more deposit these monies into the bank within 24 hours of receipt.

Condition: We examined a sample of 18 receipts credited to the student activity account and noted 14 instances in which all or part of a receipt, totaling \$38,956, was not deposited into the bank within the 24-hour time frame set by Section 4-32 of the General Statutes. Deposit delays ranged from one business day to 42 business days after the 24-hour requirement. Most of the late deposits fell within the one to two business day range. In addition, we noted 13 instances in which the university did not post such receipts into general ledger records in a timely manner. Such receipts were posted from two to six business days after being received by the Cashier’s Department.

Effect: In some instances, the university did not comply with the prompt deposit requirements of Section 4-32 of the General Statutes. Funds that were not deposited and recorded in accounting records in a timely manner were exposed to an increased risk of loss or theft.

Cause: Existing controls were not sufficient to prevent the condition from occurring.

Some of the bank deposit delays were the result of student organization delays in submitting funds to the Bursar's Office for deposit.

Recommendation: WCSU should improve internal control over student activity account cash receipts by promptly recording their receipt in its cash receipts accounting records, by taking steps to ensure that student organizations deliver funds generated from student events to the Cashier's Office in a timely manner, and by following the prompt bank deposit requirements established by Section 4-32 of the General Statutes. (See Recommendation 14.)

Agency Response: "We agree with this finding and corrective action has been put in place. The Office of Student Life now receives and verifies deposits and they are sent to the Cashier's Office the same day. All money is deposited the following day at the bank if received before 4:00 pm. The University will continue to communicate with the student clubs as to the importance of making their deposits in a timely manner. In addition, as of December 19, 2011, the State Treasurer has given us a one business-day waiver for deposits of receipts. In regards to the recording of the items on the General Ledger, our procedures are that after the funds are deposited, the Cashiers Department reconciles the detail of all of the receipts for the day and then after that provides the Accounting Department with the information, this is provided the next morning and is used to create a journal. The journal is prepared in the Accounting Department with the detail that is verified by account then approved by a supervisor and recorded into banner. So the entry will be at the earliest the next day at minimum, two/three days after the deposit is more reasonable. The Accounting and Cashiers Department's will meet and develop a procedure to record the cash on the General Ledger on the day it is deposited."

Student Activity Trustee Account Expenditures:

Criteria: Section 4-52 of the General Statutes defines a trustee account as, among other things, an account operated in any state educational institution for the benefit of the students.

The university's Student Life Financial Policies state that, "If using the SGA Account, all vouchers must be signed by the student organization treasurer, advisor and the SGA Vice President of Finance." The policies further provide that "student organizations are required to submit minutes of their meetings to the SAF Officer every month and before any expenditure can be made." In addition, the policies require that student organizations receiving cash advances submit to the Cashier's Office all paid receipts and the remaining cash on hand within five days after the

advance was disbursed.

Connecticut Department of Revenue Services policy requires that Connecticut venues that contract with nonresident athletes or entertainers withhold Connecticut income tax from payments made to such individuals at a rate of 6.5 percent of the gross payment paid to such performers.

Condition:

We tested a sample of 25 student trustee account purchases during the audited period and noted the following:

- Four instances in which the university entered into a personal service agreement contract, amounting to \$114,150, encumbering student activity account funds prior to obtaining evidence of approval from the relevant student organization's minutes of meetings.
- Three instances in which the university disbursed student activity account funds, amounting to \$20,794, for which there was neither a corresponding Student Activity Account payment authorization voucher nor minutes of student organization meetings approving the payment on file.
- Three instances in which cash advances were disbursed to a student organization, but supporting documentation for related advance expenditures and the remaining balance of the advance was not submitted to the Cashier's Office within the five-day timeframe specified in the Student Life Financial Policy. Such documentation and funds were submitted between six and nine business days past the five-day deadline.
- One instance in which an \$8,600 disbursement was made from the student activity account but the corresponding payment voucher was not signed by the student organization advisor.
- One instance in which the university failed to withhold the required amount of Connecticut income tax from a payment made to a nonresident musician under contract to perform a concert at the university. The university paid the contractor \$7,700, which means that Connecticut income tax in the amount of \$500 should have been withheld.

Effect:

The university, at times, did not comply with its Student Life Financial Policies. As a result, there was less assurance that payments made met the approval of student organizations.

In addition, delays in submitting unspent cash advances and related

documentation supporting advance expenditures could increase the risk of loss or theft of such funds.

In one instance noted, the university did not comply with the Department of Revenue Services' policy to withhold Connecticut state income tax from payments made to nonresident entertainers.

Cause: In some instances, established controls were not being carried out as designed.

Recommendation: WCSU should improve controls over student activity account expenditures by ensuring that such expenditures are properly approved by student organizations in accordance with the university's Student Life Financial Policies. In addition, student organizations should promptly return unspent cash advances and related supporting documentation to the Cashier's Office. Further, state income taxes should be withheld from payments made to certain nonresident contractors when required by the Department of Revenue Services. (See Recommendation 15.)

Agency Response "We agree with this finding and corrective action has been put in place. The SGA Advisors are aware of the requirement for the deposits. All vouchers using SGA accounts must be signed by the student organization, Treasurer, advisor and SGA VP of Finance. The student clubs are required to submit meeting minutes to the SAF Officer every month before any expenditure can be made. Expenditures are not processed without the minutes date on the voucher. In response to the last bullet, the contractor was issued a 1099 in 2010."

Information System Access Controls:

Background: The Connecticut State University System (CSUS) primarily uses an electronic information system, known as Banner, to maintain its accounting and student academic records. The CSUS is considered a limited scope agency in relation to Connecticut state government's centralized financial and administrative information system, Core-CT, which CSUS uses primarily to process payroll and human resources data.

Criteria: Access to information systems should be limited to only appropriate employees who need such access.

A good internal control system requires a separation of duties among employees so that certain incompatible functions, such as authorizing, recording, and reviewing transactions are not performed by the same employee. Payroll and human resources functions are included among the duties that should be separated. This type of separation reduces the risk

of error or fraud.

Condition:

Eight employees, primarily from the Human Resources and Payroll Departments, were concurrently provided Agency HR Specialist and Agency Payroll Specialist roles in the state's Core-CT information system. In other words, these employees had write access to both the Core-CT human resources and payroll systems, which enabled them to both add people to the payroll and process payments to them. One of these employees, an Accounting Department employee, does not appear to need such access nor does such access seem appropriate for this employee.

While the university informed us that compensating controls were established to offset the risk of this lack of segregation of duties, it appears such controls were inadequate. The university's system consists of having the Payroll Department supervisor compare a report of all payroll changes made during the biweekly pay period to a listing of authorized personnel actions prepared jointly by the Payroll Department supervisor and the Human Resources Department. Presumably, this comparison would ensure that the payroll changes made were reasonable, valid, and authorized. However, this system itself lacks a segregation of duties since the payroll supervisor is monitoring/reviewing reports of transactions, some of which she herself executed or could have executed. The university should consider a compensating control that would require an employee independent of the Payroll and Human Resources Departments to monitor changes in payroll transactions.

In addition, we noted the following:

- Three instances in which an employee's Banner account privileges were not deactivated promptly upon the employee's separation from university employment or after an extended break in university employment. In the instances noted, Banner access remained active for 15, 23, and 109 business days, respectively, after the employees separated from or began a break in university employment. In two of these instances, Banner accounts were still active at the time of our review.
- Three instances in which Banner accounts established for external auditors remained open even though the accounts remained inactive for an extended period of time ranging from about nine months to one year.

- Three instances in which Banner accounts were established without a supervisor-signed Banner Access Request Form, documenting approval for opening the account. We were, however, told that in one of these instances, the account was never used.

Effect: Unnecessary or inappropriate access to information systems could increase the risk of data system errors and fraud.

Cause: Regarding the Human Resources and Payroll Department employees who held write access privileges to both human resources and payroll systems, the university took the position that such employees were the best suited to perform certain data entry functions within the Core-CT system, and those functions required such access. In addition, the university believed that there were adequate compensating controls in place to offset the risk of a lack of segregation of duties.

It is unknown why an Accounting Department employee was granted write access to the Core-CT payroll and human resources systems.

Existing controls did not, at times, prevent the untimely deactivation of information system access.

Recommendation: WCSU should regularly review information system access privileges granted to employees to determine if such access is appropriate. The university should remove access privileges from those employees who have unnecessary access to such systems, and promptly deactivate access upon an employee's separation from university employment. Also, the university should adjust the level of Core-CT access for certain Human Resources and Payroll Department employees to improve the separation of duties within those departments. As an alternative, the university should implement a compensating control system that would require an employee independent of both Payroll and Human Resources Departments to monitor biweekly changes in payroll transactions to ensure that such changes are valid and authorized. Such reviews should be documented. (See Recommendation 16.)

Agency Response: "We agree with the finding. Core-CT has removed the Accounting Department employee's role as an HR Specialist and has assigned the employee to the HR Viewer role. The biweekly audit report has been re-created to allow the report to pull data from the HR Viewer role so the Accounting Department can get the same data that Payroll received, however without the ability of being able to update any data in Core-CT on the HR side."

Petty Cash Fund:

Criteria: The State of Connecticut Accounting Manual prescribes the requirements for the proper use of state agency petty cash funds. The manual states that petty cash funds are to be used for the purchase of small, but necessary operating items not to exceed \$50. In addition, the manual prohibits the use of petty cash for items that can be paid in the usual manner, and expressly prohibits the use of petty cash for routine postage needs. The manual further requires that a journal or register be maintained to record all petty cash receipts and disbursements.

Condition: Although there was very little petty cash fund activity during the audited period (11 petty cash checks were issued), our examination of a sample of five of the university's petty cash disbursements disclosed the following exceptions:

- All five disbursements tested did not comply with the State of Connecticut Accounting Manual with respect to acceptable petty cash fund use. In particular, the university made disbursements for items that could have been paid for through the university's usual payment methods. Such disbursements included two cash advances for Theatre Department purchases totaling \$2,000, two payroll advances to university employees (which were later repaid) totaling \$2,286, and a \$3,000 payment for postage.
- Each of the five petty cash payments tested was not adequately supported by the documentation on file. There were no promissory notes on hand for the payroll advances. The university could not provide us receipts for one of the \$1,000 Theatre Department advances that we tested. Although the university provided us receipts for the other \$1,000 Theatre Department advance in our sample, some of these receipts, totaling \$115, were dated prior to the date of the petty cash advance, which suggests that either these receipts did not apply to this advance or that such expenditures should have been processed as reimbursements rather than as an advance. A \$3,000 postage payment also lacked a supporting receipt.
- As noted in our prior audit, the university's petty cash fund journal recorded disbursements but receipts were not recorded. This did not comply with the requirements of the State of Connecticut Accounting Manual, which calls for a petty cash journal in which all receipts and expenditures are recorded.

Effect: The university did not comply with the State of Connecticut Accounting Manual with respect to the proper use of petty cash funds.

- Cause:* It is unknown why these conditions occurred.
- Recommendation:* WCSU should improve controls over petty cash funds by following the State of Connecticut Accounting Manual requirements concerning petty cash funds. (See Recommendation 17.)
- Agency Response:* “We agree with the finding in part. The Petty Cash fund had historically been used by the University as an emergency checking account for instances where employees were due payroll money (at no fault of their own) or when the Banner check writing software was not working properly (such as the postage check). The Theatre Department did turn in receipts from the items they purchased with the petty cash checks. Receipts were not recorded on the hand-written ledger; however, they were recorded on the monthly reconciliation. Upon notification from the APA that the Petty Cash fund cannot be used for purposes such as emergencies, WCSU no longer issues petty cash checks as of February 2010.”
- Auditors’ Concluding Comments:* The university, in its response, states that “...The Theatre Department did turn in receipts from the items purchased with the petty cash checks.” As we noted above, the petty cash fund advances paid to the Theatre Department in our test sample were not adequately supported by the receipts that the university provided us.

Schedule of Expenditures of Federal Awards:

- Background:* Annually, as part of our Statewide Single Audit of the state’s federal funds, our office examines the Schedule of Expenditures of Federal Awards (SEFA) prepared by each state agency, including the CSUS universities, for completeness and accuracy.
- Criteria:* The federal Office of Management and Budget Circular A-133 Compliance Supplement, as of June 2010, provides that the value of Federal Family Supplemental Loan (FFEL) Program (CFDA 84.032) loans made to students during the audited period should be included as federal awards expended in the SEFA. The compliance supplement also requires that entities administering the Federal Perkins Loan (FPL) Program include such expenditures on the SEFA.
- State agencies should prepare and submit complete and accurate SEFAs in accordance with the State Comptroller’s instructions as well as the guidance provided by the federal Office of Management and Budget Circular A-133.

Condition: We noted that the university's SEFA for the fiscal year ended June 30, 2010, omitted the value of FFEL Program (CFDA 84.032) loans made to students during the audited period. Such disbursements totaled \$25,179,965 during the fiscal year ended June 30, 2010. The university also omitted Federal Perkins Loan Program (CFDA 84.038) expenditures, which totaled at least \$2,216,841.

In addition, the university reported expenditures totaling \$92,272 under an incorrect Catalog of Federal Domestic Assistance (CFDA) number in the SEFA for the fiscal year ended June 30, 2010. Such expenditures were reported under CFDA 92.243, but should have been reported under CFDA 93.243, the Substance Abuse and Mental Health Services_Projects of Regional and National Significance Program.

Effect: By omitting FFEL Program expenditures and FPL expenditures, the university understated the amount of federal expenditures reported in its SEFA.

Regarding the incorrect CFDA number reported on the SEFA, the university understated the amount of federal expenditures charged to CFDA 93.243, the Substance Abuse and Mental Health Services_Projects of Regional and National Significance Program.

Cause: These errors appear to have been an oversight on the university's part.

Recommendation: WCSU should prepare the Schedule of Expenditures of Federal Awards more accurately. (See Recommendation 18.)

Agency Response: "We agree with the finding. In the past, WCSU has not reported federal pass-thru loans on the SEFA. Since we did not know this was an error, we continued this practice. APA notified WCSU in the Fall of 2011 that the federal pass-thru loans should be included on the SEFA and will now be included going forward."

Other Audit Examination:

The Board of Trustees of the Connecticut State University System has entered into agreements with a public accounting firm to conduct certain auditing and consulting services on an annual basis, including an audit of the combined financial statements of the Connecticut State University System.

As part of its audit work, the firm has made an annual study and evaluation of the system's internal controls to the extent deemed necessary to express an audit opinion on the financial statements. Certain matters involving internal controls have been included in an annual Report to Management accompanying the audited financial statements.

A summary of the recommendations pertaining to Western Connecticut State University in the

Report to Management for the fiscal year ended June 30, 2010, are presented below:

General:

- Discontinue the practice of waiving the second signature requirement for checks issued amounting to \$250,000 or more. Take appropriate action to ensure that proper authorization is obtained for all high dollar amount disbursements.

Information Technology:

- Ensure the prompt cancellation of information system access upon employees' termination.

RECOMMENDATIONS

Our prior audit report on WCSU contained 18 recommendations for improving operations, 13 of which are being repeated or restated with modification in our current audit report. Our current audit report also presents 18 recommendations, including five new recommendations in addition to the 13 recommendations that are being repeated or restated from the prior audit report.

Status of Prior Audit Recommendations:

- ***WCSU 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.*** Our current audit disclosed that further improvement is needed in this area. The recommendation is being repeated with modification and incorporated into a broader recommendation on Core-CT system access controls. (See Recommendation 16.)
- ***WCSU should take steps to improve internal control over the procurement process and comply with established policies and procedures.*** During our current audit, we noted that weaknesses in the university's controls over the procurement process persisted. Therefore, the recommendation is being repeated. (See Recommendation 1.)
- ***WCSU 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.*** We noted no significant improvement in this area during the current audit period. The recommendation is being repeated with some modification. (See Recommendation 2.)
- ***WCSU should comply with established policies and procedures and improve internal control over travel-related expenditures.*** During our current audit, we saw further need for improvement in this area. The recommendation is being repeated. (See Recommendation 4.)
- ***WCSU 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.*** Our current audit disclosed that controls over cash receipts, particularly those receipts received at offices remotely located from the Bursar's Office, need improvement. The recommendation is being repeated in revised form to reflect the conditions noted during our current audit. (See Recommendation 11.)
- ***WCSU 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 expenditures.*** During our current audit, we noted petty cash exceptions similar to those noted in our prior audit. The recommendation is being repeated. (See Recommendation 17.)

- ***WCSU 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.*** The university complied with our prior audit recommendation with respect to reconciling accounting records. The recommendation is not being repeated.
- ***WCSU 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.*** We noted improvement in this area during our current audit. The recommendation is not being repeated.
- ***WCSU should comply with the Connecticut State University System's Capital Valuation and Asset Management Manual and improve control over capital assets.*** During our current audit, we noted delays in the reporting of losses or thefts of university property and weaknesses in the university's controls over equipment on loan to employees, among other control deficiencies. Therefore, the recommendation is being repeated.
(See Recommendation 10.)
- ***WCSU 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.*** Our current audit disclosed a continued need to improve the timeliness of reporting of the loss and theft of university property. The recommendation is being repeated as part of a more comprehensive recommendation on property control. (See Recommendation 10.)
- ***WCSU 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.*** We saw the need for further improvement in this area during our current audit. The recommendation is being repeated as a component of a recommendation on property control in general.
(See Recommendation 10.)
- ***WCSU 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.*** Our current audit disclosed improvement in this area. Therefore, the recommendation is not being repeated.
- ***WCSU should comply with established policies and procedures and improve internal control over university-administered construction projects.*** Improvement was noted. The recommendation is not being repeated.

- ***WCSU 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.*** During our current audit, we noted that weaknesses persisted in controls over access to the Core-CT information system. The recommendation is being repeated in revised form to reflect conditions noted during our current audit. (See Recommendation 16.)
- ***WCSU should institute procedures to ensure that all reports required by statute are transmitted in a timely manner.*** We noted improvement in this area. The recommendation is not being repeated.
- ***WCSU should prepare the Schedule of Expenditures of Federal Awards in accordance with the State Comptroller's requirements.*** Additional exceptions were noted in our subsequent examinations of the university's Schedule of Expenditures of Federal Awards. The recommendation is being repeated. (See Recommendation 18.)
- ***WCSU should comply with the established local fund policies and procedures, and improve internal control over the purchasing process.*** Our current audit disclosed that further improvement is needed in this area. The recommendation is being repeated. (See Recommendation 15.)
- ***WCSU should comply with the established local fund policies and procedures, and improve internal control over the receipts process.*** Our current audit disclosed that additional improvement is needed in this area. The recommendation is being repeated. (See Recommendation 14.)

Current Audit Recommendations:

1. **WCSU should improve controls over the purchasing process by ensuring that all purchases are properly approved beforehand. These approvals should be documented by purchase orders signed by authorized employees; signed copies of purchase orders should be retained, and related payments should be charged to the correct accounts.**

Comment:

We noted instances in which purchases were made without properly approved purchase orders in place, as well as instances in which signed purchase orders were not retained.

2. **WCSU should improve controls over personal services purchases by ensuring that corresponding purchase requisitions, purchase orders, and personal service agreements are signed before such purchases are initiated. Further, the university should retain signed copies of such purchase orders.**

Comment:

The university, at times, processed purchase requisitions and purchase orders after contractors had already rendered corresponding personal services. We also noted an instance in which the university purchased professional services but did not retain copies of the corresponding signed purchase orders. In some instances, personal service agreements were signed after the contract period began.

3. **WCSU should improve internal controls over purchasing card purchases by following the Western Connecticut State University Purchasing Card Policy.**

Comment:

In a number of instances, purchasing card purchases did not conform to the university's purchasing card policy. Some purchases exceeded the \$999 single purchase limit. Some purchasing card logs were not signed to certify compliance with the purchasing card policy. Some supporting documentation was not on file.

4. **WCSU should improve internal controls over travel expenditures by complying with the Connecticut State University System's Travel Policies and Procedures Manual.**

Comment:

Among other exceptions, we noted that, at times, Athletic Department team travel rosters were not signed by the Athletic Director as certification that the travel party was approved. Some team travel rosters were not on file. Some travel expenditures were coded to incorrect accounts. Employee expenditure vouchers for travel were not always submitted to the Travel Office in a timely manner.

5. **WCSU should improve controls over SUOAF-AFSCME employee compensatory time by following the requirements of the SUOAF-AFSCME collective bargaining agreement with respect to the maximum compensatory time balances allowed for bargaining unit members.**

Comment:

In some instances, SUOAF-AFSCME union employees were allowed to accrue compensatory time balances that exceeded the ten-day maximum balance specified in the collective bargaining agreement.

- 6. WCSU should take steps to ensure that payments to employees for accrued sick leave at retirement are made as specified in applicable collective bargaining agreements. Furthermore, the university should attempt to recover the overpayment made to an employee for accrued sick leave at retirement that was disclosed during our audit.**

Comment:

The university overpaid an employee in the amount of \$2,225 in gross pay for accrued sick leave upon the employee's retirement in July 2008.

- 7. WCSU should retain employee background check reports on durable media to comply with the State Library's records retention requirements.**

Comment:

The university relies on its employee background check contractor to retain records of employee background checks performed and does not retain such records on any form of durable media.

- 8. WCSU should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by promptly documenting, through signed certifications, that no conflicts of interest or conflicts in schedules exist in instances where an employee holds multiple state positions.**

Comment:

We noted instances in which dual employment certifications were completed late (after the dual employment period began), after the fact, or were unsigned

- 9. WCSU should implement a time and effort reporting system for documenting payroll costs charged to federal programs to ensure compliance with the requirements of federal Office and Management and Budget Circular A-21.**

Comment:

The university had no time and effort certifications on file for a sample of employees whose payroll costs were charged federal programs.

- 10. WCSU should improve controls over equipment and improve compliance with the Connecticut State University System’s Capital Asset Valuation Manual by reporting losses or damage of university property to the appropriate state agencies in a timely manner and improving controls over property on loan, among other things.**

Comment:

Reports of loss or damage to university property were not submitted to the Auditors of Public Accounts and the Office of the State Comptroller in a timely manner. Some of these loss reports were unsigned. Computers were on loan to university employees past the expiration date of the approved loan period. We could not observe state ID tags affixed to two equipment items. The annual property inventory report (CO-59) submitted to the State Comptroller for the fiscal year ended June 30, 2010, contained incorrect stores and supplies values.

- 11. WCSU should re-emphasize that offices remotely located from the Bursar’s Office should submit receipts to the Bursar’s Office in a timely manner to improve the timeliness of bank deposits and comply with the requirements of Section 4-32 of the General Statutes.**

Comment:

We noted instances where receipts received at offices remotely located from the Bursar’s Office were not deposited into the bank in a timely manner.

- 12. WCSU should improve its monitoring of revenue-generating agreements to better ensure that the terms of such contracts are being followed. Also, the university should ensure that the terms of such agreements specify the dates when commission payments are due, and should amend such agreements, in writing, when necessary.**

Comment:

We noted that various contractors who entered into revenue-generating contracts with the university did not pay specified contractual amounts to the university in a timely manner. The university’s MOA with the BESB with respect to soft drink and snack vending machines on campus lacked the due date for payments of commissions due the university. In addition, it appears that this MOA was not amended to reflect the change in commission rates implemented during the 2010 fiscal year.

13. **WCSU should take steps to ensure that students are properly classified as in-state or out-of-state students for tuition and fee purposes. Further, the university should identify the tuition and fee amounts that the university undercharged the incorrectly classified student noted during our audit, and should pursue collection of those amounts.**

Comment:

Our audit disclosed an instance in which an out-of-state student was misclassified as an in-state student, which resulted in underpayments of tuition and fees to the university.

14. **WCSU should improve internal control over student activity account cash receipts by promptly recording their receipt in its cash receipts accounting records, by taking steps to ensure that student organizations deliver funds generated from student events to the Cashier's Office in a timely manner, and by following the prompt bank deposit requirements established by Section 4-32 of the General Statutes.**

Comment:

In some instances, receipts generated by student organizations were neither recorded in the university's accounting records in a timely manner nor deposited into the bank promptly.

15. **WCSU should improve controls over student activity account expenditures by ensuring that such expenditures are properly approved by student organizations in accordance with the university's Student Life Financial Policies. In addition, student organizations should promptly return unspent cash advances and related supporting documentation to the Cashier's Office. Further, state income taxes should be withheld from payments made to certain nonresident contractors when required by the Department of Revenue Services.**

Comment:

Some student activity account purchases lacked supporting documentation for approval such as a payment voucher or minutes of student organization meetings. Supporting documentation and unspent funds relating to cash advances paid out of the student activity account were, at times, not turned in to the Cashier's Office in a timely manner, among other exceptions noted.

- 16. WCSU should regularly review information system access privileges granted to employees to determine if such access is appropriate. Further, the university should remove access privileges from those employees who have unnecessary access to such systems, and promptly deactivate access upon an employee's separation from university employment. Also, the university should adjust the level of Core-CT access for certain Human Resources and Payroll Department employees to improve the separation of duties within those departments. As an alternative, the university should implement a compensating control system that would require an employee independent of both Payroll and Human Resources Departments to monitor biweekly changes in payroll transactions to ensure that such changes are valid and authorized. Such reviews should be documented.**

Comment:

Certain employees in the Human Resources and Payroll departments were granted Core-CT system access that was incompatible with good internal controls with respect to segregation of duties. The university's compensating control for this lack of segregation of duties does not appear to be adequate. In some instances, Banner accounts were not deactivated promptly upon employee separation from the university.

- 17. WCSU should improve controls over petty cash funds by following the State of Connecticut Accounting Manual requirements concerning petty cash funds.**

Comment:

The university made petty cash disbursements for items that should have been paid for through the university's usual payment methods. Petty cash disbursements were not adequately supported by the documentation on file. The university's petty cash fund journal was incomplete, having only recorded disbursements and omitting entries for receipts.

- 18. WCSU should prepare the Schedule of Expenditures of Federal Awards more accurately.**

Comment:

The university's Schedule of Expenditures of Federal Awards for the fiscal year ended June 30, 2010, contained errors that resulted in understatements of expenditure amounts reported.

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, 2009 and 2010. 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, 2009 and 2010, 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 grant agreements and to obtain a sufficient understanding of the internal controls 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:

Management of Western Connecticut State University is responsible for establishing and maintaining effective internal control over financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts, and grants. In planning and performing our audit, we considered Western Connecticut State 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 university's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of expressing an opinion on the effectiveness of the university's internal control over those control objectives. Accordingly, we do not express an opinion on the effectiveness of Western Connecticut State University's internal control over those control objectives.

A deficiency in internal control 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 and correct on a timely basis, unauthorized, illegal or irregular transactions, or breakdowns in the safekeeping of any asset or resource. *A material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions and/or material noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that

would be material in relation to the university's financial operations will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance with requirements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the university's financial operations, safeguarding of assets, or compliance with requirements that we consider to be material weaknesses, as defined above. However, we consider the following deficiencies, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be significant deficiencies: Recommendation 1 – weaknesses in controls over the purchasing process; Recommendation 2 – deficiencies in controls over personal services purchases; Recommendation 3 – control weaknesses and noncompliance with respect to purchasing card purchases; Recommendation 12 – insufficient monitoring of revenue generating agreements and related control weaknesses; Recommendation 16 – weaknesses in monitoring of information system access privileges and lack of segregation of duties with respect to Core-CT human resources and payroll functions. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether Western Connecticut State 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 university'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Condition of Records and Recommendations sections of this report as the following items: Recommendation 1 – weaknesses in controls over the purchasing process; Recommendation 2 – deficiencies in controls over personal services purchases; Recommendation 3 – control weaknesses and noncompliance with respect to purchasing card purchases; Recommendation 12 – insufficient monitoring of revenue generating agreements and related control weaknesses; Recommendation 16 – weaknesses in monitoring of information system access privileges and lack of segregation of duties with respect to Core-CT human resources and payroll functions.

We also noted certain matters which we reported to university management in the accompanying Condition of Records and Recommendations sections of this report.

Western Connecticut State University's response to the findings identified in our audit is

described in the accompanying Condition of Records section of this report. We did not audit Western Connecticut State University's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the university's 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.



Daniel F. Pukiln
Principal Auditor

Approved:



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts