

STATE OF CONNECTICUT



*AUDITORS' REPORT
BOARD OF REGENTS FOR HIGHER EDUCATION
CENTRAL CONNECTICUT STATE UNIVERSITY
FISCAL YEARS ENDED JUNE 30, 2020 AND 2021*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ CLARK J. CHAPIN

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August 4, 2022

EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of Central Connecticut State University for the fiscal years ended June 30, 2020 and 2021. Our audit identified internal control deficiencies; instances of noncompliance with laws, regulations, and policies; and a need for improvement in practices and procedures that warrant the attention of management. The significant findings and recommendations are presented below:

<u>Page 8</u>	CCSU paid an employee \$14,265 in additional compensation for after-work hours and could not provide supporting documentation for the additional pay. Central Connecticut State University should improve internal controls to ensure that it maintains adequate documentation for payroll and personnel transactions. (Recommendation 1)
<u>Page 9</u>	We noted that the university does not maintain a chronological log of hostile work environment complaints that would allow the university to identify patterns of behavioral concerns. Central Connecticut State University should implement a system to log and track hostile work environment complaints. (Recommendation 2)
<u>Page 11</u>	<p>Our review of 34 expenditures disclosed six instances in which CCSU made purchases exceeding \$10,000 through multi-vendor or consortium contracts that were not supported by additional quotes or price comparisons. In addition, a \$15,000 personal service agreement was not supported by additional quotes or price comparisons. We noted three instances in which CCSU approved a purchase order late and one instance in which the university did not complete and approve a purchase order.</p> <p>We also noted an instance in which CCSU appeared to split purchases with one vendor to circumvent competitive procurement requirements. We found five separate purchases of \$39,260 over 12 business days for various marketing services. All of the expenditures fell just below the \$10,000 threshold, ranging from \$6,050 to \$9,720.</p> <p>Central Connecticut State University should improve its internal controls over procurement by documenting reviews of price comparisons, where applicable. The university should also ensure that all purchases are properly preapproved. (Recommendation 4)</p>

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AUDITORS OF PUBLIC ACCOUNTS

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

CLARK J. CHAPIN

August 4, 2022

AUDITORS' REPORT CENTRAL CONNECTICUT STATE UNIVERSITY FISCAL YEARS ENDED JUNE 30, 2020 AND 2021

We have audited certain operations of Central Connecticut State University in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2020 and 2021. The objectives of our audit were to evaluate:

1. The university's internal controls over significant management and financial functions;
2. The university's compliance with policies and procedures internal to the university or promulgated by other state agencies, as well as certain legal provisions; and
3. The effectiveness, economy, and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the university, as well as certain external parties; and testing selected transactions. Our testing was not designed to project to a population unless specifically stated. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from various available sources including, but not limited to, the university's management and the state's information systems, and was not subjected to the procedures applied in our audit of the university. For the areas audited, we identified:

1. Deficiencies in internal controls;
2. Apparent non-compliance with laws, regulations, contracts and grant agreements, policies, and procedures; and
3. A need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of Central Connecticut State University.

COMMENTS

FOREWORD

Central Connecticut State University in New Britain is one of the four higher education institutions that collectively make up the Connecticut State University component of the Connecticut State Colleges and Universities (CSCU) System. The other three are Eastern Connecticut State University in Willimantic, Western Connecticut State University in Danbury, and Southern Connecticut State University in New Haven. The Board of Regents for Higher Education, which serves as the administrative office for CSCU, oversees the university. The Connecticut State University System, a constituent unit of the State of Connecticut's system of public higher education, operates principally under the provisions contained in Sections 10a-87 through 10a-101 of the General Statutes.

Dr. Zulma R. Toro served as university president during the audited period and continues to serve in that capacity.

Significant Legislation

Public Act 19-172, effective October 1, 2019, allowed the spouses and unemancipated children of service members residing in the state to maintain their in-state student classification if the service member is transferred out of state on military orders after the student has been accepted for matriculation in a degree-granting program.

RÉSUMÉ OF OPERATIONS

During the audited period, the primary support for university operations was comprised of appropriations from the state’s General Fund and tuition and fees credited to the university’s operating fund. The university also received COVID-19 federal emergency grant funds and capital projects funds from state bond issues.

The university did not directly receive General Fund appropriations. General Fund appropriations for the entire CSCU system were distributed to the CSCU System Office, which periodically calculated and transferred funds to the university’s operating fund, primarily for personal services and related fringe benefits.

Operating Fund receipts consisted primarily of student tuition payments. Under the provisions of Section 10a-99(a) of the General Statutes, the Board of Regents for Higher Education sets tuition charges. The following presents annual tuition charges for full-time students during the audited period:

Student Status:	2019 - 2020			2020 - 2021		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduate	\$5,924	\$17,726	\$8,216	\$6,162	\$18,436	\$9,244
Graduate	7,378	19,008	10,238	7,674	19,768	11,512

Tuition rates for all students increased by approximately 5% from fiscal year 2019 to fiscal year 2020. Tuition for in-state and out-of-state students increased by approximately 4% from fiscal year 2020 to fiscal year 2021, while regional tuition increased by 12% in fiscal year 2021. This increase was necessary to correct a previously reported error which found these rates to be below the statutorily required rate.

Besides tuition, the university charged students other fees during the audited period, including a general fee, state university fee, and student activity fee. The following presents these fees, on an annual basis, during the audited period:

Fee Description:	2019 - 2020			2020 - 2021		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
General	\$3,986	\$3,986	\$3,986	\$4,154	\$4,154	\$4,154
University	918	2,076	918	946	2,076	946
Student Activity	200	200	200	200	200	200

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

	2019 - 2020	2020 - 2021
Housing	\$7,130	\$7,130
Food Service	5,354	5,542

Enrollment Statistics

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

	Fall 2019	Spring 2020	Fall 2020	Spring 2021
Full-time Undergraduate	7,253	6,471	6,811	5,777
Full-time Graduate	503	442	542	495
Total Full-time	7,756	6,913	7,353	6,272
Part-time Undergraduate	1,792	1,770	1,782	1,859
Part-time Graduate	1,606	1,579	1,517	1,498
Total Part-time	3,398	3,349	3,299	3,357
Total Enrollment	11,154	10,262	10,652	9,629

The average enrollment was 11,350 during the 2018-2019 fiscal year and 10,708 during the 2019-2020 fiscal year, a decrease of 642 (5.7%). Enrollment continued to decrease in the 2020-2021 fiscal year and averaged 10,141, a decrease of 567 (5.3%).

Operating Revenues

Operating revenues are derived from the sale or exchange of goods and services related 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 previous fiscal year follow:

	2018 – 2019	2019 – 2020	2020 – 2021
Tuition and Fees (net of scholarship allowances)	\$105,618,126	\$106,376,895	\$101,390,953
Federal Grants and Contracts	3,325,599	3,793,147	4,400,151
State and Local Grants and Contracts	3,751,361	4,188,307	3,981,976
Non-Governmental Grants and Contracts	1,920,080	1,841,032	1,804,229
Indirect Cost Recoveries	324,493	390,672	298,902
Auxiliary Revenues	32,696,312	23,431,956	13,349,032
Other Operating Revenues	3,254,839	4,159,851	985,506
Total Operating Revenues	\$150,890,810	\$144,181,860	\$126,210,749

Operating revenues totaled \$144,181,860 and \$126,210,749 during the fiscal years ended June 30, 2020 and 2021, respectively, compared to \$150,890,810 during the fiscal year ended June 30, 2019. These amounts decreased \$6,708,950 (4.5%) in fiscal year 2020 and \$17,971,111 (12.5%) in fiscal year 2021.

The decline during the fiscal year ended June 30, 2020 was primarily due to reduced auxiliary food service and housing revenues. Due to the COVID-19 pandemic and campus closure midway through the spring 2020 semester, the university refunded a large portion of food service and housing fees.

The decrease during the fiscal year ended June 30, 2021 was largely attributable to further reduction in auxiliary revenues. The COVID-19 pandemic continued through fiscal year 2021 resulting in fewer residential students. The decline in enrollment also impacted tuition and fee revenue.

Operating Expenses

Operating expenses generally result from payments made for goods and services to achieve the university’s mission of instruction and public service. Operating expenses include employee compensation and benefits, professional services, supplies, depreciation, and various other expenses.

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

	2018 – 2019	2019 – 2020	2020 – 2021
Personal Service and Fringe Benefits	\$167,792,549	\$173,652,223	\$174,983,218
Professional Services and Fees	5,097,722	4,788,380	4,660,238
Educational Services and Support	41,273,679	43,030,834	40,711,537
Travel Expenses	2,662,882	1,955,420	551,963
Operation of Facilities	25,186,533	19,460,320	21,673,397
Other Operating Supplies and Expenses	5,414,343	5,401,080	7,852,105
Depreciation Expense	17,426,636	16,754,466	15,874,706
Total Operating Expenses	\$264,854,344	\$265,042,723	\$266,307,164

Operating expenses totaled \$265,042,723 and \$266,307,164 during the fiscal years ended June 30, 2020 and 2021, respectively, compared to \$264,854,344 during the fiscal year ended June 30, 2019. These amounts increased \$188,379 (.07%) during fiscal year 2020 and \$1,264,441 (.5%) during fiscal year 2021.

The slight increase during the fiscal year ended June 30, 2020, was mostly derived from increases in personal services and fringe benefits from 3.5% contractual wage increases. This was offset by a decrease in facilities operations, which was primarily the result of lower maintenance expenditures related to the closure of campus due to COVID-19.

The slight increase during the fiscal year ended June 30, 2021 was mostly attributable to additional facilities operations and other supplies and expenses as the university reopened campus. These increases were offset by a reduction in educational services and support and travel expenses.

Nonoperating Revenues

Nonoperating revenues are receipts from other than 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, and investment income.

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

	2018 – 2019	2019 – 2020	2020 – 2021
State Appropriations	\$86,172,084	\$87,260,463	\$93,952,185
Pell Grant Revenue	15,309,364	14,680,693	13,519,411
Fed. Emergency Grant Revenue	-	7,378,482	30,127,053
Gifts	3,417,155	2,907,450	2,835,406
Investment Income	2,147,131	1,380,698	84,069
Capital Projects Financed by SO	1,044,595	806,711	11,130,659
Other Nonoperating Revenues	444,176	540,931	238,757
Total Nonoperating Revenues	\$108,534,505	\$114,955,428	\$151,887,540

Nonoperating revenues totaled \$114,955,428 and \$151,887,540 during the fiscal years ended June 30, 2020 and 2021, respectively, compared to \$108,534,505 during the fiscal year ended June 30, 2019. There was an increase of \$6,420,923 (5.9%) during fiscal year 2020 and \$36,932,112 (32.1%) during fiscal year 2021.

The increase during the fiscal year ended June 30, 2020 was primarily attributable to approximately \$7 million in federal aid received as part of the CARES Act to address the impacts of COVID-19.

The increase during the fiscal year ended June 30, 2021 was largely due to over \$30 million in additional federal aid. Furthermore, increases of state appropriations and capital projects financed by the system office (most notably a \$10 million dollar payment for a new parking garage) contributed to the large increase.

In addition to the operating and nonoperating revenues presented above, the university's financial statements reported revenues classified as state appropriations restricted for capital purposes totaling \$37,940,762, \$34,786,619, and \$41,254,769, for the fiscal years ended June 30, 2019, 2020, and 2021, respectively.

Central Connecticut State University Foundation, Inc.

The Central 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 organizations that support state agencies. The requirements address the annual filings of an updated list of board members with the state agency for which the foundation was established; financial recordkeeping 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, 2020 and 2021, in accordance with Section 4-37f (8) of the General Statutes. The auditors expressed unmodified opinions on the

foundation's financial statements for both fiscal years. However, during the June 30, 2020 audit, the auditors reported one instance of noncompliance with Section 4-37f. Specifically, the foundation did not include a student enrolled at CCSU as a nonvoting member of the governing board. There were no instances of noncompliance with Sections 4-37e through 4-37k noted in the fiscal year ended June 30, 2021 audit.

The foundation's financial statements reported revenues, gains and other support totaling \$4,862,021 and \$24,113,542 during the fiscal years ended June 30, 2020 and 2021, respectively. Net assets totaled \$80,675,289 and \$99,442,849 as of June 30, 2020 and 2021, respectively.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of Central Connecticut State University disclosed the following five recommendations, of which one has been repeated from the previous audit:

Controls Over Payroll and Personnel

Criteria: The Connecticut State Library Records Retention Schedule stipulates minimum retention requirements for various state records, including compensation history and hiring documents. These types of records should be maintained for thirty years after the end of employment.

Condition: Our review of certain payroll and personnel transactions disclosed the following:

- An employee received additional compensation for performing after-hours work. During the audit period, the employee earned an additional \$14,265. The university could not provide time and attendance records to support or justify the additional hours worked.

Context: The additional compensation was received while the employee was in a "Lecturer nonteaching" position within the Office of Institutional Advancement. The employee held this position from September 2017 to August 2019 and earned an additional \$88,028 during this period.

Effect: There is an increased risk for unauthorized or improper payroll and personnel transactions.

Cause: The university does not appear to have policies and procedures to document certain payroll and personnel transactions.

Prior Audit Finding: These findings have not been previously reported.

Recommendation: Central Connecticut State University should improve internal controls to ensure that it maintains adequate documentation for payroll and personnel transactions. (See Recommendation 1.)

Agency Response: "The former Vice President of Institutional Advancement was responsible for managing alumni and development efforts for the University. He authorized the use of semester non-teaching assignments to this employee who was assigned duties outside of her normal work hours in support of these alumni and development efforts. Time and attendance is not recorded for such assignments, but payment is based on the equivalent of a load credit. The employee was witnessed to have worked significant additional hours, especially during weekends. The Vice President's appointment has since been non-continued and he is no

longer an employee of the University. Going forward, non-teaching appointments from non-academic departments will not be processed.”

Lack of Complaint Logs

- Criteria:* State universities should maintain detailed logs of hostile work environment complaints and review them to identify patterns of concern and verify that complaints are promptly investigated.
- Condition:* CCSU does not maintain a chronological log of hostile work environment complaints that would allow the university to identify patterns of behavioral concerns.
- Context:* CCSU employed over 1,400 faculty and staff with enrollment exceeding 9,600 students as of the end of the audited period.
- Effect:* Without a detailed complaint log system, the university is unable to categorize complaints and identify behavioral patterns that could require intervention.
- Cause:* There was a lack of proper management oversight.
- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* Central Connecticut State University should implement a system to log and track hostile work environment complaints. (See Recommendation 2.)
- Agency Response:* “Hostile Work environment complaints are typically logged with the Office of Equity and Inclusion and that Office has this year implemented Simplicity software. The staff in the OEI have loaded in all recent complaints so that there is now a chronological record of all complaints that come in. The OEI’s website contains a link so that complaints that are submitted automatically go into Simplicity. The OEI staff regularly review these complaints so as to discern any patterns of misconduct.”

Faculty Reassigned Time

- Background:* Members of the American Association of University Professors (AAUP) can be granted reassigned time for temporary work outside of normal instructional duties. This work can be for curriculum development, faculty development and instructional enhancement, department administration, administrative and quasi-administrative duties, research, supported research, and grants with outside agencies. The university implemented controls over reassigned time beginning in the spring 2021 semester.

<i>Criteria:</i>	University controls require a member requesting reassigned time to complete a planning form, which must be approved by the end of the first week of each semester. An outcome form is also required and should be completed and approved by the end of the semester.
<i>Condition:</i>	Our review of five employees on reassigned time during the spring 2021 semester disclosed two instances in which the university did not complete the required reassignment forms. In addition, we noted two instances in which the university did not promptly complete and approve one of the forms.
<i>Context:</i>	During the spring 2021 semester, there were 314 reassignments by 253 different faculty members.
<i>Effect:</i>	In some instances, the university did not comply with established controls over reassigned time.
<i>Cause:</i>	The university informed us that this was due to an oversight in completing the forms and a transition in leadership.
<i>Prior Audit Finding:</i>	This finding has not been previously reported.
<i>Recommendation:</i>	Central Connecticut State University should improve internal controls over faculty reassignments to ensure that required forms are promptly completed and approved. (See Recommendation 3.)
<i>Agency Response:</i>	“As noted, leadership transitions within Academic Affairs contributed to the inconsistency in compliance with established controls over non-instructional reassigned time. Transitions occurred at the Dean level, as well as at the Executive level positions. New leadership also led to a reexamination of existing control procedures during the 2021-2022 academic year. A modified reporting procedure has been developed to ensure systematic and timely documentation of reassigned time. The revised control process will be fully implemented in the Fall 2022 semester. The revised process continues to require documentation of assignment responsibilities and expectations at the beginning of the semester and a follow-up report at the end of the semester for each faculty member receiving reassigned time. Reports will be compiled and maintained within each academic school; however, signed documentation of faculty acknowledgment of these assignments will now be systematically obtained as part of the faculty load reporting. The faculty load report form issued by the Office of the Registrar has been modified to now include signed faculty acknowledgment of reassigned time and associated responsibilities. This will serve as the official record of each faculty reassigned time assignment. The faculty load reporting is an established high-compliance process, incorporating the

acknowledgment of reassigned time responsibilities into this form will ensure more consistent documentation.”

Controls Over Procurement

Criteria: The CSCU Procurement Manual requires universities to competitively procure purchases greater than \$10,000. When possible, universities should base purchases on at least three written quotations or bids from responsible and qualified sources.

The CSUS Procurement Manual requires proper approval of purchases before incurring expenditures for goods or services.

Condition: We reviewed 24 general and ten professional service expenditures, totaling \$864,990 and \$622,600, respectively. Our review disclosed the following:

- In six instances, CCSU made purchases exceeding \$10,000 through multi-vendor or consortium contracts that were not supported by additional quotes or price comparisons.
- In two instances, CCSU approved a purchase order late. In one of these instances, the invoice was dated three days prior to the approval. In the other instance, the purchase order was approved two days after the service period began.
- In one instance, a \$15,000 personal service agreement was not supported by additional quotes or price comparisons.
- In one instance, CCSU did not complete and approve a purchase order.

We also noted an instance in which CCSU appeared to split purchases with one vendor to circumvent competitive procurement requirements. We noted five separate purchases of \$39,260 over 12 business days for various marketing services. All of the expenditures fell just below the \$10,000 threshold, ranging from \$6,050 to \$9,720.

Context: University expenditures totaled \$107,828,407 and \$108,857,148 during the fiscal years 2020 and 2021, respectively.

Effect: A lack of price comparisons or competitive bidding during the purchasing process decreased assurance that goods and services were obtained at the best prices.

When purchases are approved late or not approved at all, there is decreased assurance that they were authorized and appropriate.

Cause: The university did not properly execute established control procedures over some purchases.

Prior Audit Finding: Part of this finding has been previously reported in the last three audit reports covering the fiscal years ended 2013 through 2019.

Recommendation: Central Connecticut State University should improve its internal controls over procurement by documenting reviews of price comparisons, where applicable. The university also should ensure that all purchases are properly preapproved. (See Recommendation 4.)

Agency Response: “As a result of the preliminary audit feedback, we have begun to educate, implement, and enforce the recommended action of requiring three quotes for all multi-vendor DAS or consortium contracts. We will continue to impose this process moving forward to assure that goods and services are obtained at the best prices. In response to the late approval of purchase orders, we will continue to require late justification for any purchase order request that we receive which falls outside of the standard control procedures. We have and will continue to use this documentation as a training and tracking tool to address any misunderstanding or repeat offenders regarding our processes. Lastly, we are developing training sessions which we plan to roll out in the summer/fall regarding the CCSU procurement processes to ensure that all individuals understand and are committed to abiding to them. This will provide an opportunity to reinforce, reinform and retrain the current staff at CCSU as well as educate any new staff members given the 100 plus retirements experienced in FY22.

In October 2020, the purchasing department put out an RFP for printing services after recognizing that the historic needs of CCSU departments for printing services varies. The intent was to award to several qualified printing companies in order to provide CCSU departments with the flexibility needed to address all of CCSU’s printing needs in a more proactive cost-effective way. The award went to five different printing companies in December 2020.”

Relationship Between CCSU and the CCSU Foundation, Inc.

Background: The CCSU Foundation, Inc. was created in 1971 as a vehicle to obtain private contributions to support educational programs and research at Central Connecticut State University. Incorporated under the laws of the State of Connecticut, the nonprofit foundation is governed by an independent board of directors. The relationship between the university and its foundation is subject to Sections 4-37e through 4-37j of the

Connecticut General Statutes, which establishes principles for operation of private foundations that exist to benefit public colleges and universities. This relationship is further defined in an agreement between the Board of Trustees of the Connecticut State University and the CCSU Foundation, Inc.

Criteria: Section 4-37f of the General Statutes requires foundations to pay the salaries and expenses of their officers and employees and to reimburse the state agency for expenses the agency incurs as a result of foundation operations if the agency would not have otherwise incurred such expenses. An Office of the Attorney General (OAG) opinion indicates that state agencies may contract with their foundations to perform fundraising duties. In those instances, the university would not have to seek salary and benefit reimbursement for employees who otherwise would have been employed by the university to perform the same fundraising activities. However, the foundation must reimburse the university for the foundation's operational expenses, if the university would not otherwise have incurred such expenses.

Condition: Our review of CCSU Foundation, Inc. audit reports identified a note to the financial statements indicating that the university provided donated services to the foundation. These services totaled \$1,616,652 and \$1,633,280, for fiscal years 2020 and 2021, respectively. CCSU asserted that all donated services were not reimbursable. However, it did not appear that CCSU adequately evaluated whether its staff performed work for the foundation that should have been reimbursed to the university. Instead, management relied on a best estimate based on each employee's job duties.

Context: The foundation's audit report listed \$1,616,652 in donated services in fiscal year 2020 and \$1,633,280 in fiscal year 2021. CCSU informed us that the donated services in fiscal year 2020 included \$708,242 in program expenses, \$391,599 in management and general expenses, and \$516,811 in fundraising expenses. In fiscal year 2021, the donated services included \$726,300 in program expenses, \$375,660 in management and general expenses, and \$531,320 in fundraising expenses.

Effect: The university could be providing staffing to its foundation that might require reimbursement.

Cause: The university considers all work performed for the foundation to be non-reimbursable and therefore does not believe it needs to develop policies and procedures.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: Central Connecticut State University should establish policies and procedures to evaluate university employees' work for its foundation to determine whether a reimbursement is required per Section 4-37f of the General Statutes. (See Recommendation 5.)

Agency Response: "In 2021, CCSU and The CCSU Foundation, Inc., recognized that the 2004 operating agreement between the University and University's Foundation was out of date, especially relative to the Foundation's 100M size. In 2021, the University and CCSU Foundation began the negotiation of a new revised operating agreement. Changes in CCSU Foundation Board leadership, CCSU counsel, the impending retirement of University counsel and COVID delayed this agreement, but ultimately it was signed on 2/14/2022. The agreement provides specifics for activities by which the Foundation will reimburse the University and the University will donate services to the Foundation and provides a greater specification on donated services than referenced in the 2004 agreement. The Operating Agreement clearly describes each entity's role and the functions the Foundation performs in support of the University and reporting between the entities for accountability. Furthermore, the Foundation is a Type III Functionally Integrated Supporting Organization. It cannot, and does not, perform any activities other than those that are in furtherance of its mission of supporting its sole supported organization, the University. Moreover, the Foundation qualifies as a Type III Functionally Integrated Supporting Organization because without the Foundation's performance of services for the University, the University would have to perform the activities itself. Accordingly, any activities performed for the Foundation by University employees are entirely in furtherance of the University's charitable mission. The CCSU Foundation audited its financials conducted in 2020 and 2021 by independent auditors. The CCSU Foundation auditors provided no material deficiency or audit comment in the process of establishing donated services for the same period of time. The CCSU Foundation counsel would like the opportunity to discuss this comment with the APA during the draft comment period."

Auditors' Concluding Comments:

While the revised agreement signed in February 2022 includes more detailed language concerning compensation for foundation services, the university should still evaluate the services it provides to ensure compliance with the agreement.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on Central Connecticut State University contained two recommendations. One has been implemented or otherwise resolved and one has been repeated or restated with modifications during the current audit.

- Central Connecticut State University should improve its controls over procurement by ensuring that all purchases are properly preapproved. The university also should obtain and retain all required ethics affidavits and nondiscrimination certifications from vendors. **Our current audit disclosed further improvement is needed in this area. The recommendation is being repeated with modification to reflect our current audit findings. (See Recommendation 4.)**
- Central Connecticut State University should strengthen controls over its process for rehiring retirees and ensure that it obtains and documents approval when rehiring retirees who have reached the two-year limit. **Our current audit disclosed that sufficient improvement has been made in this area. The recommendation is not being repeated.**

Current Audit Recommendations:

- 1. Central Connecticut State University should improve internal controls to ensure that it maintains adequate documentation for payroll and personnel transactions.**

Comment:

CCSU paid an employee \$14,265 in additional compensation for after-work hours and could not provide supporting documentation for the additional pay.

- 2. Central Connecticut State University should implement a system to log and track complaints.**

Comment:

CCSU does not have a system to track hostile work environment complaints that would allow the university to identify patterns of behavioral concerns.

- 3. Central Connecticut State University should improve internal controls over faculty reassignments to ensure that required forms are promptly completed and approved.**

Comment:

Our review of five employees on reassigned time revealed two instances in which the university did not complete required reassigned forms. In addition, we noted two instances in which the university did not promptly complete and approve at least one of the forms.

- 4. Central Connecticut State University should improve its internal controls over procurement by documenting reviews of price comparisons, where applicable. The university also should ensure that all purchases are properly preapproved.**

Comment:

Our review of 34 transactions disclosed six instances in which CCSU made purchases exceeding \$10,000 through multi-vendor or consortium contracts that were not supported by additional quotes or price comparisons. In addition, a \$15,000 personal service agreement was not supported by additional quotes or price comparisons. We noted three instances in which CCSU approved a purchase order late and one instance in which the university did not complete and approve a purchase order.

We also noted an instance in which CCSU appeared to split purchases with one vendor to circumvent competitive procurement requirements. We found five separate purchases of \$39,260 over 12 business days for various marketing services. All of the expenditures fell just below the \$10,000 threshold, ranging from \$6,050 to \$9,720.

- 5. Central Connecticut State University should establish policies and procedures to evaluate university employees' work for its foundation to determine whether a reimbursement is required per Section 4-37f of the General Statutes.**

Comment:

We found that Central Connecticut State University had not adequately evaluated whether its staff performed work for the foundation that should have been reimbursed to the university. The university considered all services to be donated to the foundation and therefore not reimbursable.

ACKNOWLEDGMENTS

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of Central Connecticut State University during the course of our examination.

The Auditors of Public Accounts also would like to acknowledge the auditors who contributed to this report:

Andrew Collins
Austin Holden
David Paradie
Linnette Stark
Michael Stemmler

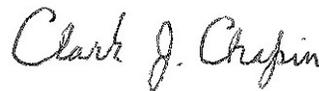


Michael R. Stemmler
Principal Auditor

Approved:



John C. Geragosian
State Auditor



Clark J. Chapin
State Auditor