STATE OF CONNECTICUT

AUDITORS' REPORT
BOARD OF REGENTS FOR HIGHER EDUCATION
CHARTER OAK STATE COLLEGE
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2016

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

Table Of Contents

October 3, 2019

EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes we have audited certain operations of the Charter Oak State College. The objectives of this review were to evaluate the college's internal controls, compliance with policies and procedures, as well as certain legal provisions, and management practices and operations for the fiscal years ended June 30, 2015 and 2016.

The key findings are presented below:

Page 8	Supervisors did not sufficiently review the timesheets for 3 employees before approving them for payment, resulting in a net overpayment of $1,800 to one employee. We recommend improved training in timesheet preparation and review. In addition, the college should recover the overpayment. (Recommendation 1.)
Page 9	The college did not properly administer and approve an employee's participation in the voluntary schedule reduction program. It is unclear whether the college's use of the schedule reduction program benefitted the state or the employee when the employee moved to Florida and continued working for the state on a part time basis. We recommend the college implement policies and procedures for proper administration and employee approvals in the voluntary schedule reduction program. (Recommendation 2.)
Page 10	The college did not manage or properly document non-faculty "off-site" employment arrangements. An employee who moved to Florida continued to work for the college under a part-time offsite arrangement that did not meet the college's telecommuting guidelines. We recommend that all non-faculty telecommuting arrangements follow the college's policies and procedures. (Recommendation 3.)
Page 15	We identified 11 Charter Oak State College employees with both regular and academic positions, whom the college did not recognize as dually employed. In the absence of proper documentation and monitoring, duplicate payments and conflicts of interest may go undetected. We recommend the college implement policies and procedures for administering dual employment arrangements. (Recommendation 6.)

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

ROBERT J. KANE

October 3, 2019

INTRODUCTION

AUDITORS' REPORT
BOARD OF REGENTS FOR HIGHER EDUCATION
CHARTER OAK STATE COLLEGE
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2016

We have audited certain operations of the Charter Oak State College 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 years ended June 30, 2015 and 2016. The objectives of our audit were to:

1. Evaluate the college's internal controls over significant management and financial functions;

2. Evaluate the college's compliance with policies and procedures internal to the system or promulgated by other state agencies, as well as certain legal provisions; and

3. Evaluate 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 system; and testing selected transactions. 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 our audit in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 such a basis.

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

1. Deficiencies in internal controls;
2. Apparent noncompliance with legal provisions; and
3. Need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of Charter Oak State College.

COMMENTS

FOREWORD

Charter Oak State College is a constituent unit of the state system of higher education, operates under the provisions of Chapter 185b, Part IV, of the Connecticut General Statutes. Part of the mission of the Board of Regents for Higher Education, which oversees Charter Oak State College and the Connecticut Distance Learning Consortium, is to provide diverse and alternative means for adults to pursue higher education. Accordingly, the board, through the college and the consortium, offers college credit via examinations, assessment of experiential and extra collegiate learning, and online courses, among other things. In accordance with Section 10a-143 of the General Statutes, the board grants undergraduate and graduate credits and degrees through Charter Oak State College.

Edward Klonoski served as president during the audited period.

Recent Legislation

The following notable legislative changes affecting the college took effect during the audited period:

Public Act 15-82 – effective July 1, 2015, reduced, from four to two, the number of years of high school education that certain students must complete in Connecticut to receive in-state tuition benefits at the state's public higher education institutions. The act also extended in-state tuition eligibility to nonimmigrant aliens who meet certain criteria.

Public Act 15-228 – effective July 1, 2015, allowed the chairperson and vice-chairperson of the Board of Regents for Higher Education's (BOR) faculty advisory committee (who serve as nonvoting, ex-officio members of BOR) to attend BOR executive sessions at the board chairperson's invitation. Prior law excluded them from all executive sessions.

Public Act 15-248 – effective July 1, 2015, staggered the terms of student advisory committee members for the Board of Regents for Higher Education (BOR). By law, this committee consists of one student from each of the 4 institutions in the Connecticut State University System, one from each of the 12 regional community-technical colleges, and one member from Charter Oak State College.

Enrollment Statistics

Published enrollment statistics for Charter Oak State College are as follows:

	Fall 2014	Spring 2015	Fall 2015	Spring 2016
Part Time Undergraduate	1,543	1,627	1,406	1,407
Full-Time Undergraduate	386	376	329	359
Total Enrollment	1,929	2,003	1,735	1,766

There was an 18% increase in enrollment during the 2014-2015 fiscal year to 3,932 compared to 3,330 during the 2013-2014 fiscal year. The increase was the result of the state's new Go Back to Get Ahead program. The end of the program contributed to the subsequent 11% decrease to 3,501 during the 2015-2016 fiscal year.

RÉSUMÉ OF OPERATIONS

Charter Oak State College operations are primarily supported by appropriations from the state's General Fund and tuition and fees credited to the college's Operating Fund. Section 10a-143 of the General Statutes established the college's Operating Fund Account as a restricted account.

General Fund appropriations are not made to the college directly, but rather to the entire Connecticut State College and University System Office which periodically calculates and transfers allocations to the college's Operating Fund.

Operating Fund receipts primarily consisted of student tuition payments to the college. Under the provisions of Section 10a-99 subsection (a) of the General Statutes, tuition charges were set by the Board of Regents for Higher Education. The following presents tuition charges on a per credit basis during the audited fiscal years:

	2014-2015		2015-2016	
Student Status:	In-State	Out-of-State	In-State	Out-of-State
Undergraduate	$ 276	$ 363	$ 287	$ 377
Graduate	450	470	468	489

Besides tuition, the college charged students various fees, including a College Fee and Credit Assessment Program Review Fees. The following presents the College Fee, on a per credit basis, during the audited fiscal years:

	2014-2015		2015-2016	
College Fee:	In-State	Out-of-State	In-State	Out-of-State
Undergraduate	$ 193	$ 257	$ 201	$ 267
Graduate	320	340	333	354

The Credit Assessment Program Review Fees vary by student and are based on the type of the student's work experience.

Assessment Fee:	2014-2015	2015-2016
Nonprofit Review	$ 2,200	$ 2,250
For-Profit Review	4,229	4,500
Additional Nonprofit Review	475	475
Additional For-Profit Review	813	813

Operating Revenues

Operating revenues are derived from the sale or exchange of goods and services relating to the college's educational and public service activities. Major sources of operating revenue include tuition and fees, federal grants and state grants. Operating revenues, as presented in the college's audited financial statements, for the audited period:

(In thousands)	2014-2015	2015-2016
Tuition and Fees (Net of Scholarship Allowances)	$ 8,598	$ 8,061
Connecticut Distance Learning Consortium Fees	1,645	1,188
Federal Grants and Contracts	362 *	362
State and Local Grants and Contracts	658	344
Other Operating Revenues	182	172
Total Operating Revenues	$ 11,445	$ 10,127

* - The college's audited financial statements for the fiscal year ended June 30, 2016 properly reclassified $1.9 million in Pell Grant receipts as Nonoperating revenues. For comparative

purposes, we have reduced Federal Grants and Contracts revenues for the fiscal year ended June 30, 2015 by $2 million in Pell Grant Receipts and increased Nonoperating revenues by the same amount. Operating revenues totaled $11.4 million and $10.1 million during the fiscal years ended June 30, 2015 and 2016, respectively. Revenues decreased $1.3 million (12%) during the 2016 fiscal year. The decrease in operating revenues during the fiscal year ended June 30, 2016 can be primarily attributed to a $537,000 (6%) decrease in Tuition and Fees caused by a decrease in enrollment.

Operating Expenses

Operating expenses generally result from payments made for goods and services to achieve the college's mission of instruction and public service. Operating expenses include employee compensation and benefits, professional services, supplies, and depreciation. Operating expenses, as presented in the college's audited financial statements, for the audited period follow:

(In thousands)	**2014-2015**	**2015-2016**
Instruction	$ 6,473	$ 6,180
Scholarships and Fellowships	205	304
Academic Support	2,178	2,343
Student Services	3,237	3,488
Institutional Support	5,389	6,441
Operation and Maintenance of Plan	289	277
Depreciation	574	587
Prior Period Adjustment	343*	-
	$ 18,688	$ 19,620

* - The audited financial statements for the fiscal year ended June 30, 2016 included a footnote to restate the June 30, 2015 ending position, effectively increasing expenditures for that period by $343,000.

Operating expenses totaled $18.7 million and $19.6 million during the fiscal years ended June 30, 2015 and 2016, respectively. These expenses increased $932,000 (5%) during the 2016 fiscal year due to increases in benefit costs (employees transitioned to SERS) and spending for the Smart Classroom project. Operating expenses are comprised mainly of personal services and related fringe benefits of $14,602,000 (78.2%) and $15,321,000 (78.1%) during the fiscal years ended June 30, 2015 and 2016, respectively.

Nonoperating Revenues

Nonoperating revenues are not derived from the sale or exchange of goods or services that relate to the college's primary functions of instruction, academic support, and student services. Nonoperating revenues include items such as the state's General Fund appropriation, State Bond Fund appropriation, Pell Grants, private gifts and donations, and investment income. Nonoperating revenues during the audited years were presented in the college's audited financial statements as follows:

(In thousands)	2014-2015	2015-2016
State appropriations - general fund	$ 4,014	$ 4,357
State appropriations - bond fund	571	1,622
PELL grants	1,995*	1,926
Other non-operating revenues (expenses), net	306	420
Total non-operating revenues	$ 6,886	$ 8,325

* - The college's audited financial statements for the fiscal year ended June 30, 2016 properly restated $1.9 million in Pell Grant receipts as nonoperating revenues. For comparative purposes, we included Pell Grant receipts for the fiscal year ended June 30, 2015 of $2 million and decreased operating revenues by the same amount.

Nonoperating revenues totaled $6.9 million and $8.3 million during the fiscal years ended June 30, 2015 and 2016, respectively. Nonoperating revenues increased $1.4 million (21%) during the 2016 fiscal year. The increase in nonoperating revenues was caused by a $1.1 million increase in bond fund appropriation revenues from $0.5 million in 2015 to $1.6 million in 2016. The college received this funding for the Smart Classroom project, to purchase Kaltura for CSCU, and to transition the Jenzabar Student Information System to the cloud.

Charter Oak State College Foundation, Inc.

The Charter Oak State College Foundation, Inc. is a private nonstock corporation established to secure contributions from private sources for the purposes of promoting interest in and support of open learning and credentialing in higher education. The foundation supports activities of Charter Oak State College and furnishes assistance to enrollees in the external degree program.

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 set up, 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.

An audit of the foundation, consistent with requirements of Section 4-37f subsection (8) of the General Statutes, was performed by our office for each of the fiscal years ended June 30, 2015 and June 30, 2016. These audits concluded that the foundation complied in all material respects with Sections 4-37e through 4-37i of the General Statutes. However, both audits disclosed several immaterial exceptions that are discussed in the Management Letter section of those reports.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our review of Charter Oak State College's records identified 7 areas requiring improvement.

Approval of Employee Timesheets

Criteria: Charter Oak State College policies and procedures over payments to employees require the preparation of timesheets or equivalent documentation that are approved by the employee's supervisor to support time worked during a particular pay period. These records provide some assurance that an employee actually provided services during the period for which they were paid.

Condition: Supervisors approved timesheets for 3 employees that contained obvious mistakes. We identified these errors through analytical procedures.

We noted a variety of timesheet errors that a supervisor's review should have identified for the college's former Director of Information Systems, who was working from Florida and participating in the voluntary schedule reduction program. The effect of these errors resulted in a net overpayment of $1,800.

In addition, supervisors did not detect timesheet errors for 2 student workers who charged 196 hours to a code reserved for telecommuting. The college told us that these employees were not telecommuting and that the reviewer did not notice the coding errors.

Effect: There is an increased risk for errors or fraud when employee timesheets are not thoroughly reviewed. Failure to properly review an employee's timesheets resulted in a net overpayment of $1,800.

Cause: Supervisors did not sufficiently review timesheets before approving them for payment.

Recommendation: Charter Oak State College should properly train all employees in timesheet preparation. Supervisors should be reminded to review timesheets thoroughly. The college should recover the $1,800 overpayment. (See Recommendation 1)

Agency Response: "Charter Oak State College strives for a 100% accuracy rate related to timesheet submissions. Employee turnover, resource constraints, coding technicalities and other factors makes this a continuous effort during the year. As the audit herein identified a less than 100% accuracy rate, Charter Oak performed an additional self-audit noting that one previously unidentified employee was overpaid $441. As of the date of this response, Charter Oak has formally notified the two employees and has recovered amounts from one individual. As Charter Oak processes approximately $15 million dollars of personnel costs each fiscal year, the implied error rate is 0.02% of total salaries paid. While Charter Oak will continue to reinforce proper timesheet reporting with each supervisor and strengthen controls in the upcoming fiscal year, the error rate indicated does not indicate a more systemic problem throughout the agency and reducing the error rate to zero would require additional taxpayer dollars through the addition of an extra employee or budgeting additional training hours and consulting time."

Auditor's Concluding Comments:

Our audit did not identify a need for additional staffing; rather, existing staff should be reminded to accurately review and approve timesheets.

Voluntary Schedule Reduction Program Participation and Approval

Background: In an effort to reduce payroll costs, the state has established a voluntary schedule reduction program (VSRP). The program offers employees an opportunity to work less than 40 hours per week while continuing to earn the same rate of pay and the employment benefits of a fulltime employee including medical insurance and pension service time.

Criteria: The state's standards for voluntary schedule reduction programs are established by Section 5-248c of the general statutes, regulations 5-248c-1 to 5-248c-3 and Department of Administrative Services guidance. The employee's personnel file should maintain documentation of the employee's request to participate in the program, the employee's preferred work schedule, the cost benefit of the program, and the college president's approval. The agreement may not cover more than 3 months at a time.

The State Employees Retirement System's Hybrid Plan states that employees "earn a vested right to a benefit after 10 years of vesting service."

Condition: The college did not properly administer and approve an employee's participation in the voluntary schedule reduction program. The employee charged time to the VSRP based on a letter from their immediate supervisor. The letter did not document the college president's consideration and approval of the following key points including the:

- number of hours the employee was expected to work each day
- duration the reduced schedule would be in effect
- funding source for the position
- anticipated savings to the state

Initially, the employee resigned from the Information Systems Director position to take a fulltime position in Florida. The college told us that it was concerned the employee's resignation could result in insufficient coverage for college operations. To address their concerns, the employee agreed to work off-site for 20 hours per week under VSRP while also working at a new full-time job. This arrangement continued for 16 weeks, which was the same amount of time the employee needed to earn a vested right for state retirement benefits. At that time, the college moved the employee to a part-time position without a set schedule. The college told us that the arrangement allowed the employee to work in the event of an emergency. The employee has not received any pay from the part-time position.

Effect: It is unclear whether the college's use of the schedule reduction program benefitted the state or the employee, because the college did not document the expected savings. The college's president did not approve the employee's participation in the program in writing.

Cause: The college did not implement sufficient policies and procedures for the administration and approval of voluntary schedule reductions.

Recommendation: Charter Oak State College should implement policies and procedures for proper administration and employee approvals in the voluntary schedule reduction program. Those policies and procedures should meet the state standards established by Section 5-248c of the General Statutes and the Department of Administrative Services. (See Recommendation 2)

Agency Response: "Consistent with the response outlined in the finding above, the Charter Oak State College leadership team inclusive of the President held many discussions about the employee's resignation and the cost benefit analysis associated with the individual's continued employment. The quoted cost of the replacement consultant at $200 per hour represented a cost approximately five times greater than the employee's current rate.

Charter Oak is in agreement that the written documentation maintained did not meet or exceed the standards set by the State regarding the employee's eligibility for the Voluntary Schedule Reduction Program. As of the date of this response, Charter Oak has reviewed the manual documentation requirements associated with the program with human resource personnel; and will ensure the Institution's compliance with documentation standards are part of the revised internal control structure being implemented July 1, 2018."

Remote Employees

Background: There are 3 categories of remote employees at Charter Oak State College: faculty, telecommuters and off-site employees. Faculty is generally responsible for online instruction. The main difference between telecommuters and off-site employees is that off-site employees work remotely on a full-time basis while telecommuters periodically work on site.

Criteria: Charter Oak State College has maintained a telecommuting policy since November 2001

Through established methods and standards, the college must measure the work performance, productivity, and efficiency of remote employees and their work group as a whole.

Good business practices include evaluating the suitability of remote employee arrangements based on the position, the employee, and the proposal. The duties of a position should not be eliminated or reassigned for the sole purpose of making a position more conducive to remote employment. In addition, employees must possess the qualities necessary to work remotely. The following matters should also be considered:

- Does the college have the capacity to monitor the work product?
- Does the arrangement compromise the confidentiality of records?
- Can the college provide the employee with equipment and sufficient remote access to the necessary data and records?
- Does the employee have the necessary telephone and internet service?
- Is the space at the telecommuting location safe, confidential, and appropriate?
- Is the arrangement intended to supply childcare, eldercare, or fulfill other personal responsibilities during the work day?
- Does the position require leading or supervising staff?

Good business practices also requires there be no change to employees' official duty stations, which remain the work location assigned prior to implementation of new remote employment arrangements. Work schedules are to take precedence over employee needs and should match the hours that would be worked at the official duty station. Use of personal equipment should be limited.

The telecommuting arrangement is to be documented for each employee in line with Charter Oak's policy and signed off by the employee, supervisor, manager, human resources representative, and college president.

Condition: Our audit focused on non-faculty remote employees: telecommuters and off-site employees. We found that the college did not apply its Telecommuting Program Guidelines to 4 non-faculty off-site employees. We determined that the college did not formally perform and document assessments of the off-site positions, employees, and proposals before implementing the arrangements.

One non-faculty off-site employee initially worked for the college in a fulltime on-site position. When the employee moved to Florida to take a full-time position with another employer, they continued to work for the college under a part-time offsite arrangement that did not meet the college's telecommuting guidelines. We noted the following specific concerns:

- The college's policy does not establish expectations for telecommuting arrangements when the employee has supervisory duties. Based on the organization chart, the employee supervised 2 individuals before the off-site arrangement was implemented. The arrangement did not address whether the supervisory responsibilities were reassigned or performed remotely.
- The college's policy requires a "set of 'core' hours when the employee will be available." The duties and work schedules of the employee and work group were modified to facilitate the arrangement. To accommodate the employee's reduced work schedule and fulltime employment in Florida, the college reassigned some of the employee's duties to various members of the work group. In addition, to accommodate the employee's full-time employment with a new employer during the day, the college implemented a plan for the work group to "triage work…off-hours." In this case, the core hours were outside the work group's normal workday.
- The college told us that it did not formally implement procedures to monitor the employee's work. We asked for records that may show the employee's login dates and times, but were told that none were available. The college also told us that during November 2017, it replaced the laptop on loan to the employee and all of the local data was lost. We would note that the employee was not paid for any work in this position between April 2017 and their resignation in December 2017.

Effect: Without sufficient approval documentation, there is no assurance that the college properly evaluated or implemented remote employment arrangements for non-faculty off-site employees. The college has not sufficiently documented its monitoring of the non-faculty off-site employees' time and effort to ensure they were properly paid for actual services.

Cause: The college did not adhere to established policies and procedures to sufficiently manage and document the 4 off-site employment arrangements.

Recommendations: Charter Oak State College should ensure all non-faculty telecommuting arrangements follow the college's policies and procedures. (See Recommendation 3)

Agency Responses: "Charter Oak State College agrees that the four individuals classified as "off-site" employees should follow the same policies and procedures that all telecommuters follow and that these individuals were not part of the annual process required by the College's telecommuting policy.

Management made inquiries of the individuals supervising the off-site employees which appeared to indicate that adequate monitoring had taken place and that amounts paid were appropriate for the time and effort received by the college from each of the four employees. Notably, this was done after the fact and would have been performed and memorialized earlier if the College's policy was followed.

Charter Oak solicited additional input from the State Auditors and referenced the Department of Administrative Services telecommuting policy and is currently working through revisions to its own telecommuting policy. This revised policy became active on July 1, 2018."

Ethics Liaison

Criteria: Section 1-101rr of the Connecticut General Statutes established the state's ethic's standards. Each state agency must appoint either an ethics compliance officer or a liaison to the Office of State Ethics. The liaison "shall coordinate the development of ethics policies for the agency and work with the Office of State Ethics on training on ethical issues for agency personnel."

Condition: We asked 3 college employees about the identity of their ethics liaison and none were aware that their ethics liaison was a representative of the Board of Regents. We were told that this arrangement had been in place since the Board of Regents amended the policy in 2013.

Effect: There is an increased risk for unethical activities when employees are not sufficiently informed and reminded of the state's ethics requirements.

Cause: The Board of Regents did not sufficiently communicate a 2013 policy change to Charter Oak State College employees.

Recommendation: Charter Oak State College and the Board of Regents should ensure the standards established by Section 1-101rr of the General Statutes are met. (See Recommendation 4)

Agency Response: "Charter Oak State College is in agreement that for the fiscal year 2015, 2016 and 2017 periods that reminder communications identifying the

College's ethics liaison was deficient. While each employee receives the requisite ethics material when hired and attends trainings as instructed, College leadership will proactively remind employees through annual notices and messaging that establishes a strong ethical tone at the top to ensure each employee is empowered to report any concerns to the ethics liaison. As the liaison works for the CSCU system and does not hold supervisory duty over any College employee, this reporting structure should also minimize any perceived biasness and promote the feeling that ethical concerns can be raised in confidence and confidentially if encountered. The first communication under this revised plan was made September 7, 2017."

Documentation of Internal Control Self-Assessment

Background: In the interest of promoting responsible, efficient, and cost-effective governance, the Office of the State Comptroller issues the Internal Control Guide as a tool to assist agencies in evaluating and strengthening internal controls. The annual self-evaluation and risk assessment process allows managers to evaluate internal controls and identify possible deficiencies within their areas of responsibility.

Criteria: The Office of the State Comptroller issues an annual memorandum reminding agency heads to conduct an annual internal control self-assessment as required by the Internal Control Guide. In accordance with the Internal Control Guide, management personnel of the agency are responsible for establishing and maintaining effective internal control. Agencies must complete the internal control self-assessment annually by June 30th and keep it on file. The review of the self-assessment questions should be completed with a report noting weaknesses and recommendations for improvements.

The questionnaire includes a form the agency head and business manager must sign to confirm that the information entered into the questionnaire is complete and accurate.

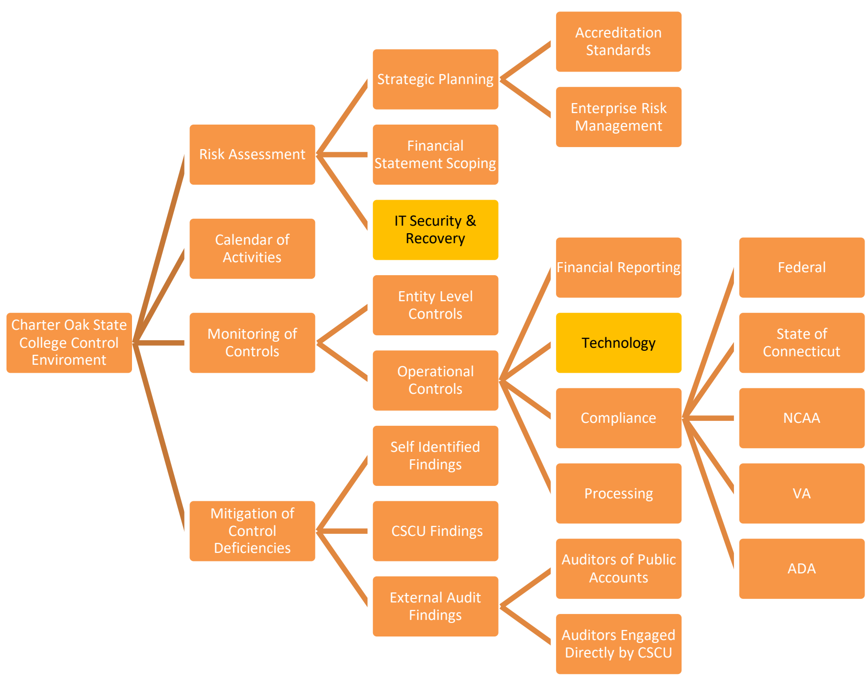
Condition: Neither the college president nor the business manager signed the required confirmation page. Therefore, we were unable to verify that the version of the Internal Control Questionnaire the college provided us was current, complete, and accurate.

Effect: The college may not have provided us with a complete and accurate self-evaluation and risk assessment for the fiscal years ending June 30, 2015 and 2016.

Cause: The college did not properly complete the Internal Control Questionnaire.

Recommendation: The Charter Oak State College should complete the Internal Control Questionnaire by June 30th of each year. The college should keep the assessment and the required certification page on file. (See Recommendation 5)

Agency Response: "Through the hiring of a new Chief Financial and Administrative Officer in fiscal year 2017, Charter Oak is seeking to continually improve and set a high standard for internal control. The institution will be utilizing both the Internal Control Self-Assessment provided by the Office of the State Comptroller and the COSO Internal Control Framework (an internationally recognized control structure centered on developing cost-effective internal control systems implemented by most public companies) in the future. While there are still improvements to be made to Charter Oak's higher education specific model; significant deficiencies and material weaknesses identified in the fiscal year 2016 audit performed by a second set of independent auditors were remediated in fiscal year 2017. While Charter Oak believes that the overall control environment was effective for the periods under audit herein, greater emphasis will be made to ensure manual sign-offs are documented in compliance with the Comptroller's annual memorandum. A preliminary summary of the revised internal control framework to be implemented has been included below:"



Dual Employment

Criteria: Section 5-208a of the General Statutes and Department of Administrative Services guidance established the state's standards for dual employment. Those standards bar state employees from holding multiple job assignments within the same state agency unless the appointing authority of such agency certifies that the duties performed are not in conflict with the employee's primary responsibility. The agency must document and review the hours worked on each assignment to preclude duplicate payment, and no conflict of interest may exist between the services performed.

In addition, the employee should be assigned a secondary position in Core-CT before they begin working in the second position.

Condition: We identified 11 Charter Oak State College employees with both regular and academic positions, whom the college did not recognize as dually employed. As a result, Charter Oak State College did not complete the requisite forms to determine whether conflicts existed with the employees' primary assignment or the services performed. The college did not consider the hours worked on each assignment and how to document and review them to preclude duplicate payments. Additionally, the second position's earnings were not properly recorded in Core-CT.

Effect: In the absence of proper documentation and monitoring, duplicate payments and conflicts of interest may go undetected. By not properly recording the secondary position's activities in Core-CT, the college overstated the earnings of the 11 employees' primary positions by $85,632 and understated the secondary positions by the same amount during the fiscal years ending June 30, 2015 and 2016.

Cause: The agency was not aware that employees with multiple positions within an agency are considered dually employed and that additional monitoring and documentation are required.

Recommendation: Charter Oak State College should implement policies and procedures for administering dual employment arrangements that comply with the standards established by Section 5-208a of the General Statutes and guidance issued by the Department of Administrative Services. (See Recommendation 6)

Agency Response: "Each of the approximately 240 temporary academic appointments made each year are recommended by the Provost's Department and for those approved, an appointment letter from the College President is executed. For the 11 employees noted herein, the agency was unaware that temporary assignments within the same agency required an additional form on top of the appointment letter issued by the President. As a result, Charter Oak is in agreement with the finding that the requisite DAS form was not populated. For the fiscal year beginning July 1, 2018; Charter Oak State College began utilizing the DAS form and the coding recorded to the CORE-CT payroll ledger is bifurcated between such role and the primary position."

Commitment of Funds

Criteria: Section 4-98 of the General Statutes requires that a valid commitment must be in place prior to incurring an obligation. In addition, a record of all commitments should be maintained within the accounting system. Section 1.3 of the State Accounting Manual states that, "before any obligation is incurred which will require a future expenditure out of an appropriation, a portion of that appropriation must be reserved to ensure that funds will be available when payment is due. Purchase orders encumber the funds for future use. Expenditures should only be made to liquidate properly encumbered obligations."

Condition: We tested 5 personal services agreements and found that the college did not obligate the funds for 1 agreement. The college created the purchase order 9 business days after it received the personal services.

Effect: The college did not comply with the General Statutes and the state's purchasing policies and procedures outlined in the State Accounting Manual.

Cause: The college does not always encumber funds in a timely manner.

Recommendation: Charter Oak State College should properly encumber obligations in accordance with the General Statutes. (See Recommendation 7)

Agency Response: "The Agency is in agreement with the finding herein as the same finding was identified through self-assessment procedures made by current accounting personnel. Beginning in fiscal year 2018, new requisition procedures were implemented across the Institution in addition to a new procurement policy adopted by the CSCU system. Both of these action items are expected to enhance procurement controls."

Other Audit Examination

The Board of Regents for Higher Education 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 Charter Oak State College. As part of its audit work, the firm has made an annual study and evaluation of the universities' internal controls to the extent deemed necessary to express an audit opinion on the financial statements. Certain matters involving internal controls have been included in an annual report to management accompanying the audited financial statements.

The Report to Management for the fiscal year ended June 30, 2015 issued no recommendations pertaining to Charter Oak State College.

Three recommendations were made in the Independent Auditor's report to management for the fiscal year ended June 30, 2016. They all relate to the posting of journal entries.

1) Charter Oak State College should, “review its user rights within the general ledger to limit the preparation and posting access to appropriate individuals.”

2) Charter Oak State College should establish procedures to document the “process for the initiation, authorization and posting of journal entries.”

3) Charter Oak State College should establish procedures to “ensure adequate segregation of duties so that each journal entry includes evidence of a documented review by someone independent of the preparation process prior to the respective journal entry being posted to the general ledger.

Our audit noted that these three recommendations were not repeated in the Independent Auditor’s report to management for the fiscal year ended June 30, 2017.

RECOMMENDATIONS

The prior audit report contained 3 recommendations; none are being repeated.

Status of Prior Audit Recommendations:

- Charter Oak State College should ensure that receipts are properly documented and deposited into the bank in a timely manner. **We did not identify any reportable concerns during our current review. Therefore, the recommendation is not being repeated.**

- Charter Oak State College should take steps to strengthen controls over purchasing card transactions by ensuring compliance with its BORAA Purchasing Card Procedures Manual and the State of Connecticut purchasing card policies. **The current review did not identify similar concerns. The recommendation will not be repeated.**

- Charter Oak State College should improve internal controls over the documentation and authorization of equipment disposals. **We did not identify any exceptions in this area in our current audit. The recommendation is not being repeated.**

Current Audit Recommendations:

1. **Charter Oak State College should properly train all employees in timesheet preparation. Supervisors should be reminded to review timesheets thoroughly. The college should recover the $1,800 overpayment.**

   Comment:

   Supervisors approved timesheets for 3 employees that contained obvious mistakes. The college did not detect multiple errors on the timesheets of the college's former Director of Information Systems, resulting in a net overpayment of $1,800.

2. **Charter Oak State College should implement policies and procedures for proper administration and employee approvals in the voluntary schedule reduction program. Those policies and procedures should meet the state standards established by Section 5-248c of the General Statutes and the Department of Administrative Services.**

   Comment:

   The college did not properly administer and approve an employee's participation in the voluntary schedule reduction program (VSRP). In addition, this employee's supervisory duties and the work schedules of the supervisor's work group were modified to support the individual's out of state, daytime employment with the college's information systems contractor.

3. **Charter Oak State College should ensure all non-faculty telecommuting arrangements follow the college's policies and procedures.**

   Comment:

   We found that the college did not apply its Telecommuting Program Guidelines to 4 non-faculty off-site employees. We determined that the college did not formally perform and document assessments of the off-site positions, employees, and proposals before implementing the arrangements.

4. **Charter Oak State College and the Board of Regents should ensure the standards established by Section 1-101rr of the General Statutes are met.**

   Comment:

   We asked 3 college employees about the identity of their ethics liaison and none were aware that their ethics liaison was a representative of the Board of Regents.

5. **The Charter Oak State College should complete the Internal Control Questionnaire by June 30th of each year. The college should keep the assessment and the required certification page on file.**

   Comment:

   We were unable to verify that the version of the Internal Control Questionnaire the college provided us was current, complete, and accurate

6. **Charter Oak State College should implement policies and procedures for administering dual employment arrangements that comply with the standards established by Section 5-208a of the General Statutes and guidance issued by the Department of Administrative.**

   Comment:

   Our audit identified 11 Charter Oak State College employees with both regular and academic positions, who the college did not recognize as dually employed. As a result, Charter Oak State College did not complete the requisite forms to determine whether conflicts exist with the employees' primary assignment or the services performed.

7. **Charter Oak State College should properly encumber obligations in accordance with the General Statutes.**

   Comment:

   We tested 5 personal services agreements and found that the college did not obligate the funds for 1 agreement. The college created the purchase order 9 business days after it received the personal services.

ACKNOWLEDGMENT

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

Jamie Drozdowski
Tyler J. Flanagan
Marva N. Robinson
Ramona M. Weingart

CONCLUSION

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of Charter Oak State College during the course of our examination.

Ramona Weingart
Principal Auditor

Approved:

John C. Geragosian
State Auditor

Robert J. Kane
State Auditor