

STATE OF CONNECTICUT



*AUDITORS' REPORT
BOARD OF REGENTS FOR HIGHER EDUCATION
CHARTER OAK STATE COLLEGE
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2018*

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

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September 2, 2020

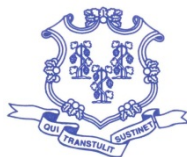
EXECUTIVE SUMMARY

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, 2017 and 2018.

The key findings are presented below:

Page 7	Charter Oak State College paid management allowances without the approval of the board of regents’ president. Instead, the Vice President of Human Resources approved \$10,140 and \$7,140 for these payments during the fiscal years ended June 30, 2017 and 2018, respectively. Charter Oak State College should obtain proper authorization for supplemental payments to its employees. (Recommendation 1.)
Page 8	Charter Oak State College temporarily assigned its chief information officer to Western Connecticut State University using an employment agreement. This resulted in an organizational structure that lacked clear lines of authority and made it more difficult to manage programs and their associated costs. Charter Oak State College and the Board of Regents for Higher Education should coordinate the reassignment of their employees to ensure the most efficient use of resources. The Board of Regents for Higher Education should establish policies and procedures to identify and monitor these arrangements. (Recommendation 2.)
Page 11	Charter Oak State College did not individually tag 10 newly acquired capital equipment items, totaling \$404,000. Instead, it assigned a single asset identification to a group of 79 items purchased for a new data center, totaling \$653,982. In addition, the college did not document that management approved the transfer of computer equipment to a local public school. Charter Oak State College should improve internal controls over its capital equipment by following the State Comptroller’s property control requirements and its policies and procedures. (Recommendation 5.)

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT J. KANE

September 2, 2020

INTRODUCTION

AUDITORS' REPORT BOARD OF REGENTS FOR HIGHER EDUCATION CHARTER OAK STATE COLLEGE FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2018

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, 2017 and 2018. 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. The Board of Regents for Higher Education oversees Charter Oak State College and the Connecticut Distance Learning Consortium. Part of the board's mission 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. 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.

Enrollment Statistics

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

	Fall 2016	Spring 2017	Fall 2017	Spring 2018
Part Time Undergraduate	1,220	1,336	1,126	1,218
Full time Undergraduate	313	324	290	294
Part Time Graduate	44	55	78	83
Full Time Graduate	6	9	6	5
Total Enrollment	1,583	1,724	1,500	1,600

Enrollment decreased 6.3% during the 2017-2018 fiscal year to 3,100 compared to 3,307 during the 2016-2017 fiscal year. Enrollment has seen a steady decline since the end of the Go Back to Get Ahead program.

RÉSUMÉ OF OPERATIONS

During the audited period, appropriations from the state’s General Fund and tuition and fees credited to the Charter Oak State College Operating Fund were the primary sources of funding for the college. Section 10a-143 of the General Statutes established the college’s operating fund 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(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:

	2016-2017		2017-2018	
Tuition Charges:	In-State	Out-of-State	In-State	Out-of-State
Undergraduate	\$ 287	\$ 377	\$ 298	\$ 392
Graduate	468	489	486	508

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:

College Fee:	<u>2016-2017</u>		<u>2017-2018</u>	
	In-State	Out-of-State	In-State	Out-of-State
Undergraduate	\$ 201	\$ 267	\$ 209	\$ 275
Graduate	333	354	346	368

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

Assessment Fee:	<u>2016-2017</u>	<u>2017-2018</u>
Nonprofit Review	\$ 2,250	\$ 2,250
For-Profit Review	4,500	4,500
Additional Nonprofit Review	475	475
Additional For-Profit Review	813	813

Operating Revenues

The college derives operating revenues from the sale or exchange of goods and services related to the college's educational and public service activities. Tuition, fees, and federal and state grants are major sources of the college's operating revenue. The following summary presents operating revenues as presented in the college's audited financial statements for the audited period and prior fiscal year:

(In thousands)	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
Tuition and Fees (Net of Scholarship Allowances)	\$ 8,061	\$ 8,223	\$ 8,389
Connecticut Distance Learning Consortium Fees	1,188	1,483	1,436
Federal Grants and Contracts	362	362	362
State and Local Grants and Contracts	344	264	239
Nongovernmental Grants and Contracts	4	13	121
Other Operating Revenues	168	83	94
Total Operating Revenues	<u>\$ 10,127</u>	<u>\$ 10,428</u>	<u>\$ 10,641</u>

Operating revenues totaled \$10.4 million and \$10.6 million during the fiscal years ended June 30, 2017 and 2018, respectively. Revenues increased 2.9% during fiscal year 2016-2017 and 2% during fiscal year 2017-2018. Tuition and fees increased 2% during each fiscal year. Connecticut Distance Learning Consortium call center fees increased 25% during fiscal year 2016-2017 and were relatively unchanged during fiscal year 2017-2018.

Operating Expenses

Operating expenses generally result from payments for goods and services to achieve the college's instruction and public service mission. Operating expenses include employee compensation and benefits, professional services, supplies, and depreciation. The following summary presents operating expenses, as presented in the college's audited financial statements for the audited period and prior fiscal year:

(In thousands)	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
Instruction	\$ 6,180	\$ 5,848	\$ 6,004
Scholarships and Fellowships	304	192	231
Academic Support	2,343	2,168	2,176
Student Services	3,488	3,137	3,794
Institutional Support	6,441	6,461	6,360
Operation and Maintenance of Plant	277	316	282
Depreciation	587	618	440
	<u>\$ 19,620</u>	<u>\$ 18,740</u>	<u>\$ 19,287</u>

Operating expenses totaled \$18.7 million and \$19.3 million during the fiscal years ended June 30, 2017 and 2018, respectively. The expenses decreased by 4.5% during fiscal year 2016-2017. This reflects a staffing decrease and the completion of the Smart Classroom project. Expenses increased 3% during fiscal year 2017-2018 due to increased personal services and related fringe benefit expenses from \$14.8 million in fiscal years 2016-2017 to \$16.0 million in 2017-2018. They were \$15.3 million during fiscal year 2015-2016. Operating expenses were mainly comprised of personal services and related fringe benefits of \$14.8 million and \$16.0 million during the fiscal years ended June 30, 2017 and 2018, respectively.

The college's audited financial statements for the fiscal year ended June 30, 2018, restated the revenues, expenses and changes in net position at June 30, 2017, as a result of adopting the Governmental Accounting Standards Board's GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The college adopted this accounting pronouncement in fiscal year 2017-2018 and recorded it retroactively through an adjustment to beginning of year net position.

Nonoperating Revenues

Nonoperating revenues are not derived from the sale or exchange of goods or services related to the college's primary functions of instruction, academic support, and student services. Nonoperating revenues include items such as the state's General Fund appropriations, bonding, Pell grants, private gifts and donations, and investment income. The following summarizes nonoperating revenues as presented in the college's audited financial statements for the audited period and prior fiscal year:

(In thousands)	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
State Appropriations - General Fund	\$ 4,357	\$ 4,605	\$ 4,285
State Appropriations - Bond Fund	1,622	238	1,350
Pell Grants	1,926	1,673	1,866
Other Non-Operating Revenues (Expenses), net	420	347	32
Total Non-Operating Revenues	<u>\$ 8,325</u>	<u>\$ 6,863</u>	<u>\$ 7,533</u>

Nonoperating revenues totaled \$6.9 million and \$7.5 million during the fiscal years ended June 30, 2017 and 2018, respectively. Nonoperating revenues increased 10% during fiscal year 2017-2018. Bond allocations increased from \$0.2 million to \$1.4 million for a new data center.

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.

Our office performed an audit of the foundation, consistent with requirements of Section 4-37f(8) of the General Statutes, for each of the fiscal years ended June 30, 2017 and June 30, 2018. These audits concluded that the foundation complied in all material respects with Sections 4-37e through 4-37i of the General Statutes. However, we disclosed several exceptions and recommendations related to internal controls in the Management Letter section of those reports.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

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

Management Allowances

Background: The Board of State Academic Awards authorized the payment of management staff allowances, beginning in May 2008. The allowances provided certain employees between \$1,200 and \$5,040 per year to cover optional benefits such as life or disability insurance, annuities, and professional development. After the Board of State Academic Awards merged with the Board of Regents for Higher Education, the board's legal department issued an opinion that the allowances were no longer applicable, because the board's revised Human Resources Policies for Management and Confidential Professional Personnel superseded and canceled all prior practices and agreements.

Criteria: Connecticut State Colleges and Universities' policies and procedures require that whenever there is a dispute concerning the meaning of these policies and procedures, the Board of Regents for Higher Education's Vice President for Human Resources must make written recommendations to the board's president on how to resolve the issue. The president may accept or reject the vice president's written recommendations.

Condition: Charter Oak State College paid management allowances without the approval of the Board of Regents' president. Instead, the Vice President of Human Resources approved \$10,140 and \$7,140 for these payments during the fiscal years ended June 30, 2017 and 2018, respectively.

Effect: It appears that the college overpaid certain employees.

Cause: The Vice President for Human Resources approved the payments without obtaining approval from the board president.

Prior Audit Finding: This is the first report to include such a finding.

Recommendation: Charter Oak State College should obtain proper authorization for supplemental payments to its employees. (See Recommendation 1.)

Agency Response: "The College does not agree that employees were overpaid as the College followed the approved employee compensation schedules promulgated by the previous Board of Trustees prior to 2011. Advance approval was additionally solicited by the College and received from the CSCU System Office prior to any wages being paid."

Auditors' Concluding

Comments: Charter Oak State College did not receive permission for the payments from the board of regents' president and failed to comply with Section 1.3 of the CSCU Human Resources Policies for Management & Confidential Professional Personnel.

Coordination of Staff

Background: State colleges frequently release their employees from assigned duties to perform other functions at their college or another college or university. These arrangements are designed to save on personnel costs and share best practices.

Criteria: On July 1, 2011, the General Assembly created the Board of Regents for Higher Education. The board is authorized to establish policies and guidelines to ensure the best possible use of available higher education resources. This includes the coordination of services among the state universities, community colleges, and Charter Oak State College.

Employment agreements should not be difficult to monitor or result in excessive work hours.

Condition: Charter Oak State College temporarily assigned its chief information officer (CIO) to Western Connecticut State University (Western) using an employment agreement. The employee became a full-time university employee for one year. Although Western paid the CIO as a full-time employee, the employment agreement also allowed the CIO to work on Charter Oak State College matters for up to 12 hours per week. The college and university did not prepare a dual employment agreement for this unusual arrangement. However, Charter Oak State College prepared an agreement for the employee to work weekends for additional compensation paid by the college. .

Effect: Organizational structures that lack clear lines of authority make it more difficult to manage programs and their associated costs. The arrangement made it difficult for the college and board of regents to identify the true cost of managing the college's information systems.

Cause: The Board of Regents for Higher Education does not have a mechanism to monitor employees assigned to work in other positions, colleges, or universities.

Prior Audit Finding: This is the first report to include such a finding at the college.

Recommendation: Charter Oak State College and the Board of Regents for Higher Education should coordinate the reassignment of their employees to ensure the most efficient use of resources. The Board of Regents for Higher Education

should establish policies and procedures to identify and monitor these arrangements. (See Recommendation 2.)

Agency Response: “The College does not agree with the effect noted herein and feels that an assessment of good business practice is subjective in many ways, is influenced by the demands on each campus and as related to the decision to share a CIO temporarily in December of 2015, was a decision brainstormed and executed by both the Presidents and HR leads of Charter Oak and Western Connecticut State University. A dual employment form was completed and on file prior to the commencement of the arrangement. To further protect the interests of the State, the CSCU System Office helped facilitate and monitor the arrangement and any hours paid under the dual employment agreement were required to be performed on-site at Charter Oak. Hours incurred by the employee for after hour weekday or weekend calls, emails, emergency technology support or other services would not qualify unless performed physically on the campus on either a Saturday or Sunday. A weekly log of any weekend hours was provided to the President and Human Resources outlining the work performed and validated prior to being paid. Badge access logs were also available for the College to review that the employee in question was physically on campus, although at the time the College was engaged in 7 day per week operations therefore additional staff was located on campus. Over the period of the arrangement and on average, approximately 11 hours per weekly pay period were accumulated which included covering the responsibilities of another executive from the College who was on unpaid leave due to an unforeseen family tragedy and ultimately retired. At the end of the arrangement, it was concluded by leadership that the estimated savings, synergies and flexibility created was beneficial to both campuses.”

*Auditors’ Concluding
Comments:*

The university and college did not properly account for the employee’s Charter Oak State College hours under the arrangement, and they have not identified the actual cost of the college’s information technology operations.

Approval of Employee Timesheets

Criteria: Charter Oak State College’s payroll policies and procedures require employees to prepare timesheets to support their work hours. Timesheets must be approved by the employee’s supervisor. These records provide some assurance that an employee actually provided services during that time.

Condition: Supervisors have not adequately reviewed employee timesheets for errors.

- 1) A supervisor did not identify and correct a telecommuting employee’s miscoded timesheets. These coding errors failed to disclose a remote

employment arrangement that began intermittently during August 2018 and became full time during January 2019.

- 2) A supervisor did not question 2 timesheets that each reported 20 hours for one day. The employee accidentally entered additional hours on a weekday for weekend time worked under a dual employment arrangement.

Effect: There is an increased risk for errors or fraud when supervisors do not sufficiently review employee timesheets.

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

Prior Audit Finding: We are repeating this portion of the prior audit recommendation.

Recommendation: Charter Oak State College should properly train all employees in timesheet preparation. The college should remind supervisors to thoroughly review employee timesheets. (See Recommendation 3.)

Agency Response: “The College agrees and consistent with the College’s prior response within the audit report dated 10/3/2019, 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. The error rate identified herein of less than approximately 1% is difficult to mitigate in its entirety but the College will continue to set forth the goal. There was no monetary impact associated with the exceptions.”

Commitment of Funds

Criteria: Charter Oak State College uses purchase orders to encumber funds and ensure they are available when payment is due. The college should only make expenditures after properly encumbering obligations with a purchase order.

Condition: We reviewed 5 personal services agreements totaling \$51,381. The college did not generate a purchase order for one agreement until 2 months after the college began receiving services.

Effect: Charter Oak State College did not encumber funds for the obligation with a purchase order.

Cause: Charter Oak State College did not comply with purchase order issuance policies and procedures.

Prior Audit Finding: There was a similar finding in the prior audit.

Recommendation: Charter Oak State College should properly encumber expenditure obligations by issuing purchase orders in a timely manner. (See Recommendation 4.)

Agency Response: “The College agrees with these findings consistent with the College’s prior response within the audit report dated 10/3/2019.”

Property Control for Capital Equipment

Criteria: The State Comptroller’s Property Control Manual establishes policies and procedures to protect assets. The manual requires colleges to record capital equipment in property control records and tag the assets with identification numbers. Management must approve the disposal of capital equipment items.

Condition: Charter Oak State College did not individually tag any of the 10 newly-acquired capital equipment items in our sample, costing \$404,000. Instead, the college assigned a single asset identification to a group of 79 items purchased for a new data center, totaling \$653,982.

In addition, the college did not document that management approved the transfer of computer equipment to a local public school. It was years later before the school acknowledged its receipt of the equipment in a signed form.

Effect: Equipment is subject to an increased risk for loss or theft without individual asset tag numbers.

Cause: Charter Oak State College indicated that there was not enough room to separately tag each item in the new server. While this may be true for certain items, we determined there was sufficient surface area to attach an asset control tag to 7 of the 10 items in our sample.

The college did not comply with established equipment disposal policies and procedures.

Prior Audit Finding: This is the first report to include such a finding.

Recommendation: Charter Oak State College should improve internal control over its capital equipment by following the State Comptroller’s property control requirements and its policies and procedures. (See Recommendation 5.)

Agency Response: “The College agrees that both conditions were present.

Condition 1 - Natural tension continues to exist between property control managers and information technology staff as those responsible for property control wish to tag each component of the technology infrastructure while

technology staff strive to ensure nothing compromises the sensitive nature of chipsets and mechanicals. Vendors additionally continue to stress that warranties are contingent on not compromising devices with items that would interfere with electrostatic or thermal considerations. The College will ensure an appropriate balance is struck between such as outlined within the CSCU Capital and Controllable Asset Manual in the future.

Condition 2 - In specific regards to the transfer of scrap equipment, the CSCU System maintains a manual that requires signatures on transfers or scrap. For the instance herein, the College employee that oversaw multiple transfers did not obtain an acknowledgment form for the transfer of scrap in this instance to a local public school but had received authorization from the College's property manager to make such transfer. When this was identified, a signed form was requested and received from the local school to validate the receipt of the scrap goods. Given the non-sensitive nature and magnitude of the error the employee was given a verbal warning from their supervisor; suspension or termination was not pursued."

Student Activity Fund Account Financial Statements

Criteria: The State Accounting Manual for Activity and Welfare Funds requires the college to file financial statements with the Board of Regents for Higher Education by September 30th of each year. The college president must approve the statements to document management's monitoring of financial transactions and records.

Condition: Charter Oak State College management did not properly monitor its student activity fund. In August 2019, we asked the college for the fund's records and financial statements. The college could not determine which employees were responsible for recordkeeping and financial reporting of the fund's activities. After several requests, we received the documents almost 3 months later.

The college did not accurately complete the financial statements for the fiscal years ended June 30, 2017 and 2018. It was also unable to document that it had provided the Board of Regents for Higher Education with an approved copy of the financial statements by September 30th of each year.

Effect: There was decreased assurance that fund records were complete, accurate, and approved.

Cause: Charter Oak State College informed us that student activity funds were a low priority due to staff turnover and a business office reorganization.

Prior Audit Finding: This is the first report to include such a finding.

Recommendation: Charter Oak State College should properly monitor its student activity fund accounts. The college should also accurately complete its financial statements and file approved statements with the Board of Regents for Higher Education by September 30th of each year. (See Recommendation 6.)

Agency Response: “The College was not aware of the requirement that the financial statements for the student activity funds were required to be presented to the Board of Regents as financial activity for the fund is approved by the Director of Academic Services and reconciled monthly by the Controller’s Office. Upon further review, annual financial statements for the funds have been prepared for periods dating back prior to 2011 but were ultimately not submitted to the Board of Regents. The most recent sets of financial statements for the fiscal 2018 and 2019 period were completed on July 10, 2018 and July 2, 2019 respectively for the June 30th close period. Going forward the College will begin submitting the financial statements to the Board of Regents for the approximate \$15,000 of assets under management.”

Other Audit Examination

The Board of Regents for Higher Education 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 studied and evaluated the college’s internal controls to the extent deemed necessary to express an audit opinion on the financial statements.

The auditor’s reports to management made no recommendations pertaining to Charter Oak State College for the fiscal year ended June 30, 2018, and recommended two adjustments for the fiscal year ended June 30, 2017:

- 1) Correct the amortization period of prepaid expenses, totaling \$144,296.
- 2) Correct Connecticut Distance Learning Consortium fees improperly recorded as fiscal year 2016-2017 revenues, totaling \$15,403.

The Connecticut State Colleges and Universities recorded the first recommended adjustment; however, management determined the second adjustment was immaterial to the financial statements and did not record it.

RECOMMENDATIONS

The prior audit report contained 7 recommendations; 2 are being repeated.

Status of Prior Audit Recommendations:

- Charter Oak State College should properly train all employees in timesheet preparation. The college should remind supervisors to review timesheets thoroughly. The college should recover the \$1,800 net overpayment. **We identified a few timesheet errors in our testing of employees' salaries. We will repeat this recommendation. The college could not recover the \$1,800 overpayment. (See Recommendation 3.)**
- Charter Oak State College should implement policies and procedures for the proper administration and approval of employees' voluntary schedule reductions. Those policies and procedures should include completion of the form designed by the Department of Administrative Services, Request for Schedule Change under the Voluntary Schedule Reduction Program. **We did not identify any reportable concerns during our current review. Therefore, we will not repeat this recommendation.**
- Charter Oak State College should ensure that all non-faculty telecommuting arrangements follow the college's policies and procedures. **We did not identify any reportable concerns during our current review regarding approvals of the telecommuting agreements. We will not repeat this recommendation.**
- Charter Oak State College and the Board of Regents for Higher Education should ensure the standards established by Section 1-101rr of the General Statutes are met. **The current review reflects the appointment of the liaison to the Office of State Ethics. We will not repeat the recommendation.**
- The Charter Oak State College should complete the Internal Control Questionnaire by June 30th of each year. The college should keep the assessment along with the required certification page on file. **The current review did not identify any concerns. We will not repeat this 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. **Our current audit did not identify exceptions in this area and we will not repeat the recommendation.**
- Charter Oak State College should properly encumber obligations in accordance with the General Statutes. **We identified an instance of this in our current review. Therefore, we will repeat recommendation. (See Recommendation 4.)**

Current Audit Recommendations:

- 1. Charter Oak State College should obtain proper authorization for supplemental payments to its employees.**

Comment:

Charter Oak State College paid management allowances without the approval of the board of regents' president. Instead, the Vice President of Human Resources approved \$10,140 and \$7,140 for these payments during the fiscal years ended June 30, 2017 and 2018, respectively.

- 2. Charter Oak State College and the Board of Regents for Higher Education should coordinate the reassignment of their employees to ensure the most efficient use of resources. The Board of Regents for Higher Education should establish policies and procedures to identify and monitor these arrangements.**

Comment:

Charter Oak State College temporarily assigned its chief information officer (CIO) to Western Connecticut State University using an employment agreement. This resulted in an organizational structure that lacked clear lines of authority and made it more difficult to manage programs and their associated costs.

- 3. Charter Oak State College should properly train all employees in timesheet preparation. The college should remind supervisors to thoroughly review employee timesheets.**

Comment:

Charter Oak State College supervisors did not detect or correct two employees' timesheet errors with miscoding and excessive hours.

- 4. Charter Oak State College should properly encumber expenditure obligations by issuing purchase orders in a timely manner.**

Comment:

We reviewed 5 personal services agreements totaling \$51,381.35. The college did not generate a purchase order for one agreement until 2 months after the college began receiving services.

- 5. Charter Oak State College should improve internal control over its capital equipment by following the State Comptroller's property control requirements and its policies and procedures.**

Comment:

The college did not individually tag 10 newly acquired capital equipment items, totaling \$404,000. Instead, it assigned a single asset identification to a group of 79 items purchased for a new data center, totaling \$653,982. In addition, the college did not document that management approved the transfer of computer equipment to a local public school.

- 6. Charter Oak State College should properly monitor its student activity fund accounts. The college should also accurately complete its financial statements and file approved statements with the Board of Regents for Higher Education by September 30th of each year.**

Comment:

Charter Oak State College management did not properly monitor its student activity fund accounts. The college did not provide completed student activity fund account financial statements to the Board of Regents for Higher Education for the fiscal years ended June 30, 2017 and 2018, and could not document that it provided those reports to the board on time.

ACKNOWLEDGMENT

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

Tyler J. Flanagan

Andrew Lynch

Jamie Swope

Ramona M. Weingart

CONCLUSION

In 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