

STATE OF CONNECTICUT



*AUDITORS' REPORT
CHARTER OAK STATE COLLEGE
FISCAL YEARS ENDED JUNE 30, 2019 AND 2020*

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

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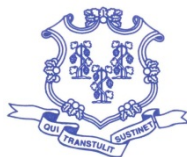
October 7, 2021

EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of Charter Oak State College for the fiscal years ended June 30, 2019 and 2020. 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:

Page 8	Charter Oak executed an online tutoring contract with a maximum value of \$24,999. The contract included provisions allowing for extra tutoring hours which resulted in the college paying the vendor \$76,620 under the contract. Charter Oak did not obtain the Office of the Attorney General’s (OAG) approval for the contract even though the college did not use an approved OAG contract template and did not amend the contract when payments to the vendor exceeded its maximum value. When the college renewed the contract for an additional year, it obtained OAG approval but decided against using a sealed bidding process, because the provider received favorable feedback during its initial contract. Charter Oak State College should improve controls over procurement and contracting to ensure the Office of the Attorney General approves contracts when necessary. The college should amend contracts if payments exceed the contract’s maximum value and adhere to state competitive bidding requirements. (See Recommendation 1.)
Page 10	The college did not sufficiently commit funds prior to incurring nine expenses, totaling \$455,939. Charter Oak State College should strengthen its internal controls over purchasing to ensure the execution of purchase orders and commitment of funds prior to ordering goods and services. (See Recommendation 2.)
Page 10	The college paid more than \$169,000 to an information technology infrastructure services vendor without knowing which contract terms it used to make the purchases. Charter Oak State College should not pay for goods or services until it properly identifies the approved existing contract it used for a purchase and verifies that the invoice reflects contracted pricing and discount terms. (See Recommendation 3.)
Page 11	The college disposed of 56 information technology assets, with a historical cost of \$210,786, without documenting the disposal method or verifying that the equipment was properly sanitized prior to its disposal. Charter Oak State College should ensure that it completes and retains all property disposal documentation in accordance with the Connecticut State Colleges and Universities Capital & Controllable Asset Manual. (See Recommendation 4.)
Page 12	The college did not consistently tag or enter controllable equipment items into inventory records. The college also did not have a written controllable property policy. Charter Oak State College should maintain complete inventory records, tag equipment, and develop a written controllable property policy in accordance with the State Property Control Manual and Connecticut State Colleges and Universities Capital & Controllable Asset Manual. (See Recommendation 5.)

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

CLARK J. CHAPIN

October 7, 2021

AUDITORS' REPORT BOARD OF REGENTS FOR HIGHER EDUCATION CHARTER OAK STATE COLLEGE FISCAL YEARS ENDED JUNE 30, 2019 and 2020

We have audited certain operations of 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 fiscal years ended June 30, 2019 and 2020. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions;
2. Evaluate the department's compliance with policies and procedures internal to the department 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 department; 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 department's management and the state's information systems, and was not subjected to the procedures applied in our audit of the department. For the areas audited, we:

1. Identified deficiencies in internal controls;
2. Identified apparent non-compliance with laws, regulations, contracts and grant agreements, policies, and procedures; and
3. Identified 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 Charter Oak State College.

COMMENTS

FOREWORD

The Board of Regents for Higher Education governs the Connecticut State Colleges and Universities (CSCU), which encompasses the Connecticut Community College System, the Connecticut State University System, and Charter Oak State College. The board of regents operates under the provisions of Chapter 185 and 185b of the Connecticut General Statutes. Charter Oak State College, a constituent unit of CSCU, operates under the provisions of Chapter 185b, Part IV, of the Connecticut General Statutes.

Charter Oak State College was established in 1973 by the Connecticut General Assembly and is accredited by the New England Commission of Higher Education and the Connecticut Board of Governors for Higher Education. The college offers 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 of regents 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 for the audited period and prior fiscal year are as follows:

	Fall 2017	Spring 2018	Fall 2018	Spring 2019	Fall 2019	Spring 2020
Part-Time Undergraduate	1,126	1,218	1,253	1,289	1,160	1,252
Full-Time Undergraduate	290	294	296	332	387	372
Part-Time Graduate	78	83	85	75	63	83
Full-Time Graduate	6	5	7	2	1	1
Total Enrollment	1,500	1,600	1,641	1,698	1,611	1,708

Overall, enrollment increased 7.7% during the 2018-2019 fiscal year and decreased 0.6% in the 2019-2020 fiscal year. Charter Oak State College credits the overall increased enrollment to additional marketing efforts and the launch of the Connecticut Community College Tuition Match Scholarship. Launched in Spring 2018, the scholarship provides the last two years of a bachelor’s degree to associate degree graduates of the Connecticut Community College System at the community college tuition and fee rates in effect for that year.

The following table illustrates the Integrated Postsecondary Education Data System (IPEDS) unduplicated headcount and full-time equivalent (FTE) student attendance at Charter Oak State College for the audited period and prior three fiscal years. According to the IPEDS website, FTE is a single value that provides a meaningful combination of full-time and part-time students at a college. The data indicates that although the number of students has decreased over the last few years, the number of credits taken has increased.

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Unduplicated Headcount	2,507	2,384	2,270	2,337	2,350
% Change	-14.0%	-4.9%	-4.8%	3.0%	0.6%
Full-Time Equivalent	950	926	878	912	977
% Change	-11.2%	-2.5%	-5.2%	3.9%	7.1%

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 CSCU 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 and fee rates are set by the board of regents. The following presents tuition charges on a per credit basis during the audited period and prior fiscal year:

Tuition Rates:	2017-2018		2018-2019		2019-2020	
	In-State	Out-of-State	In-State	Out-of-State	In-State	Out-of-State
Undergraduate	\$ 298	\$ 392	\$ 310	\$ 408	\$ 319	\$ 419
Graduate	\$ 486	\$ 508	\$ 506	\$ 529	\$ 516	\$ 540

Besides tuition, the college charges students various fees, including Student Services and Technology fees. The following presents the fee schedules, per semester, during the audited period and prior fiscal year:

Student Services Fee:	2017-2018		2018-2019		2019-2020	
	In-State	Out-of-State	In-State	Out-of-State	In-State	Out-of-State
Undergraduate*	\$ 209	\$ 275	\$ 217	\$ 284	\$ 224	\$ 295
Graduate	\$ 346	\$ 368	\$ 333	\$ 354	\$ 333	\$ 354
Technology Fee:						
Undergraduate	\$ 68	\$ 68	\$ 70	\$ 70	\$ 75	\$ 75
Graduate	\$ 68	\$ 68	\$ 70	\$ 70	\$ 75	\$ 75

*Beginning in FY 2020, the third installment of the Student Services Fee only applies to graduate students who are enrolled for the Summer term.

The college charges other common and significant fees related to credit for prior learning, in which the college awards credit for prior learning or experiences. The college also charges general credit registry fees, for a credit evaluation and recordkeeping service for people who wish to accumulate credits on a transcript for professional certification. The following presents other significant fee schedules during the audited period and prior fiscal year:

Connecticut Credit Assessment Program:	2017-2018	2018-2019	2019-2020
Nonprofit Review	\$ 2,250	\$ 2,250	\$ 2,500
For-Profit Review	\$ 4,500	\$ 4,500	\$ 5,000
General Credit Registry Fees:			
Resident per year	\$ 321	\$ 321	\$ 475
Non-resident per year	\$ 799	\$ 799	\$ 850
Reactivate registry	\$ 75	\$ 75	\$ 150

Operating Revenues

The college derives operating revenues from the sale or exchange of goods and services related to its educational and public service activities. Major sources of operating revenues include tuition, fees, and federal and state grants. The following is a summary of operating revenues, as presented in the college's audited financial statements, for the audited period and prior fiscal year:

	2017-2018	2018-2019	2019-2020
Tuition and fees (net of scholarship allowances)	\$ 8,388,647	\$ 8,510,082	\$ 9,032,460
Federal grants and contracts	362,046	372,701	341,830
State and local grants and contracts	239,614	207,993	220,938
Non-government grants and contracts	120,890	-	-
Other operating revenues	1,529,708	672,212	244,828
Total Operating Revenues	<u>\$ 10,640,905</u>	<u>\$ 9,762,988</u>	<u>\$ 9,840,056</u>

Operating revenues totaled \$9.76 million and \$9.84 million during the fiscal years ended June 30, 2019 and 2020, respectively. The 8.25% reduction in operating revenues in fiscal year 2018-2019 was due to the decrease in other operating revenues. Other operating revenues decreased \$0.86 and \$0.43 million in fiscal year 2018-2019 and 2019-2020, respectively, due to the closure of the Connecticut Distance Learning Consortium. The drop in other operating revenues in fiscal year 2019-2020 was more than offset by a 6% increase in tuition and fees. This increase was the result of an increase in full-time equivalent enrollment coupled with tuition rate and fee increases.

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 is a summary of operating expenses, as presented in the college's audited financial statements, for the audited period and prior fiscal year:

	2017-2018	2018-2019	2019-2020
Personnel services and fees	\$ 16,051,094	\$ 15,481,220	\$ 17,806,624
Professional services and fees	280,441	225,618	295,367
Travel expenses	88,131	110,068	74,792
Operation and maintenance of plant	281,615	306,162	282,380
Student aid	230,528	274,648	402,225
Other operating expenses	1,781,165	2,006,950	1,864,556
Bad debt expense	134,226	-	-
Depreciation expense	439,850	655,473	534,882
Total Operating Expenses	<u>\$ 19,287,050</u>	<u>\$ 19,060,139</u>	<u>\$ 21,260,826</u>

Operating expenses totaled \$19.06 million and \$21.26 million during the fiscal years ended June 30, 2019 and 2020, respectively. The 1.18% decrease in operating expenses in fiscal year 2018-2019 was due to the \$0.57 million reduction in personnel services and fees. The 11.55% increase in operating expenses in fiscal year 2019-2020 was due to the \$2.33 million growth in personnel services and fees. The fluctuations in personnel services and fees in both years were

primarily the result of changes in employee fringe benefit costs and pension expenses allocated to Charter Oak State College by the State of Connecticut.

Nonoperating Revenues

Nonoperating revenues are receipts 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, Pell grants, and investment income. The following is a summary of nonoperating revenues, as presented in the college's audited financial statements, for the audited period and prior fiscal year:

	2017-2018	2018-2019	2019-2020
State appropriations	\$ 4,285,358	\$ 6,114,359	\$ 6,083,358
Investment income	32,510	68,555	104,471
Gain (loss) on disposal of capital assets	(6,102)	(97,126)	-
Other nonoperating revenues/expenses	6,044	151,785	3,390
Pell grants	1,865,831	2,139,008	2,377,062
Total Nonoperating Revenues	\$ 6,183,641	\$ 8,376,581	\$ 8,568,281

Nonoperating revenues totaled \$8.38 million and \$8.57 million during the fiscal years ended June 30, 2019 and 2020, respectively. The 35.46% increase in nonoperating revenues in fiscal year 2018-2019 was mainly due to an additional \$1.83 million in state General Fund appropriations mostly to cover increased fringe benefit costs. Additional growth in nonoperating revenues resulted from Pell grant increases of 14.6% and 11.1% in fiscal years 2018-2019 and 2019-2020, respectively.

In addition to the operating and nonoperating revenues presented above, the college's financial statements reported revenues classified as state appropriations restricted for capital purposes totaling \$1,349,638, \$294,040, and \$413,615, for the fiscal years ended June 30, 2018, 2019, and 2020, respectively.

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, 2019 and June 30, 2020. These audits concluded that the foundation complied in all material respects with Sections 4-37e through 4-37k of the General Statutes. However, our office disclosed exceptions and recommendations related to internal controls in the Management Letter section of those reports.

Other Matters

In December 2019, Charter Oak State College discovered the program coordinator of the Alternate Route to Certification (ARC) in Early Childhood Education program hired a family member to teach and mentor in the ARC program. For over two years, the program coordinator supervised her family member's contracted position for which Charter Oak paid her approximately \$20,445. Upon discovery, Charter Oak determined the program coordinator violated state statutes, the state Code of Ethics, and the Connecticut State Colleges and Universities' nepotism policy by hiring and supervising her family member without notifying the college of the conflict of interest. As a result, Charter Oak suspended the program coordinator without pay for five days, shifted faculty hiring for the ARC program to the provost, and notified the program coordinator that any future violations of state, CSCU, or Charter Oak policies would result in termination. After a review by the Office of State Ethics, the program coordinator paid a civil penalty of \$3,500 for violating the state Code of Ethics. Charter Oak also terminated the family member's employment. However, Charter Oak subsequently rehired the family member as a mentor in the ARC program and she now reports directly to the provost.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of Charter Oak State College disclosed the following seven recommendations, of which two have been repeated from the previous audit:

Noncompliance with Contract Requirements

Criteria: The Office of the Attorney General (OAG) must approve all contracts with a value of \$25,000 or greater that do not utilize an OAG approved contract template.

The college should consider contract provisions that allow for additional payments to the vendor when determining a contract's maximum value. The CSCU Procurement Manual and proper contracting procedures require a written contract amendment if payments exceed a contract's maximum value.

Section 10a-151b(b) of the General Statutes and the CSCU Procurement Manual require purchases that exceed \$50,000 to be based on competitive bids utilizing a sealed bid process. Bids are solicited by notifying prospective suppliers and posting the invitation to bid on the state contracting portal.

Condition: Charter Oak State College executed an online tutoring contract with a maximum value of \$24,999. The contract included provisions allowing for extra tutoring hours which resulted in Charter Oak paying the vendor \$76,620 under the contract. Charter Oak did not obtain the Office of the Attorney General's approval for the contract even though the college did not use an approved OAG contract template and did not amend the contract when payments to the vendor exceeded its maximum value. When Charter Oak renewed the contract for an additional year, it obtained OAG approval but decided against using a sealed bidding process, because the provider received favorable feedback during its initial contract.

Effect: Charter Oak State College bypassed the Office of the Attorney General's authority to review contracts which increases the risk of the college entering an improper or incomplete agreement. Furthermore, by valuing the contract at less than \$50,000 the college never utilized a sealed bid process for the services.

Cause: Charter Oak State College asserts that it often uses the \$25,000 and \$50,000 thresholds to negotiate more favorable pricing and believed it was using an OAG approved contract template, which did not require OAG review. Furthermore, the college renewed the contract without a new sealed bid process because the vendor had favorable feedback on its initial contract.

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

Recommendation: Charter Oak State College should improve controls over procurement and contracting to ensure the Office of the Attorney General approves contracts when necessary. The college should amend contracts if payments exceed their maximum value and adhere to state competitive bidding requirements. (See Recommendation 1.)

Agency Response: “In a letter dated May 2015 to CSCU from the Office of the Attorney General it is noted “*As some of you know, our office regularly enters written agreements (MOUs) permitting agencies to develop and use preapproved form templates for routine contracts of a repetitive nature in any amount. Contracts that conform to approved templates need not be submitted to this office for review. We encourage the expanded use and development of these templates as they are major timesavers for all concerned.*” In June 2018 the College confirmed that an MOU was in effect and via email with the Office of the Attorney General understood that contracts executed which follow their approved templates regardless of dollar value did not need to go through the Attorney General review process prior to execution. While State of Connecticut procurement thresholds are often used as negotiating tools with vendors (i.e. \$10,000, \$25,000 and \$50,000), the College believed the contract in question followed the Attorney General’s template and did not require further review irrespective of contract value. The subsequent contract with the vendor in March 2020 did go through Attorney General review due to the expiration of the MOU, the contract was signed off by the Office of the Attorney General on a date prior to the commencement of this audit evidencing the College’s compliance. While the College disagrees that the contract required review by the Attorney General’s office, the College does agree that the demand for tutoring services from the student body unexpectedly went from \$10,000 in 2018 to approximately \$76,000 in the current timeframe due to demand and the College did not cut student services and change tutors in the middle of the semester to rebid the contract once the contract hit \$50,000. The College will look to bid these services through a public request for proposal in FY2022 or FY2023.”

Auditor’s Concluding Comments:

We confirmed with a representative of the Office of the Attorney General that the contract did not utilize an approved OAG contract template. Furthermore, we are not suggesting that the college should cut student services, only that they amend contracts if they exceed their maximum value and properly follow state competitive bidding requirements.

Untimely Purchase Orders

<i>Criteria:</i>	Proper purchasing procedures require agencies to commit funds via a purchase order, or other commitment document, prior to incurring an obligation to ensure that funds are available for the payment of such obligation.
<i>Condition:</i>	Our review of 18 expenditures, totaling \$1,141,966, found the college charged nine expenditures, totaling \$455,939, to purchase orders that did not have sufficient funds committed. The college properly committed funds to these purchase orders between one and 120 days after it incurred the obligations. In one instance, the college never properly committed the funds.
<i>Effect:</i>	Incurring an obligation without properly committing funds circumvents budgetary controls and increases the risk that funding may not be available at the time of payment.
<i>Cause:</i>	Charter Oak State College's internal controls were not sufficient to ensure the execution of purchase orders and commitment of funds prior to ordering goods and services.
<i>Prior Audit Finding:</i>	This finding has been previously reported in the last two audit reports covering the fiscal years ended 2015 through 2018.
<i>Recommendation:</i>	Charter Oak State College should strengthen its internal controls over purchasing to ensure the execution of purchase orders and commitment of funds prior to ordering goods and services. (See Recommendation 2.)
<i>Agency Response:</i>	"The College performs a monthly cash analysis and monitors budgets to ensure adequate funds are available for the payment of obligations but agrees that purchase orders should be timely. Due to the pandemic, the College's planned revision of its requisition to check process was delayed until late FY2022 and will be implemented in FY2023."

Monitoring of Purchases and Contract Terms

<i>Criteria:</i>	Proper purchasing procedures require agencies to maintain and consult contracted price or discount lists prior to paying invoices.
	Section 10a-151b(n) of the General Statutes allows constituent units of the state system of higher education to utilize existing contracts that have undergone competitive bidding. When doing so, the CSCU Procurement Manual requires the college to compare available contracts for best value in pricing and services.

- Condition:* Charter Oak State College paid more than \$169,000 to an information technology infrastructure services vendor during the 2018-2019 and 2019-2020 fiscal years. The college could not reference the contract it utilized for the purchases or provide sufficient documentation to confirm that it compared the vendor's invoices to a price or discount list.
- Effect:* There is an increased risk of improper or excessive payments when the college pays a vendor without referencing a contracted price or discount list.
- Cause:* Multiple state contracts were available for purchases from the vendor in question. Charter Oak State College believed the higher education system had leveraged more favorable terms from the vendor but did not confirm it received the contracted pricing or discounts.
- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* Charter Oak State College should not pay for goods or services until it properly identifies the approved existing contract it used for the purchase and verifies that the invoice reflects contracted pricing and discount terms. (See Recommendation 3.)
- Agency Response:* "The College agrees with the finding herein and will be amending processes and controls around contract management."

Noncompliance with Equipment Disposal Controls

- Criteria:* The Connecticut State Colleges & Universities (CSCU) Capital & Controllable Asset Manual requires the college to properly document equipment disposals, including the method of disposal, to ensure accurate records for disposed assets. The manual also requires the college to certify the sanitization of certain information technology equipment prior to disposal, in order to ensure the college expunges any confidential data.
- Condition:* Charter Oak State College disposed of 56 capital and controllable information technology assets, with a historical cost of \$210,786, using one blanket approval email. The college was unable to provide any additional documentation supporting the reason and method for the disposals. Furthermore, the disposed equipment included computers, tablets, and servers, but the college could not provide evidence the equipment was properly sanitized prior to its disposal.

<i>Context:</i>	The college disposed of 58 information technology assets with a historical cost of \$211,876 during the audited period.
<i>Effect:</i>	Failure to document methods of disposal decreases assurance the college is properly disposing of assets. Furthermore, by not certifying digital devices are properly sanitized, the college increases the risk of exposing confidential data.
<i>Cause:</i>	The college is not completing and retaining adequate property disposal documentation.
<i>Prior Audit Finding:</i>	This finding has not been previously reported.
<i>Recommendation:</i>	Charter Oak State College should ensure that it completes and retains all property disposal documentation in accordance with the Connecticut State Colleges and Universities Capital & Controllable Asset Manual. (See Recommendation 4.)
<i>Agency Response:</i>	“The College agrees that a blanket approval was used for the disposition of assets. There were no signs of inappropriate handling other than the requisite paperwork was not completed. Beginning in March 2020 and extending through FY2022 the College initiated a process to revise the processes and controls surrounding capital and controllable assets which will provide adherence to policy and effective mitigation of applicable risks.”

Controllable Property

<i>Criteria:</i>	<p>The State Property Control Manual and the Connecticut State Colleges and Universities Capital & Controllable Asset Manual require institutions to classify, tag, and control certain sensitive, portable, and theft-prone equipment items below the \$5,000 capitalization threshold as controllable property. Both manuals require the college to maintain a written listing of controllable property.</p> <p>The State Property Control Manual and the CSCU Capital & Controllable Asset Manual require the college to use the Core-CT asset management module to record all property in the custody of the college. Core-CT inventory records should be kept current.</p>
<i>Condition:</i>	Our review of six controllable asset purchases identified incomplete or inconsistent asset management record keeping, including:

- The college did not assign a tag number to three iPad Pros purchased for \$2,557. The college did not include two of these iPads in its Core-CT inventory records.
- The college continued to list an iPad Pro purchased for \$1,159 on its inventory records after it was replaced under warranty.
- The college did not record a location description in Core-CT for two iPad Pros purchased for \$2,817.

In addition, we noted that Charter Oak State College does not have a written controllable property policy.

Effect: Incomplete inventory records increase the risk of undetected losses or theft of state equipment.

The lack of a written controllable property policy reduces assurance that the college is consistently classifying assets as controllable.

Cause: There is lack of communication between college employees who purchase or exchange assets and those responsible for updating Core-CT inventory records.

The lack of a written controllable property policy led to an inconsistent classification of assets as controllable.

Prior Audit Finding: A similar finding was previously reported in the last audit report covering the fiscal years ended 2017 and 2018.

Recommendation: Charter Oak State College should maintain complete inventory records and tag equipment in accordance with the State Property Control Manual and the Connecticut State Colleges and Universities Capital & Controllable Asset Manual.

Charter Oak State College should create a written controllable property policy and consistently classify assets as controllable. (See Recommendation 5.)

Agency Response: “The College agrees with the finding. As previously noted, beginning in March 2020 and extending through FY2022 the College initiated a process to revise the processes and controls surrounding capital and controllable assets which will provide adherence to policy, development of better internal procedures and effective mitigation of applicable risks.”

Equipment on Loan

<i>Criteria:</i>	The State Property Control Manual and the Connecticut State Colleges and Universities Capital & Controllable Asset Manual require property that is removed from its assigned location to be tagged and for prior written permission to be obtained from the appropriate agency head. Agencies must complete a CO-1079 - Record of Equipment on Loan form to document this permission and transfer responsibility for the asset to the employee.
<i>Condition:</i>	Charter Oak State College did not complete CO-1079 forms when employees removed computer equipment items from college premises during the audited period. The Information Technology Department maintains an electronic spreadsheet of equipment on loan but, as of June 2021, the college did not have valid loan documents for 24 computer equipment items (including nine iPads, one of which was untagged) removed by employees from college premises.
<i>Effect:</i>	The lack of CO-1079 loan forms weakens the college's recourse if an equipment item is lost, damaged, or stolen when off college premises.
<i>Cause:</i>	The college did not have employees complete CO-1079 loan forms until they issued new laptops after the audited period. The college felt that maintaining an electronic spreadsheet of equipment on loan was sufficient documentation for iPads and other computer equipment items without loan forms.
<i>Prior Audit Finding:</i>	This finding has not been previously reported.
<i>Recommendation:</i>	Charter Oak State College should complete CO-1079 - Record of Equipment on Loan forms when lending information technology equipment to employees. (See Recommendation 6.)
<i>Agency Response:</i>	"The College agrees with the finding and seeks to work with the State of Connecticut and CSCU system to amend the policy to reduce manual paperwork required when electronic tracking of assets can be utilized effectively. The College has not had a history of lost or stolen equipment and does not view the strengthening of recourse against its employees as a priority. However as previously noted, beginning in March 2020 and extending through FY2022 the College initiated a process to revise the processes and controls surrounding capital and controllable assets which will provide adherence to policy and effective mitigation of applicable risks which will include reinforcement to utilize the manual CO-1079 form."

Bookstore Commissions

- Criteria:* Charter Oak State College contracted with MBS Direct to distribute course materials to students. As part of the contract, MBS Direct provides Charter Oak with a quarterly commission based on set percentages of net sales of adopted print and digital course materials, and net rentals of adopted print course materials.
- Condition:* Charter Oak State College did not verify that MBS Direct provided it with the correct commission amounts during the audited period. The auditor could not recalculate commissions received based on the net sales amounts MBS Direct provided to Charter Oak.
- Context:* Charter Oak State College received \$18,294.73 and \$24,625.61 in commissions from MBS Direct in the 2018-2019 and 2019-2020 fiscal years, respectively.
- Effect:* Without verification of commission calculations, Charter Oak State College cannot be certain it received the correct commission amounts.
- Cause:* Charter Oak State College did not consider the need to verify commissions received from MBS Direct.
- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* Charter Oak State College should obtain more detailed information that its vendor (MBS Direct) used to calculate commissions on the sale and rental of course materials. The college should take reasonable steps to verify it is receiving the correct commission amounts. (See Recommendation 7.)
- Agency Response:* “The College agrees with the finding herein. Historical reviews of the bookstore commission were informal and will be formalized in the future beginning in fiscal year 2023.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on Charter Oak State College contained six recommendations. Four recommendations have been implemented or otherwise resolved and two have been repeated or restated with modifications during the current audit.

- Charter Oak State College should obtain proper authorization for supplemental payments to its employees. **We did not identify any reportable concerns during our current review of supplemental payments. Therefore, we will not repeat this 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. **We did not identify any reportable concerns during our current review of dual employment situations. Therefore, we will not repeat this recommendation.**
- Charter Oak State College should properly train all employees in timesheet preparation. The college should remind supervisors to thoroughly review employee timesheets. **We did not identify any reportable concerns during our current review of payroll transactions and timesheets. Therefore, we will not repeat this recommendation.**
- Charter Oak State College should properly encumber expenditure obligations by issuing purchase orders in a timely manner. **Our current audit found Charter Oak State College did not establish purchase orders in a timely manner. Therefore, this recommendation will be modified and repeated. (See Recommendation 2.)**
- 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. **Our current audit did not find similar conditions noted during the prior audit; however, we did identify other reportable conditions related to asset management. Therefore, this recommendation will be modified and repeated. (See Recommendation 5.)**
- 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. **We did not identify any reportable concerns during our current review of student activity fund accounts. Therefore, we will not repeat this recommendation.**

Current Audit Recommendations:

- 1. Charter Oak State College should improve controls over procurement and contracting to ensure the Office of the Attorney General approves contracts when necessary. The college should amend contracts if payments exceed their maximum value and adhere to state competitive bidding requirements.**

Comment:

Charter Oak State College executed an online tutoring contract with a maximum value of \$24,999. The contract included provisions allowing for extra tutoring hours which resulted in Charter Oak paying the vendor \$76,620 under the contract. Charter Oak did not obtain the Office of the Attorney General's approval for the contract even though the college did not use an approved OAG contract template and did not amend the contract when payments to the vendor exceeded its maximum value. When Charter Oak renewed the contract for an additional year, it obtained OAG approval but decided against using a sealed bidding process, because the provider received favorable feedback during its initial contract.

- 2. Charter Oak State College should strengthen its internal controls over purchasing to ensure the execution of purchase orders and commitment of funds prior to ordering goods and services.**

Comment:

Our review of 18 vouchers, totaling \$1,141,966, found the college charged nine vouchers, totaling \$455,939, to purchase orders that did not have sufficient funds committed. The college properly committed funds to these purchase orders between one and 120 days after it incurred the obligations. In one instance, the college never properly committed the funds.

- 3. Charter Oak State College should not pay for goods or services until it properly identifies the approved existing contract it used for a purchase and verifies that the invoice reflects contracted pricing and discount terms.**

Comment:

Our review of expenditures found that Charter Oak State College paid more than \$169,000 to an information technology infrastructure services vendor without knowing which contract terms it used to make the purchases. The college could not provide sufficient documentation to confirm it compared the vendor's invoices to a contracted price or discount list.

- 4. Charter Oak State College should ensure that it completes and retains all property disposal documentation in accordance with the Connecticut State Colleges and Universities Capital & Controllable Asset Manual.**

Comment:

Our review of disposed assets found that Charter Oak State College disposed of 56 information technology assets, with a historical cost of \$210,786, without documenting the disposal method or verifying that the equipment was properly sanitized prior to its disposal.

- 5. Charter Oak State College should maintain complete inventory records and tag equipment in accordance with the State Property Control Manual and the Connecticut State Colleges and Universities Capital & Controllable Asset Manual.**

Charter Oak State College should create a written controllable property policy and consistently classify assets as controllable.

Comment:

Our review of six controllable asset purchases found incomplete or inconsistent asset management recordkeeping, including not tagging three iPad Pros, not recording two iPads in Core-CT inventory records, not removing an iPad Pro from inventory records after it was replaced under warranty, and not properly recording an asset location for two iPads. We also noted that Charter Oak State College does not have a written controllable property policy.

- 6. Charter Oak State College should complete CO-1079 - Record of Equipment on Loan forms when lending information technology equipment to employees.**

Comment:

Our review of assets found that Charter Oak State College did not complete CO-1079 - Record of Equipment on Loan forms during the audited period. We further noted that, as of June 2021, the college did not have valid loan documents for 24 information technology equipment items (including nine iPads, one of which was untagged) on loan to employees.

- 7. Charter Oak State College should obtain more detailed information that its vendor (MBS Direct) used to calculate commissions on the sale and rental of course materials. The college should take reasonable steps to verify it is receiving the correct commission amounts.**

Comment:

Our review of receipts found that Charter Oak State College did not verify that MBS Direct provided it with the correct commission amounts on the sale and rental of course materials during the audited period.

ACKNOWLEDGMENTS

The Auditors of Public Accounts 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.

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

Tyler J. Flanagan
Andrew E. Collins

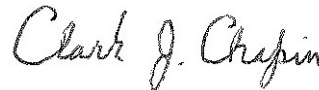


Tyler J. Flanagan
Associate Auditor

Approved:



John C. Geragosian
State Auditor



Clark J. Chapin
State Auditor