

STATE OF CONNECTICUT



*AUDITORS' REPORT
BOARD OF REGENTS FOR HIGHER EDUCATION
CONNECTICUT STATE UNIVERSITY SYSTEM OFFICE
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2020*

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

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March 14, 2022

EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of the Board of Regents for Higher Education system office primarily pertaining to the Connecticut State University System 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:

| | |
|---------------------------------------|---|
| <p><u>Page 9</u></p> | <p>The system office purchased \$2.4 million of equipment that allows state and local police to connect with college and university security camera feeds and communications devices during an emergency. The system office did not execute memorandums of understanding with the local and state police departments that received system office equipment. The system office did not adequately coordinate with stakeholders to ensure the proper training of employees on the use of the equipment. Furthermore, the system office did not tag an inventory barcode to the equipment at three of the five locations and did not include any of the equipment in its annual physical inventory. The system office should properly manage its emergency response project to ensure the appropriate training of employees on the use of related information technology equipment. The system office should also have memorandums of understanding with all stakeholders addressing project terms and objectives, each party’s responsibilities, equipment maintenance and terms of usage, key contacts, and other important information. The system office should also ensure that it conducts a required physical inventory in accordance with 4-36 of the General Statutes and properly tag this equipment per its Capital and Controllable Asset Manual. (Recommendation 1)</p> |
| <p><u>Page 11</u></p> | <p>Our review of the consolidated purchasing process disclosed that some purchasing procedures for the university system have been centralized at the system office. However, the four state universities continue to maintain significant purchasing resources on campus and perform most purchasing related procedures. The system office should accelerate its efforts to comply with Section 10a-89e of the General Statutes, which requires consolidation of the purchasing process at the system office. (Recommendation 2)</p> |
| <p><u>Page 12</u></p> | <p>The system office did not comply with the statutory requirement for the New England Board of Higher Education (NEBHE) student tuition rates during the audited period. The board set the NEBHE full-time student tuition rate 39% higher than full-time, in-state tuition rates. While the board of regents complied with the statute for full-time NEBHE students in fiscal year 2021, it continued to set the part-time NEBHE out-of-state tuition at the same level as the in-state rate. BOR should set NEBHE tuition rates for part-time students in accordance with sections 10a-27 and 10a-67 of the General Statutes. (Recommendation 3)</p> |

Our review of 15 system office bank account reconciliations from three accounts disclosed eight instances in which the system office did not perform reconciliations in a timely manner. In these instances, the office performed the reconciliations between 35 and 119 days late. The Connecticut State University system office should improve internal controls over its bank account reconciliation process to ensure it performs monthly bank account reconciliations on time. (Recommendation 4)

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

CLARK J. CHAPIN

March 14, 2022

AUDITORS' REPORT BOARD OF REGENTS FOR HIGHER EDUCATION CONNECTICUT STATE UNIVERSITY SYSTEM OFFICE FISCAL YEARS ENDED JUNE 30, 2019 AND 2020

We have audited certain operations of the Board of Regents for Higher Education System Office primarily pertaining to the Connecticut State University System 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 board's internal controls over significant management and financial functions;
2. Evaluate the board'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 system office; 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 identified:

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

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of the system office.

COMMENTS

FOREWORD

The Board of Regents for Higher Education operates primarily under the provisions of Chapter 185, Sections 10a-1 through 10a-60m and Chapter 185b, Sections 10a-71 through 10a-160, of the General Statutes. The board's oversight of the State University System is in accordance with Sections 10a-87 through 10a-101 of the General Statutes.

Pursuant to Section 10a-87 of the General Statutes, the Board of Regents for Higher Education, located in Hartford, oversees Central Connecticut State University in New Britain, Eastern Connecticut State University in Willimantic, Southern Connecticut State University in New Haven, and Western Connecticut State University in Danbury. It also oversees 12 community colleges and Charter Oak State College. Our office performs a separate audit of the 12 community colleges and Charter Oak State College.

Section 10a-1a of the General Statutes provides that the Board of Regents for Higher Education consists of 21 members. Of these members, nine are appointed by the Governor, four are appointed by legislative leaders, two are appointed by students, and six individuals serve as ex-officio members. The board, among other duties, sets statewide tuition and student fee policies; establishes financial aid policies; reviews, licenses, and accredits academic programs; and conducts searches for and selects campus presidents in collaboration with institutional stakeholders. In addition to governance, the board is responsible for development and coordination of statewide higher education policy. Board members receive no compensation for their services but are entitled to reimbursement for expenses.

The Board of Regents for Higher Education consisted of the following members as of June 30, 2020:

Appointed Members:

| | |
|---------------------|-----------------------------|
| Matt Fleury, Chair | Merle W. Harris, Vice Chair |
| Richard J. Balducci | Aviva D. Budd |
| Naomi K. Cohen | Felice Gray-Kemp |
| Holly Howery | David R. Jimenez |
| JoAnn Ryan | Elease E. Wright |

Monica Maldonado, Student Advisory Committee Chair
Elena Ruiz, Student Advisory Committee Vice Chair

Ex-Officio Board Members:

David Blitz, Faculty Chair
Colena Sesanker, FAC Vice Chair
Kurt Westby, Labor Commissioner
Dr. Miguel A. Cardona, Education Commissioner
David Lehman, DECD Commissioner
Dr. Deidre Gifford, Acting Public Health Commissioner

Lawrence J. DeNardis, Catherine Smith, Raul Pino, Sage Maier, Yvette Meléndez, Del Cummings, William Lugo, Dianna R. Wentzell, Pete Rosa, and Renée D. Coleman-Mitchell also served on the board during the audited period. There were three vacancies as of June 30, 2020.

The Board of Regents for Higher Education also appoints a chief executive officer. Mark E. Ojakian was appointed president on October 2, 2015 and served throughout the audited period.

Significant Legislation

Public Act 18-2, effective July 1, 2018, extended eligibility for institutional financial aid to attend a state public institution of higher education to certain students and honorably discharged veterans who lack legal immigration status. The act requires the Board of Regents for Higher Education to establish procedures and develop forms to enable the newly eligible students to apply for and receive institutional financial aid.

Public Act 18-47, effective October 1, 2018, extended benefits to certain veterans diagnosed with post-traumatic stress disorder or a traumatic brain injury, or experienced military sexual trauma, including tuition waivers for state public colleges and universities if the veteran served in time of war.

Public Act 19-172, effective October 1, 2019, allowed the spouses and unemancipated children residing in the state to maintain their in-state student classification if the service member is

transferred out of state on military orders after the student has been accepted for matriculation in a degree-granting program.

RÉSUMÉ OF OPERATIONS

During the audited period, operations of the system office were primarily supported by appropriations from the state's General Fund and by tuition and fees credited to the State University Operating Fund.

Operating Revenues

Operating revenues are derived from the sale or exchange of goods and services that relate to the system office's educational and public service activities.

Operating revenues, as presented in the system office's audited financial statements for the audited period and previous fiscal year, are as follows:

| | Fiscal Year Ended June 30, | | |
|---------------------------------|----------------------------|-----------------|-------------|
| | 2018 | 2019 | 2020 |
| Tuition and Fees (Net) | \$ 25,384,077 | \$ - | \$ - |
| Other Operating Revenues | 12,578,578 | - | - |
| Auxiliary Revenues | - | 4,073 | - |
| Total Operating Revenues | \$ 37,962,655 | \$ 4,073 | \$ - |

System office operations were supported by a combination of state appropriations and a budget allocation of university operating revenues during the fiscal year ended June 30, 2018. University operating revenues are no longer allocated to the system office. Instead, the system office is supported through interagency transfers. This change caused the decrease in system office operating revenues during the fiscal years ended June 30, 2019 and 2020. The interagency transfers are reported in the section, Non-operating Revenues and Expenses and Other Changes in Net Position.

Operating Expenses

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

Operating expenses, as presented in the system office’s audited financial statements for the audited period and previous fiscal year, are as follows:

| | Fiscal Year Ended June 30, | | |
|-------------------------------------|----------------------------|----------------------|----------------------|
| | 2018 | 2019 | 2020 |
| Personal Service & Fringe Benefits | \$ 6,600,504 | \$ 7,008,226 | \$ 7,236,943 |
| Pension Expense | 30,035,578 | 67,193,382 | 97,320,406 |
| Other Post-Employment Benefits | 21,260,306 | 5,975,494 | 77,018,994 |
| Operation of Facilities | 8,689,006 | 46,771 | 117,384 |
| Other Operating Supplies & Expenses | 13,986,428 | 12,078,937 | 12,326,180 |
| Professional Services and Fees | 2,588,477 | 1,647,610 | 1,477,673 |
| Depreciation Expense | 279,497 | 371,648 | 576,220 |
| Travel Expenses | 78,047 | 79,817 | 97,956 |
| Educational Services and Support | 846 | 17,450 | 12,600 |
| Total Operating Expenses | \$ 83,518,689 | \$ 94,419,335 | \$196,184,356 |

Operating expenses totaled \$94,419,335 and \$196,184,356 during the fiscal years ended June 30, 2019 and 2020, respectively, compared to \$83,518,689 during the fiscal year ended June 30, 2018. The additional \$10.9 million in operating expenses in fiscal year ended June 30, 2019 was mainly due to a \$22.3 million increase in personal services and fringe benefits. This was the result of a \$21.9 million increase in the system office’s proportionate share of the state’s pension and other post-employment benefits (OPEB) expenses per Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. This increase was partially offset by an \$8.6 million decrease in operation of facilities expense. This decrease was the result of a change in the presentation of CHEFA bond funded projects. Starting in fiscal year 2018-2019, CHEFA bond funded projects are recorded in the non-operating section of the financial statements with the universities recording revenue and the system office recording an expense, accounted for as capital projects financed by the system office.

The \$101.8 million increase in operating expenses in fiscal year ended June 30, 2020 was due to an additional \$101.4 million in personal services and fringe benefits. This was the result of a \$101.2 million increase in the system office’s proportionate share of the state’s pension and OPEB expenses. The amounts in the system office’s financial statements, presented above, include the pension and OPEB expenses for all four state universities and the system office.

Nonoperating Revenues and Expenses and Other Changes in Net Position

Nonoperating revenues and expenses and other changes in net position are not from the sale, exchange, or purchase of goods and services that relate to the system office’s primary functions of instruction, academic support and student services. Nonoperating revenues and expenses include items such as the state’s General Fund appropriation, investment income, and interest expense. Other changes in net position include interagency transfers.

Nonoperating revenues and expenses and other changes in net position as presented in the system office's financial statements for the audited period and the previous fiscal year are as follows:

| | Fiscal Year Ended June 30, | | |
|--|----------------------------|----------------------------|----------------------------|
| | 2018 | 2019 | 2020 |
| Nonoperating Revenues and Expenses: | | | |
| State Appropriations | \$ 6,494,348 | \$ 6,721,919 | \$ 7,366,266 |
| Investment Income | 2,941,682 | 4,833,717 | 3,809,379 |
| Interest Expense | (11,262,501) | (11,456,038) | (11,670,523) |
| Other Non-operating Revenues (Expenses) | - | (750,512) | - |
| Capital Projects Financed by System Office | - | (26,914,575) | (13,883,007) |
| Net Nonoperating Revenues (Expenses) | <u>(1,826,471)</u> | <u>(27,565,489)</u> | <u>(14,377,885)</u> |
| Other Changes in Net Position: | | | |
| State Appropriations Restricted for Capital Purposes | 14,948,707 | 5,909,420 | 228,356 |
| Loss on Disposal of Capital Assets | (1,273) | | |
| Interagency Transfers | - | 39,026,759 | 39,200,390 |
| Net Other Changes in Net Position | <u>14,947,434</u> | <u>44,936,179</u> | <u>39,428,746</u> |
| Total Nonoperating Revenue and Expenses and Other Changes in Net Position | \$ 13,120,963 | \$ 17,370,690 | \$ 25,050,861 |

Net nonoperating revenues and expenses totaled \$(27,565,489) and \$(14,377,885) during the fiscal years ended June 30, 2019 and 2020, respectively, compared to \$(1,826,471) during the fiscal year ended June 30, 2018. The \$25.7 million increase in nonoperating expenses in fiscal year ended June 30, 2019 was mainly due to a \$26.9 million expense for capital projects financed by the system office. This increase was the result of the system office changing its presentation of CHEFA bond funded projects in fiscal year 2018-2019. Prior to fiscal year 2018-2019, CHEFA bond funded projects were recorded under operating expenses on the financial statement for the system office. In fiscal year 2017-2018, there were approximately \$8.5 million of CHEFA bond funded projects. The largest project in fiscal year 2018-2019 was the \$21.9 million renovation of Shafer Hall at Eastern Connecticut State University.

The \$13.2 million decrease in nonoperating expenses in fiscal year ended June 30, 2020 was mainly due to a \$13 million reduction in capital projects financed by the system office. This was

mainly the result of a \$12.4 million decrease in Shafer Hall renovation expenditures at Eastern Connecticut State University.

In addition to operating and nonoperating revenues, the system office's financial statements presented revenues as other changes in net position. Other changes in net position totaled \$44,936,179 and \$39,428,746 during the fiscal years ended June 30, 2019 and 2020, respectively, compared to \$14,947,434 during the fiscal year ended June 30, 2018. The \$30 million increase in other changes in net position in fiscal year 2019 was mainly due to a \$39 million interagency transfer to fund the system office's operations. Interagency transfers during fiscal year 2019-2020 also totaled \$39 million. In addition, revenues classified as state appropriations restricted for capital purposes totaled \$5.9 million and \$0.2 million for the fiscal years ended June 30, 2019 and 2020, respectively.

Dormitory Debt Service Fund

This fund is used to account for costs associated with Connecticut State University long-term debt. Long-term debt includes self-liquidating state general obligation and revenue bonds issued to fund certain Connecticut State University capital projects and Connecticut Health and Educational Facilities Authority issued bonds.

Per records of the Office of the State Comptroller, operating transfers into the fund totaled \$35,044,527 and \$35,054,046 during the fiscal years ended June 30, 2019 and 2020, respectively. Payments for retiring principal and interest totaled \$48,385,371 and \$33,090,268 during those respective fiscal years. Resources accumulated in the fund to cover future debt service requirements totaled \$76,977,467 and \$80,005,818 as of June 30, 2019 and 2020, respectively.

The Connecticut Health and Educational Facilities Authority (CHEFA), which operates primarily under the provisions contained in Chapter 187 of the General Statutes, was created to assist institutions for higher education, health care, nursing homes and qualified nonprofit organizations in the construction, financing, and refinancing of projects. Outstanding principal of CHEFA bonds issued on behalf of the Connecticut State University System totaled \$351,690,000 and \$332,170,000 as of June 30, 2019 and 2020, respectively.

Connecticut State University System Foundation, Inc.

The Connecticut State University System Foundation, Inc. is a private nonprofit corporation established to raise funds to support the Connecticut State University System. The foundation is a legal entity separate and distinct from the Board of Regents for Higher Education.

Sections 4-37e through 4-37k of the General Statutes define and set requirements for organizations that support state agencies. The requirements address the annual filings of an updated list of board members with the state agency for which the foundation was established; financial 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 books and accounts of the foundation was last performed for the fiscal years ended June 30, 2019 and 2020, in accordance with Section 4-37f(8) of the General Statutes. The auditor expressed an unmodified opinion on the foundation's financial statements for those fiscal years. In addition, the foundation's audit report disclosed no reportable instances of noncompliance with Sections 4-37e through 4-37i of the General Statutes.

The foundation's audited financial statements reported revenues, gains and other support totaling \$9,895 during the fiscal year ended June 30, 2020. The amount reported as support and revenue included \$7,662 in unrealized and realized gains on investments. Net assets were reported as \$554,463 as of June 30, 2020.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of Board of Regents for Higher Education System Office primarily pertaining to the Connecticut State University System disclosed the following six recommendations, of which three have been repeated from the previous audit:

Inadequate Management of Emergency Response System Project

Background:

The Board of Regents for Higher Education System Office used a state vendor contract to provide information technology equipment and capabilities that allow state and local police to connect with state university and college security camera feeds and communications devices (e.g., walkie-talkies) during an emergency. The system office signed an agreement with the vendor in June 2018 to install equipment at all 12 of the community colleges, the four state universities, Charter Oak State College, the system office, 19 local police stations, and 13 state police barracks.

Criteria:

Proper management of emergency response systems and equipment includes training employees on the use of the equipment and performing drills to ensure the system works effectively.

A memorandum of understanding (MOU) is an agreement clarifying each party's role when undertaking projects of mutual interest. Strong internal controls dictate that an MOU should be in place when state-owned assets are housed off state property.

The Connecticut State Colleges and Universities Capital and Controllable Asset Manual requires all capital and controllable assets to be assigned a unique identification number and tagged with a fixed barcode

Section 4-36 of the General Statutes requires each institution to conduct an annual physical inventory of its assets each fiscal year.

Condition:

The system office did not execute memorandums of understanding with the local and state police departments that received the system office's equipment. As a result, the parties did not address critical concerns, including project terms and objectives, each party's responsibilities, equipment maintenance and terms of usage, and key contacts.

We reviewed five locations with installed emergency response equipment. Employees at three of the five locations indicated they were not trained to use the equipment. After speaking with employees at these locations, we determined that the system office did not adequately

coordinate with stakeholders to ensure the proper training of employees on the use of the equipment. The system office also did not establish ongoing communications between the vendor, colleges, and police departments.

Furthermore, the system office did not tag an inventory barcode to the equipment at three of the five locations. The system office also did not include any of the equipment in its annual physical inventory.

Context: The system office paid \$2.4 million for this equipment during the audited period.

Effect: In the event of an emergency, police may not be able to establish a connection with college and university security camera feeds and communications equipment.

Incomplete inventory records and untagged assets increases risk of undetected losses or theft of state equipment.

Cause: The system office is not properly managing the project.

Prior Audit Finding: We have not reported this finding in previous reports.

Recommendation: The Board of Regents for Higher Education should properly manage its emergency response project to ensure the appropriate training of employees on the use of related information technology equipment. The system office should also have memorandums of understanding with all stakeholders addressing project terms and objectives, each party's responsibilities, equipment maintenance and terms of usage, key contacts, and other important information.

The system office should also ensure that it conducts a required physical inventory in accordance with 4-36 of the General Statutes and properly tags this equipment per its Capital and Controllable Asset Manual. (See Recommendation 1.)

Agency Response: "CSCU will work with our vendor to ensure that their training requirements under the contract are carried out. The system office finance department will ensure that these assets are properly captured in our annual inventory."

Auditors' Concluding Comments: The system office purchased the emergency response equipment approximately three and a half years ago at a cost of \$2.4 million. Since that time, the system office has not established policies and procedures

or entered memorandums of understanding with the police departments to manage the project's ongoing operations. The system office has not sufficiently monitored the system's operation, condition, and employee training to ensure the equipment will function properly in the event of an emergency. The lack of written agreements with police departments may make it difficult for the system office to address these matters going forward.

Consolidation of Purchasing Process

Criteria: Section 10a-89e of the General Statutes requires the Board of Trustees for the Connecticut State University system to consolidate the purchasing process for the university system at the system office. This became effective July 1, 1998.

Condition: Our review of the consolidated purchasing process disclosed that some purchasing procedures for the university system have been centralized at the system office. However, the four state universities continue to maintain significant purchasing resources on campus and perform most purchasing related procedures.

Context: The state universities had \$227,471,710 and \$225,195,222 of expenditures that were not payroll, depreciation, or amortization related in fiscal years ended 2019 and 2020, respectively.

Effect: The system office did not comply with the requirements of Section 10a-89e of the General Statutes. Furthermore, the system office did not realize costs savings associated with consolidating the purchasing process.

Cause: The system office informed us that the community colleges implemented shared purchasing services but the system office had not yet expanded it to the state universities.

Prior Audit Finding: We presented this finding in the last nine audit reports covering fiscal years 2000 to 2018.

Recommendation: The Board of Regents for Higher Education should accelerate its efforts to comply with Section 10a-89e of the General Statutes, which requires consolidation of the purchasing process at the system office. (See Recommendation 2.)

Agency Response: “The consolidation of purchasing processes is in process.”

New England Regional Tuition Rates

- Criteria:* Section 10a-67 of the General Statutes requires tuition rates for out-of-state students from states participating in the New England Board of Higher Education (NEBHE) compact agreement to be at least 50% higher than in-state tuition rates. NEBHE is a compact between Connecticut and the other five New England states that allows students to enroll at out-of-state public colleges and universities to pursue approved programs with significant tuition savings.
- Condition:* The Board of Regents for Higher Education System Office did not comply with the statutory requirement for the New England Board of Higher Education student tuition rates during the audited period. The board set the NEBHE full-time student tuition rate 39% higher than full-time, in-state tuition rates. While the system office complied with the statute for full-time NEBHE students in fiscal year 2021, it continued to set the part-time NEBHE out-of-state tuition at the same level as the in-state rate.
- Context:* The system office offered the New England Board of Higher Education tuition rates to 253 and 222 students in fiscal years ended June 30, 2019 and 2020, respectively. This reduced receipts during the audited period by at least \$100,000.
- Effect:* The Board of Regents for Higher Education violated Section 10a-67 of the General Statutes by not charging the required tuition rate.
- Cause:* The Board of Regents for Higher Education used its authority to set tuition rates that do not comply with Sections 10a-27 or 10a-67 of the General Statutes.
- Prior Audit Finding:* We have not reported this finding in previous reports.
- Recommendation:* The Board of Regents for Higher Education should set the New England Board of Higher Education tuition rates for part-time students in accordance with sections 10a-27 and 10a-67 of the General Statutes. (See Recommendation 3.)
- Agency Response:* “CSCU will recommend that the Board of Regents adjust the seldom-used NEBHE rate for part-time students to match the statutory ratio when it next sets tuition in early 2022.”

Reconciliations of Bank Accounts

| | |
|-----------------------------|---|
| <i>Criteria:</i> | It is good business practice to perform monthly bank account reconciliations. The system office should perform reconciliations in a timely manner after the end of each month. |
| <i>Condition:</i> | Our review of 15 system office bank account reconciliations from three accounts disclosed eight instances in which the system office did not perform reconciliations in a timely manner. In these instances, the office performed the reconciliations between 35 and 119 days late. |
| <i>Context:</i> | The average ending balance for the three bank accounts over the five months we reviewed was \$1,243,754, \$23,499,925, and \$73,924,832, respectively. |
| <i>Effect:</i> | The lack of timely reconciliations increases the likelihood that accounting errors and irregularities may go undetected. |
| <i>Cause:</i> | Staff reductions as a result of system office consolidations caused the delay in monthly bank reconciliations. |
| <i>Prior Audit Finding:</i> | We presented this finding in the last two audit reports covering fiscal years 2014 to 2018. |
| <i>Recommendation:</i> | The Board of Regents for Higher Education should improve internal controls over its bank account reconciliation process to ensure it performs monthly bank reconciliations on time. (See Recommendation 4.) |
| <i>Agency Response:</i> | “CSCU will conduct bank reconciliations in a timely manner.” |

Dual Employment

| | |
|------------------|--|
| <i>Criteria:</i> | Section 5-208a of the General Statutes bars state employees from holding multiple job assignments within the same state agency unless the appointing authority of such agency certifies that: <ul style="list-style-type: none">• The duties performed are not in conflict with the employee’s primary responsibilities to the agency.• The hours worked on each assignment are documented and reviewed to preclude duplicate payment.• There is no conflict of interest between the services performed. |
|------------------|--|

The Department of Administrative Services requires the agency head and employee to sign Form CT-HR-25 before the dual employment begins.

Condition: The Connecticut State University system office was unable to provide dual employment documentation for one of the three employees we reviewed.

Context: The employee with missing dual employment agreements was dually employed for two separate three-month periods during the audited period. During these dual employment periods, the employee earned \$57,385 and \$11,394 in their primary and secondary positions, respectively.

Effect: The colleges and employees cannot be certain they agreed to the same terms when they do not have properly approved dual employment agreements prior to the start of these services. In addition, the system office may not have sufficiently considered the employee's duties, the potential for duplicate payments, and conflicts of interest.

Cause: Internal controls did not ensure the timely review and approval of dual employment agreements.

Prior Audit Finding: We presented a similar finding in the last audit report covering fiscal years 2016 to 2018.

Recommendation: The Board of Regents for Higher Education should improve its compliance with dual employment requirements, policies, and procedures. The system office should properly complete and maintain dual employment agreements. (See Recommendation 5.)

Agency Response: "CSCU is undertaking a systemwide effort to confirm proper documentation in cases of dual employment. New procedures under HR shared services are in place to ensure that these agreements are put in place for any new dual employment situations."

Asset Management – CO-59 Reporting

Criteria: Section 4-36 of the General Statutes requires state agencies to annually transmit a detailed inventory of the real or personal state property in its custody to the Comptroller using a CO-59 report in accordance with the State Property Control Manual.

| | |
|-----------------------------|---|
| <i>Condition:</i> | The Connecticut State University system office overstated its fiscal year 2018-2019 CO-59 report by \$22,872 and understated its fiscal year 2019-2020 report by \$58,237. |
| <i>Context:</i> | Equipment additions reported on the fiscal year 2018-2019 and 2019-2020 CO-59 reports were \$1,901,999 and \$716,098, respectively. |
| <i>Effect:</i> | The system office reported incomplete and inaccurate inventory amounts on its CO-59 reports. |
| <i>Cause:</i> | The system office incorrectly capitalized a purchase during fiscal year 2018-2019 and did not add an equipment purchase to the Banner accounting system during fiscal year 2019-2020. |
| <i>Prior Audit Finding:</i> | We have not reported this finding in previous reports. |
| <i>Recommendation:</i> | The Board of Regents for Higher Education should strengthen internal controls to ensure that it reports accurate and complete amounts on its annual inventory in accordance with the State Property Control Manual. (See Recommendation 6.) |
| <i>Agency Response:</i> | “CSCU is reviewing its procedures for CO-59 reporting and will implement any necessary improvements to ensure compliance.” |

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on the Board of Regents for Higher Education System Office primarily pertaining to the Connecticut State University System contained five recommendations. Two have been implemented or otherwise resolved and three have been repeated or restated with modifications during the current audit.

- The Board of Regents for Higher Education should continue its efforts to comply with Section 10a-89e of the General Statutes, which requires consolidation of the purchasing process at the system office. The system office should also take steps to strengthen controls over the purchasing process by ensuring that purchase orders are in place and approved prior to ordering the related services. **Our current audit disclosed that further improvement is needed in this area. We will repeat this recommendation with modifications to reflect our current audit findings. (See Recommendation 2.)**
- The Board of Regents of Higher Education should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by documenting, through signed certifications, that no conflicts exist for employees who hold multiple state positions. **Our current review of dual employment agreements noted the system office was unable to provide us with dual employment agreements for one employee. We will repeat this recommendation in a modified form. (See Recommendation 5.)**
- The Board of Regents for Higher Education should continue its efforts to strengthen controls over asset management by ensuring that it performs reconciliations between its asset management systems on a quarterly basis. **Our current review found the system office properly performed reconciliations between Banner and its asset management system during the audited period. We will not repeat this recommendation.**
- The Board of Regents for Higher Education should strengthen controls over its information systems and ensure that access is promptly terminated upon separation from state service. **We did not identify any reportable concerns during our current review of termination of system access and will not repeat this recommendation.**
- The Board of Regents for Higher Education should improve internal controls over its bank account reconciliation process by ensuring that it performs monthly reconciliations in a timely manner. **Our current review of bank account reconciliations noted the system office continues to not perform monthly reconciliations in a timely manner. Therefore, this recommendation will be repeated. (See Recommendation 4.)**

Current Audit Recommendations:

- 1. The Board of Regents for Higher education should properly manage its emergency response project to ensure the appropriate training of employees on the use of related information technology equipment. The system office should also have memorandums of understanding with all stakeholders addressing project terms and objectives, each party's responsibilities, equipment maintenance and terms of usage, key contacts, and other important information.**

The system office should also ensure that it conducts a required physical inventory in accordance with 4-36 of the General Statutes and properly tags this equipment per its Capital and Controllable Asset Manual.

Comment:

Our current audit disclosed that the system office purchased \$2.4 million of emergency response equipment that allows state and local police to connect with colleges' security camera feeds and communications devices during an emergency. The system office did not execute memorandums of understanding with the local and state police departments that received the system office's equipment. The system office did not adequately coordinate with stakeholders to ensure the proper training of employees on the use of the equipment. Furthermore, the system office did not tag an inventory barcode to the equipment at three of the five locations and did not include any of the equipment in its annual physical inventory.

- 2. The Board of Regents for Higher Education should accelerate its efforts to comply with Section 10a-89e of the General Statutes, which requires consolidation of the purchasing process at the system office.**

Comment:

Our review of the consolidated purchasing process disclosed that some purchasing procedures for the Connecticut State University system have been centralized at the system office. However, the four state universities continue to maintain significant purchasing resources on campus and perform most purchasing related procedures.

- 3. The Board of Regents for Higher Education should set the New England Board of Higher Education tuition rates for part-time students in accordance with sections 10a-27 and 10a-67 of the General Statutes.**

Comment:

The Connecticut State University System did not comply with the statutory requirement for the New England Board of Higher Education student tuition rates during the audited period. The board set the NEBHE full-time student tuition rate 39% higher than full-time,

in-state tuition rates. While the system office complied with the statute for full-time NEBHE students in fiscal year 2021, it continued to set the part-time NEBHE out-of-state tuition at the same level as the in-state rate.

- 4. The Board of Regents for Higher Education should improve internal controls over its bank account reconciliation process to ensure it performs monthly bank reconciliations on time.**

Comment:

Our review of 15 system office bank account reconciliations from three accounts disclosed eight instances in which the system office did not perform reconciliations in a timely manner. In these instances, the office performed the reconciliations between 35 and 119 days late.

- 5. The Board of Regents for Higher Education should improve its compliance with dual employment requirements, policies, and procedures. The system office should properly complete and maintain dual employment agreements.**

Comment:

Our audit of seven dual employment situations for three employees found that the system office was unable to provide dual employment forms for one employee.

- 6. The Board of Regents for Higher Education should strengthen internal controls to ensure that it reports accurate and complete amounts on its annual inventory in accordance with the State Property Control Manual.**

Comment:

The Connecticut State University system office overstated its fiscal year 2018-2019 CO-59 report by \$22,872 and understated its fiscal year 2019-2020 report by \$58,237.

ACKNOWLEDGMENTS

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Board of Regents for Higher Education during the course of our examination.

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

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