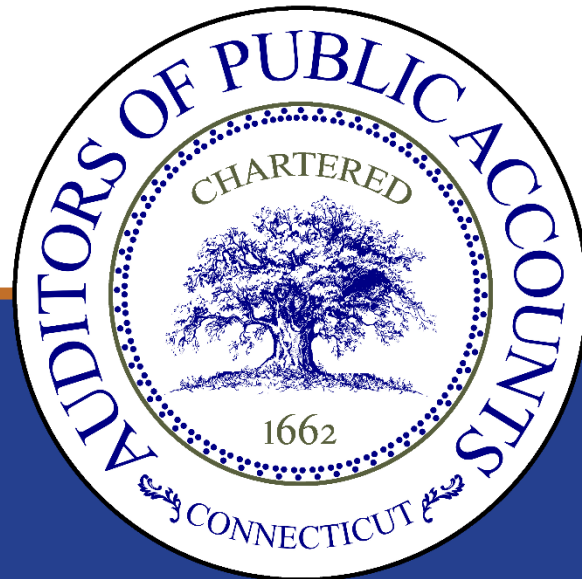


AUDITORS' REPORT

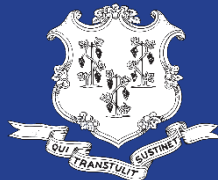
Office of Higher Education

FISCAL YEARS ENDED JUNE 30, 2022 AND 2023



STATE OF CONNECTICUT
Auditors of Public Accounts

JOHN C. GERAGOSIAN
State Auditor



CRAIG A. MINER
State Auditor

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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CRAIG A. MINER

November 26, 2024

INTRODUCTION

We are pleased to submit this audit of the Office of Higher Education (OHE) for the fiscal years ended June 30, 2022 and 2023 in accordance with the provisions of Section 2-90 of the Connecticut General Statutes. Our audit identified internal control deficiencies and instances of noncompliance with laws, regulations, or policies.

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Office of 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:

Jamie Drozdowski
Antonio Furtado
Dominick Parisi

Handwritten signature of Jamie Drozdowski in black ink.

Jamie Drozdowski
Principal Auditor

Approved:

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John C. Geragosian
State Auditor

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Craig A Miner
State Auditor

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Office of Higher Education disclosed the following four recommendations, of which one was repeated with modifications from the previous audit.

Finding 1

Asset Management

Criteria

Section 4-36 of the General Statutes requires agencies to keep a property inventory in the form prescribed by the State Comptroller. The State Property Control Manual specifies requirements and standards for state agency property control systems, including maintaining a software library with the minimum data required and tagging, recording, and maintaining capital assets and controllable property in the Core-CT Asset Management module. Agencies are required to transmit an annual asset management report (CO-59 form) to the State Comptroller, which provides a detailed inventory of all real or personal property in their custody.

Condition

Our review of OHE's asset management processes identified the following:

- OHE did not accurately or promptly complete its CO-59 form for fiscal year 2023. The latest revision, submitted in June 2024, understated the beginning balance by \$30,650 as OHE did not properly carry forward prior year ending balances. OHE also excluded its software library. We were unable to determine the dollar value of software missing from the CO-59 form due to a lack of relevant data in the software library.
- OHE's software library does not include all the data required by the State Property Control Manual.
- There were discrepancies between Core-CT asset records and the OHE internal asset listing. OHE did not list 68 assets, totaling \$94,018, from its internal listing in Core-CT and 51 other assets in Core-CT, totaling \$56,203, that were not included in the OHE internal listing. Furthermore, 89 assets in the Core-CT records lacked pertinent information such as asset cost.

- OHE did not properly record nine newly purchased controllable assets, totaling \$5,649, in Core-CT or the OHE internal listing.
- OHE had not tagged five newly purchased controllable assets, totaling \$1,324, at the time of our inspection.

Context

OHE reported \$172,105 in personal property on its CO-59 form for fiscal year 2022. OHE made three revisions to its CO-59 form for fiscal year 2023, with the latest revision reporting \$142,693 in personal property.

According to its internal records, as of June 30, 2023, the OHE software library totaled \$118,892, and included active and disposed software, and inventory including approximately 229 capital and controllable assets totaling \$282,128. We judgmentally selected the fiscal year 2023 CO-59 form, software library, and detailed asset records for review.

OHE made 13 purchases, totaling \$9,737, that included controllable assets during the audited period. We judgmentally selected five purchases which included nine controllable assets totaling \$5,649.

Effect

There is an increased risk of inaccurate reporting and loss of state property.

Cause

There appears to be inadequate internal controls and lack of management oversight in this area.

Prior Audit Finding

This finding has been previously reported, in part, in the last four audit reports covering the fiscal years ended June 30, 2012 through 2021.

Recommendation

The Office of Higher Education should strengthen internal inventory controls to safeguard assets, improve reporting accuracy, and ensure compliance with the State Property Control Manual.

Agency Response

“We agree with this finding.

Accurate Preparation and Submission of CO-59 Forms: OHE will implement a standardized process to ensure that CO-59 forms are prepared accurately and submitted promptly. This will involve a review and update of our current procedures to align with the requirements outlined in the State Property Control Manual.

Software Inventory Management: OHE will conduct a thorough audit of our software inventory to ensure it includes all required data. Any gaps identified will be addressed by updating our inventory records accordingly.

Maintaining Complete and Accurate Inventory Records: OHE is committed to improving our inventory management in Core-CT. This will include a comprehensive review and reconciliation of our existing records to ensure they are complete and accurate.

Tagging of Assets: OHE will establish a system to ensure that all capital and controllable assets are properly tagged. This will be monitored annually to maintain consistency and accuracy.

Seeking Guidance: To ensure compliance with asset management and reporting requirements, we will actively seek guidance from the appropriate state offices. We will also explore any additional training or resources that may be beneficial.”

Finding 2

Untimely Purchase Orders and Incorrect Invoice Dates

Criteria

Section 4-98(a) of the General Statutes states that no budgeted agency shall incur any obligation except by the issuance of a purchase order transmitted to the Office of the State Comptroller to commit the agency's appropriations to ensure that funds are available for the purchase.

The State Accounting Manual specifies that the invoice date is the date the agency receives an invoice from the vendor at any state location. Upon receipt, a vendor invoice should be date stamped as received or otherwise marked with the date. This date should also be entered in the invoice date field on the Core-CT voucher.

Condition

We reviewed 20 vouchers related to 11 purchase orders, totaling \$1,650,835, and noted the following:

- OHE did not promptly commit funds for two purchases, totaling \$47,000. We also noted an additional two vouchers, totaling \$35,805, charged to the tested purchase orders without sufficient funds available. OHE delayed committing the funds between one and 13 days.
- For seven of the 20 reviewed vouchers, totaling \$468,447, OHE entered an incorrect invoice date in Core-CT. The actual invoice dates ranged between one and 18 days earlier.

Context	Expenditures relating to the Minority Advancement Program, National Service Act, Minority Teacher Incentive Program and Robert B. Willis Scholarship constitute more than 90% of OHE’s total non-federal expenditures, totaling \$72,940,119 in fiscal years 2022 and 2023. We judgmentally selected 20 vouchers totaling \$1,650,835 from these programs for testing.
Effect	<p>When obligations are incurred without a valid commitment of funds, budgetary controls are circumvented and there is less assurance that funding will be available at the time of payment.</p> <p>Using the wrong date causes an inability to confirm whether purchase orders had sufficient funds available at the time of purchase.</p>
Cause	<p>OHE did not have sufficient internal controls to ensure that it completed and approved all purchase orders prior to ordering goods and services.</p> <p>OHE initially received invoices at locations other than the business office, leading to the use of incorrect invoice dates.</p>
Prior Audit Finding	This finding has not been previously reported.
Recommendation	The Office of Higher Education should strengthen internal controls to ensure that it commits funds prior to purchasing goods and services and enters accurate invoice dates in Core-CT.
Agency Response	<p>“We agree with this finding in part.</p> <p>Incorrect Invoice Dates (agree): Invoice dates that were used were the date stamped dates as opposed to the date the invoices were “ok to pay” which was the initial date the invoices were received by the agency. Procedures have since been put into place to use the date that the invoice is received by the agency and not the date the business office receives the invoice.</p> <p>Untimely Commitment of Funds (disagree):</p> <ol style="list-style-type: none"> 1) Vouchers cannot be created/paid without funds having been committed on the purchase order. Purchase orders cannot have a “negative balance” in CORE they will either be closed or cancelled if no longer needed. 2) When invoices are received, and funds need to be added to the purchase order, a change order is processed to add funds. OHE is unable to commit all the funds as it receives funding from OPM on a quarterly basis. Full commitment of funds on some purchase orders may cause other purchase

orders to go into budget error if not all funds have been allocated.”

Auditors’ Concluding Comments

While OHE indicated that vouchers cannot be created or paid without the commitment of funds, our review noted that the selected purchase orders had negative balances. OHE should process change orders prior to incurring expenditures.

Finding 3

Lack of Telecommuting Agreements

Criteria

The Department of Administrative Services (DAS) is responsible for implementing telecommuting guidelines for state employees in Section 5-248i(a) of the General Statutes. Appendix A of the Office of Labor Relations, Agreement on Final Telework Policy, lists all bargaining units approved for telework. Employees in classifications identified in Appendix A may apply for telework through the online portal on the DAS website. Employees must reapply every six months.

Agencies must provide DAS records of approved and denied telework requests in a format prescribed by DAS. Each fiscal year, DAS reports statewide telecommuting participation to the legislature as required by Section 5-248i(c) of the General Statutes.

Condition

Our review of ten employees who telecommuted during the audited period disclosed that four did not complete applications for all their telecommuting periods.

Context

Twenty-six and 23 OHE employees telecommuted during fiscal years 2022 and 2023, respectively. We judgmentally selected ten employees for testing.

Effect

Without completed telework applications, agencies are exposed to a higher risk of miscommunication and an inability to verify employee telework schedules. This also leads incomplete and inaccurate information in the DAS annual telecommuting report.

Cause

The lack of completed applications appears to be caused by miscommunication and a misinterpretation of policy.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Office of Higher Education should comply with the Department of Administrative Services telework policy and prohibit employees from teleworking without an approved agreement.

Agency Response

"We agree with this finding. OHE will ensure all staff complete the on-line Telework applications form every six months."

Finding 4**Private Career School Fee Collection****Criteria**

Section 10a-22u(a) of the General Statutes states that each private career school authorized in accordance with the provisions of sections 10a-22a to 10a-22o, shall pay to the State Treasurer four-tenths of one per cent of the tuition received by the school per calendar quarter exclusive of any refunds. The schools must make payments by January 13th, April 13th, July 13th, and October 13th in each year for tuition received during the three preceding months.

Section 10a-22u(b) of the General Statutes requires that if a school fails to pay within 30 days of the due date, it will lose its certificate of authorization under Section 10a-22f of the General Statutes.

Section 10a-22f(b) of the General Statutes requires that the OHE executive director, or their designee, to serve written notice, by certified mail, return receipt requested, on a private career school indicating that OHE is considering revocation of the school's authorization, and setting forth the reasons for the considered revocation.

Condition

We noted 16 instances in which private career schools made late quarterly payments, totaling \$3,781, ranging from approximately two to 24 months late. In each instance, OHE was unable to provide documentation that it sent a written notice of violation to the school.

Context

OHE collected approximately \$952,199 in quarterly payments from 94 authorized private career schools during the 2022 and 2023 fiscal years. We reviewed all quarterly payments due from 15 randomly selected schools during the audited period, totaling \$37,018.

Effect

OHE continued to authorize private career schools that did not promptly pay required fees in accordance with the General Statutes. There is a risk of revenue loss when OHE does not promptly pursue or document its efforts to collect these fees.

Cause	OHE changed its processes for authorizing and collecting quarterly payments during the audited period. It appears that lack of available staff and training on the new processes contributed to these exceptions.
Prior Audit Finding	This finding has not been previously reported.
Recommendation	The Office of Higher Education should strengthen internal controls over private career school fees to ensure it promptly pursues late payments and provides notice in accordance with Section 10a-22f(b) of the General Statutes.
Agency Response	<p>"We agree with this finding. OHE takes very seriously being compliant with all statutes and regulations. There were some general issues concerning quarterly payments that resulted in the late payments you noted that are outlined below.</p> <ol style="list-style-type: none"> 1. Transition to a new system: In 2022, OHE moved from a system that was a combination of an Access database and paper applications to an online system called Veoci that captured entire workflows within Academic Affairs, including private career schools and the quarterly payments. Later that same year, OHE also moved from collecting checks as payment to doing electronic payments. The resulting transition led to the following consequences: <ol style="list-style-type: none"> a. In the previous system, only one staff member was handling the quarterly payment for all schools. Given the new system, each staff person was responsible for handling the quarterly payments for each of their schools. b. Schools had to learn a new system and adjust to filing their quarterly payments online. Some smaller schools that had technology issues were slow to adapting the new online system. c. There were implementation issues with the new system at launch and the system has been in the process of continuous refinement since then. In addition to staff having to learn and monitor quarterly payments, they also had some initial trouble with tracking late payments in the system and understanding how the notice of violation workflow worked in the system. This resulted in a lack of notice of violation being sent as required by statute. 2. Closure of a major school: In 2023, OHE experienced the closure of a major school. This resulted in over 800 students currently active at the time of closure, needing assistance. It created significant demand on the resources of OHE and

increased time needs on an already understaffed unit. As a result, properly tracking and execution of quarterly payments in the instances highlighted above happened.

OHE was aware and had taken steps to reduce the backlog for quarterly payments earlier this year. However, we will implement the following additional steps to ensure that this issue is not repeated:

1. Staff training: Staff have been given additional training to ensure that they are aware of the statutory requirements concerning quarterly payments. This includes sending out a notice of violation per CGS 10a-22u and 10a-22f. They also have been shown how to navigate the system to generate such notices.
2. Adjust to the Veoci database. We have updated the system to ensure that staff are notified when quarterly payments are late. It is prominently displayed on their dashboard, so that staff can see on a daily basis what payments are late and take the appropriate action.
3. Instituting internal auditing. On a quarterly basis, the division director will review all quarterly payment entries to ensure that they are compliant with the statute. Any non-compliant entries will be redirected to staff for correction, including issuing notices of violation.

These corrective actions will ensure future compliance with the statutes.”

STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our [prior audit report](#) on the Office of Higher Education contained four recommendations, three have been implemented or otherwise resolved and one has been repeated or restated with modifications during the current audit.

Prior Recommendation	Current Status
<p>The Office of Higher Education should develop policies and procedures to ensure that it economically and efficiently procures personal services. The office should periodically use a competitive procurement process for long-term agreements to ensure it is continuing to receive the most cost-effective and efficient services.</p>	<p>RESOLVED</p>
<p>The Office of Higher Education should strengthen internal controls to ensure it accurately prepares and promptly submits its annual CO-59 forms to the Office of the State Comptroller in accordance with the State Property Control Manual.</p>	<p>REPEATED Modified Form</p> <p>Recommendation 1</p>
<p>The Office of Higher Education should strengthen internal controls to ensure that it makes employee separation payments in accordance with Section 5-247 of the General Statutes and its collective bargaining agreement.</p>	<p>RESOLVED</p>
<p>The Office of Higher Education should promptly terminate access to Core-CT when employees leave state service.</p>	<p>RESOLVED</p>

OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the Office of Higher Education 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, 2022 and 2023. The objectives of our audit were to evaluate the:

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

In planning and conducting our audit, we focused on areas of operations based on assessments of risk and significance. We considered the significant internal controls, compliance requirements, or management practices that in our professional judgment would be important to report users. The areas addressed by the audit included payroll and personnel, revenue and cash receipts, purchasing and expenditures, asset management, reporting systems, and information technology, as well as activity related to the Private Occupational School Student Protection Account. We also determined the status of the findings and recommendations in our prior audit report.

Our methodology included reviewing written policies and procedures, financial records, meeting minutes, and other pertinent documents. We interviewed various personnel of the office. We also tested selected transactions. This 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 financial information is presented for informational purposes. We obtained this information from various available sources including the office's management and state information systems. It was not subject to our audit procedures. For the areas audited, we:

1. Identified deficiencies in internal controls;
2. Identified apparent noncompliance with laws, regulations, contracts and grant agreements, policies, or procedures; and

3. Did not identify 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 Office of Higher Education.

ABOUT THE AGENCY

Overview

The [Office of Higher Education](#) operates, generally, under relevant parts of Sections 10a-1d through 10a-57 and 10a-161 through 10a-173 of the General Statutes. OHE's responsibilities include licensing and accreditation for independent colleges, universities and in-state programs offered by out-of-state institutions; regulating the operations of Connecticut's postsecondary career schools; and administering state student financial aid grants through the Roberta B. Willis Scholarship Program and the John R. Justice Grant Program. OHE also manages the Alternative Route to Certification Program and the Minority Advancement Program and serves as the state's lead agency for AmeriCorps, the national service program. OHE also acts as a clearinghouse for student complaints.

Organizational Structure

In January 2019, the Governor appointed Timothy D. Larson executive director. Mr. Larson continues to serve in that capacity. OHE had 26 full time employees as of June 30, 2023, operating under three divisions: Finance and Human Resources, Program and Student Services, and Academic Affairs.

Significant Legislative Changes

There were no notable legislative changes that took effect during the audited period.

Financial Information

General Fund Receipts

General Fund receipts are primarily for educational fee revenue and totaled \$365,889 during fiscal year 2022 and \$291,639 during fiscal year 2023.

General Fund Expenditures

A summary of General Fund expenditures during the audited period as compared to the preceding fiscal year follows:

	Fiscal Year Ended June 30,		
	2021	2022	2023
Personal services	\$ 1,408,174	\$ 1,395,460	\$ 1,699,766
Other expenses	94,027	384,908	482,183
Roberta B. Willis Scholarship Program	32,181,717	33,109,115	32,998,277
Minority Advancement Program	1,308,055	2,642,032	2,127,566
Other Grants and Scholarships	601,304	720,251	740,058
Total	\$ 35,593,277	\$ 38,251,766	\$ 38,047,850

The growth in General Fund expenditures in fiscal years 2022 was primarily attributed to increased distributions for scholarship programs including the Minority Advancement and Roberta B. Willis

Scholarship programs. General Fund expenditures in fiscal year 2023 were relatively consistent with fiscal year 2022.

Federal and Other Restricted Accounts Fund Receipts

A summary of Federal and Other Restricted Accounts Fund receipts during the audited period as compared to the preceding fiscal year follows:

	Fiscal Year Ended June 30,		
	2021	2022	2023
Federal Aid - Restricted	\$ 20,142,161	\$ 4,112,370	\$ 6,311,879
Non-Federal Aid - Restricted	591,509	591,668	388,301
Other Restricted Aid	821,956	584,970	537,509
Total	\$ 21,555,626	\$ 5,289,008	\$ 7,237,689

The decrease in federal aid restricted receipts in fiscal year 2022 is attributed to reductions in federal COVID-19 emergency grant funding and Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) funds. The increase in fiscal year 2023 is due to additional Governor’s Emergency Education Relief (GEER) funding.

Federal and Other Restricted Accounts Fund Expenditures

A summary of Federal and Other Restricted Accounts Fund expenditures during the audited period as compared to the preceding fiscal year follows:

	Fiscal Year Ended June 30,		
	2021	2022	2023
Federal - Restricted	\$ 16,714,248	\$ 29,061,342	\$ 45,390,633
Non-Federal - Restricted	960,048	7,875,927	635,303
Total	\$ 17,674,296	\$ 36,937,269	\$ 46,025,936

The increases in restricted federal aid expenditures in fiscal years 2022 and 2023 can be primarily attributed to fluctuations in American Rescue Plan Act (ARPA) spending in each year. The fluctuations in non-federal restricted aid in fiscal years 2022 and 2023 are attributed to variations in spending for the Alliance District Teacher Loan Subsidy Program.

Endowed Chair Investment Fund

Under Section 10a-20a of the General Statutes, OHE administers a fiduciary fund for endowed chairs at the University of Connecticut, the University of Connecticut Health Center, and the Connecticut State University System (CSUS). The distribution of earnings from the fund to the various chairs for the fiscal years 2022 and 2023 totaled \$4,820 and \$52,491, respectively. The increase in distributions during the fiscal year 2023 was due to a higher interest rate offered in the state’s Short-Term Investment Fund (STIF) in fiscal year 2023 compared to prior years. The Endowed Chair Investment Fund balance was \$3,130,182 as of June 30, 2023.

Private Occupational School Student Protection Account

The office administers a Private Occupational School Student Protection Account, established by Section 10a-22u of the General Statutes. The account maintains a reserve available to refund student tuition if a school becomes insolvent or operations cease. In accordance with Section 10a-22u(a) of the General

Statutes, the account is also assessed for the personnel and administrative expenditures for the oversight and registration of private occupational schools.

Cash receipts totaled \$575,959 and \$588,259 for fiscal years 2022 and 2023, respectively. These receipts consisted of assessments on the schools, fees, and interest earned. Disbursements from the account totaled \$135,712 and \$150,944 for fiscal years 2022 and 2023, respectively.