

STATE OF CONNECTICUT



**AUDITORS' REPORT
OFFICE OF HIGHER EDUCATION
FOR THE FISCAL YEARS ENDED June 30, 2012 and 2013**

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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March 31, 2015

AUDITORS' REPORT OFFICE OF HIGHER EDUCATION FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013

We have audited certain operations of the Office of Higher Education (OHE) in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2012 and 2013. The objectives of our audit were to:

1. Evaluate the agency's internal controls over significant management and financial functions;
2. Evaluate the agency'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 economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department, and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient,

appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the agency. For the areas audited, we identified:

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

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Office of Higher Education.

COMMENTS

FOREWORD

The Office of Financial and Academic Affairs for Higher Education, subsequently renamed the Office of Higher Education, was created pursuant to Public Act 11-48, effective July 1, 2011. The new agency assumed many of the responsibilities of the former Department of Higher Education. The department and the Board of Governors for Higher Education were eliminated with the passage of the act. 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.

The agency was assigned to the Board of Regents for Higher Education for administrative purposes only. Section 4-38f of the General Statutes defines the responsibilities of both the administrative department and the assigned agency. The assigned agency is responsible for exercising its regulatory authority and its licensing and policy-making functions without approval or control of the administrative department. The agency is also responsible for preparing its budget, hiring its personnel and entering into contracts as allowed by law. The administrative department is required, among other responsibilities, to provide record-keeping, reporting, and related administrative and clerical support for the assigned agency as deemed necessary by the department head.

The Governor appointed Jane A. Ciarleglio as director of the Office of Financial and Academic Affairs for Higher Education on July 7, 2011, and, effective February 22, 2012, as executive director, in compliance with Section 10a-1d of the General Statutes. Ms. Ciarleglio continues to serve in that capacity.

Recent Legislation

The public acts presented below are the most significant legislative changes that affected the operations of the Office of Higher Education during the audited period.

Public Act 11-48, effective July 1, 2011, reorganized the state's higher education system, creating the Board of Regents for Higher Education (BOR) to serve as the governing body for the Connecticut State University System, the Connecticut Community College System and Charter Oak State College. The act also established the Office of Financial and Academic Affairs for Higher Education (OFAAHE). The act required that OFAAHE administer several programs previously administered by the Department of Higher Education and the Board of Governors for Higher Education, both of which ceased to exist as of July 1, 2011. OFAAHE was placed within the BOR for administrative purposes only.

Public Act 12-156 changed the name of the agency to the Office of Higher Education, effective June 15, 2012. In addition, the act made several conforming changes to reflect OHE's responsibility for certain programs and activities.

Section 222 of Public Act 12-1, June 12, 2012, Special Session, created the English language learner educator loan reimbursement program, effective July 1, 2012. The agency is responsible for administering the program.

Public Act 13-247 was passed during the audited period, but became effective July 1, 2013, the subsequent audit period. The provision that the agency be within BOR for administrative purposes only was deleted, pursuant to section 174 of the act. Section 182 of the act created the Governor's Scholarship Program, a single, consolidated state financial aid program for state residents who are undergraduates at in-state public and private institutions of higher education. The program replaced three existing major undergraduate financial aid programs: the Connecticut Aid to Public College Students Grant Program, the Connecticut Independent College Student Grant Program, and the Capitol Scholarship Program.

RÉSUMÉ OF OPERATIONS

General Fund

General Fund receipts totaled \$103,630, \$15,792, and \$119,266 during the fiscal years ended June 30, 2011, 2012 and 2013, respectively. These totals represent refunds of prior years' expenditures, which decreased by more than 85 percent during the fiscal year ended June 30, 2012 and increased by over 600 percent in the following year.

General Fund expenditures totaled \$58,149,519 and \$49,698,770 during the fiscal years ended June 30, 2012 and 2013, respectively. A comparative summary of General Fund expenditures from the department's appropriations for the fiscal years under review and the preceding fiscal year follows:

	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
Personal Services and Benefits	\$ 2,436,134	\$ 1,290,582	\$ 1,385,053
Contractual Services and Commodities	103,097	103,638	122,031
Grants	<u>67,063,837</u>	<u>56,755,299</u>	<u>48,191,686</u>
Total General Fund Expenditures	<u>\$69,603,068</u>	<u>\$58,149,519</u>	<u>\$49,698,770</u>

The decrease in personal services expenditures resulted from the transfer of positions and personnel from the Office of Higher Education to the Board of Regents for Higher Education. The decrease in grants expenditures reflects the decrease in appropriations available for student financial aid. The four largest grant programs, representing 96 percent of total grant expenditures from the General Fund, are presented in the table below:

	<u>2011-2012</u>	<u>2012-2013</u>
Aid for Public College Students Program	\$29,808,469	\$24,224,999
Independent College Student Grant Program	18,072,474	15,958,315
Capitol Scholarship Program	4,322,116	5,101,854
Minority Advancement Program	1,966,025	1,761,076

Federal and Other Restricted Accounts Fund

During fiscal year 2011-2012, the agency deposited \$9,125,422 in federal and non-federal contributions to the Federal and Other Restricted Accounts Fund. The total deposited in fiscal year 2012-2013 was \$5,876,647, a decrease of 36 percent. A summary of Federal and Other Restricted Accounts Fund receipts for the fiscal years ended June 30, 2012 and 2013 follows:

	<u>2011-2012</u>	<u>2012-2013</u>
Federal Aid – Restricted	\$7,336,142	\$4,481,162
Non Federal Aid – Restricted	1,673,118	1,273,427
Grants Transfers Federal – Restricted	100,000	0
Other Restricted Aid	0	106,456
Investment Interest	<u>16,162</u>	<u>15,602</u>
Total Federal & Other Restricted Accounts Receipts	<u>\$9,125,422</u>	<u>\$4,876,647</u>

Restricted account activity during the audited period consisted primarily of the administration of federal grant programs. Total Federal and Other Restricted Accounts Fund expenditures for fiscal year 2011-2012 were \$6,835,703. This consisted primarily of expenditures for the GEAR UP, AmeriCorps and College Access Challenge II federal programs, totaling \$5,190,997. In fiscal year 2012-2013, the agency expended \$6,116,967 from the fund. The same three federal programs accounted for expenditures of \$3,849,952 in fiscal year 2012-2013.

Endowed Chair Investment Fund

The agency, under Section 10a-20a of the General Statutes, administers a fiduciary fund for endowed chairs at the University of Connecticut, the University of Connecticut Health Center, and the Connecticut State University System. This program was transferred to BOR in fiscal

year 2012, pursuant to Public Act 11-48. With the passage of Public Act 12-156, the program was transferred back to OHE in fiscal year 2012-2013. The distribution of earnings from the fund to the various chairs totaled \$5,122 and \$3,171, respectively, during the 2011-2012 and 2012-2013 fiscal years. The Endowed Chair Investment Fund had a fund balance of \$5,629,846 as of June 30, 2013.

Teacher Incentive Loan Program Fund

The Teacher Incentive Loan Program Fund was established under Section 10a-163a of the General Statutes. There were no receipts to or disbursements from the Teacher Incentive Loan Program Fund during the 2011-2012 and 2012-2013 fiscal years, which marks ten consecutive years of no activity in the fund. The Teacher Incentive Loan Program Fund had a fund balance \$70,432 as of June 30, 2013.

Academic Scholarship Loan Program Fund

The Academic Scholarship Loan Program Fund was established under the provisions of Section 10a-163a of the General Statutes. The ending fund balance as of June 30, 2013, was \$1,858.

Private Occupational School Student Protection Account

The Private Occupational School Student Protection Account, established by Section 10a-22u of the General Statutes, is administered by the Office of Higher Education. It was established to maintain a reserve of resources to refund tuition paid by students to schools that subsequently become insolvent or cease operations. In accordance with Section 10a-22u, subsection (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 \$919,116 and \$836,591 during fiscal years 2011-2012 and 2012-2013, respectively. These receipts consisted of assessments to the schools, fees, interest earned, and letters of credit. Disbursements from the account totaled \$309,444 in fiscal year 2011-2012 and \$365,802 in fiscal year 2012-2013. There were no tuition reimbursements in fiscal year 2011-2012, and \$16,717 for tuition reimbursements in fiscal year 2012-2013. The largest expenditures for the account in both years were for personal services and other administrative expenses.

Capital Equipment Purchases Fund

The department purchased electronic equipment in the amount of \$3,591 with funding from the Capital Equipment Purchases Fund in fiscal year 2012-2013. There were no purchases from the fund during the prior fiscal year.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our review of the financial records of the Office of Higher Education disclosed areas of concern that are discussed below.

Outdated Procedures and Weak Internal Controls

Criteria: It is the responsibility of management to establish an internal control system that will help an agency achieve its objectives. A sound internal control process also helps to ensure the safeguarding of the state's assets and resources.

The five components of a sound internal control system are as follows:

1. Control Environment – This is generally referred to as the “tone at the top” and reflects management’s expectations regarding standards of conduct.
2. Risk Assessment – This is the process for identifying and assessing risks that may prevent an entity from achieving its objectives.
3. Control Activities – Performed at all levels of the organization, control activities are those policies and procedures developed by management to mitigate risks to the achievement of an entity’s objectives.
4. Information and Communication – Communication is the on-going process of obtaining and sharing information necessary for an organization to carry out the internal control responsibilities that will help to ensure achievement of its objectives.
5. Monitoring – This is necessary to assure that an agency’s internal control system is present and functioning.

Condition: Our review showed that the former Department of Higher Education put many of its policies and procedures in writing. The written procedures could be found on the agency’s intranet site under Procedures and the Employee Handbook. Employees carrying out certain OHE business functions continue to refer to some of these written procedures. However, many of the procedures date back to the late 1990s. Even for those procedures that are essentially unchanged, we found that responsible parties identified in the written procedures are sometimes no longer with the agency.

Effect: The agency’s use of outdated procedures weakens its ability to ensure that it achieves its objectives, which includes the safeguarding of the state’s assets and resources. In addition, the condition of the agency’s written procedures communicates the impression that the controls are not important.

Cause: During the audited period, the agency was dealing with changes in its statutory and organizational structure, as well as the loss of experienced personnel. These changes created competing priorities, of which the condition of the agency's formal control activities was of low importance; this is evidence that the organization was not fulfilling its risk assessment function as necessary.

Recommendation: The Office of Higher Education should strengthen its internal control system by making sure that the control environment provides a sound basis for carrying out internal control; assessing those internal and external risks that threaten the agency's achievement of its objectives; update, or where necessary, develop, policies and procedures that will mitigate identified risks; communicate the information necessary for carrying out internal control responsibilities; and carry out ongoing evaluations to ascertain whether the five components of internal control are present and functioning. (See Recommendation 1.)

Agency Response: "Since the transition, the Office of Higher Education has recently completed and posted a new OHE Employee Handbook. All agency policies and procedures included therein have been updated. This document serves as a basis for risk identification and mitigation by providing a control environment from which employees will be able to carry out agency functions.

Further, the agency has begun the process of creating comprehensive written procedures for the job functions of each employee. These written procedures – which serve as a form of individual position handbook – will enable the agency to review, update and revise on a periodic basis to ensure that 1) all duties can be carried out on a temporary basis due to planned or unplanned employee absence, and 2) duties can be transitioned to cross-trained or new employees to ensure smooth and consistent transition during succession planning."

Federal Receivables

Criteria: Sound business practice dictates that an entity should collect all funds that are due. It is also incumbent upon an entity to keep adequate records of its transactions.

Condition: We are unable to ascertain whether the agency recovered expenditures for its Teacher Quality Partnership program through federal billing of the United States Department of Education. The Office of Higher Education paid the University of Connecticut \$45,630 for a Teacher Quality Partnership Program in July 2012. This payment was excluded from the request for federal reimbursement covering that time frame, and we are

unable to find that it was included in subsequent requests for reimbursement. We also observed that some of the federal billing records appear to be missing.

Effect: It is possible that OHE failed to claim, through federal reimbursement, \$45,630 that was due to the state. If this is the case, and as all of the OHE outlays for each program are invoiced together for expenditures in the same time frame, it is also possible that OHE failed to recover expenditures for other payments to sub-recipients.

Cause: There was significant turnover in personnel responsible for federal billing during and after the audited period. The agency's lack of written procedures exacerbated the problems with work flow caused by the turnover in this area.

Recommendation: The Office of Higher Education should locate the documentation necessary for federal reimbursement for the Teacher Quality Partnership Program and other expenditures that may not have been submitted for reimbursement. The agency should develop written procedures, including record-keeping procedures, for federal reimbursements. (See Recommendation 2.)

Agency Response: "A priority since the transition, the Office of Higher Education has begun the process of creating comprehensive written procedures for the job functions of each employee. Among those which have been completed are the job duties associated with grants management, which includes federal drawdowns, grant payments, grant accounting and reporting.

These written procedures have already been modified to conform with the new grant allotment system as developed by the Office of Policy and Management, and have been successfully put into effect by OHE staff. As such, the agency is better equipped to – and has been able to – keep records to ensure that all receivables have been claimed, and all payables have been disbursed."

Auditors' Concluding

Comment: We reiterate the need for the agency to review the status of reimbursements for the Teacher Quality Partnership Program to ensure that the state receives all funds due from the federal government.

Expenditure Coding and Documentation

Criteria: The Office of the State Comptroller has established an account coding system designed to identify and track funds received and expended by

state agencies. The accurate classification of transactions is essential for managing and reporting an agency's financial activities.

Expenditures must be supported by adequate and relevant documentation that addresses the amount and purpose of the payment, as well as authorization for the payment.

Condition:

Our review of expenditures showed miscoding totaling \$19,966. This included \$10,047 for out-of-state travel and \$419 for advertising that were both coded as office supplies, and \$9,500 for contractual services for the Connecticut Independent College Student Grant Program that was charged to the Capitol Scholarship Program. We observed that the advertising expenditure of \$419 appears to be for an expenditure of the Board of Regents for Higher Education rather than the Office of Higher Education.

We also found two expenditures for which the agency could not produce adequate documentation:

- OHE contracted with an independent public accounting firm for agreed-upon-procedures audits for the AmeriCorps program, but could not produce the agreement containing those procedures.
- The agency operates an international student exchange program and makes payments to foreign students for advising and assisting Connecticut students in the program. The payments consist of an advance or reimbursement for incidental expenditures and an honorarium. The procedures for these payments have been rather informal. Expenditure reimbursements have been made without documentation of actual expenditures, and the honorarium has been based on an oral agreement with each peer advisor.

Effect:

The miscoding of expenditures diminishes the agency's effectiveness in monitoring and reporting its financial activities. On the program level, financial information needed by management for decision-making is inaccurate.

Inadequate documentation of transactions makes monitoring program activities and their related costs more difficult. Furthermore, the absence of specific agreements and procedures increases opportunities for inconsistent program outcomes.

Cause:

Coding errors were made in recording expenditure transactions, and the controls were inadequate to detect the errors. Written procedures for the agency's program, accounting, and record-keeping processes are outdated. The problem has been exacerbated by organizational changes resulting from recent legislation and personnel changes.

We note that the accounting function for the agency was performed by the Board of Regents for Higher Education during the audited period. However, the responsibility for the accounting function is now in the domain of the Office of Higher Education, effective July 1, 2013.

Recommendation: The Office of Higher Education should re-evaluate its accounting practices related to recording transactions to ensure that they are properly identified and charged to the appropriate funds, SIDs, and accounts in order to maintain accurate records for financial management and reporting. OHE should take steps to create or update written procedures for its program, accounting, and record-keeping processes. (See Recommendation 3.)

Agency Response: “Since the transition, the Office of Higher Education has undertaken several steps which will ensure that charges are coded to the correct accounts, and that appropriate documentation is kept on file.

First, a new Agency Chart of Accounts has been developed, implemented in Core-CT, and distributed to OHE employees to use as a reference from the beginning of the purchasing process, through purchase requisition and purchase order to final payment.

Second, employees in the business services area have attended training sessions on the use of Core-CT, as well as individual training from staff from the Office of the State Comptroller, Accounts Payable Division and Budget and Fiscal Analysis Division.

Third, written procedures are being created for all business functions in order to maintain a consistent level of accuracy and the highest level of integrity in agency business functions. In addition, staff members in the business services area are being cross-trained in these functions and written procedures, and major areas of responsibility have been assigned a back-up employee in case of absence of the employee who is primarily responsible for the task.”

GAAP Reporting

Criteria: The Office of the State Comptroller prepares an annual report in accordance with generally accepted accounting principles (GAAP). In order to accomplish this, the State Accounting Manual requires each agency to file year-end GAAP closing reports.

Condition: The Office of Higher Education did not file the required GAAP closing reports for fiscal years ended June 30, 2012 and 2013.

Effect: Information regarding the agency's financial activities and position was unavailable for the comprehensive annual financial report for fiscal years 2012 and 2013.

Cause: The agency's administrative function was assigned to the Board of Regents for Higher Education from July 1, 2011, through June 30, 2013. The responsibilities of the department to which an agency is assigned for administrative purposes are limited, but include record keeping, reporting, and related administrative and clerical functions for the agency to the extent deemed necessary by the department head.

The Board of Regents for Higher Education did not file the GAAP reports for the Office of Higher Education, and the Office of Higher Education did not verify that all required reports were filed.

Recommendation: The Office of Higher Education should determine the reports it is required to file, and ensure that there are procedures and personnel in place to file those reports. (See Recommendation 4.)

Agency Response: "The Office of the State Comptroller has added the Office of Higher Education to its email list, and now receives from OSC instructions and deadlines with regard to what reports are due at what time, fiscal year end tasks, and relevant updates.

Further, procedures are in place to ensure that these reports and related activities are assigned and completed. With regard to the latest GAAP report, OSC staff has worked with OHE staff to ensure timely and accurate completion of this report, which has been filed accordingly."

Asset Management Records and Reporting

Criteria: Section 4-36 of the General Statutes requires that each state agency establish and keep an inventory account in the form prescribed by the State Comptroller. The State Property Control Manual states that the Core-CT Asset Management Module is the property control system to be utilized by all state agencies, with limited exceptions, to record and control all property owned by and/or in the custody of a state agency. The State Property Control Manual also requires that state agencies maintain a detailed software inventory listing.

The agency is required to transmit annually, on or before October first, to the Comptroller a detailed inventory, as of June thirtieth, of all property, real or personal, owned by the state and in the custody of such department.

Condition: Our review disclosed that the agency did not complete a CO-59 Fixed Assets/Property Inventory Report for the fiscal years ended June 30, 2012 and June 30, 2013.

A physical inventory was not performed in Core-CT for the fiscal years ended June 30, 2012 and 2013.

In our test of existing asset management records, we discovered that two items were recorded at less than the purchase price.

Effect: Non-compliance with the State Property Control Manual regarding the annual physical inventory and reporting requirements results in the agency undermining its ability to properly safeguard state assets. The incorrectly-recorded assets resulted in the agency's inventory records being understated by \$5,186.

Cause The administrative function for the agency, including reporting, was assigned to BOR during the audited period. BOR did not file the CO-59 Fixed Assets/Property Inventory Reports for fiscal years 2012 and 2013, and OHE did not verify that all required reports were filed.

Regarding the inaccurately recorded inventory, the controls were inadequate to detect the error.

Recommendation The Office of Higher Education should strengthen its internal control system to ensure that it maintains accurate inventory records in accordance with the State Property Control Manual, performs physical inventories annually, and prepares and submits the annual CO-59 Fixed Assets/Property Inventory Reports. (See Recommendation 5.)

Agency Response: “Since the transition, property control procedures have been developed to more easily account for fixed assets, the agency has updated its inventory list, and the latest CO-59 was submitted on time. Staff of the Office of Higher Education has recently been trained in the area of asset management and property control by the members of the Core-CT team.”

Private Occupational Schools – Appointment of the Evaluation Team

Background: Private occupational schools must be authorized by the Office of Higher Education to operate in the state. The schools are also required to contribute to a Private Occupational School Student Protection Account, which is used, when necessary, to refund tuition to students of those schools that cease operations.

<i>Criteria:</i>	<p>Section 10a-22k of the Connecticut General Statutes states that the Office of Higher Education shall adopt regulations in accordance with the provisions of chapter 54 in order to carry out the provisions of Sections 10a-22a to 10a-22o, inclusive, and Sections 10a-22u to 10a-22w, inclusive.</p> <p>Subsection (b) of Section 10a-22k-4 of the regulations governing the agency requires that within 30 days following receipt of a completed application, the commissioner or a designee of the commissioner shall appoint an evaluation team. We would also note that the language of the regulations has not yet been changed to reflect the changes resulting from the reorganization of the agency.</p>
<i>Condition:</i>	<p>We examined documentation for ten schools that were certified, either initially or by renewal, to operate a private or hospital-based private occupational school in the State of Connecticut. Our review revealed that in four instances the evaluation team was appointed between 63 to 71 business days following the receipt of a completed application.</p>
<i>Effect:</i>	<p>The Office of Higher Education is not in compliance with its regulations regarding authorization of private or hospital-based private occupational schools. A delay in appointing the evaluation team could result in a delay in potential eligibility for a private occupational school to operate in the State of Connecticut</p>
<i>Cause:</i>	<p>The Office of Higher Education does not have a system in place for appointing an evaluation team in a timely manner.</p>
<i>Recommendation:</i>	<p>The Office of Higher Education should comply with its own regulations in order to expedite determination of eligibility for private or hospital-based occupational schools to operate in the State of Connecticut. (See Recommendation 6.)</p>
<i>Agency Response:</i>	<p>“The thirty (30) day time period begins when the application is complete. As such, the Office has updated the application to reflect the date on which it is determined that the application is complete.”</p>

Core-CT Access for Terminated Employees

<i>Criteria:</i>	<p>The state’s Core-CT Security Liaison Guide requires an agency’s security liaison to request deletion of access immediately upon the notice of an employee’s termination, retirement or transfer to another department or agency. The guide further instructs the security liaison to reset passwords to lock out user account access immediately upon notice of termination, retirement or transfer.</p>
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<i>Condition:</i>	We reviewed Core-CT access for one former employee who retired at the end of fiscal year 2013. We found that this person's access to Core-CT was not deleted until the end of March 2014, a delay of nearly nine months. Upon discovering this, we expanded our review to include a former employee who resigned in mid-October 2013. This person's Core-CT access was not deleted until early December 2013, approximately one and a half months after the employee's resignation.
<i>Effect:</i>	The agency is not in compliance with the requirements of the Core-CT Security Liaison Guide. More importantly, the agency's Core-CT records were vulnerable to access by unauthorized parties for an extended period of time.
<i>Cause:</i>	Initially, agency management expected that the retiree would be rehired pursuant to the provisions of Section 5-164a subsection (c) of the General Statutes. Therefore, the agency did not act promptly to delete Core-CT access for this individual, as it should have done. We are unable to identify the cause for the continued delay in deleting Core-CT access for this individual or for the delay in deleting access for the party who resigned.
<i>Recommendation:</i>	The Office of Higher Education should implement procedures to ensure prompt action to delete Core-CT access for terminated employees. (See Recommendation 7.)
<i>Agency Response:</i>	"The agency has established a protocol for termination of Core-CT access which has been included in its employee separation procedures."

RECOMMENDATIONS

Our prior report on the Department of Higher Education contained three recommendations. One is repeated and two are restated.

Status of Prior Audit Recommendations:

- The Office of Higher Education should ensure that transactions are properly identified and charged to the appropriate funds, SIDs, and accounts in order to maintain accurate records for financial management and reporting. This recommendation is repeated.
- The Office of Higher Education should comply with Section 10a-22b subsection (f) of the General Statutes and establish controls to ensure that all members of an evaluation team are properly identified and sign non-conflict-of-interest statements before proceeding with an evaluation. The agency should collect the \$200 renewal fee that was not collected, and should enhance controls to ensure collection of fees before certifying a private occupational school to operate. Although both of these recommendations were implemented, we found in the current audited period, that there are issues with the appointment of the evaluation team. The finding is not repeated.
- The Office of Higher Education should strengthen its internal controls to ensure that all reported financial data is complete and accurate. This finding is restated.

Current Audit Recommendations:

1. **The Office of Higher Education should strengthen its internal control system by making sure that the control environment provides a sound basis for carrying out internal control; assessing those internal and external risks that threaten the agency's achievement of its objectives; update, or where necessary, develop, policies and procedures that will mitigate identified risks; communicate the information necessary for carrying out internal control responsibilities; and carry out ongoing evaluations to ascertain whether the five components of internal control are present and functioning.**

Comment:

Many of the agency's written procedures are outdated. In some instances, employees identified as responsible for certain roles or tasks are no longer with the agency. There are no written procedures for some processes.

2. **The Office of Higher Education should locate the documentation necessary for federal reimbursement for the Teacher Quality Partnership Program and other expenditures that may not have been submitted for reimbursement. The agency should develop written procedures, including record-keeping procedures, for federal reimbursements.**

Comment:

We were unable to determine if the agency billed the federal government for certain allowable expenditures for federally-funded programs.

3. **The Office of Higher Education should re-evaluate its accounting practices related to recording transactions to ensure that they are properly identified and charged to the appropriate funds, SIDs, and accounts in order to maintain accurate records for financial management and reporting. OHE should take steps to create or update written procedures for its program, accounting, and record-keeping processes.**

Comment:

Our test of expenditures revealed miscoded accounting entries totaling \$121,682. We also found two expenditures with inadequate supporting documentation.

4. **The Office of Higher Education should determine the reports it is required to file, and ensure that there are procedures and personnel in place to file those reports.**

Comment:

The annual GAAP reports were not filed for the Office of Higher Education for the fiscal years ended June 30, 2012 and 2013. We also found, in other testing, that the annual property inventory reports were not filed during the audited period.

- 5. The Office of Higher Education should strengthen its internal control system to ensure that it maintains accurate inventory records in accordance with the State Property Control Manual, performs physical inventories annually, and prepares and submits the annual CO-59 Fixed Assets/Property Inventory Reports.**

Comment:

The annual inventory reports were not filed for the agency for the fiscal years ended June 30, 2012 and 2013. The agency did not conduct an annual physical inventory. Two asset purchases during the audited period were recorded in inventory records at less than the purchase price.

- 6. The Office of Higher Education should comply with its own regulations in order to expedite determination of eligibility for private or hospital-based occupational schools to operate in the State of Connecticut.**

Comment:

The Office of Higher Education is responsible for certifying private occupational schools to operate in the state. One of the requirements for fulfilling this responsibility is to appoint an evaluation team within 30 days of application. We found that the agency took over 60 days to appoint an evaluation team in four out of ten certifications or re-certifications that we tested.

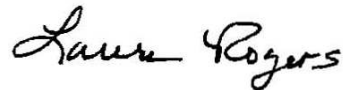
- 7. The Office of Higher Education should implement procedures to ensure prompt action to delete Core-CT access for terminated employees.**

Comment:

The agency failed to promptly delete Core-CT access for two terminated employees, one for a period of nine months and one for approximately one and a half months.

CONCLUSION

In conclusion, we 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.



Laura Rogers
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