

STATE OF CONNECTICUT



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

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

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December 22, 2021

EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of Southern Connecticut State University 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 the need for changes in management practices that warrant the attention of management. The significant findings and recommendations are presented below:

<p><u>Page 8</u></p>	<p>The university did not have contracts for \$76,706 in purchases or documentation to confirm that it obtained multiple quotes for the purchases. The university paid \$645,768 to two vendors from multi-vendor state contracts, but could not provide documentation that it compared prices from more than one vendor on the state contract. Southern Connecticut State University should improve compliance with purchasing policies by obtaining multiple price quotes and comparing prices prior to entering into a contract with vendors on Department of Administrative Services multi-vendor awarded contracts. The university should enter into a contractual agreement when procuring certain goods and services when required. (Recommendation 1.)</p>
<p><u>Page 10</u></p>	<p>The university did not obtain the Office of the Attorney General’s approval for professional service expenditures amounts that exceeded \$25,000. Southern Connecticut State University should improve internal controls over the purchase of professional services by obtaining the Office of the Attorney General’s approval when required. (Recommendation 2.)</p>
<p><u>Page 11</u></p>	<p>We noted 11 unsupported charges to purchasing cards, totaling \$8,767. Another cardholder had \$18,593 in unsupported charges. The university did not perform biannual audits of three cardholders. Southern Connecticut State University should comply with the purchasing card policies by ensuring it conducts biannual audits and that users obtain and retain proper supporting documentation for purchases. Also, the university should improve its internal controls to ensure that all purchasing card documents, including those from former employees, are secured and available for review. (Recommendation 3.)</p>
<p><u>Page 12</u></p>	<p>The university did not have employment agreement letters on file for eight of its part-time lecturers. In four other instances, the university or the lecturer signed the agreement and/or appointment letters after the starting date. Southern Connecticut State University should fully execute employment contracts for part-time lecturers and obtain signed agreement letters prior to the lecturer’s starting date. The university should retain a copy of employment contracts in accordance with the state’s record retention policies. (Recommendation 4.)</p>

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

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December 22, 2021

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

We have audited certain operations of Southern Connecticut State University 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 university's internal controls over significant management and financial functions;
2. Evaluate the university's compliance with policies and procedures internal to the university 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 university, as well as certain external parties; 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 university's management and the state's information systems, and was not subjected to the procedures applied in our audit of the university. For the areas audited, we reached the following conclusions:

1. Identified deficiencies in internal controls;
2. Identified apparent non-compliance with laws, regulations, contracts and grant agreements, policies, and procedures; and
3. Identified need for improvements 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 Southern Connecticut State University.

COMMENTS

FOREWORD

Southern Connecticut State University in New Haven is one of the four higher education institutions that collectively make up the Connecticut State University component of the Connecticut State Colleges & Universities (CSCU) system. The other three are Central Connecticut State University in New Britain, Eastern Connecticut State University in Willimantic, and Western Connecticut State University in Danbury. The Board of Regents for Higher Education oversees the university and serves as the administrative office for CSCU. CSCU, a constituent unit of the State of Connecticut's system of higher education, operates principally under the provisions contained in Sections 10a-87 through 10a-101 of the General Statutes.

Dr. Joe Bertolino served as university president during the audited period.

Significant Legislation

The following notable legislative changes affecting the university took effect during the audited period:

- **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, the university’s operations were primarily supported by appropriations from the state’s General Fund and tuition and fees credited to the university’s operating fund. The university also received COVID 19 federal emergency grant funds and capital projects funds from state bond issues.

The university did not directly receive General Fund appropriations. Rather, General Fund appropriations for the entire CSCU system were distributed to the CSCU System Office, which periodically calculated and transferred funds to the university’s operating fund, primarily for personal services and related fringe benefits.

Operating fund receipts primarily consisted of student tuition payments. Under the provisions of Section 10a-99(a) of the General Statutes, tuition charges are set by the Board of Regents for Higher Education. The following presents annual tuition charges for full-time students during the audited fiscal years:

Student Status	2018 – 2019			2019 – 2020		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduate	\$5,642	\$16,882	\$7,824	\$5,924	\$17,726	\$ 8,216
Graduate	\$7,027	\$18,102	\$9,750	\$7,378	\$19,008	\$10,238

Tuition for in-state students increased by 4% from fiscal year 2018 to fiscal year 2019. Tuition for all students increased by approximately 5% from fiscal year 2019 to fiscal year 2020.

Besides tuition, the university charged students other fees during the audited years, including a general fee and a state university fee. The following presents these fees, on an annual basis, during the audited fiscal years:

Fee	2018 – 2019			2019 – 2020		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
General	\$4,146	\$4,146	\$4,146	\$4,354	\$4,354	\$4,354
State University	\$ 917	\$2,185	\$ 917	\$ 918	\$2,076	\$ 918

In addition, the required resident student Housing and Food Service fees represent a significant portion of the operating revenues category titled Auxiliary Revenues. The following presents the average annual Housing (double occupancy) and Food Service fees during the audited period:

Fee Description	2018 – 2019	2019 – 2020
Housing	\$ 6,996	\$ 7,170
Food Service	\$ 5,814	\$ 6,048

Enrollment Statistics

The university provided the following enrollment statistics for full and part-time students during the audited period:

Enrollment	Fall 2018	Spring 2019	Fall 2019	Spring 2020
Full-time undergraduate	6,877	6,347	6,801	6,273
Full-time graduate	739	653	713	677
Total full-time	7,616	7,000	7,514	6,950
Part-time undergraduate	1,245	1,319	1,161	1,183
Part-time graduate	1,189	1,168	1,142	1,079
Total part-time	2,434	2,487	2,303	2,262
Total Enrollment	10,050	9,487	9,817	9,212

The fall and spring semesters' total enrollment averaged 9,769 and 9,515 during the 2018-2019 and 2019-2020 fiscal years, respectively, compared to 9,841 during the 2017-2018 fiscal year. Student enrollment declined by 72 (0.70 %) from fiscal year 2018 to fiscal year 2019 and by 254 (2.60 %) from fiscal year 2019 to fiscal year 2020.

Operating Revenues

Operating revenues are derived from the sale or exchange of goods and services relating to the university's educational and public service activities. Major sources of operating revenue include tuition and fees, federal grants, state grants, and auxiliary services.

Operating revenues, as presented in the university's audited financial statements for the audited period and previous fiscal year, follow:

Operating Revenue Description	Fiscal Year Ended June 30,		
	2018	2019	2020
Tuition and Fees (net of scholarship allowances)	\$ 86,370,014	\$ 96,571,517	\$ 97,648,591
Federal Grants and Contracts	1,797,184	1,998,659	2,936,840
State and Local Grants and Contracts	4,581,299	3,989,847	4,365,422
Non-governmental Grants and Contracts	2,865,907	3,645,804	4,261,114
Indirect Cost Recoveries	198,769	269,381	220,626
Auxiliary Revenues	27,900,650	29,045,690	21,986,518
Other Operating Revenues	5,312,896	2,563,862	2,178,102
Total Operating Revenues	\$129,026,719	\$138,084,760	\$133,597,213

Operating revenues totaled \$138,084,760 and \$133,597,213 during the fiscal years ended June 30, 2019 and 2020, respectively, compared to \$129,026,719 during the fiscal year ended June 30, 2018. These revenues increased \$9,058,041 (7.02 %) in fiscal year 2019 and decreased \$4,487,547 (3.25 %) in fiscal year 2020.

The growth in operating revenues during the fiscal year ended June 30, 2019 is attributed to increases from tuition, fees and auxiliary services offset by a decline in other revenues. The growth in these revenue categories is consistent with the increased in-state tuition and university fees rates for undergraduate students in fiscal year 2019.

The decline in operating revenues during the fiscal year ended June 30, 2020 can be attributed to a 24% decrease in auxiliary revenues when the university refunded student housing and food costs due to the COVID 19 campus shut down. The decline is offset by growth in revenues from various grants, contracts, tuition and fees.

Operating Expenses

Operating expenses generally result from payments for goods and services to achieve the university’s instruction and public service mission. Operating expenses include employee compensation and benefits, professional services, supplies, and depreciation.

Operating expenses, as presented in the university’s audited financial statements for the audited period and the previous fiscal year, follow:

Operating Expenses Description	Fiscal Year Ended June 30,		
	2018	2019	2020
Personal Service and Fringe Benefits	\$159,685,823	\$166,202,950	\$180,116,816
Professional Services and Fees	5,226,035	5,525,164	6,393,303
Educational Services and Support	33,005,017	35,203,782	41,007,556
Travel Expenses	1,964,236	1,986,457	1,487,342
Operation of Facilities	11,049,140	12,404,123	10,598,050
Other Operating Supplies and Expenses	6,926,554	6,004,955	5,772,843
Depreciation Expense	20,455,856	20,700,979	20,598,377
Amortization Expense	53,625	36,766	31,037
Total Operating Expenses	\$238,366,286	\$248,065,176	\$266,005,324

Operating expenses totaled \$248,065,176 and \$266,005,324 during the fiscal years ended June 30, 2019 and 2020, respectively, compared to \$238,366,286 during the fiscal year ended June 30, 2018. These expenses increased \$9,698,890 (4.07 %) during fiscal year 2019 and \$17,940,148 (7.23 %) during fiscal year 2020.

The growth during the fiscal year ended June 30, 2019 was due to increases in personal services and fringe benefits, educational services, support, and operating and facilities expenditures.

The increase during the fiscal year ended June 30, 2020 was primarily due to increases in expenditures for personal, professional, and educational services and support.

Nonoperating Revenues

Nonoperating revenues are receipts from other than the sale or exchange of goods or services related to the university's primary functions of instruction, academic support, and student services. Nonoperating revenues include items such as the state's General Fund appropriation, private gifts and donations, investment income, and state-financed plant facilities revenues.

Nonoperating revenues during the audited years and the previous fiscal year were presented in the university's audited financial statements as follows:

Nonoperating Revenue Description	Fiscal Year Ended June 30,		
	2018	2019	2020
State Appropriations	\$74,072,500	\$ 84,087,089	\$ 82,758,567
Pell Grant Revenue	14,378,324	15,019,729	15,941,138
Federal Emergency Grant Revenue	0	0	6,197,754
Gifts	152,654	167,401	148,696
Investment Income	1,238,644	2,316,113	1,448,810
Capital Expenditures from System Office	0	3,346,240	1,653,863
Other Nonoperating Revenue	738,965	722,390	418,346
Total Nonoperating Revenues	\$90,581,087	\$105,658,962	\$108,567,174

Nonoperating revenues totaled \$105,658,962 and \$108,567,174 during the fiscal years ended June 30, 2019 and 2020, respectively, compared to \$90,581,087 during the fiscal year ended June 30, 2018. These revenues increased 15,077,875 (16.65%) during fiscal year 2019 and \$2,908,212 (2.75%) during fiscal year 2020.

The growth in fiscal year 2019 was primarily due to a significant increase in state appropriations and a modest increase in Pell grants. The growth in fiscal year 2020 was primarily due to a first-time federal emergency grant and an increase in Pell grants. This was offset by a decline in state appropriations and investment income over the previous year.

Besides the operating and nonoperating revenues presented above, the university's financial statements presented revenues classified as state appropriations restricted for capital purposes totaling \$6,407,333 and \$9,940,882 for the fiscal years ended June 30, 2019 and 2020, respectively.

Southern Connecticut State University Foundation, Inc.

The Southern Connecticut State University Foundation, Inc. is a private, nonprofit corporation established to raise funds to support the activities of the university.

Sections 4-37e through 4-37k of the General Statutes define and set requirements for such organizations that support state agencies. The requirements address the annual filing 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.

Audits of the books and accounts of the foundation were performed by an independent certified public accounting firm for the fiscal years ended June 30, 2019 and 2020 in accordance with Section 4-37f(8) of the General Statutes. The auditors expressed unqualified opinions on the foundation's financial statements in both fiscal years. In addition, the foundation's auditors indicated compliance, in all material respects, with Sections 4-37e through 4-37k of the General Statutes.

The audit of the foundation's financial statements reported support and revenues totaling \$6,786,635 and \$4,563,757 during the fiscal years ended June 30, 2019 and 2020, respectively. Net assets were reported as \$38,137,810 and \$38,804,302 as of June 30, 2019 and 2020, respectively.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of Southern Connecticut State University disclosed the following 11 recommendations, of which seven have been repeated from the previous audit:

Noncompliance with Procurement Policy

Criteria: The Connecticut State Colleges and Universities (CSCU) Procurement Manual requires the university to obtain more than one quote or compare pricing to ensure that the university receives the best value. The manual recommends that, when possible, the university compare prices of vendors on available state contracts such as the Department of Administrative Services (DAS) multi-vendor award.

The manual also requires that the university enter into a contractual agreement when procuring certain goods and services.

It is also a good business practice to complete vendor contracts to ensure that both parties understand the requirements and agree with the terms of the arrangement.

Condition: We examined 20 non-personal service expenditure transactions, totaling \$2,102,685, and found the following:

1. In two instances, totaling \$75,039, the university did not compare prices from more than one vendor on Department of Administrative Services multi-vendor awarded contracts. The university paid \$374,601 and \$271,167 on those contracts during fiscal years 2019 and 2020, respectively.
2. In two instances, the university could not confirm that it obtained multiple quotes and did not have contracts for \$76,706 in purchases.

Effect: Without obtaining multiple price quotes and comparing prices of vendors from the DAS multi-vendor award during the procurement process, there is decreased assurance that the university is obtaining goods and services at the best prices.

There is increased risk of improper or excessive payments when the university does not comply with purchasing requirement including executing a contract for purchases.

Cause: The university did not follow its internal control procedures regarding obtaining price quotes /comparisons.

The university erroneously believed that it was utilizing an existing contract between the vendor and another Connecticut State University.

Prior Audit Finding: This finding has been previously reported in the prior audit report covering the fiscal years ended June 30, 2017 and June 30, 2018.

Recommendation: Southern Connecticut State University should improve compliance with purchasing policies by obtaining multiple price quotes and comparing prices prior to entering into a contract with vendors on Department of Administrative Services multi-vendor awarded contracts. The university should enter into a contractual agreement when procuring certain goods and services when required. (See Recommendation 1.)

Auditee Response: “Condition #1: The University acknowledges this finding however, while the Procurement Services Department cannot show evidence that additional quotes were obtained from more than one vendor on the DAS contracts in question, Procurement Services also cannot say definitively that additional quotes were not solicited and obtained by the requesting department, as submitting evidence of this has never been a requirement when using a DAS contract, though departments have always been encouraged to do their due diligence when making a purchase. Historically, the university has always made purchases from the DAS contracts in accordance with the CSCU Procurement Manual section 2.6 which states that “It is recommended, when possible, that the end user compare available stated contracts for best value in pricing and/or services.

The university acknowledges that, it is desirable to ensure that while using the DAS multi-vendor contracts, that the best value is being obtained for the goods or services being procured. In order to document this requirement going forward, Procurement Services will develop, and roll-out to the university community, a form in which the requesting department will be required to record the evidence of additional quotes obtained and to provide documentation on how a vendor was selected. This form will be required to be submitted along with the purchase requisition and will be reviewed by Procurement Services prior to a Purchase Order being issued. The form will then be included in the file with the Purchase Order and will serve as documentation for the selection of the vendor.

Condition #2: The University acknowledges the finding and has taken steps to ensure contracts are in place for these expenditures.

In the case of the Kualu purchase, when this requisition was received, it was interpreted as a software subscription and therefore would not have required a contract. After discussions, with SCSU IT and the End User, it has been determined that this purchase goes beyond a software subscription and therefore, the University should have a contract in place for this purchase.

In the case of the Swan Associates purchase, a purchase order issued by WCSU was located. This was incorrectly identified as a contract by procurement staff. Procurement Staff have been apprised of this situation and have been given instructions on how to confirm whether or not a contract number provided by a requesting department is actually a contract and not just a purchase order issued by an Agency.”

Purchasing of Professional Services Control Weaknesses

<i>Criteria:</i>	The Connecticut State Colleges and Universities (CSCU) Procurement Manual states that personal or professional service agreements (PSA) valued at \$25,000 or greater require approval from the Office of Attorney General (OAG). Alternatively, the manual permits the use of an OAG approved contract template.
<i>Condition:</i>	We reviewed ten professional services expenditures during the audited period, totaling \$384,164. Our review disclosed two instances in which the university did not obtain the Office of the Attorney General’s approval nor used the approved OAG template for contracts exceeding \$25,000. The contracts totaled \$26,025 and \$70,000.
<i>Context:</i>	The university’s service-based transactions totaled \$4,096,633 and \$4,018,507 in fiscal years 2019 and 2020, respectively.
<i>Effect:</i>	When the university does not use the Attorney General’s template or obtain required approval, there is increased risk that it may not be able to enforce contracts against a vendor. There is also increased risk of the vendor not being in compliance.
<i>Cause:</i>	The university did not follow its internal control procedures regarding obtaining Attorney General approval.
<i>Prior Audit Finding:</i>	This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2017 through June 30, 2018.
<i>Recommendation:</i>	Southern Connecticut State University should improve internal controls over the purchase of professional services by obtaining the Office of the Attorney General’s approval when required. (See Recommendation 2.)
<i>Auditee Response:</i>	“The University acknowledges this finding and will ensure that the OAG template is used whenever applicable. Procurement Services has already increased efforts to reach out to university departments to ensure that the correct templates are being used.”

Purchasing Cards (P-Card) Control Weaknesses

Criteria: The Southern Connecticut State University's Purchasing Card (P-Card) Policies and Procedures Manual states that every transaction charged to a purchasing card must be supported by a receipt. The university must retain proper receipts and supporting documentation to ensure purchases are consistent with all university policies and procedures. The manual requires the cardholder to complete a missing receipt form to replace a missing P-Card vendor receipt.

The P-Card manual requires that the university P-Card administrator perform biannual purchasing card audits to ensure that the university received purchased items purchased and followed policies and procedures.

Condition: We examined \$126,415 in purchases by 15 P-Card cardholders covering five months during the audited period. Our testing disclosed the following:

1. The university could not provide receipts or any other supporting documentation for \$18,593 charged to one cardholder who has since separated from the university.
2. The university could not provide receipts for 11 P-Card transactions, totaling \$8,7667, from five cardholders. The cardholders did not submit a missing receipt form.
3. The university did not perform biannual audits for three of the cardholders examined.

Context: There were \$1,568,182 in charges to all university P-Cards for the five months examined.

Effect: Noncompliance with purchasing card policies and procedures decreases assurance that purchases were appropriate, supported, and proper.

Cause: The university purported that the campus shutdown due to the COVID-19 pandemic made it impossible to perform the biannual P-Card audits.

The university made each cardholder responsible for maintaining P-Card documents. It appears that the university did not secure P-Card records when the cardholder separated from the university.

Prior Audit Finding: This finding has been previously reported in the last four audit reports covering the fiscal years ended June 30, 2010 through June 30, 2018.

Recommendation: Southern Connecticut State University should comply with purchasing card policies by ensuring that it conducts biannual audits and that users obtain and retain proper supporting documentation for purchases. Also, the university should improve its internal controls to ensure that all purchasing card documents, including those from former employees, are secured and available for review. (See Recommendation 3.)

Auditee Response: “1. The University acknowledges however, the P-card Administrator was not notified that the card holder had separated from the university. If notification had been given to the P-card Administrator an audit would have been completed. The P-card Administrator did attempt to locate the cardholder’s p-card files but was unsuccessful.

2. The University acknowledges in part, but would like to note that when performing the p-card audits, the department staff found most of these missing receipts (11) with the exception of two. It is possible that, while scanning the many pages of p-card receipts to the APA since they were unavailable to pick up the documents from SCSU due to COVID-19, that some receipts may have been misplaced. Also, all of these infractions were noted on the cardholders audit sheet, which is in compliance with pcard policy.

3. The University acknowledges this finding. Summary: The University has always been mindful of ensuring that P-card Policies are being adhered to. Having only one full-time staff member to administer the P-card Program does add challenges when it comes to conducting audits of cardholders in a timely fashion. Due to on-going staffing shortages in other areas of Finance, we have encouraged the use of the university p-card more heavily to relieve back up in our purchasing and accounts payable areas. As an unintended consequence of this rapid growth, it has become more difficult to conduct audits as timely as we would like. Going forward we will work to ensure that pcard policies are followed to the best of our ability given that the department is a staff of one.”

Part-Time Faculty/Lecturer Control Weakness - Appointment Contracts

Background: Southern Connecticut State University sends an agreement letter to prospective part-time lecturers and adjunct professors. This letter contains the details of the appointment including the duration, assigned class and credit hours. Once the lecturer signs the agreement letter thereby agreeing to the terms of the appointment, the university completes an appointment form. The appropriate supervising officers, including the dean, department head, and chief human resources officer, must sign the form to approve the hire. Together, the agreement letter and the appointment form constitute an employment contract, and should both be fully executed prior to the lecturer’s starting date.

<i>Criteria:</i>	<p>It is a good business practice to require that all parties fully execute contracts to confirm their agreement to all the terms and conditions.</p> <p>The state's record retention policies require the university to retain certain employee personnel records, including employment contracts, for 30 years after termination.</p>
<i>Condition:</i>	<p>We reviewed 15 part-time faculty appointments during the audited period and noted the following:</p> <ul style="list-style-type: none">• In eight instances, the university could not provide agreement letters signed by the lecturer confirming the terms of the contract and attesting to any other employment status with the state.• In one instance, the lecturer signed the agreement letter after their starting date.• In three instances, the university signed the appointment forms after the lecturer's starting date.
<i>Effect:</i>	<p>Without a fully executed employment contract, there is decreased assurance that the employees agreed to the terms and conditions. It also increases the risk that the employees will not fulfill their contractual obligations.</p>
<i>Cause:</i>	<p>The university did not promptly perform the necessary steps to ensure that employees fully executed their contracts.</p> <p>The university did not retain a copy of the employment documents.</p>
<i>Prior Audit Finding:</i>	<p>This finding has been previously reported in the last two audit reports covering the fiscal years ended June 30, 2014 through June 30, 2018.</p>
<i>Recommendation:</i>	<p>Southern Connecticut State University should fully execute employment contracts for part-time lecturers and obtain signed agreement letters prior to the lecturer's starting date. The university should retain a copy of employment contracts in accordance with the state's record retention policies. (See Recommendation 4.)</p>
<i>Auditee Response:</i>	<p>"Going forward, the Office of Human Resources at Southern Connecticut State University will ensure good business practice by requiring that all parties fully execute contracts to confirm their agreement to all the terms and conditions. We will fully execute employment contracts for part-time lecturers by obtaining signed agreement letters prior to the lecturer's starting date. The university will retain a copy of employment contracts in accordance with the state's</p>

record retention policies. Internal controls will be enhanced to ensure that employment contracts are fully executed.”

Late Deposits and Undocumented Collection Dates for Receipts

Criteria: Section 4-32 of the General Statutes requires that state agencies deposit funds within twenty-four hours of receipt. The Office of the State Treasurer granted the university a two business-day waiver for the deposit of receipts collected by armored car.

Southern Connecticut State University policy also requires that university funds must be deposited in the Student Accounts Office within 24 hours of its receipt.

Condition: We examined 30 deposit transactions totaling \$211,942.08. In four instances, totaling \$25,217.53, the university did not document the date that the department or student club/organization received the funds.

In two instances, totaling \$7,692.23, the university deposited funds from student club/organization one business day late.

Context: The university had 36,856 deposit transactions totaling \$136,251,212 during the audited period.

Effect: Without documents that provide the receipt date, there is no assurance that the university deposited the funds on time.

The university did not comply with its timely deposit policy and Section 4-32 of the General Statutes which exposed funds to an increased risk of loss or theft.

Cause: It appears that an employee failed to follow the policy to prevent these conditions.

Prior Audit Finding: This finding has been previously reported, in part, in the last two audit reports covering the fiscal years ended June 30, 2014 through June 30, 2018.

Recommendation: Southern Connecticut State University should require documentation to support the date when departments and student clubs/organizations receive funds and to ensure that they are promptly deposited as required by Section 4-32 of the General Statutes. (See Recommendation 5.)

Auditee Response: “We agree with this finding. As stated in the response to the 17-18 Internal Controls audit report which was not issued until after the 19-20 audit period for the current report, as of February 2021 Southern has

strengthened controls to comply with by Section 4-32 of the General Statutes by updating the departmental/club deposit form to require the date the funds were collected by the department/club. Additionally, we will continue to send email reminders bi-annually to all departments and student organizations who are responsible for collecting and depositing funds. This email reminds them of their fiduciary obligation to deposit funds in a timely manner and the options they have to deposit the funds. We will also follow up with departments and student organizations who have had late deposit infractions in the past to urge them to deposit funds upon receipt and to troubleshoot any issues which may be preventing them from compliance.”

Facilities Usage Revenue Agreements Control Weakness

Criteria: Facilities usage agreements should contain clear and consistent payment terms to ensure that the parties understand the deposit charges and due dates. In March 2019, the Office of the Attorney General provided a facilities usage agreement template for universities.

Condition: We reviewed six facilities usage agreements in place during the audited period. Our review disclosed that four agreements entered into after March 2019 contained conflicting deposit charges and/or due dates.

Effect: Conflicting payment terms in facilities usage agreements resulted in decreased assurance that the university received deposits for facilities usage on time.

Cause: The university did not use the template provided by the Office of the Attorney General.

Prior Audit Finding: This finding has been previously reported in the last five audit reports covering the fiscal years ended June 30, 2008 through June 30, 2018.

Recommendation: Southern Connecticut State University should use the current contract template for facility usage agreements to avoid conflicting language. The agreement should clearly define deposit charges and due dates. (See Recommendation 6.)

Auditee Response: “SCSU acknowledges this finding. The issue with obtaining the correct (25%) deposit for the Facilities Use agreements continues to be problematic. Unfortunately, the updated OAG approved template did not correct this issue. The SCSU Procurement staff will redouble its efforts to ensure that departments are using the most current OAG approved template dated 3/11/2019 and will provide more training on the use of the agreement templates so that the correct information will be entered.”

Lack of Salary Analysis – Management Salaries

<i>Criteria:</i>	The Connecticut State Colleges and Universities (CSCU) Human Resources Policies for Management & Confidential Professional Personnel manual provides that individual salaries for incoming managers will be collaboratively set within the range for the level by the human resources officer and the appropriate department head, based on the incumbent’s skills and qualifications. The university’s human resources officer must conduct a review of relevant salaries to ensure internal equity. The university president and human resources officer must approve the final hiring salary before an offer is made to the candidate.
<i>Condition:</i>	Southern Connecticut State University could not provide any evidence that it performed a salary analysis on four newly hired managers. Although the salaries for all four managers were within the salary ranges for their positions, there was no documentation in their personnel files to indicate how supervisors determined their salaries.
<i>Context:</i>	We examined all four managers at or above the Executive 1 level that the university hired during the audited period. Their starting salaries averaged \$158,925.
<i>Effect:</i>	Salaries at the higher end of the salary range could be awarded to newly hired individuals who do not possess the experience or capability of an existing manager at that pay rate. In addition, there is no assurance that the university performed an internal equity review to ensure that it is not awarding disproportionate salaries to new hires.
<i>Cause:</i>	The university stated that these salary analyses would have been performed by the former chief human resources officer and her assistant who are no longer employed by the university. The analyses, if performed, were not retained in the employees’ personnel files.
<i>Prior Audit Finding:</i>	This finding has not been previously reported.
<i>Recommendation:</i>	Southern Connecticut State University should ensure that it performs a full salary analysis for prospective management-level employees before extending an offer. The analysis should consider the applicant’s skills and experience and include a review of relevant salaries to ensure internal equity. The university should retain a record of the analysis in the employee’s personnel file. (See Recommendation 7.)
<i>Auditee Response:</i>	“The University accepts this finding but notes that it is an error filing rather than an error of inaction. Going forward, Southern will file the salary analysis in the employee’s permanent record.”

Information System Access – Untimely Terminations

Background: The Connecticut State University System (CSUS) primarily uses an automated information system, Banner, to maintain its accounting and student academic records.

Criteria: Access to information systems should be limited to employees who need such access to perform their duties. The university should promptly terminate Banner access upon their separation from employment.

Condition: We examined the status of Banner information system privileges for 15 employees who separated from university employment during the audited period. In two instances, the university did not promptly terminate the employee’s Banner user account upon their separation from the university for 16 and 28 months.

Effect: Untimely termination of former employees’ Banner user access exposes the university’s information system to unnecessary or inappropriate access which increases the risk of data system errors and fraud.

Cause: The delay to terminate access was attributed to an oversight.

Prior Audit Finding: This has not been previously reported.

Recommendation: Southern Connecticut State University should promptly terminate Banner access upon an employee’s separation from the university. (See Recommendation 8.)

Auditee Response: “Southern Connecticut State University is aware that access to the information systems should be limited to employees who need such access to perform their duties and whose access the university will be promptly terminate upon separation from employment. Southern Connecticut State University will put procedures into place to ensure that the appropriate actions are taken to promptly terminate Banner access upon an employee’s separation from the university.”

Noncompliance with Requirement to Escheat Abandoned Property

Criteria: Under Section 3-64a of the General Statutes, all property held in this state that has remained unclaimed for more than three years is considered abandoned.

Under Section 3-65a(b) of the General Statutes, the holder of abandoned property shall pay or deliver abandoned property to the State Treasurer within ninety days after the close of the calendar year in which property is presumed abandoned.

Under Section 3-65b(a) of the General Statutes, any person who fails to report or deliver abandoned property within the time prescribed under section 3-65a(b) shall pay interest to the State Treasurer on such property at the rate of fifteen per cent per annum from the date such property should have been reported or delivered.

United States Supreme Court ruled that the jurisdiction to escheat abandoned intangible personal property lies in the State of the creditor's last known address on the debtor's books and records.

Condition: Southern Connecticut State University did not escheat all of its held abandoned property within the statutory time limit.

In addition, the university did not submit the required 15% interest penalty to the Office of the State Treasurer for abandoned property held past the escheatment date.

Context: Of the five outstanding checks reviewed, two checks totaling \$2,094 had not been escheated within the statutory time limit.

Effect: When the university does not properly escheat monies and other abandoned property to the Office of the State Treasurer, there is increased risk of fraud, misuse, or misappropriation.

Cause: The university's internal controls provide an alert when property becomes abandoned. However, it appears that the university lacks control procedures to timely escheat and deliver the property to the Office of the State Treasurer.

University staff stated that they were unaware of the required 15% interest penalty for failing to promptly report or deliver abandoned property.

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

Recommendation: Southern Connecticut State University should design and implement control procedures to ensure that all abandoned property in the university's possession is escheated and promptly delivered to the Office of the State Treasurer or to the applicable state of the property owner's last known address. The university should comply with the interest penalty for failing to report or deliver abandoned property on time. (See Recommendation 9.)

Auditee Response: "The University agrees that two of the checks tested were not escheated in a timely fashion and understands the importance of escheating abandoned property timely, based on individual states abandoned

property statutes. To ensure compliance, we have begun a review of procedure and will document and enforce adherence. We will update outstanding check procedures to reduce the number of escheatable items and will improve the compliance calendar used in Accounts Payable to manage deadlines associated with regulatory requirements. Statutory requirements differ by state and include varying deadlines, dormancy periods, notification requirements and filing formats. Finally, we will vigorously escheat to all deadlines instead of working with the affected individuals on the abandoned property past the reporting due dates.

While section 3-64a of the CT general statutes requires abandoned property to be delivered within 90 days after the close of the calendar year in which the property is presumed abandoned as noted in the finding, the two checks totaling \$2,094 referenced are not escheatable to the state of Connecticut. Property is escheated to the state of the owner's last known address. Therefore, \$95.00 is reportable to the state of Georgia and \$1,999.00 is reportable to the state of Massachusetts. The university was unaware of interest penalties and is actively working with the Treasurers of Massachusetts and Georgia. Both states have instructed the University to report the late property with the next filing due November 1, 2021 and have waived any fees."

Inadequate Completion of Annual Internal Control Questionnaires

- Criteria:* The Office of the State Comptroller's Accountability Directive Number 1 requires each state agency to self-assess its internal controls by annually completing a State Agency Internal Control Questionnaire by the end of each fiscal year (June 30). The agency head or designee must approve the Confirmation of Completion section to certify that the internal control questionnaire has been completed and reviewed for accuracy. The agency must keep a copy of the confirmation of completion and the questionnaire on file as proof of the agency's certification of the internal control assessment.
- Condition:* Although Southern Connecticut State University prepared internal control questionnaires, the university did not complete the confirmation of completion that is required by the current version of the control questionnaire.
- Effect:* Without a copy of the completed confirmation of completion document, there is no assurance that the university completed the questionnaires on time and that the university president approved them.
- Cause:* The university did not use the current version of the internal control questionnaire which includes the required confirmation of completion.

Prior Audit Finding: This finding has been previously reported, in part, in the last audit report covering the fiscal years ended June 30, 2017 and June 30, 2018.

Recommendation: Southern Connecticut State University should verify that it conducted its annual internal control review by completing the confirmation of completion section of the internal control questionnaire and maintain a copy in accordance with the Office of the State Comptroller's Accountability Directive Number 1. (See Recommendation 10.)

Auditee Response: "The University acknowledges the finding, noting that the questionnaires were completed in a timely fashion as per the Office of the State Comptroller's Accountability Directive. We will use the new version of the internal control questionnaires which contain the confirmation of completion, going forward."

Rehired Retirees - Noncompliance with Requirements

Criteria: Under Section 5-164a(c) of the General Statutes, retired reemployed members of the State Employees Retirement System can work no more than 120 days (960 hours) in a calendar year without impairing their pension rights. In the event they work more than 120 days, they must reimburse the retirement fund for all pension payments received during the period of reemployment. The 120-day requirement also applies to constituent units of higher education.

Condition: Southern Connecticut State University rehired a retiree who worked 64 hours over the 960-hour limit during calendar year 2018. Furthermore, the university did not pursue reimbursement of the retiree's excess retirement benefits.

Effect: The university did not comply with the 960-hour restriction a rehired retiree is allowed to work and did not pursue reimbursement of the retirement fund in accordance with Section 5-164a(c) of the General Statutes, applicable executive orders, and CSUS policy regarding rehired retirees.

Cause: It appears that the university has no internal controls to prevent rehired retirees from exceeding the 960-hour calendar year limit and to reimburse the retirement fund.

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

Recommendation: Southern Connecticut State University should design and implement control procedures to monitor and prevent rehired retirees from working more than 960-hour calendar year limit. The university should pursue retroactive reimbursement of all pension payments to rehired retirees

who exceeded the 120-day limit and recover any improper benefit payment. (See Recommendation 11.)

Auditee Response:

“Southern Connecticut State University will adhere to the guidelines under Section 5-164a(c) of the General Statutes, which requires that retired members of the State Employees Retirement System who are reemployed by the State should work no more than 120 days (960 hours) in a calendar year without impairing their pension rights.

Southern Connecticut State University will design and implement control procedures to monitor and prevent rehired retirees from working more than 960-hour limit in a calendar year. The university will initiate proceedings to retroactively reimburse the retirement fund for all retirement income payments for the rehired retiree who exceeded the 960-hour limit. There were no rehired retirees above the limit in calendar year 2020 and 2021-to date.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on Southern Connecticut State University contained 12 recommendations. Four have been implemented or otherwise resolved and seven have been repeated or restated with modifications during the current audit. One recommendation will be reviewed in the next audit review cycle.

- Southern Connecticut State University should complete a standard contract when purchasing construction services and should obtain approval from the Attorney General when required. The university should properly document its justification for the selection of sole source vendors and should improve its compliance with purchasing policies and procedures. **Our current audit disclosed improvement with respect to properly documented justification for the selection of sole source vendors. However, we did not note improvement with compliance with other purchasing policies and procedures. Therefore, this recommendation is being repeated with modification. (See Recommendations 1 and 2)**
- Southern Connecticut State University should improve internal controls over the purchase of professional services by properly approving purchases before the delivery of services. **This recommendation has been resolved.**
- Southern Connecticut State University should follow its purchasing card policies and procedures to ensure authorized and proper use of purchasing cards in compliance with the Southern Connecticut State University Purchasing Card Policy Manual. **Our current audit disclosed no improvement in this area. Therefore, this recommendation is being repeated with modification. (See Recommendation 3)**
- Southern Connecticut State University should ensure there is a formal documented system of compensating controls in place to mitigate the risk of fraud due to the conflicting dual roles of human resources employees. **This recommendation has been resolved.**
- Southern Connecticut State University should comply with the Connecticut State University System and state policy on rehiring retirees. **Our current audit disclosed a finding in this area. Therefore, this recommendation is being repeated with modification. (See Recommendation 11)**
- Southern Connecticut State University should require documents to support the date departments and student clubs/organizations receive funds to ensure that they are promptly deposited as required by Section 4-32 of the General Statutes. **This recommendation is being repeated. (See Recommendation 5)**
- Southern Connecticut State University should improve controls to ensure that it promptly submits loss reports to the Comptroller and the Auditors of Public Accounts in accordance with Section 4-33a of the General Statutes.

Southern Connecticut State University should make every reasonable effort to recuperate losses on loaned equipment. **This recommendation has been resolved.**

- Southern Connecticut State University should revise the contract language in its facilities usage agreements to ensure that deposit due dates are consistent. **This recommendation is being repeated. (See Recommendation 6)**
- Southern Connecticut State University should implement a control procedure to complete and retain a copy of its annual internal control questionnaire as required by the State Comptroller's Accountability Directive Number 1. **Our current audit disclosed a finding in this area. Therefore, this recommendation is being repeated with modification. (See Recommendation 10)**
- Southern Connecticut State University should annually test its information technology disaster recovery plan to ensure that its control measures and redundancy efforts are effective and reliable. **Due to campus shutdown, the university was unable to implement proposed procedures stated in its response to the prior audit recommendation. Therefore, the recommendation will be reviewed during the next audit review to determine if it has been resolved by that time.**
- Southern Connecticut State University should fully execute employment contracts for part-time lecturers. **This recommendation is being repeated. (See Recommendation 4)**
- Southern Connecticut State University should comply with the Pre-employment Background Verification policy. **Our current audit disclosed improvement in this area. Therefore, this recommendation has been resolved.**

Current Audit Recommendations:

- 1. Southern Connecticut State University should improve compliance with purchasing policies by obtaining multiple price quotes and comparing prices prior to entering into a contract with vendors on Department of Administrative Services multi-vendor awarded contracts. The university should enter into a contractual agreement when procuring certain goods and services when required.**

Comment:

The university did not have contracts for \$76,706 in purchases or documentation to confirm that it obtained multiple quotes for the purchases. In other instances, the university did not have records to confirm that it obtained multiple quotes for purchases and did not compare prices from more than one vendor for multi-vendor state contracts.

- 2. Southern Connecticut State University should improve internal controls over the purchase of professional services by obtaining the Office of the Attorney General's approval when required.**

Comment:

The university did not obtain the Office of the Attorney General's approval for two professional service expenditures that exceeded \$25,000.

- 3. Southern Connecticut State University should comply with the purchasing card policies by ensuring that it conducts biannual audits and that users obtain and retain proper supporting documentation for purchases. Also, the university should improve its internal controls to ensure that all purchasing card documents, including those from former employees, are secured and available for review.**

Comment:

We noted 11 unsupported charges to purchasing cards, totaling \$8,767. Another cardholder, who has since separated from the university, had \$18,593 in unsupported charges. The university did not perform biannual audits of three cardholders.

- 4. Southern Connecticut State University should fully execute employment contracts for part-time lecturers and obtain signed agreement letters prior to the lecturer's starting date. The university should retain a copy of employment contracts in accordance with the state's record retention policies.**

Comment:

The university did not have employment agreement letters on file for eight of its part-time lecturers. In four other instances, the university or the lecturer signed the agreement and/or appointment letters after the starting date.

- 5. Southern Connecticut State University should require documentation to support the date when departments and student clubs/organizations receive funds and to ensure that they are promptly deposited as required by Section 4-32 of the General Statutes.**

Comment:

The university did not document the date that the department or student club/organization received funds. In two instances, the university deposited funds from student club/organization one business day late.

- 6. Southern Connecticut State University should use the current contract template for facility usage agreements to avoid conflicting language. The agreement should clearly define deposit charges and due dates.**

Comment:

Four facilities usage agreements contained either conflicting deposit charges and/or due dates.

- 7. Southern Connecticut State University should ensure that it performs a full salary analysis for prospective management-level employees before extending an offer. The analysis should consider the applicant's skills and experience and include a review of relevant salaries to ensure internal equity. The university should retain a record of the analysis in the employee's personnel file.**

Comment:

The university could not provide evidence that it performed a salary analysis for four newly hired managers. Although the salaries for all four managers were within the salary ranges for their positions, there was no documentation to indicate how supervisors determined their salaries.

- 8. Southern Connecticut State University should promptly terminate Banner access upon an employee's separation from the university.**

Comment:

The university did not terminate two employee's Banner user accounts promptly upon separation from the university. The delays were 16 and 28 months.

- 9. Southern Connecticut State University should design and implement control procedures to ensure that all abandoned property in the university's possession is escheated and promptly delivered to the Office of the State Treasurer or to the applicable state of the property owner's last known address. The university should comply with the interest penalty for failing to report or deliver abandoned property on time.**

Comment:

The university did not escheat all of its held abandoned property within the statutory time limit. The university did not submit the required 15% interest penalty to the Office of the State Treasurer for abandoned property held past the escheatment date.

- 10. Southern Connecticut State University should verify that it conducted its annual internal control review by completing the confirmation of completion section of the internal control questionnaire and maintain a copy in accordance with the Office of the State Comptroller's Accountability Directive Number 1.**

Comment:

The university did not complete the confirmation of completion that is required by the current version of the State Comptroller's internal control questionnaire.

- 11. Southern Connecticut State University should design and implement control procedures to monitor and prevent rehired retirees from working more than 960-hour calendar year limit. The university should pursue retroactive reimbursement of all pension payments to rehired retirees who exceeded the 120-day limit and recover any improper benefit payment.**

Comment:

The university rehired a retiree who worked 64 hours over the 960-hour limit during calendar year 2018. Furthermore, the university did not pursue reimbursement of the retiree's excess retirement benefits.

ACKNOWLEDGMENTS

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of Southern Connecticut State University during the course of our examination.

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

Andrew Collins
Derik Muller


Marva N. Robinson
Principal Auditor

Approved:



John C. Geragosian
State Auditor



Clark J. Chapin
State Auditor