

STATE OF CONNECTICUT



*AUDITORS' REPORT
BOARD OF TRUSTEES FOR THE CONNECTICUT STATE UNIVERSITY
SOUTHERN CONNECTICUT STATE UNIVERSITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2011*

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

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AUDITORS OF PUBLIC ACCOUNTS

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April 9, 2014

AUDITORS' REPORT BOARD OF TRUSTEES FOR THE CONNECTICUT STATE UNIVERSITY SOUTHERN CONNECTICUT STATE UNIVERSITY FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2011

We have examined the financial records of Southern Connecticut State University (SCSU) for the fiscal years ended June 30, 2010 and 2011.

Financial statement presentation and auditing are performed on a Statewide Single Audit basis to include all state agencies. This audit has been limited to assessing the university's compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating the university's internal control structure policies and procedures established to ensure such compliance.

This report on that examination consists of the Comments, Condition of Records, Recommendations, and Certification that follow.

COMMENTS

FOREWORD:

Southern Connecticut State University, located in New Haven, is one of the four higher education institutions that collectively make up the Connecticut State University System (CSUS). The other three are Central Connecticut State University in New Britain, Eastern Connecticut State University in Willimantic, and Western Connecticut State University in Danbury. During the audited period, the university was administered by the Board of Trustees for the Connecticut State University System through its central office, known as the System Office, in Hartford. CSUS, a constituent unit of the State of Connecticut's system of higher education, operated principally under the provisions contained in Sections 10a-87 through 10a-101 of the General Statutes. Effective January 1, 2012, a consolidation of the administration of the state's public higher education institutions was implemented, with a new Board of Regents for Higher Education serving as the administrative office for CSUS, the Connecticut Community College System, and Charter Oak State College (see the Recent Legislation section below for further details).

Dr. Cheryl Norton served as university president during part of the audited period. In accordance with a separation agreement dated December 9, 2009, Dr. Norton was on leave from June 1, 2010 until her retirement, effective June 1, 2011. Dr. Stanley Battle was appointed acting president, effective May 14, 2010, and served in that capacity for the remainder of the audited period and thereafter. Dr. Mary Papazian was appointed university president effective January 31, 2012.

Recent Legislation:

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

- Public Act No. 09-159 – Effective July 1, 2009, Section 5 of this act allows the Connecticut State University System to recover federal educational assistance payments under the 2008 Post-9/11 Veterans Educational Assistance Act by limiting the waiver for eligible veterans who apply for these benefits. It requires that the universities waive only the tuition charges that exceed the amount of federal benefits granted for tuition and establishes a formula for calculating the federal benefit amount. The act also provides that veterans whose benefits have been denied or withdrawn under the 2008 Post-9/11 Veterans Educational Assistance Act may still be eligible for tuition waivers under the existing laws codified in the General Statutes.
- Public Act No. 11-43 – Effective July 1, 2011, expands in-state tuition benefits to include certain students attending state public higher education institutions, including those without legal immigration status, who reside in Connecticut.
- Public Act No. 11-48 – Effective July 1, 2011, Section 22 of this act requires the state’s higher education institutions to work with the secretary of the Office of Policy and Management (OPM), the Department of Administrative Services (DAS), and the Comptroller to more fully utilize the state’s Core-CT information system. Effective July 1, 2011, Sections 211 through 227 and Section 230 of the act consolidate the administration of all of the state’s public higher education institutions, except the University of Connecticut, under a new Board of Regents for Higher Education (BOR). Effective January 1, 2012, the BOR replaced the Board of Trustees for the Connecticut State University System (BOT). The BOT, subject to oversight by the BOR, served during the transition period.

Enrollment Statistics:

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

	<u>Fall 2009</u>	<u>Spring 2010</u>	<u>Fall 2010</u>	<u>Spring 2011</u>
Full-time undergraduate	7,366	6,915	7,494	6,962
Full-time graduate	980	982	1,000	959
Total full-time	<u>8,346</u>	<u>7,897</u>	<u>8,494</u>	<u>7,921</u>
Part-time undergraduate	1,228	1,329	1,282	1,319
Part-time graduate	2,241	2,147	2,188	2,022
Total part-time	<u>3,469</u>	<u>3,476</u>	<u>3,470</u>	<u>3,341</u>
Total Enrollment	<u>11,815</u>	<u>11,373</u>	<u>11,964</u>	<u>11,262</u>

The average of Fall and Spring semesters' total enrollment was 11,594 and 11,613 during the 2009-2010 and 2010-2011 fiscal years, respectively, compared to an average of 11,590 during the 2008-2009 fiscal year. Enrollment remained stable, with increases totaling less than one percent during each of the audited years.

RÉSUMÉ OF OPERATIONS:

During the audited period, operations of the university were primarily supported by appropriations from the state's General Fund, and by tuition and fees credited to the university's Operating Fund. In addition, the university received capital projects funds generated from state bond issues. Such funds were earmarked to finance various capital projects on campus.

General Fund appropriations were not made to the university directly. Rather, General Fund appropriations for the entire Connecticut State University System were made to the Connecticut State University System Office, where the allocations of these amounts were calculated, and transfers were made periodically to the university's Operating Fund.

Operating Fund receipts consisted in large part of student tuition payments. Under the provisions of Section 10a-99 subsection (a) of the General Statutes, tuition charges were fixed by the board of trustees. The following presents annual tuition charges for full-time students during the audited fiscal years:

Auditors of Public Accounts

Student Status:	2009 – 2010			2010 – 2011		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduate	\$ 3,742	\$ 12,112	\$ 5,614	\$ 4,023	\$ 13,020	\$ 6,035
Graduate	4,662	12,988	6,994	5,012	13,962	7,519

In accordance with Section 10a-67 of the General Statutes, the Board of Trustees for the Connecticut State University System set tuition amounts for nonresident students enrolled in the State University System through the New England Regional Student Program at an amount equal to one and one-half the in-state tuition rate.

Tuition for part-time students is charged on a prorated basis according to the number of credit hours for which a student registers.

Besides tuition, the university charged students various other fees during the audited years, including a General Fee and a State University Fee, among others. The following presents these fees, on an annual basis, during the audited fiscal years.

Fee Description:	2009 – 2010			2010 – 2011		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
General	\$ 2,776	\$ 2,776	\$ 2,776	\$ 2,915	\$ 2,915	\$ 2,915
State University	910	2,232	910	942	2,310	942

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

Fee Description:	2009 – 2010	2010 – 2011
Housing	\$ 5,234	\$ 5,496
Food Service	4,190	4,442

Operating Revenues:

Operating revenue results 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 the previous fiscal year follow:

	<u>2008 - 2009</u>	<u>2009 - 2010</u>	<u>2010 - 2011</u>
Tuition and Fees (net of scholarship allowances)	\$67,634,174	\$73,601,295	\$77,254,118
Federal Grants and Contracts	8,253,591	11,095,770	13,473,381
State and Local Grants and Contracts	5,807,901	5,657,874	5,047,802
Non-Governmental Grants and Contracts	1,697,703	1,442,104	1,703,563
Indirect Cost Recoveries	432,484	225,135	280,870
Auxiliary Revenues	21,448,159	23,013,842	24,192,814
Other Operating Revenues	15,443,376	3,956,892	4,595,267
Total Operating Revenues	<u>\$120,717,388</u>	<u>\$118,992,912</u>	<u>\$126,547,815</u>

Operating revenues totaled \$118,992,912 and \$126,547,815 during the fiscal years ended June 30, 2010 and 2011, respectively, compared to \$120,717,388 during the fiscal year ended June 30, 2009. These amounts reflect a decrease in operating revenue totaling \$1,724,476 (1.4 percent) in 2009-2010 and an increase in operating revenues totaling \$7,554,903 (6.3 percent) in 2010-2011.

The decrease in operating revenues during the fiscal year ended June 30, 2010 can be primarily attributed to a sharp decline in the Other Operating Revenues category. This decrease, for the most part, does not represent an actual decrease in revenues, but instead reflects a change in accounting method and financial statement presentation. During the fiscal year ended June 30, 2010, CSUS began to present adjustments for plant fund additions at the university level in its financial statements rather than in a consolidated format as was previously the case. As such, for the fiscal year ended June 30, 2010, net adjusted lower amounts were presented for each of the CSUS universities in the combining financial statements for both revenues (in the Other Operating Revenues category) and expenses (in the Operation of Facilities category) with no ultimate net effect change in revenues and expenses. The increase in operating revenues during the fiscal year ended June 30, 2011, is mostly due to an increase in tuition and fee rates (averaging over six percent) as well as an increase in certain federal funding received.

Operating Expenses:

Operating expenses generally result from payments for goods and services to achieve the university's mission of instruction and public service. Operating expenses include employee compensation and benefits, services, supplies, utilities, and depreciation, among others.

Auditors of Public Accounts

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

	<u>2008 - 2009</u>	<u>2009 - 2010</u>	<u>2010 - 2011</u>
Personal Service and Fringe Benefits	\$ 128,356,544	\$ 119,908,115	\$ 129,112,839
Professional Services and Fees	7,716,538	8,578,889	8,145,203
Educational Services and Support	21,483,708	25,374,001	29,653,846
Travel Expenses	1,651,457	1,353,522	1,535,312
Operation of Facilities	23,838,128	12,457,705	11,676,883
Other Operating Supplies and Expenses	5,586,188	6,684,927	5,210,649
Depreciation Expense	14,400,253	14,043,730	13,763,624
Amortization Expense	50,822	46,527	51,475
Total Operating Expenses	<u>\$ 203,083,638</u>	<u>\$ 188,447,416</u>	<u>\$ 199,149,831</u>

Operating expenses totaled \$188,447,416 and \$199,149,831 during the fiscal years ended June 30, 2010 and 2011, respectively, compared to \$203,083,638 during the fiscal year ended June 30, 2009. During the fiscal year ended June 30, 2010, operating expenses decreased by \$14,636,222 (7.2 percent), compared to the previous fiscal year. The decrease can be attributed, in part, to the change in financial statement presentation (reflected in the Operation of Facilities category) as explained in the Operating Revenues section above. The state's 2009 agreement with the State Employees Bargaining Agent Coalition (SEBAC) also reduced operating expenses during the fiscal year ended June 30, 2010. This agreement, among other things, froze CSUS salaries during the fiscal year ended June 30, 2010, at 2009 fiscal year amounts. In addition, it established a retirement incentive program, which some university employees participated in.

During the fiscal year ended June 30, 2011, operating expenses increased by \$10,702,415 (5.7 percent) over the previous fiscal year. This increase was largely due to scheduled pay raises stipulated in collective bargaining agreements and an increase in the number of university employees. There was also a significant increase in the Educational Services and Support category, due primarily to an increase in federal student financial aid expenditures.

Nonoperating Revenues:

Nonoperating revenues are revenues that are not from the sale or exchange of goods or services that relate 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. The state financed plant facilities category represents the recognition of revenue recorded when university capital projects were completed by the Department of Public Works.

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

	<u>2008 - 2009</u>	<u>2009 - 2010</u>	<u>2010 - 2011</u>
State Appropriations	\$ 70,874,136	\$ 71,414,341	\$ 72,489,017
Gifts	85,813	192,595	297,896
Investment Income	944,950	219,832	174,622
Other Nonoperating Revenues	1,061,288	1,093,905	883,337
Transfers to the State of Connecticut	-	(4,398,959)	-
Total Nonoperating Revenues	<u>\$ 72,966,187</u>	<u>\$ 68,521,714</u>	<u>\$ 73,844,872</u>

Nonoperating revenues totaled \$68,521,714 and \$73,844,872 during the fiscal years ended June 30, 2010 and 2011, respectively, compared to \$72,966,187 during the fiscal year ended June 30, 2009. These revenues decreased \$4,444,473 (6.1 percent) during the fiscal year ended June 30, 2010, and increased \$5,323,158 (7.8 percent) during the fiscal year ended June 30, 2011.

The decrease in nonoperating revenues during the fiscal year ended June 30, 2010, is primarily due to transfers to the state. During the fiscal year ended June 30, 2010, the university transferred \$4,398,959 of its reserves to the State of Connecticut. This transfer was in accordance with Public Act 09-7, enacted by the September 2009 Special Session of the General Assembly, and Public Act 10-179, which together required that a total of \$15,000,000 be transferred from the Connecticut State University operating reserve account to the state's General Fund during the fiscal years ended June 30, 2010 and 2011. In contrast with the fiscal year ended June 30, 2010, there were no transfers of university reserves to the state during the fiscal year ended June 30, 2011. CSUS elected to make all of its required transfers for this fiscal year in advance during the previous fiscal year. This, in conjunction with an increase in state appropriations during the fiscal year, contributed to the increase in nonoperating revenues during the fiscal year ended June 30, 2011.

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 foundations. 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, 2010 and 2011, in accordance with Section 4-37f subsection (8) of the General Statutes. The auditors expressed unqualified opinions on the foundation's financial statements. In addition, the foundation's auditors indicated compliance, in all

material respects, with Sections 4-37e through 4-37i of the General Statutes.

The foundation's financial statements reported support and revenue totaling \$4,636,672 and \$4,480,232 during the fiscal years ended June 30, 2010 and 2011, respectively. Net assets were reported at \$14,385,776 and \$17,402,830 as of June 30, 2010 and 2011, respectively.

CONDITION OF RECORDS

Our audit of the financial records of Southern Connecticut State University disclosed certain areas requiring attention, as discussed in this section of the report.

Employee Timesheets and Part-time Faculty Employment Authorization:

Criteria:

It is a good business practice to ensure that employee timesheets supporting time worked are signed by both employees and their supervisors when the corresponding pay period has been completed. Employee signatures on timesheets provide a firsthand record of time worked, while supervisor signatures provide verification and support for time reported by employees.

The university's timesheets for maintenance employees require the signatures of a university vice president or dean to approve all overtime hours worked.

The university's timesheets require employee and supervisor dated signatures.

A strong internal control system requires that documentation authorizing the hiring of an employee be completed and signed prior to the employee's start date.

Condition:

Our audit testing included a review of 73 employee timesheets. This review disclosed weaknesses in controls over employee timesheet preparation, including the following:

- Eleven instances in which a university vice president did not sign a maintenance employee's timesheet that reflected overtime hours worked (though each of these timesheets was signed by the employer's supervisor and division director);
- Two instances in which an employee and the supervisor or division director signed the employee's timesheet before the pay period ended. Further, the employee recorded time worked during the remainder of the pay period after the supervisor or division director signed the timesheet. In one of these instances, the supervisor's signature was dated before the pay period began.
- One instance in which a supervisor and division director signed an employee's timesheet before the pay period ended. The employee recorded time worked during the remainder of the pay period after the

supervisor or division director signed the timesheet.

- One instance in which an employee signed a timesheet before the pay period ended and the supervisor signed, but did not date, the supervisor signature. Accordingly, we could not determine the timeliness of the supervisor's timesheet review. Once again, the employee recorded time worked during the remainder of the pay period after the timesheet was signed.
- One instance in which a supervisor signed, but did not date, the supervisor signature on an employee timesheet. Accordingly, we could not determine the timeliness of the supervisory review of this timesheet.
- One instance in which an employee signed, but did not date, the employee signature on a timesheet.

Further, we noted a weakness in controls over the hiring of part-time faculty members, as follows:

- We tested a sample of 20 regular payroll transactions and noted three instances in which a lecturer appointment form was approved by the required university management employees after the period of appointment began or after the appointment period ended.

Effect:

In some instances, internal controls over payroll were weakened. When employee timesheets were signed before the end of the corresponding pay period, there was decreased assurance that employees worked the entire pay period for which they were being paid. Also, late approval or lack of documented approval for the hiring of part-time faculty members raises doubts about whether payments made to such employees were properly authorized.

Cause:

It appears that the internal controls in place were not sufficient to prevent the above conditions from occurring.

Recommendation:

SCSU should improve internal controls over payroll and human resources operations by ensuring that employee timesheets are signed and dated by the required employees only after related work was performed. In addition, the university should ensure that documented approval for hiring part-time faculty members is obtained prior to the dates when such employees begin working. (See Recommendation 1.)

Agency Response:

"The university agrees with this finding. During the 2010-2011 fiscal year, changes were made to timesheets to require the additional signature

of the Associate Vice President in Facilities. Also, effective during 2011, the Payroll Office now contacts employees who have dated the timesheets incorrectly or are missing signatures to come into Payroll to correct the timesheet during the pay processing cycle. Effective during the 2010-2011 academic year, late lecture appointments are now required to attach a written justification regarding what caused the delay.”

Payroll Payments for Unused Sick Leave at Retirement:

Criteria:

The Connecticut State University American Association of University Professors (CSU-AAUP) employee collective bargaining agreement provides that, “Upon retirement, a full-time member shall be compensated at the rate of one-fourth (1/4) of the daily salary for each day of sick leave standing to the member’s credit as of the last day on the active payroll, up to a maximum of an equivalent of sixty (60) days’ pay.”

The CSUS Human Resources Policies for Management and Confidential Professional Personnel provides that “...upon retirement from the CSU System an employee shall be compensated for 1/4 of the sick leave days accumulated by the employee up to a maximum of 60 full time days.”

Condition:

We tested a sample of eight employees who retired during the audited period and noted one incorrect payment for unused sick leave at retirement. The university underpaid an employee affiliated with the CSU-AAUP collective bargaining unit for accrued sick leave upon the employee’s retirement in February 2011. The university should have paid the employee \$16,942 in gross pay but actually paid the employee \$16,822 in gross pay, which amounts to an underpayment of \$120.

In addition, during our prior audit of the university, we noted that the university overpaid a management employee \$2,758 in gross pay for unused sick leave at retirement in September 2007. However, we were informed during our current audit that, as of September 18, 2012, the university had not attempted to recover this overpayment.

Effect:

It appears that, in the instance cited in which a CSU-AAUP employee was underpaid for unused sick leave at retirement, the university did not follow the CSU-AAUP collective bargaining agreement when it comes to payments for unused sick leave upon employee retirement. As a result, the university underpaid an employee in the amount of \$120 in gross pay for unused sick leave at retirement.

With respect to the overpayment noted during our prior audit, the longer the delay in attempting to recover overpayments made to former employees, the greater the risk that monies owed will not be collected.

Cause: It is unknown why these conditions occurred.

Recommendation: SCSU should take steps to ensure that payments to employees for accrued sick leave at retirement are made correctly in accordance with applicable collective bargaining agreements and Connecticut State University policies. Further, the university should pursue recovery of the overpayment made to an employee for accrued sick leave at retirement that was disclosed during our prior audit. The university should also pay the amount owed to the employee who we noted was underpaid for unused sick leave at retirement during the current audited period. (See Recommendation 2.)

Agency Response: “The university agrees with this finding. The process for calculating sick and vacation payouts has been strengthened by the use of dual review of all calculations prior to submission into Core-CT. In September 2012, a letter was sent to the overpaid employee and repayment arrangements were completed.”

Employee Tuition Reimbursements:

Criteria: It is a good business practice to maintain and retain records to support reimbursement payments made to employees.

The Connecticut State Library, under authority of Sections 11-8 and 11-8a of the General Statutes, has established records retention schedules that require state agencies to retain tuition reimbursement records for three years or until audited, whichever is later.

Condition: We tested a sample of 15 reimbursement payments the university made to employees during the audited period and noted three tuition reimbursement payments, totaling \$1,365, for which the university had no supporting documentation on file.

Effect: In the instances noted, there is decreased assurance that the payments made were proper, in the correct amount, and for university business.

Cause: The university informed us that it does not retain documentation to support tuition reimbursement payments.

Recommendation: SCSU should retain documentation to support tuition reimbursement payments made to employees in accordance with the State Library’s records retention requirements. (See Recommendation 3.)

Agency Response: “The university agrees with this finding. The Human Resource Office

now maintains copies of all tuition reimbursements and any supporting documentation.”

Dual Employment:

Criteria: Section 5-208a of the General Statutes bars state employees from being compensated by more than one state agency unless the appointing authorities at such agencies certify that the duties performed and hours worked are outside the responsibilities of the employee’s primary position, that there is no conflict in schedules between the positions, and no conflict of interest exists between or among the positions.

Condition: Our examination of the personnel records of ten university employees who were concurrently employed in more than one state position during the audited years disclosed the following exceptions:

- Seven instances in which the university did not complete a dual employment certification for a dual employment occurrence.
- Four instances in which a university approved a dual employment certification after the dual employment period began.
- Two instances in which the university did not obtain the primary agency’s sign-off on a dual employment certification.

It should be noted that, although our sample included records for ten university employees, the exceptions above, at times, spanned multiple semesters for certain employees. Therefore, the total number of exceptions cited exceeded ten.

Effect: In some instances, the university failed to comply with the dual employment documentation requirements established by Section 5-208a of the General Statutes. This decreased assurance that no conflicts in schedules or conflicts of interest existed between primary and secondary positions for dually employed individuals.

Cause: Existing controls did not prevent these conditions from occurring.

Recommendation: SCSU should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by promptly documenting, through signed certifications, that there are no conflicts of interest or conflicts in schedules in instances in which an employee holds multiple state positions. (See Recommendation 4.)

Agency Response: “The university agrees with this finding. The Human Resource Office has

enhanced its record keeping regarding dual employment to assure that both agencies have signed the forms and maintains the signed forms in the employees' personnel file. Current academic year forms are filed into the employees' files at the end of the academic year."

Employee Attendance and Leave and Compensatory Time Records:

Criteria:

State employee collective bargaining unit agreements and Connecticut State University System personnel policies for unclassified employees in the Connecticut State University System establish criteria for employee leave time accruals in the Connecticut State University System.

Article 16 of the State University Organization of Administrative Faculty (SUOAF) collective bargaining agreement provides that, "No member shall accrue more than ten (10) days of compensatory time. The Chief Human Resources Officer on each campus may authorize additional short-term accruals of fifteen (15) days, for a total of twenty-five (25) days, in special emergencies. Annually, on August 15, any outstanding compensatory time balances shall be reduced to zero (0) for each member except that compensatory time earned between June 1 and August 15 may be used until the following January 15."

Article 25 of the Protective Services (NP-5) collective bargaining agreement provides that, "Employees shall be allowed to bank up to but not more than 100 hours of holiday compensatory time."

Condition:

We examined the Core-CT system attendance and leave records of ten employees who were paid for unused sick leave or unused vacation leave upon their retirement or resignation. Our audit disclosed nine employee attendance and leave records for which the university did not zero out sick or vacation leave balances upon the employee's separation from the university. Further, for all nine of these records, the university did not discontinue monthly accruals of sick or vacation leave after the employee separated from the university.

In addition, we tested the Core-CT compensatory time records of 15 university employees during the audited period and noted exceptions in the compensatory records for seven of these employees as follows:

- In four of the employee compensatory records tested, we noted instances in which the university either did not reduce the compensatory time balances on the dates specified in the SUOAF collective bargaining agreement, reduced the balances late, or reduced the balances late and by incorrect amounts.

- In three of the employee compensatory records tested, we noted instances in which the compensatory balance exceeded the ten-day maximum allowed by the SUOAF collective bargaining agreement.
- In two of the employee compensatory time records tested, we noted instances in which the university allowed holiday compensatory time to exceed the 100 hour maximum allowed by the NP-5 collective bargaining agreement.

Effect:

Attendance and leave records for certain former employees reflect leave time balances that should have been eliminated but were not, and monthly leave time accruals that should have been discontinued but were not. These conditions could contribute to errors in the amount of compensated absences liabilities reported on the university's financial statements.

Regarding the compensatory time exceptions noted, the university did not comply with the SUOAF and NP-5 collective bargaining agreements. As a result, university records reflected overstated compensatory time balances for the employees noted.

Cause:

It is unknown why this condition occurred.

Recommendation:

SCSU should ensure that unused employee leave time balances for which payouts have been made are properly removed from the Core-CT system. The university should also discontinue accruals of employee leave time upon an employee's separation from university employment. In addition, the university should comply with the SUOAF and NP-5 collective bargaining agreements with respect to the timely expiration of employee compensatory time balances and the maximum number of compensatory time hours allowed. (See Recommendation 5.)

Agency Response:

"The university agrees with this finding. Changes in the process for leave time balances in the last two calendar years now include adding negative amounts into the appropriate leave plan and deactivating all leave plans upon employee termination to ensure all balances are properly removed. Compensatory time is audited by the payroll department each pay cycle to ensure employees don't exceed maximums established by the collective bargaining agreements."

Time and Effort Reporting:

Criteria:

As detailed in federal Office of Management and Budget (OMB) Circular A-21, the distribution of salaries and wages charged to federal programs must be supported and confirmed by after-the-fact activity reports signed

by responsible persons who vouch that the work was performed. Such reports are known as time and effort reports.

Condition: We requested the time and effort reports for a sample of ten biweekly pay periods worked by ten university employees whose payroll costs were fully or partially funded by federal programs during the periods selected. The university provided us documentation for seven of our sample items. However, the documents provided were not adequate time and effort reports. They did not identify the federal grant which the employee worked on, nor did they indicate the percentage of the pay period worked that applied to the federal grant that was charged for these payroll costs. Further, for three of the sample items selected, the university informed us that there were no time and effort reports completed.

Effect: The university did not fully comply with the time and effort reporting requirements established by OMB Circular A-21. Therefore, the university lacked supporting documentation to confirm that payroll costs were appropriately charged to federal programs, and federal grantors cannot be assured that such charges are accurate and allowable.

Cause: It is unknown why the university did not prepare adequate time and effort reports for the seven exceptions noted above.

Regarding the three instances noted for which the university did not complete time and effort reports, the university informed us that when the employees were hired to work on the program to which federal funds were ultimately charged, there was no federal funding available. As such, no time and effort reports were completed. Later, according to the university, federal funds became available and were used to partially reimburse the university for payroll costs charged to the program. However, based on documentation that the university provided to us, it appears that the university was notified that federal funding was available in July 2010, during the time period in which federal charges were incurred. Therefore, it appears that the timing of this notice would not have prevented the university from completing time and effort reports.

Recommendation: SCSU should improve its time and effort reporting system for employees whose wages are charged to federal programs by complying with the time and effort reporting requirements prescribed by OMB Circular A-21. (See Recommendation 6.)

Agency Response: “The university agrees with this finding. The Sponsored Program and Research and Payroll offices have redesigned the timesheets used to record time charged to grants and updated the various certifications (student and supervisor) to address concerns raised.”

Core-CT HRMS Records of Non-permanent Employees:

Criteria: Sound internal controls call for the deactivation of non-permanent employees in the Core-CT Human Resources Management System (HRMS) when such employees are no longer employed by the university or during significant breaks in employment.

Condition: As noted during our prior audit of the university, our current audit disclosed delays in the deactivation of former non-permanent employees in the Core-CT system. During our current audit, we examined Core-CT records for a sample of 40 of the university's non-permanent employees, consisting of part-time lecturers and student workers whose records were classified as active in the Core-CT system as of April 24, 2012. Our review disclosed that 13 of the 40 employees tested had not been active employees for more than five months, and eight of these 13 had not been active employees for more than one year. We also noted two instances in which an individual was listed as active in the Core-CT system even though there was no record in the system that the person was ever an active employee. Therefore, it appears that the university is not always promptly deactivating Core-CT records of non-permanent employees who are no longer employed at the university or who have had significant breaks in service.

Effect: The number of active employees in the Core-CT system is overstated.

Cause: Existing controls were not sufficient to prevent this condition.

Recommendation: SCSU should monitor its active non-permanent employee records more frequently to identify those employees who are no longer active, and should deactivate corresponding inactive employee records in the Core-CT system. (See Recommendation 7.)

Agency Response: "The university agrees with the finding. The Human Resource Office has made changes to the de-activation of employee records. When an employee separates from the university, the employee's record in Core-CT is terminated. For part-time lecturers, a report is executed after the start of the Fall semester and compared to lecturers who have been hired for that semester. Any lecturers not employed for the Fall semester are deactivated in Core-CT. For student employees, a report is run at the end of the semester and those no longer employed by the university are deactivated in Core-CT."

Workers' Compensation Wage Calculations:

- Background:* Establishing the average weekly wage for the 52 weeks prior to an injured worker's date of injury is the basis for calculating the base workers' compensation rate pursuant to Section 31-310(a) of the General Statutes.
- Criteria:* The state Department of Administrative Services (DAS) has established the method that state agencies must use to calculate wages for state employees for whom workers' compensation claims were filed. According to DAS, when calculating an employee's wages for workers' compensation purposes, state agencies must include "every form of remuneration payable for personal services, including, but not limited to, base salary, COLA, longevity, overtime pay, shift differentials, performance bonuses, on call pay, vacation pay, sick pay, etc...Total wages do not include money paid to the employee in exchange for goods, such as travel allowances, clothing allowances, mileage reimbursements, etc."
- Condition:* We tested a sample of five workers' compensation claims the university processed during the audited years and noted four instances in which the university did not calculate an employee's worker's compensation wages in the manner prescribed by DAS. In all four instances, the university overstated the employee's average weekly wages. Average weekly wages were overstated by \$6, \$3, \$3, and \$3, respectively, in the instances cited.
- Effect:* The university did not comply with the DAS Worker's Compensation Manual with respect to computing the average weekly wages for employees for whom workers' compensation claims were filed. As a result, certain employees were not compensated correctly for workers' compensation claims filed.
- Cause:* The university, in some instances, incorrectly included safety shoe payments among the components that make up an employee's total wages for workers' compensation purposes.
- Recommendation:* SCSU should follow the Department of Administrative Services' requirements for calculating total wages for employees for whom workers' compensation claims were filed. (See Recommendation 8.)
- Agency Response:* "The university agrees with this finding. The Payroll Office now uses the CT Wage Report in Core-CT that was specifically developed to compute worker's compensation wages and excludes all payments that should not be included in the calculation of worker's compensation wages."

Purchasing:

Criteria:

It is a good business practice and required by the Connecticut State University Procurement Manual to ensure that all purchases are properly approved before a purchase order is submitted to a vendor.

Prudent business practices also require the execution of written contracts prior to the initiation of significant purchases of services. Such contracts should be signed by all parties to the agreement, including the contractor, a university official, and, when required, the Office of the Attorney General.

Office of the Attorney General (OAG) approval is generally required for all state contracts that total \$3,000 or more annually. In a letter dated April 28, 2006, OAG provided a waiver of the OAG approval requirement for certain CSUS contracts, including those that amount to \$15,000 or less annually.

Section 10a-151b of the General Statutes required the state's public higher education institutions to solicit bids through advertising in at least two publications, including one major state newspaper, when making purchases that exceed \$50,000.

The CSUS Capital Asset Valuation Manual defines capital expenditures and details the coding that should be used for these expenditures.

Condition:

We tested a sample of 25 purchases during the audited years and noted the following exceptions:

- One instance in which the university purchased computers totaling \$14,364 without obtaining the signature of an authorized purchase order approver on the corresponding purchase order.
- One instance in which a university purchase exceeded the amount approved on the corresponding purchase order. In this instance, a purchase order for paving university grounds totaled \$42,750, while the amount expended for this purchase totaled \$45,750, a \$3,000 overage for additional work performed. In addition, as this was an expenditure for paving, it should have been classified as a site improvement, according to the CSUS Capital Asset Valuation Manual. As such, the university appears to have miscoded this purchase as an expense rather than a capital expenditure.

We also examined a sample of 15 purchases of professional services during the audited years and noted the following exceptions:

- Three instances totaling \$64,335 in which the university entered into a contract for professional services but the contract was not fully executed by all of the required parties. In two of these instances, totaling \$40,335, the contractor signed the agreement but the agreement was neither signed by a university employee nor the Office of the Attorney General. In one of these instances, totaling \$24,000, the contract was not signed at all. That is, the contract lacked signatures from the contractor, an authorized university contract signer, and the Office of the Attorney General. Further, the purchase order for this contract was processed 50 business days after the start of the contract period.
- One instance in which the university entered into an agreement for landscaping services totaling \$195,540 but did not fully comply with Section 10a-151b of the General Statutes. In particular, the university failed to advertise its solicitation for bids for this purchase in at least two publications, including a major daily newspaper in the state. The university did, however, advertise for bids on its own web site and on the Department of Administrative Services' web site. It should be noted that subsequent to the audited years, effective July 1, 2012, Public Act 12-129 amended subsection (b) of Section 10a-151b of the General Statutes to eliminate the requirement that called for state public higher education institutions to advertise for bids in two or more publications for purchases exceeding \$50,000.

Effect:

The lack of documented prior approval of purchases increases the risk that unauthorized or improper purchases will occur.

The lack of an executed contract prior to the delivery of corresponding services decreases assurance that the parties to the contract clearly understood and agreed with the terms of the contract.

In some instances, the university did not comply with the CSUS purchasing policies, which require that certain contracts be reviewed and approved by the Office of the Attorney General.

In one instance noted, the university did not fully comply with Section 10a-151b of the General Statutes with respect to advertising for bids for purchases exceeding \$50,000.

Cause:

It is unknown why most of the above conditions occurred.

In the instance noted in which the university did not properly advertise for bids for a purchase exceeding \$50,000, it appears that the university misinterpreted a statutory change that relaxed advertising requirements for certain types of purchases but not for the purchase noted.

Recommendation: SCSU should take steps to ensure that purchases are initiated only after a properly approved purchase order is in place and should ensure that all purchasing contracts are signed by all of the interested parties, including the Office of the Attorney General, when required.
(See Recommendation 9.)

Agency Response: “The university agrees with this finding. The university periodically sends reminders of the university’s policy concerning purchasing procedures to the campus community. In the fall of 2012, the Purchasing department began reporting directly to the university’s Contract Compliance Specialist. The merger of these two closely related areas provides the opportunity to re-educate the Purchasing staff on the state and the university’s procurement policies and procedures.”

Travel Expenditures:

Criteria: The CSUS Travel Policies and Procedures manual requires travelers to submit a completed travel advance reimbursement form to the travel office within 15 business days after the completion of the trip. In addition, the policies provide that it is the travel office’s responsibility to verify support documentation attached to travel authorization forms and to verify that all figures and requests are in compliance with travel policies. These policies also state that, “The Athletics Director or designee will identify before each team trip all university employees and team members who will constitute the team travel party on that trip. This list must be approved by the Director of Athletics prior to the trip.”

A system of sound internal controls over purchasing requires that items purchased be charged to the correct accounts so that compliance with budgetary restrictions can be achieved and management can properly measure the costs of operations.

Condition: We examined a sample of 15 travel-related expenditures during the audited period and noted the following exceptions:

- Three instances in which an athletics team travel roster was not on file for an athletics team trip.
- Two instances in which a travel reimbursement form, providing an

accounting of travel expenses for a particular trip, was not submitted to the university travel office within the 15-day timeframe required by the CSUS travel policy. The forms were submitted 30 and 140 business days, respectively, after the related trip was completed. Further, one of these instances involved travel advance monies provided to an employee for a trip completed in June 2011. As of March 2012, the university had not received the amount due, totaling at least \$4,270, from unspent travel advance funds provided to the employee.

- One instance in which an athletics team travel roster was on file for a team trip but the roster lacked the required approval signature of the Director of Athletics. In addition, included among the list of travelers on the roster were two student-athletes who, based on other documentation on hand, did not appear to travel on this trip.
- One instance in which a travel authorization form totaling \$47,976 was approved by university management but lacked documented approval from the university's travel office.
- One instance in which a travel expenditure totaling \$2,250 was charged to an incorrect account. The team travel in-state account was charged for this out of state trip expenditure.

Effect: In some instances, the CSUS travel policies were not followed.

Cause: It is unknown why many of the conditions cited above occurred.

The university informed us that the return of unspent travel advance funds noted above was pending the resolution of a dispute between the university and the employee. Due to missing support documentation for travel expenditures incurred, there was a disagreement between the employee and the university concerning the amount owed to the university.

Recommendation: SCSU should improve its controls over travel expenditures by adhering to the Connecticut State University System travel policies.
(See Recommendation 10.)

Agency Response: "The university agrees with this finding. The Accounts Payable department continues to monitor paperwork received for adherence to university policies and procedures. When a violation is discovered, the Accounts Payable Coordinator writes to the individual informing them of the proper procedure and requests a justification when appropriate. Since these findings were noted, the Athletic department has revised their

process to assure compliance regarding travel rosters, appropriate signatures and inclusion of all dates, etc.”

Purchasing Card Purchases:

Criteria: The Southern Connecticut State University Purchasing Card Program Policy and Procedures Manual details the university’s requirements for purchasing card use.

Condition: We tested a sample of 20 purchasing card statements that pertained to a five-month period during the audited years and noted the following exceptions:

- Two instances, which totaled \$1,060, in which a university employee used a purchasing card to make an unallowed purchase during the audited years. These purchases were for outside contractor services, which were considered unallowable or restricted according to the university’s purchasing card policies. Furthermore, the university performed a routine review of purchasing card use during July 2010 that included these transactions but failed to detect these unallowable purchases.
- One instance in which a university employee appears to have split a purchase into separate transactions to circumvent the university’s \$999 single purchase limit established in the university’s purchasing card policies. The employee used a purchasing card to buy four computer hardware items totaling \$2,399, all of which were ordered on the same day from the same vendor.
- One instance in which the university was charged \$6 more for a purchasing card purchase than the amount listed on the corresponding vendor invoice. After we brought this discrepancy to the university’s attention, the employee who made the purchase contacted the vendor and obtained a \$6 purchasing card credit from the vendor. It is apparent that the discrepancy that we disclosed was not detected by the purchasing card holder during the reconciliation process.

Effect: In some instances, the university did not comply with its purchasing card policies, which weakened controls over purchasing card purchases.

Cause: Existing controls were not always carried out as designed.

Recommendation: SCSU should improve controls over purchasing card purchases by complying with its established purchasing card policies and procedures. (See Recommendation 11.)

Agency Response: “The university agrees with this finding. The purchasing card staff takes every opportunity available to re-emphasize the policies and procedures involved in using the purchasing card. All of the university’s purchasing cards are due to expire in May 2014; hence all current cardholders will need to receive a new purchasing card. The re-carding process presents another opportunity to reinforce and provide further training. A project plan for the re-carding/re-educating process will be developed and finalized by end of spring 2014.”

Connecticut Aid for Public College Students (CAPCS) Program:

Background: Section 10a-164a of the General Statutes established the Connecticut Aid for Public College Students (CAPCS) Program. Under the program, during the audited years, the Department of Higher Education annually allocated appropriations received from the Board of Governors of Higher Education to each of the state’s constituent units of public higher education. These allocations were earmarked to provide grants for educational expenses and student employment for state residents with substantial financial need enrolled in degree granting or precollege remedial programs.

Criteria: Section 10a-164a subsection (a) of the General Statutes provides that “for each fiscal year a minimum of five per cent of the total amount of state student financial aid appropriated to each institution [for the CAPCS Program] which exceeds the amount received by each institution for the fiscal year ending June 30, 1988, shall be used for on-campus or off-campus community service work-study placements.”

Condition: As noted in our prior audit report on the university, in a letter dated December 15, 2010, the university reported to us that it was not in compliance with Section 10a-164a with respect to the required use of five percent of CAPCS Program allocations for on-campus or off-campus community service placements. The university informed us that for the 2008-2009 CAPCS award year, \$171,795 of its CAPCS funding should have been expended for student employment in community services activities but no community services expenditures were made. Similarly, the university reported that, for the 2009-2010 CAPCS award year, \$163,680 of CAPCS funds should have been expended for student employment in community services activities but no expenditures were made in this area.

During our current audit, we noted that for the 2010-2011 CAPCS award year, the university expended \$72,461 of CAPCS funds for student

employment in community services activities. However, the university was required to expend \$155,325 for student employment in community services activities. Therefore, for the 2010-2011 award year, the university fell short of the five percent community services expenditure requirement by \$82,864.

In addition, we requested supporting documentation for a sample of five students whom the university identified as being placed in community service jobs during the 2010-2011 CAPCS award year. We noted that in all five instances, the university did not have adequate documentation on file to support that these students worked in community service jobs during this time period. The documentation presented to us primarily consisted of job descriptions, which neither identified the name of the student nor the time period when the student worked. Furthermore, in one instance, the documentation provided to us indicated that the student worked in the university's financial aid office, which does not appear to meet the definition of a community service job.

Effect: The university did not fully comply with Section 10a-164a of the General Statutes with respect to the required amount of CAPCS program expenditures in community services-based student employment.

The university's lack of adequate documentation for students placed in community service jobs decreased assurance that such students worked in community service related jobs.

Cause: It is unknown why the above noncompliance occurred or why there was a lack of supporting documentation evidencing student placement in community service jobs.

Conclusion: Effective July 1, 2013, Public Act 13-247 consolidated the CAPCS grant program and various other state student aid grant programs into a new Governor's Scholarship Program. The Governor's Scholarship Program has no community service expenditure requirement. Accordingly, we are making no recommendation with respect to the now defunct CAPCS program.

Property Control:

Criteria: The State Property Control Manual, under authority of Section 4-36 of the General Statutes, sets forth criteria and policies over assets owned or leased by a state agency. Requirements include, among other things, that capital equipment costing \$1,000 or more and certain other controllable items be tagged with a state identification number and recorded in property control records. The manual further requires that state agencies

maintain inventory records for software that include each software item's cost, location and the identification number of the computer on which it is installed, among other things.

The State Property Control Manual also requires state agencies to report the total value of artwork with a value of \$1,000 or more on the annual property inventory report (CO-59) submitted to the Office of the State Comptroller.

Chapter 9 of the state Property Control Manual and Chapter 10, section C, of the Connecticut State University System's Capital Asset Valuation Manual require that the loss of or damage to university property be reported immediately to the Office of the State Comptroller and the Auditors of Public Accounts.

Condition:

Our examination of the university's property inventory, including equipment, software, and stores and supplies, disclosed the following exceptions during the audited years:

- We tested a sample of 15 equipment items that were disposed of during the audited period and noted four exceptions. In each of these instances, the university donated computers to an outside organization without completing documentation certifying that computer data files were purged prior to the donation.

Further, we noted weaknesses in the university's method of documenting certain items approved for disposal by donation. In such instances, the donee signed a cover sheet acknowledging the receipt of donated equipment. However, because the language on the cover letters that we examined did not specify the number of items being donated or their value, we could not be certain that the listed items attached were the items actually received by the donee.

- Software inventory records maintained by the property control department were incomplete. We noted instances in which items on the list of software purchased by the university's Office of Information Technology were omitted from the Property Control Department's list of capitalized software items.
- Our April 2012 test counts of a sample of stores and supplies items on hand disclosed discrepancies between the number of items that we counted and the balances recorded in university inventory records. The quantities of four of the 24 items we tested were understated in the university's stores and supplies inventory records.

- Two instances of our test of 20 loss reports filed during the audited period in which the loss or theft of property was not reported to the Office of the State Comptroller and the Auditors of Public Accounts in a timely manner. These reports were completed more than five weeks and six weeks, respectively, after the date of the loss.
- Three instances of the 60 items we tested in which a capitalized equipment item valued at \$1,000 or more was not tagged with a university ID number.
- Six instances of the 60 items we tested in which a capital equipment item was located in a different location than the location listed in the university's inventory control records.
- One instance of the 60 items we tested in which a university equipment item was removed from the campus for repair without submitting an approved Property Pass form to the property control department.
- One instance of the 60 items we tested in which the cost of a laptop computer was omitted from inventory control records.
- The university reported artwork valued at \$2,018,143 in its annual property inventory reports submitted to the Office of the State Comptroller for the fiscal years ended June 30, 2010 and 2011. As noted during our prior audit of the university, we examined the inventory records supporting these amounts and noted that there were no dollar values associated with many of the works of art listed. The university informed us that some of its artwork is received from donors who, at times, do not provide values for their donations. Furthermore, no comprehensive appraisal of university artwork has been performed in recent years.

Effect:

In some instances, the university failed to comply with the property control requirements set forth by the State Comptroller and the Connecticut State University System's Capital Asset Valuation Manual. This exposed university property to an increased risk of loss or theft.

Cause:

It is unknown why, in some instances, internal controls were not being carried out as designed.

The university informed us that, due to budget constraints, no comprehensive appraisal of university artwork has been performed in recent years.

Recommendation: SCSU should improve internal controls over property by following the policies and procedures established by the State Property Control Manual and the Connecticut State University System’s Capital Asset Valuation Manual. (See Recommendation 12.)

Agency Response: “The university agrees with this finding. The Inventory Control Director has enhanced the documents used to dispose of donated items to include the preparation of the required CSUS certification, attesting that the computer data files were purged prior to the donation. The Office of Inventory Control and the Office of Information Technology continue to refine their reconciliation of records to ensure all capitalized software is captured in the property control listing. The Campus Police department, Inventory Control department, and the Controller’s office have refined the loss/stolen property process to ensure expedient reporting. Additional checks/balances have been instituted regarding property control to limit the instances of missing or incomplete documentation of location of property on and off campus.”

Timeliness of Bank Deposits:

Criteria: Section 4-32 of the General Statutes requires that each state institution receiving cash receipts amounting to \$500 or more deposit these monies into the bank within 24 hours of receipt.

Condition: We tested 30 university Bursar’s Office receipts for timeliness of bank deposits and noted seven instances, totaling \$71,855, in which funds received were deposited into the bank one day late. It should be noted that all of the late deposit exceptions noted occurred during the 2010 fiscal year.

In addition, we tested 15 receipts received at various university offices remotely located from the Bursar’s Office. In all 15 instances, totaling \$19,517, the university department that received funds did not maintain a record of the date when the funds were received. Therefore, we could not determine whether or not the university deposited these receipts into the bank in a timely manner. However, based on other available documentation, such as dates recorded on copies of checks that were received and department deposit slips, some deposits appear to have been late. Our estimates of late deposits follow:

- Two receipts, totaling \$2,620, appear to have been deposited at least four business days late.

- One receipt, totaling \$840, appears to have been deposited at least two business days late.
- One receipt, totaling \$1,390, appears to have been deposited at least one business day late.

Effect: In some instances, the university failed to comply with the prompt deposit requirements established by Section 4-32 of the General Statutes. This exposed funds received to an increased risk of theft or loss.

In other instances, due to insufficient documentation of the dates when funds were received, the university could not measure whether or not it was complying with the prompt bank deposit requirements of Section 4-32 of the General Statutes. This also exposed funds received to an increased risk of theft or loss.

Cause: The departments remotely located from the Bursar's Office did not record the dates when funds were received and/or delayed turning in receipts to the Bursar's Office for deposit.

Recommendation: SCSU should implement a system for recording the dates when funds are received at non-Bursar's Office departments. Furthermore, the university should reaffirm its policy that requires offices remotely located from the Bursar's Office to submit receipts to the Bursar's Office in a timely manner in order to comply with the prompt deposit requirements of Section 4-32 of the General Statutes. (See Recommendation 13.)

Agency Response: "The university agrees with this finding. To address the timely deposit of remote, non-Bursar's Office receipts, the university's Finance area sends to all departments a twice a year communication reaffirming Section 4-32 of the General Statutes. To address the timeliness of Bursar's Office deposits into the bank, the Bursar's Office has cross-trained staff members on the bank deposit process. In the event that the primary cash management staff member is absent, another staff member can ensure that all receipts received are deposited into the bank to meet the stated statutory guidelines and the two-day waiver for receipts deposited by armored car."

Revenue Generating Contracts:

Criteria: It is a good business practice to ensure that contracts are signed before the terms of the contract are carried out. In addition, the parties to a contract should monitor the terms of the contract to determine whether the terms are being carried out in accordance with the language of the contract.

It is also a good business practice for state agencies to send revenue generating contracts to the Attorney General for review and signature before such contracts are executed.

Condition:

We noted that various contractors who entered into revenue generating contracts with the university did not pay specified contractual amounts to the university in a timely manner. In the following instances, these amounts were paid to the university after the timeframes specified within the respective contracts:

- Three instances, of the nine facilities usage agreement receipts that we tested, in which the university did not receive the amount specified in a facility usage agreement in a timely manner. We noted that payments, totaling \$3,923, were received by the university from 21 to 86 business days late.
- Five instances, of the five commission payments that we tested, in which the campus bookstore contractor did not pay commissions to the university in a timely manner. Commissions totaling \$8,618, \$28,487, \$185,610, \$152,831, and \$22,417 for the months of November 2009, June 2010, September 2010, January 2011, and June 2011, respectively, were received by the university from one to 12 business days late.
- Five instances, of the five rental payments that we tested, in which the copier services vendor did not pay rent to the university in a timely manner. Monthly rental payments of \$600 for the months of November 2009, June 2010, September 2010, January 2011, and June 2011, respectively, were received by the university from 17 to 58 business days late.
- Two instances in which a credit union did not pay the university quarterly commission payments for automatic teller machine usage on campus in a timely manner. The payments for the July through September 2010 quarter and the January through March 2011 quarter totaling \$2,391 and \$2,718, respectively, were received by the university seven and 11 business days late.
- One instance in which the university's food service contractor paid the university the annual prepaid net sales commission late. The payment of \$428,534, which was due for the 2010 fiscal year, was received by the university more than eight months late.

We also noted that effective in August 2010, the university entered into a

revenue generating contract with a laundry equipment services vendor in which the contractor was to pay the university commissions based on laundry machine income. Both the contractor and the university signed this contract one day prior to the start of the contract period. The contract, however, was approved by the Office of the Attorney General one month after the contract period began.

Effect: Insufficient monitoring of revenue-generating contracts could lead to late payments of associated revenues.

The lack of timely submission of written contracts to the Office of the Attorney General decreases assurance that contracts are executed in appropriate legal form.

Cause: It appears that the university did not sufficiently emphasize the pursuit of the timely collection of revenues generated from revenue-generating agreements, which contributed to the untimely payment of such amounts to the university.

It is unclear why the university's laundry services contract was not provided to the Office of the Attorney General for approval in a timely manner.

Recommendation: SCSU should improve controls over revenue-generating agreements by monitoring and enforcing the terms of these agreements to ensure prompt payment of commissions and other revenues due to the university. Furthermore, the university should ensure that such contracts are submitted to the Office of the Attorney General in a timely manner for review and approval. (See Recommendation 14.)

Agency Response: "The university agrees with this finding. A notice will be disseminated through the university's Facilities Usage Committee regarding the importance of monitoring such agreements and ensuring prompt payment of commissions due. Additionally, since the previous audit, the Finance department has developed a calendar of commissions due by the university's large contractors (i.e., B&N Bookstore and Chartwells) and emails reminders to the contractors regarding the approaching commission due date(s)."

Student Accounts Receivable:

Background: The university established a student payment plan that allows students to defer the payment of amounts due for tuition and fees. Under the plan, students enter into a payment plan agreement that allows them to pay the university amounts owed through a series of installment payments that

are due on the dates specified in the agreement.

Criteria:

The State Library, under the authority of Sections 11-8 and 11-8a of the General Statutes, establishes records retention schedules for state agencies. The State Library requires that state agency accounts receivable records be retained for at least three years or until audited, whichever is later.

The Connecticut State University System Write-off Procedure provides that, "Each university shall place a registration and official transcript hold on unpaid student accounts before the start date of the next term registration."

Condition:

Our examination of a sample of 10 delinquent student accounts during the audited period disclosed the following:

- Three instances in which the university did not retain a copy of a past due collection notice sent to a student.

Our examination of 20 student accounts receivable that were either written off or approved for write-off during the audited years disclosed the following:

- Twelve instances in which a hold was not placed on a student account to prevent the student from registering for courses and obtaining an official transcript.
- Nine instances, totaling \$38,724, in which a delinquent student account was written off in June 2011 but the write-off was not posted to the student's account in the Banner information system as of February 2012 (the time of our review).
- Student delinquent accounts under \$1,000 that were approved for write-off by the CSUS System Office on June 17, 2010, were not posted to student accounts in the Banner information system until May 11, 2011.

We examined a sample of 20 student payment plan records for the audited period and noted the following exceptions:

- Three instances in which the university charged a student a \$45 payment plan enrollment fee when the written payment plan agreement presented to the student did not stipulate such a fee.

- Two instances in which the university did not retain a student's written payment plan agreement.
- One instance in which a student entered into a payment plan agreement but did not provide the university with a signed payment plan agreement.

Effect: Internal control over delinquent student accounts was weakened, subjecting the university to an increased risk that amounts owed to the university would not be paid in full. Also, in some instances, the university did not comply with the records retention requirements established by the State Library or with the Connecticut State University System's write-off procedures.

Cause: In some instances, controls in place were not being carried out as designed.

Recommendation: SCSU should improve controls over student accounts receivable by retaining related records, such as student payment plan agreements and copies of collection letters sent, for the time period required by the State Library. The university should also place holds on delinquent student accounts as required by Connecticut State University System procedures. Furthermore, the university should post approved write-offs to student accounts in a timely manner. Finally, SCSU should ensure that all of the terms of student payment plans, including enrollment fees charged, are specified in the written payment plan agreements presented to students. (See Recommendation 15.)

Agency Response: "The university does agree that the approved write-offs were not processed in a timely manner and has resolved the issue related to the delay in posting the write-offs. However, the university disagrees that holds were not in-place as is required by Connecticut State University procedure. All accounts had either paid the balance in full during the review period, or had an existing (AR) restrictive hold which prevented future registration.

The university agrees with the audit findings related to record retention regarding past due letters. The Business Office will retain an electronic copy of each letter sent on past due accounts.

The university does agree that in some instances payment plan agreements were not retained for a portion of the audit period due to technical/software design issues which have since been resolved. The university agrees the payment plan agreements do not list the payment

plan enrollment fees in the instances of custom (past due) plans. Past due (custom) payment plans are designed to only enroll student into the plan after a down payment and the enrollment fee has been paid. It is university procedure to post the enrollment fee and take the down payment (which includes the enrollment fee) and then enroll the student in the payment plan; the custom payment does then appropriately reflect the terms of the agreement. Regarding the university not retaining a signed copy of the payment plan agreement, the students were administratively enrolled into the payment plan (per the student's phone request) and a copy of the printed agreement was mailed to the student for signature but never returned. The Payment Plan system automatically emails a copy of the agreement to the student's university email account upon enrollment as well as sends email notifications about installment due dates and when an installment is past due and a late fee has been assessed."

*Auditors' Concluding
Comments:*

SCSU stated that it disagrees that holds were not placed on student accounts in the 12 instances that we cited above. As a result, we reviewed these accounts again in October 2013. Our review disclosed that four of the accounts approved for write-off during the 2010 fiscal year still have a balance due with no hold placed on the account. One of these accounts was paid off after our audit field work in this area was completed and, therefore, did not have a hold placed on it. Regarding the seven remaining accounts that we cited, the university placed holds on these accounts subsequent to the date when we completed our audit field work in this area. In short, the university resolved some of the exceptions that we noted after we completed our audit testing of this area, while others remain outstanding.

Student Activity Trustee Account Revenue Internal Controls:

Criteria:

Section 4-52 of the General Statutes defines a trustee account as, among other things, an account operated in any state educational institution for the benefit of students.

Section 4-32 of the General Statutes requires that each state institution receiving cash receipts amounting to \$500 or more generally deposit these monies into the bank within 24 hours of receipt.

University policies require that student organizations submit a Request for a Fund-Raising Activity form to the Office of Student Life at least 15 days prior to the proposed activity. These requests must be signed by the relevant student organization treasurer and faculty advisor.

University policies also require student organizations to complete Fund-Raising Financial Reports, which detail income received from student events. The policies require student organizations to submit these reports to the Office of Student Life within three class days after the fund-raising activity. The reports must be signed by the relevant student organization treasurer and the faculty advisor.

Condition:

We tested a sample of 15 receipts generated from student organization events during the audited period and noted the following exceptions:

- Six receipts, totaling \$8,685, were deposited into the bank late. Deposit delays ranged from one business day to at least seven business days, with the majority between one and two business days late.
- Four instances in which a Fund-Raising Financial Report was submitted after a student organization event but the form lacked a signature of approval from the student organization treasurer.
- Three instances in which a student organization event occurred even though the related Request for a Fund-Raising Activity form lacked a signature of approval from the student organization treasurer.
- Two instances, totaling \$2,861, in which there was no record of the date when a student organization event receipt was received.
- Two instances in which a Fund-Raising Financial Report was completed late (more than three class days after the fund-raising event occurred).
- One instance in which a Fund-Raising Financial Report was submitted for a student organization event but the report lacked the required faculty advisor signature.

In addition, as disclosed during our prior audit, during our current audit, we noted that the university's student newspaper, Southern News, along with several other university departments did not maintain records of the dates when revenues were received.

Effect:

In some instances, due to insufficient documentation of the dates when funds were received, the university could not gauge whether or not it was complying with the prompt bank deposit requirements of Section 4-32 of the General Statutes. In other instances, it was clear that the university failed to comply with the prompt deposit requirements established by

Section 4-32 of the General Statutes. This exposed student organization funds to an increased risk of theft or loss.

At times, student organizations did not comply with university policies with respect to obtaining the required approval signatures for Fund-Raising Financial Reports and Request for a Fund-Raising Activity forms. There was also a lack of compliance with the university requirement for the timely submission of Fund-Raising Financial Reports.

Cause: Controls in place were not always operating as designed.

Recommendation: SCSU should take steps to ensure that revenue generated from student organization events is deposited into the bank promptly. Accordingly, the university should develop and implement a system to adequately record the dates when student organization revenue is received. Furthermore, student organizations should adhere to the fund raising reporting requirements established by university student organization policies. (See Recommendation 16.)

Agency Response: “The university agrees with this finding. The Office of Student Life & Activities has become more proactive in their efforts to educate students involved in clubs and organizations to deposit funds within the 24 hour time allotment. The student club/organization fund raising policy is posted on the Collegiate link on the university’s Web site. All approved fundraisers are now logged into a spreadsheet. The spreadsheet is checked daily for completed fundraisers and to log received deposit slips and fundraising financial reports. If a club/organization has not reconciled or closed out a fundraiser, an email or phone call goes out to the contact person immediately. Clubs/organizations are not permitted to hold any additional fundraisers until any previous fundraisers have been reconciled. Clubs are also not permitted to register as an active organization for the upcoming semester unless all fundraisers have been reconciled or closed. Fundraising financial reports are received and logged via Collegiate Link on a daily basis. Financial reports are completed electronically and do not require a signature. Whenever possible, monies or checks are accepted, and a log sheet is kept indicating the date of the receipt.”

Student Activity Trustee Account Expenditures:

Criteria: Section 4-52 of the General Statutes defines a trustee account as, among other things, an account operated in any state educational institution for the benefit of students.

The university’s Policies Governing Clubs and Organizations Manual

states that “all expenditures are made by a university check against a completed Payment Request Form.” The manual goes on to state that “payment request forms must be signed by the organization’s treasurer and faculty advisor.”

Condition:

We tested a sample of 25 student trustee account purchases and noted the following exceptions:

- Six instances, totaling \$4,990, in which a purchase was made without adequate supporting documentation to indicate student body approval of the purchase. Neither a properly approved Payment Request Form nor minutes of student organization meetings were on file to support the purchases.
- Two instances, totaling \$2,495, in which a purchase was made without a fully executed Purchase Request Form. In one of these instances, totaling \$2,000, the Payment Request Form lacked the signature of approval from a student organization treasurer. In the other instance, totaling \$495, the Payment Request Form lacked the signatures of the student organization treasurer and the faculty advisor.

Cause:

In some instances, controls in place were not being carried out as designed.

The university informed us that the Office of Student Life does not require student activity account purchases charged to certain accounts, such as the Programs Council and Club Sports, to be supported by approvals noted in minutes of student organization meetings.

Effect:

There was decreased assurance that some payments charged to student activity trustee accounts met the approval of student organizations.

Recommendation:

SCSU should ensure that expenditures charged to student activity trustee accounts are properly approved and supported by documented student body approval. (See Recommendation 17.)

Agency Response:

“The university agrees with this finding. Currently, the Office of Student Life & Activities does not require Programs Council, Club Sports or Student Government to record their approvals in student organization meetings. However, Student Government passes a budget through a formal vote that addresses each line item that affects these areas. While they may not approve an expenditure for a specific music artist or novelty, they are approving a “concert” line (as an example) in the Programs Council budget. The Director and staff will be revisiting all of

the financial policies governing clubs and organizations before the end of the year to ensure sound fiscal management. Payment request forms are checked by the Office of Student Life & Activities for accuracy and completeness. If the document is missing signatures, it is returned to the student advisor for completion.”

Schedules of Expenditures of Federal Awards:

Background: Annually, as part of our Statewide Single Audit of the state’s federal funds, our office examines the Schedule of Expenditures of Federal Awards (SEFA) prepared by each state agency, including the CSUS universities, for completeness and accuracy.

Criteria: The federal Office of Management and Budget Circular A-133 Compliance Supplement as of June 2010 provides that the value of Federal Family Education Loan (FFEL) Program (CFDA 84.032) loans made to students during the audited period should be included as federal awards expended in the SEFA. The compliance supplement also requires that entities administering the Federal Perkins Loan (FPL) Program (CFDA 84.038) include such expenditures on the SEFA.

State agencies should prepare and submit complete and accurate SEFAs in accordance with the State Comptroller’s instructions as well as the guidance provided by the federal Office of Management and Budget Circular A-133.

Condition: We noted that the university’s SEFA for the fiscal year ended June 30, 2010, omitted the value of FFEL Program (CFDA 84.032) loans made to students. These disbursements totaled \$59,674,192 during the fiscal year ended June 30, 2010. The university also omitted Federal Perkins Loan Program (CFDA 84.038) expenditures from its SEFAs for the fiscal years ended June 30, 2010 and 2011. These expenditures totaled at least \$5,152,831 and \$5,944,239, respectively.

In addition, the university omitted from its SEFA for the fiscal year ended June 30, 2011, the amount of Federal Direct Student Loans Program (CFDA 84.268) expenditures charged during the fiscal year. These expenditures totaled \$60,101,228.

Effect: The university understated the amount of federal expenditures reported in its SEFAs.

Cause: These errors appear to have been an oversight on the university’s part.

Recommendation: SCSU should prepare accurate Schedules of Expenditures of Federal

Awards. (See Recommendation 18.)

Agency Response: “The university agrees with this finding. The university Accounting Department has since changed the process regarding the inclusion of specific federal programs in the submission of the report.”

E-mail Policy:

Criteria: The State of Connecticut’s Acceptable Use of State Systems Policy prohibits users of the state’s e-mail system to distribute union information via state e-mail. The policy goes on to say that, “Should conflict exist between this policy and an agency policy, the more restrictive policy should take precedence.”

Condition: As noted during our prior audit of the university, our current audit disclosed that, as of February 2012, the university’s Mass E-mail Procedures and Restrictions policy states that, “Union leadership will continue to have access to the state-supported email system to conduct union business as consistent with current practices.”

Effect: The university’s e-mail policy conflicts with the State of Connecticut’s Acceptable Use of State Systems Policy, which does not allow users of the state’s e-mail system to distribute union information via state e-mail.

Cause: In the past, Connecticut State University System management informed us that it has long been considered consistent with employee collective bargaining agreements at the CSUS to allow union members to distribute union information via university e-mail systems. However, our review of several such agreements disclosed that they do not specifically address such e-mail access.

Recommendation: SCSU should revise its e-mail policy to comply with the State of Connecticut’s Acceptable Use of State Systems Policy regarding the distribution of union information via the state’s e-mail system. (See Recommendation 19.)

Agency Response: “The university agrees with the finding. The university continues to seek guidance on the matter with CSUS/BOR representatives as it is still in discussion with such parties.”

Other Audit Examination:

The Board of Trustees of the Connecticut State University System has entered into agreements with a public accounting firm to conduct certain auditing and consulting services on an annual basis, including an audit of the combined financial statements of the Connecticut State University System.

As part of its audit work, the firm has made an annual study and evaluation of the system's internal controls to the extent deemed necessary to express an audit opinion on the financial statements. Certain matters involving internal controls have been included in an annual Report to Management accompanying the audited financial statements.

A summary of the recommendations pertaining to Southern Connecticut State University in the Report to Management for the 2010-2011 fiscal year is presented below:

General:

- Segregate all checks greater than \$25,000 and review these checks to ensure that checks greater than \$25,000 are being signed by management appropriately.

Information technology:

- Consider logging the use of Banner IDs used to compile code in the IT production environment. To achieve segregation of duties between code development and code migration to production, management should ensure that the activity logs are reviewed on a periodic basis by an employee independent of the migration process. Management should also consider implementing a monitoring control to review direct data changes.
- Restrict the use of generic IDs and passwords in the Banner system application. Also, consider reviewing activity performed by the custom Banner administrator accounts designed for developers to ensure that activity is appropriate and authorized.
- Implement a formalized process to ensure that all contractors and temporary employees have their access to systems and applications disabled in a timely manner.

Our audit testing disclosed that the university took steps to correct the control weaknesses noted above by its auditors.

RECOMMENDATIONS

Our prior audit report on the university contained 22 recommendations for improving operations, 13 of which are being repeated or restated with modification in our current audit report. Our current audit report presents 19 recommendations, including six new recommendations.

Status of Prior Audit Recommendations:

- **The university should work to improve internal controls over librarian timesheets and attendance and leave records; ensure that employee timesheets, in general, are signed and dated by employees and their supervisors only after related work has been performed; and follow its established overtime approval process policy for maintenance employees.** Our current audit disclosed that further improvement is needed in controls over timesheets in general. In addition, we noted exceptions in the university's documentation for the approval for the hiring of part-time lecturers. Therefore, the recommendation is being repeated with modification. (See Recommendation 1.)
- **The university should improve controls over employee compensatory time by following the applicable requirements established in employee collective bargaining agreements and existing university policies.** Our current audit disclosed that further improvement is needed in this area. The recommendation is being repeated. (See Recommendation 5.)
- **The university should continue pursuing legal advice from the Attorney General regarding old, incorrect payments made to former employees for unused vacation and sick leave. Furthermore, the university should attempt to collect the overpayment for accrued sick leave at retirement noted during our current audit.** The university obtained advice from the Office of the Attorney General regarding old, incorrect vacation and sick leave payments made to former employees. However, at the time of our review, the university had not pursued collection of the overpayment for sick leave at retirement noted during our prior audit. The portion of the recommendation related to the collection of the overpayment for accrued sick leave noted during our prior audit is being repeated. (See Recommendation 2.)
- **The university should retain employee background check reports on durable media to comply with the State Library's records retention requirements.** The university implemented this recommendation. The recommendation is not being repeated.
- **The university should monitor its active non-permanent employee records more frequently to identify those employees who are no longer active, and should deactivate corresponding inactive employee records in the Core-CT system.** During our current audit, we noted instances in which inactive university employees were not deactivated in the Core-CT system. The recommendation is being repeated. (See Recommendation 7.)

- **The university should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by promptly documenting, through signed certifications, that no conflicts exist in instances in which an employee holds multiple state positions.** Our current audit disclosed similar dual employment exceptions. The recommendation is being repeated. (See Recommendation 4.)
- **The university should improve its compliance with Section 4-33a of the General Statutes by promptly reporting all instances of improper use of state resources to both the State Comptroller and the Auditors of Public Accounts. Furthermore, the university should seek restitution from the above former employee for payroll payments made for pay periods when the employee improperly used sick leave.** The university, through a legal settlement, resolved the matter regarding a former employee's abuse of sick leave. During our current audit, we noted no instances in which both the State Comptroller and Auditors of Public were not notified of the improper use of state resources. The recommendation is not being repeated.
- **The university should improve internal controls over travel expenditures by complying with the Connecticut State University System's Travel Policies and Procedures Manual.** We noted no significant improvement in this area. The recommendation is being repeated. (See Recommendation 10.)
- **The university should improve internal controls over purchases of personal services by ensuring that personal service agreements and purchase orders are executed in a timely manner, and by documenting acknowledgement that entertainer services purchased have been rendered.** Our current audit disclosed improvement in this area. The recommendation is not being repeated.
- **The university should consider having its works of art appraised periodically, report losses or damage of university property to the appropriate state agencies in a timely manner, and take steps to improve the accuracy of its stores and supplies inventory control records.** Further improvement is needed in property control. The recommendation is being repeated in modified form. (See Recommendation 12.)
- **The university should maintain vehicle mileage logs for all of its vehicles as required by the Department of Administrative Services.** The university reinstated the use of mileage logs for its motor vehicles. The recommendation is not being repeated.
- **The university should establish written agreements detailing the terms, timeframe, and responsibilities of the parties involved when entering into partnerships with other entities.** Our current audit disclosed that the university implemented this recommendation. The recommendation is not being repeated.
- **The university should adhere to its established policy on the collection of past due student accounts.** Our follow-up on this recommendation during the current audit disclosed

the need for further improvement in this area. The recommendation is being repeated in revised form. (See Recommendation 15.)

- **The university should improve the timeliness of its bank deposits by adhering to the prompt deposit requirements of Section 4-32 of the General Statutes.** Our current audit disclosed the need for further improvement in this area. The recommendation is being repeated in revised form. (See Recommendation 13.)
- **The university should improve controls over revenue-generating agreements by ensuring that such contracts are signed before related services are provided. Such contracts should be submitted to the Attorney General in a timely manner for review and approval. Furthermore, the university should monitor and enforce the terms of such agreements to ensure prompt payment of commissions and prompt remission of associated payments due to contractors.** Weaknesses in controls over revenue generating contracts persisted during the current audited period. The recommendation is being repeated with modification. (See Recommendation 14.)
- **The university should ensure that bank statement and available cash reconciliations are performed correctly and in a timely manner, and should promptly resolve any outstanding items noted when performing such reconciliations.** Improvement was noted. The recommendation is not being repeated.
- **The university should ensure that it maintains adequate records of student newspaper advertising revenue and other student activity account revenue. Such records should include the date of receipt as well as the source and amount of the receipt. Also, the university should re-emphasize that student organizations should deliver funds generated from student events to the Bursar's Office in a timely manner.** As noted during our prior audit, our current audit disclosed late deposits of student activity event revenue and records of student event receipts that lacked receipt dates, among other exceptions. The recommendation is being repeated. (See Recommendation 16.)
- **The university should ensure that expenditures charged to the student activity trustee account are properly approved in accordance with a system of good internal controls, such as those established by the university's policies for student clubs and organizations.** Control weaknesses over student activity account expenditures were noted during our current audit. The recommendation is being repeated. (See Recommendation 17.)
- **The university's Office of Student Life should take steps to ensure that class organizations name beneficiaries for class accounts as required by CSUS Board of Trustees Resolution #86-61.** Improvement was noted. The recommendation is not being repeated.
- **The university should regularly review information system access privileges granted to employees to determine if such access is appropriate. Furthermore, the university should remove access privileges from those employees who have unnecessary access to**

such systems. Our current examination disclosed that the university took steps to further limit access to the Core-CT system. The recommendation is not being repeated.

- **The university should revise its e-mail policy to comply with the State of Connecticut's Acceptable Use of State Systems Policy regarding the distribution of union information via the state's e-mail system.** The recommendation was not implemented. The recommendation is being repeated. (See Recommendation 19.)
- **The university should make CAPCS program expenditures for student employment in community services as required by Section 10a-164a of the General Statutes.** We noted that the university did not meet the CAPCS program expenditure requirements for student employment in community service-type jobs during the audited years. The CAPCS grant program, however, was discontinued, effective July 1, 2013, in accordance with Public Act 13-247. The recommendation is, therefore, not being repeated.

Current Audit Recommendations:

1. **SCSU should improve internal controls over payroll and human resources operations by ensuring that employee timesheets are signed and dated by the required employees only after related work was performed. In addition, the university should ensure that documented approval for hiring part-time faculty members is obtained prior to the dates when such employees begin working.**

Comment:

Employee timesheets did not always provide sufficient after-the-fact certification of time worked. In some instances, documentation of the approval of the hiring of part-time faculty members was signed after the employment period began.

2. **SCSU should take steps to ensure that payments to employees for accrued sick leave at retirement are made correctly in accordance with applicable collective bargaining agreements and Connecticut State University policies. Furthermore, the university should pursue recovery of the overpayment made to an employee for accrued sick leave at retirement that was disclosed during our prior audit. The university should also pay the amount owed to the employee who we noted was underpaid for unused sick leave at retirement during the current audited period.**

Comment:

During the audited period, the university did not pursue collection of the overpayment for sick leave at retirement that we noted during our prior audit. Our current audit disclosed that the university underpaid an employee for sick leave at retirement during the audited period.

- 3. SCSU should retain documentation to support tuition reimbursement payments made to employees in accordance with the State Library's records retention requirements.**

Comment:

The university did not retain supporting documentation for employee tuition reimbursement payments.

- 4. SCSU should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by promptly documenting, through signed certifications, that there are no conflicts of interest or conflicts in schedules, in instances in which an employee holds multiple state positions.**

Comment:

In some instances, the university did not prepare dual employment certifications or approved them after the dual employment period began.

- 5. SCSU should ensure that unused employee leave time balances for which payouts have been made are properly removed from the Core-CT system. The university should also discontinue accruals of employee leave time upon an employee's separation from employment. In addition, the university should comply with the SUOAF and NP-5 collective bargaining agreements with respect to the timely expiration of employee compensatory time balances and the maximum number of compensatory time hours allowed.**

Comment:

At times, the university did not eliminate employee leave time balances from, or did not discontinue monthly leave time accruals in, the Core-CT system after employees separated from university employment. Also, employee compensatory time balances were occasionally allowed to exceed the maximum balances specified in collective bargaining agreements.

- 6. SCSU should improve its time and effort reporting system for employees whose wages are charged to federal programs by complying with the time and effort reporting requirements prescribed by OMB Circular A-21.**

Comment:

In some instances, time and effort reports were not prepared or did not adequately identify the federal program to which related payroll charges applied.

- 7. SCSU should monitor its active non-permanent employee records more frequently to identify those employees who are no longer active, and should deactivate corresponding inactive employee records in the Core-CT information system.**

Comment:

The university, in some instances, did not promptly deactivate non-permanent employee records in the Core-CT system after employees had separated from university employment or had not been actively employed at the university for a considerable amount of time.

- 8. SCSU should follow the Department of Administrative Services' requirements for calculating total wages for employees for whom workers' compensation claims were filed.**

Comment:

Our audit disclosed instances in which the university did not calculate an employee's average weekly wages for workers' compensation purposes in the manner prescribed by the Department of Administrative Services.

- 9. SCSU should take steps to ensure that purchases are initiated only after a properly approved purchase order is in place and should ensure that all purchasing contracts are signed by all of the interested parties, including the Office of the Attorney General, when required.**

Comment:

The contracts for some university purchases of services were not fully executed and lacked the approval of the Office of the Attorney General.

- 10. SCSU should improve its controls over travel expenditures by adhering to the Connecticut State University System travel policies.**

Comment:

In some instances, the university did not follow CSUS travel policies for documenting employee and athletic team trips.

- 11. SCSU should improve controls over purchasing card purchases by complying with its established purchasing card policies and procedures.**

Comment:

Our test of purchasing card transactions disclosed instances in which the university did not follow its established policy for purchasing card transactions.

- 12. SCSU should improve internal controls over property by following the policies and procedures established by the State Property Control Manual and the Connecticut State University System's Capital Asset Valuation Manual.**

Comment:

We noted discrepancies in the university's inventory control records, including incorrect equipment locations, incorrect quantities of store and supply items on hand, incomplete software inventory records, and inadequately supported values for art work, among other property control exceptions.

- 13. SCSU should implement a system for recording the dates when funds are received at non-Bursar's Office departments. Furthermore, the university should reaffirm its policy that requires offices remotely located from the Bursar's Office to submit receipts to the Bursar's Office in a timely manner in order to comply with the prompt deposit requirements of Section 4-32 of the General Statutes.**

Comment:

Aside from the Bursar's Office, we noted that some university departments lacked a system to record the dates when receipts were collected. Furthermore, in some instances, receipts collected in these departments appeared to have been deposited into the bank late.

- 14. SCSU should improve controls over revenue-generating agreements by monitoring and enforcing the terms of these agreements to ensure prompt payment of commissions and other revenues due to the university. Furthermore, the university should ensure that such contracts are submitted to the Office of the Attorney General in a timely manner for review and approval.**

Comment:

In some instances, contractors who entered into revenue-generating agreements with the university submitted commission or rent payments to the university late.

- 15. SCSU should improve controls over student accounts receivable by retaining related records, such as student payment plan agreements and copies of collection letters sent, for the time period required by the State Library. The university should also place holds on delinquent student accounts as required by Connecticut State University System procedures. Furthermore, the university should post approved write-offs to student accounts in a timely manner. Finally, SCSU should ensure that all of the terms of student payment plans, including enrollment fees charged, are specified in the written payment plan agreements presented to students.**

Comment:

Some student payment plan agreements and past due student account collection letters were not retained. Approved write-offs of delinquent student accounts were not posted to student account records in a timely manner.

- 16. SCSU should take steps to ensure that revenue generated from student organization events is deposited into the bank promptly. Accordingly, the university should develop and implement a system to adequately record the dates when student organization revenue is received. Furthermore, student organizations should adhere to the fund-raising reporting requirements established by university student organization policies.**

Comment:

At times, student organization event revenue was deposited in the bank late. Some student organizations did not record the dates when student event revenue was received. Some student activity fund-raising reports lacked the required approval signatures or were submitted late.

- 17. SCSU should ensure that expenditures charged to student activity trustee accounts are properly approved and supported by documented student body approval.**

Comment:

We noted several charges to student activity accounts that were lacking supporting documentation, such as minutes of student organization meetings or signed payment vouchers indicating student body approval of the purchases.

- 18. SCSU should prepare accurate Schedules of Expenditures of Federal Awards.**

Comment:

The university omitted significant expenditures for various federal student loan programs from its Schedules of Expenditures of Federal Awards for the audited years.

- 19. SCSU should revise its e-mail policy to comply with the State of Connecticut's Acceptable Use of State Systems Policy regarding the distribution of union information via the state's e-mail system.**

Comment:

The university's e-mail policy provides union leadership access to the university's e-mail system to conduct union business, while the State of Connecticut's Acceptable Use of State Systems Policy does not allow such use.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of Southern Connecticut State University for the fiscal years ended June 30, 2010 and 2011. This audit was primarily limited to performing tests of the university's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the university's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the university are complied with, (2) the financial transactions of the university are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the university are safeguarded against loss or unauthorized use. The financial statement audits of Southern Connecticut State University for the fiscal years ended June 30, 2010 and 2011, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether Southern Connecticut State University complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Internal Control over Financial Operations, Safeguarding of Assets and Compliance:

Management of Southern Connecticut State University is responsible for establishing and maintaining effective internal control over financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts, and grants. In planning and performing our audit, we considered Southern Connecticut State University's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the university's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of expressing an opinion on the effectiveness of the university's internal control over those control objectives. Accordingly, we do not express an opinion on the effectiveness of Southern Connecticut State University's internal control over those control objectives.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct on a timely basis, unauthorized, illegal or irregular transactions, or breakdowns in the safekeeping of any asset or resource. *A material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions and/or material

noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that would be material in relation to the university's financial operations will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance with requirements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the university's financial operations, safeguarding of assets, or compliance with requirements that we consider to be material weaknesses, as defined above. However, we consider the following deficiencies, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be significant deficiencies: Recommendation 9 – weaknesses in controls over the purchasing process; and Recommendation 12 – weaknesses in controls over equipment and other property. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether Southern Connecticut State University complied with laws, regulations, contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the university's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Condition of Records and Recommendations sections of this report as the following items: Recommendation 9 – weaknesses in controls over the purchasing process; and Recommendation 12 – weaknesses in controls over equipment and other property.

We also noted certain matters which we reported to university management in the accompanying Condition of Records and Recommendations sections of this report.

Southern Connecticut State University's response to the findings identified in our audit is described in the accompanying Condition of Records section of this report. We did not audit Southern Connecticut State University's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the university's management, the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

CONCLUSION

We 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.



Daniel F. Puklin
Principal Auditor

Approved:



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts