

STATE OF CONNECTICUT



**AUDITORS' REPORT
BOARD OF REGENTS FOR HIGHER EDUCATION
WESTERN CONNECTICUT STATE UNIVERSTIY
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2012**

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

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January 21, 2015

AUDITORS' REPORT BOARD OF REGENTS FOR HIGHER EDUCATION WESTERN CONNECTICUT STATE UNIVERSITY FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2012

We have examined the financial records of Western Connecticut State University (WCSU) for the fiscal years ended June 30, 2011 and 2012.

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

Western Connecticut State University, located in Danbury, 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 Southern Connecticut State University in New Haven. 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. James W. Schmotter served as university president during the audited period.

Recent Legislation

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

- 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 (Section 22), effective July 1, 2011, 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 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.
- Public Act No. 11-52 requires, among other things, that state employers provide paid sick leave to certain service workers beginning on January 1, 2012, at the rate of one hour of paid sick leave for each 40 hours worked. With respect to the Connecticut state universities, student workers fall under the service worker classification affected by the act and, therefore, should have started accruing paid sick leave effective January 1, 2012.

Enrollment Statistics

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

	<u>Fall 2010</u>	<u>Spring 2011</u>	<u>Fall 2011</u>	<u>Spring 2012</u>
Full-time Undergraduate	4,905	4,534	4,763	4,344
Full-time Graduate	93	85	82	99
Total Full-time	<u>4,998</u>	<u>4,619</u>	<u>4,845</u>	<u>4,443</u>
Part-time Undergraduate	1,055	1,046	1,052	1,065
Part-time Graduate	529	518	510	514
Total Part-time	<u>1,584</u>	<u>1,564</u>	<u>1,562</u>	<u>1,579</u>
Total Enrollment	<u>6,582</u>	<u>6,183</u>	<u>6,407</u>	<u>6,022</u>

The average of the fall and spring semesters' total enrollment was 6,383 and 6,215 during the 2010-2011 and 2011-2012 fiscal years, respectively, compared to an average of 6,472 during the 2009-2010 fiscal year. The total average number of students enrolled at WCSU decreased by 89 (1.4 percent) from the 2010 fiscal year to the 2011 fiscal year, and decreased by 168 (2.6 percent) from the 2011 fiscal year to the 2012 fiscal year.

RÉSUMÉ OF OPERATIONS

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

General Fund appropriations were not made to WCSU directly. Rather, General Fund appropriations, primarily for personal services and related fringe benefits, for the entire Connecticut State University System were made available to the Connecticut State University System Office, where the amount of each state university's allocation was calculated, and transfers of these funds 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 set by the board of trustees. The following presents annual tuition charges for full-time students during the audited fiscal years:

Student Status:	2010 – 2011			2011 – 2012		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduate	\$ 4,023	\$ 13,020	\$ 6,035	\$ 4,124	\$ 13,364	\$ 6,186
Graduate	5,012	13,962	7,519	5,137	14,311	7,707

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 times the in-state 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, WCSU charged students a general fee and a state university fee, among others during the audited period. The following presents these fees, on an annual basis, during the audited fiscal years.

Fee Description:	2010 – 2011			2011 – 2012		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
General	\$ 2,804	\$ 2,804	\$ 2,804	\$ 2,874	\$ 2,874	\$ 2,874
State University	942	2,310	942	966	2,368	966

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:	2010 – 2011	2011 – 2012
Housing	\$ 5,858	\$ 6,004
Food Service	4,272	4,379

Operating Revenues

Operating revenue results from the sale or exchange of goods and services that relate 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>2009 – 2010</u>	<u>2010 – 2011</u>	<u>2011 – 2012</u>
Tuition and Fees (net of scholarship allowances)	\$38,181,512	\$39,221,606	\$40,396,075
Federal Grants and Contracts	5,332,454	6,920,531	6,920,988
State and Local Grants and Contracts	2,329,391	2,369,098	2,404,992
Indirect Cost Recoveries	200	7,455	-
Auxiliary Revenues	16,034,882	16,616,669	16,416,246
Other Operating Revenues	<u>1,598,505</u>	<u>1,677,186</u>	<u>2,197,929</u>
Total Operating Revenues	<u>\$63,476,944</u>	<u>\$66,812,545</u>	<u>\$68,336,230</u>

Operating revenues totaled \$66,812,545 and \$68,336,230 during the fiscal years ended June 30, 2011 and 2012, respectively, compared to \$63,476,944 during the fiscal year ended June 30, 2010. These figures reflect annual increases in operating revenues totaling \$3,335,601 (5.25 percent) and \$1,523,685 (2.28 percent) during the fiscal years ended June 30, 2011 and 2012, respectively.

The increase in revenues during the fiscal year ended June 30, 2011 is largely the result of increases in tuition and fee rates, which rose more than six percent from the previous year. An increase in the amount of federal Pell Grant program funds (in the Federal Grants and Contracts category above), received during the fiscal year ended June 30 2011, also contributed to this increase.

The slight increase in revenues during the fiscal year ended June 30, 2012 can, in part, be attributed to an increase in revenues in the tuition and fees (net of scholarship allowances) category. During the 2012 fiscal year, the university processed fewer scholarship allowance transactions than the amount processed during the prior fiscal year. Because the university treats these allowances as offsets to tuition and fees revenues, the decrease in these allowances had the effect of inflating net tuition and fee revenues presented in the university's financial statements during the 2012 fiscal year.

Operating Expenses

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

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

	<u>2009 – 2010</u>	<u>2010 – 2011</u>	<u>2011 – 2012</u>
Personal Service and Fringe Benefits	\$ 68,635,320	\$ 72,341,613	\$ 72,235,636
Professional Services and Fees	5,297,045	4,586,942	4,228,147
Educational Services and Support	13,689,488	15,599,765	15,057,405
Travel Expenses	689,211	659,911	1,030,954
Operation of Facilities	8,849,629	9,746,782	8,863,731
Other Operating Supplies and Expenses	4,117,845	4,028,572	4,454,098
Depreciation Expense	9,208,111	10,545,209	10,427,579
Amortization Expense	44,017	39,471	40,143
Total Operating Expenses	<u>\$ 110,530,666</u>	<u>\$ 117,548,265</u>	<u>\$ 116,337,693</u>

Operating expenses totaled \$117,548,265 and \$116,337,693 during the fiscal years ended June 30, 2011 and 2012, respectively, compared to \$110,530,666 during the fiscal year ended June 30, 2010.

During the fiscal year ended June 30, 2011, operating expenses increased by \$7,017,599 (6.3 percent) over the previous fiscal year. This increase is due primarily to scheduled employee pay raises in accordance with collective bargaining agreements.

Operating expenses decreased by \$1,210,572 (one percent) during the fiscal year ended June 30, 2012, compared to the previous fiscal year. The decrease can be attributed, in part, to a decrease in building construction costs during the 2012 fiscal year. During the prior fiscal year, various construction projects, most notably the Pinney Hall dormitory renovation, were completed. Accordingly, during the 2012 fiscal year, construction costs returned to their pre-construction levels.

Non-operating Revenues

Non-operating revenues are revenues not generated from the sale or exchange of goods or services that relate to the university's primary functions of instruction, academic support, and student services. Non-operating revenues include items such as the state's General Fund appropriation, private gifts and donations, investment income, and state financial plant facilities revenues.

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

	<u>2009 – 2010</u>	<u>2010 – 2011</u>	<u>2011 – 2012</u>
State Appropriations	\$ 45,119,024	\$ 45,846,377	\$ 38,876,299
Gifts	146,095	181,849	134,742
Investment Income	112,701	85,921	56,542
Other Non-operating Revenues	646,275	669,758	507,039
Transfers to the State of Connecticut	<u>(2,462,936)</u>	<u>-</u>	<u>-</u>
Total Non-operating Revenues	<u>\$ 43,561,159</u>	<u>\$ 46,783,905</u>	<u>\$ 39,574,622</u>

Non-operating revenues totaled \$46,783,905 and \$39,574,622 during the fiscal years ended June 30, 2011 and 2012, respectively, compared to \$43,561,159 during the fiscal year ended June 30, 2010. These revenues increased \$3,222,746 (7.4 percent) and decreased \$7,209,283 (15.4 percent) during the fiscal years ended June 30, 2011 and 2012, respectively, compared to the preceding fiscal years.

The increase in non-operating revenues during the fiscal year ended June 30, 2011, can be primarily attributed to a statutorily required transfer to the State of Connecticut's General Fund, which occurred during the fiscal year ended June 30, 2010. This transfer, totaling \$2,462,936, was treated as a reduction in non-operating revenues on the university's financial statements. No such transfer and no resulting reduction in non-operating revenues occurred during the fiscal year ended June 30, 2011. As such, non-operating revenues presented on the university's financial statements for the fiscal year ended June 30, 2011 give the appearance of increasing over the prior year.

The decrease in non-operating revenues during the fiscal year ended June 30, 2012 is mostly the result of a decrease in the amount of state appropriations provided to the university.

Western Connecticut State University Foundation, Inc.

The Western 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 established for the principal purpose of supporting or improving state agencies. The requirements address the annual filing of an updated list of board members with the state agency for which the foundation was established, financial record keeping and reporting in accordance with generally accepted accounting principles, financial statement and audit report criteria, written agreements concerning the use of facilities and resources, compensation of state officers or employees, and the state agency's responsibilities with respect to affiliated foundations.

Audits of the books and accounts of the foundation were performed by an independent certified public accounting firm for the fiscal years ended June 30, 2011 and 2012, 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 audit reports disclosed no reportable instances of noncompliance with Sections 4-37e through 4-37i of the General Statutes.

The foundation's financial statements reported revenues totaling \$2,594,988 and \$633,933 during the fiscal years ended June 30, 2011 and 2012, respectively. Net assets were reported at \$12,811,333 and \$12,763,617 as of June 30, 2011 and 2012, respectively.

CONDITION OF RECORDS

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

Procurement

Criteria: Prudent business practices require that a purchase should not be initiated before it is properly approved, and that such approval should be documented via a properly approved purchase requisition and purchase order.

Condition: We examined a sample of 25 university purchases, totaling \$1,076,710, and noted two instances, totaling \$47,484, in which purchases were initiated prior to the processing of a purchase order. In the instances noted, the purchase of goods or services occurred between six and 80 business days prior to the processing of a purchase order.

It should be noted that one of these purchases consisted of numerous university library book orders, 14 of which were initiated prior to the issuance of an approved purchase order.

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

Cause: It is unknown why the above conditions occurred.

Recommendation: Western Connecticut State University should improve controls over the purchasing process by ensuring that all purchases are properly approved beforehand. These approvals should be documented by purchase orders signed by authorized employees.
(See Recommendation 1.)

Agency Response: “The university agrees with these comments and will continue campus training and reinforcement of policies in pursuit of timely placement of purchase orders. The Purchasing Department will meet with the university’s Library personnel to review procurement opportunities for library books.”

Purchasing Cards

Criteria: The Western Connecticut State University Purchasing Card Policy provides the university’s rules for the use of university purchasing cards. The policy states that the “single item purchase limit is not to exceed Nine Hundred Ninety-nine Dollars [\$999].” The policy further

states that, “splitting a single item purchase to circumvent the purchasing card threshold of \$1,000 is not allowed.” In addition, the policy requires cardholders to sign and date monthly purchasing card statements as certification that the statements were reconciled to supporting documentation, and that the purchases made were consistent with university policies.

Condition:

We examined a sample of 15 monthly purchasing card statements and associated records covering five months during the audited period. These records related to purchasing cards assigned to 15 university employees and included charges totaling \$24,733. The following exceptions were noted:

1. Seven instances in which purchasing cardholders or their supervisors failed to sign their purchasing card monthly statements or logs indicating that a purchasing card reconciliation had been performed. In the instances noted, the cardholders’ statements contained purchases totaling \$11,364.
2. Two instances in which cardholders made purchases that exceeded the \$999 single purchase limit. In one instance, a cardholder purchased goods totaling \$1,070. In the second instance, a cardholder purchased goods totaling \$1,093 and split the purchase into two transactions, circumventing the \$999 single purchase limit.
3. Two instances in which the purchase amounts recorded on an employee’s purchasing card log did not reflect the amount of purchases listed on the employee’s monthly purchasing card statement. In one of these instances, the employee’s log contained a purchase totaling \$610 while the statement indicated this purchase totaled \$640, \$30 more than the amount reported on the employee’s log. In the second instance, the employee’s log included purchases totaling \$408, while the monthly statement included purchases that totaled \$812, a \$404 difference.
4. One instance in which a cardholder paid sales tax in the amount of \$12 on goods purchased even though the university was exempt from paying this tax.
5. One instance in which a cardholder failed to include a signature date on a purchasing card log which contained purchases totaling \$871. In effect, we were unable to determine whether the log was prepared in a timely manner.

- Effect:* In some instances, the university did not comply with its established purchasing card policies and procedures, which increased the risk of improper purchases occurring.
- Cause:* In some instances, controls were not being carried out as designed.
- Recommendation:* Western Connecticut State University should improve internal controls over purchasing card use by following the Western Connecticut State University Purchasing Card Policy. (See Recommendation 2.)
- Agency Response:* “The university agrees with the comments pertaining to the purchasing card program. As the university’s purchasing card program continues to evolve and expand, user level training and reinforcement of policies in terms of consistency in documentation of purchases, proper application of signatory authority, and use of the purchasing card, along with the continuing on-site audits and reviews, will continue. The university will continue to pursue improvement of internal controls and procedures in its purchasing program.”

Travel Expenditures

Criteria: The Connecticut State University System’s Travel Policies and Procedures Manual requires that, before each trip, the director of athletics or a designee identifies, “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.”

It is a good business practice to ensure that expenditures are charged to the correct accounts so that management can make budgeting and other financial decisions based on reliable information.

Sound internal controls require purchases to be properly approved before they are initiated. This approval should be documented via a properly approved purchase requisition and purchase order.

Condition: We tested a sample of 15 travel expenditure payments during the audited years and noted the following:

- Four instances in which travel expenditures, totaling \$32,852, were coded to incorrect accounts. In one of these instances, services totaling \$995 were ordered and received 13 business days before the corresponding purchase requisition was processed, and 16 business days before the direct payment information was processed.
- Three instances, totaling \$50,407, in which athletic team travel rosters were not on file.

Effect: In some instances, the university did not comply with its established travel or procurement policies, which had the effect of weakening internal controls over travel expenditures.

With respect to the instance noted in which services were ordered and received before an approved purchase requisition was in place, the lack of prior approval increased the risk that unauthorized or improper purchases could occur.

Cause: In some instances, the established internal control procedures were not carried out as designed.

Recommendation: Western Connecticut State University should improve internal controls over travel expenditures by complying with the Connecticut State University System's Travel Policies and Procedures Manual. (See Recommendation 3.)

Agency Response: "The university agrees with the comments concerning the miscoding of the travel accounts and will review its policies for the application of account codes. With regards to the athletic rosters, as the athletic rosters are maintained and on file in the Athletic office and the university's Athletic personnel determine the participants of a trip, the travel office will continue to work with the Director of Athletics in securing the names of those who are participating on the trip."

Duplicate Payroll Payment

Criteria: It is a good business practice to implement effective controls to ensure that employees are properly paid the authorized amounts for work performed.

Condition: We tested a sample of 20 regular payroll transactions during the audited period and noted one exception. In January 2011, the university offered, and a teaching faculty member accepted, a winter 2011 intersession non-instructional work assignment. In February 2011, the university issued a duplicate payment, totaling \$4,482 in gross pay, to this employee for that assignment. After our inquiry, in April 2014, the university informed us that it was pursuing recovery of this overpayment.

Effect: An employee was overpaid \$4,482 in gross pay.

Cause: The university informed us that there was a miscommunication, resulting in two different employees processing the same payment.

Recommendation: Western Connecticut State University should implement controls to prevent duplicate payments to teaching faculty members who perform non-instructional work in addition to their teaching duties. The university should also recover the noted payroll overpayment issued to the faculty member during the audited period.
(See Recommendation 4.)

Agency Response: “The university agrees with the comment that an employee was overpaid a gross amount payment of \$4,482 in his February 10, 2011 paycheck. This overpayment was made in error due to the miscommunication between two members within the Human Resources Department. At the time, one individual processed the payment via the Request for Compensation for Activities form and then, shortly thereafter, it was determined that this payment should be made in accordance with an Article 10.6.2 payment via the AAUP contract. A contract was then prepared; however, unfortunately, the initial payment made via the Request for Compensation for Activities was never cancelled. The university did enter into a stipulated agreement with the employee and his union in order to recuperate the overpayment.”

Employee Background Checks

Criteria: The CSUS Pre-employment Background Verification Policy requires that, “All regular, full-time and part-time external candidates for employment with a CSU university or the CSU System Office, as well as potential re-hires with a break in service, must undergo a pre-employment background investigation according to this procedure as part of the employee screening process...Documentation shall be retained for the appropriate retention period for employment records promulgated by the State of Connecticut and by university and CSU System Office personnel search policies and procedures.”

CSUS Board of Trustees Resolution 06-52 applies to university employees who live on campus and provides that, “Before occupancy in a university residence pursuant to this policy may commence, each proposed resident aged eighteen (18) years or over shall submit him or herself to the same criminal conviction investigation, sex offender registry status review, and social security verification that is required of the staff member prior to employment.”

The Connecticut State Library’s State Agencies’ Records Retention/Disposition Schedule requires that state agencies retain employee background check records for the “duration of employment plus 30 years.”

Condition: The university informed us that it did not retain employee background check reports in its custody. Rather, it relied on the background check firm under contract to retain such records for the university. However, the associated background check contract is expressly a contract to provide the Connecticut State University System reports on the results of its background checks of candidates for employment and does not address records retention services.

Effect: The university did not comply with the State Library's records retention requirements regarding the retention of employee background check records.

Cause: The university relied on its background check contractors to retain the university's background check reports.

We were further informed that the university chooses not to keep such reports for confidentiality reasons.

Recommendation: Western Connecticut State University should either retain employee background check reports on durable media in its own custody or use an appropriate records retention firm that is contractually obligated to retain these records in accordance with the State Library's records retention requirements. (See Recommendation 5.)

Agency Response: "The university agrees with this comment. The university is able to access these complete reports at any time via the background investigation vendor's computer system. This has been the process that all the CSUS universities have followed since it began checking the backgrounds on all new hires."

Auditor's Concluding Comments: The university, in its response, stated that all of the CSUS universities have followed the same process with respect to background check reports. However, our most recent audit of Southern Connecticut State University, covering the fiscal years ended June 30, 2010 and 2011, disclosed otherwise. The university retained hard copies of background check reports in accordance with state records retention requirements.

Dual Employment

Criteria: Section 5-208a of the General Statutes bars state employees from being concurrently compensated for more than one state position unless the appointing authorities for such positions certify that: the duties performed and hours worked are outside the responsibilities of the employee's primary position; there is no conflict in schedules

between the positions; and no conflict of interest exists between or among the positions.

Condition:

We examined the records of ten employees who were concurrently employed in more than one state position during the audited period and noted the following exceptions:

1. Nine instances in which a state employee primarily employed at another state agency began working in a secondary position at the university prior to the completion of an approved dual employment certification.
2. Three instances in which a university employee worked in a secondary position at WCSU even though a dual employment certification was not completed.
3. One instance in which a state employee began work in a secondary position at the university even though the primary agency did not complete a dual employment certification. Moreover, in this instance, the secondary agency (WCSU) approved the dual employment certification form after the period of dual employment began.

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 reduced assurance that no conflicts existed between primary and secondary positions for dually employed individuals.

Cause:

Existing controls did not prevent these conditions from occurring.

Recommendation:

Western Connecticut State 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 of interest or conflicts in schedules exist in instances in which an employee holds multiple state positions. (See Recommendation 6.)

Agency Response:

“The university agrees with the comment. Since the time of these findings, the university has made significant improvements with regards to this area. Also, the Department of Administrative Services (DAS) revised the dual employment process and form in May 2014, which has led to us making some additional changes. Now in accordance with the new process, the Human Resource Department is charged with contacting and following up with the primary/secondary agency directly, where in the past the employee was responsible for

this. Also, there is now one individual within the Human Resources Department who processes this form in order to make sure it is complete prior to it receiving final review/approval from the Associate Vice President for Human Resources. Every effort is made to make sure that the dual employment form is processed in full before an individual begins working.”

Federal Time and Effort Reporting

- Criteria:* As required in Title 2 of the Code of Federal Regulations (CFR) Part 200, higher education institutions that charge salaries and wages to federal programs must base these amounts on records that accurately reflect the work performed. The records must reflect the distribution of salaries and wages among the specific activities that the employee worked on. Furthermore, the records must be supported by a system of internal control that provides reasonable assurance that the charges are accurate, allowable, and properly allocated. These records and controls are known as a time and effort reporting system.
- Condition:* The university charged payroll costs, which totaled \$193,496 and \$163,740 during the fiscal years ended June 30, 2011 and 2012, respectively, to the federal TRIO_Upward Bound (CFDA 84.047) program. We requested a sample of time and effort report certifications pertaining to three employees whose salaries were charged to this program during the audited period. The university informed us that no such certifications were completed.
- Effect:* The university was not in compliance with the Title 2 CFR Part 200 requirements concerning the documentation of payroll costs charged to federal programs. As a result, there was less assurance that payroll costs were properly charged to federal programs.
- Cause:* During the audited period, the university was under the impression that its existing documentation was sufficient to support its payroll costs charged to federal programs.
- Recommendation:* Western Connecticut State University should implement a time and effort reporting system for documenting payroll costs charged to federal programs to ensure compliance with the requirements of Title 2 of the Code of Federal Regulations, Part 200. (See Recommendation 7.)
- Agency Response:* “The university agrees with this comment. Time and Effort reports are now used for all full time employees charged to federal grants.”

*Auditor's Concluding
Comments:*

The university, in its response, states that "time and effort reports are now used for all full-time employees charged to federal grants." However, as we informed the university, part-time employees are also subject to federal time and effort reporting requirements. The university, therefore, should also include part-time employees in its time and effort reporting system.

Paid Sick Leave for Student Employees

Criteria:

Public Act 11-52, codified as Section 31-57s of the General Statutes, requires state employers to provide paid sick leave to certain service workers effective January 1, 2012.

Condition:

We tested the attendance and leave records of five student employees who were employed by the university during the period of January 1, 2012 through June 30, 2012. The university did not post sick leave accrual amounts to any of the five employee records tested. Furthermore, the university informed us that it generally did not provide paid sick leave to student employees during the audited period.

Effect:

The university did not comply with the requirement of Public Act 11-52 to provide paid sick leave to certain service workers.

Cause:

The university informed us that, according to its interpretation of Public Act 11-52, student employees did not fit the definition of service workers affected by the act. However, the university was still investigating this issue at the time of our inquiry in January 2013.

Recommendation:

Western Connecticut State University should implement paid sick leave benefits for student employees in accordance with the requirements of Public Act 11-52. (See Recommendation 8.)

Agency's Response:

"The university agrees with this comment. Sick leave benefits for student employees are now maintained."

Property Inventory

Criteria:

The Connecticut State University System Capital Asset and Valuation Manual and the State Property Control Manual provide guidance on the requirements and internal controls that need to be implemented with respect to equipment, supplies, and software inventories.

The CSUS Capital Asset Valuation Manual provides for the loan of university equipment to university employees in order to conduct state business.

The Connecticut State University System Procedures for the Disposal of Surplus Property require that if a computer is to be disposed of, its hard drive must be purged or, in some instances, destroyed. The policy also requires the completion of a signed certification attesting that the hard drive of the discarded computer was purged or destroyed.

The State Property Control Manual, under authority of Section 4-36 of the General Statutes, sets criteria and policies regarding 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. In addition, the manual requires that state agencies maintain inventory records for software that include certain data elements, such as each software item's cost, location, and the identification number of the computer on which it is installed. The manual also requires state agencies to report the total value of stores and supplies on the annual property inventory report (CO-59) submitted to the Office of the State Comptroller if the estimated value of the inventory is over \$1,000.

The Department of Administrative Services, in General Letter No.115, requires state agencies to, on a monthly basis, "keep daily mileage logs for each state-owned vehicle assigned to them." The logs document, through signed certification, that motor vehicles were used for state business purposes.

Condition:

Our examination of the university's internal controls over property disclosed the following:

- We tested a sample of 20 equipment items that the university purchased during the audited years and noted two instances in which an equipment item was on loan to an employee for off-campus university business use even though the corresponding equipment on loan form lacked a supervisor's approval signature.
- Furthermore, the university informed us that it routinely discards employee equipment on loan approval forms after the corresponding equipment item has been returned to the university.
- Our test of a sample of 26 equipment items recorded in the

university's inventory control records disclosed one instance in which an equipment item, costing \$6,650, was not tagged with a state/university identification number. Furthermore, our physical inspections disclosed one instance in which the university's inventory control records included an incorrect asset location.

- Our test check of a sample of ten motor vehicle mileage logs disclosed one instance in which a log was not up-to-date. The log contained a beginning mileage entry for the first day of the month, but no entries thereafter. We were told that log entries for this vehicle were completed on a monthly rather than daily basis. In addition, in one instance, dates were omitted from a mileage log for most of the log's mileage entries. Only six dates were entered for the 24 mileage entries recorded.
- We examined the university's inventory control records for a sample of 15 equipment items that we observed on campus and noted one instance in which the records included an incorrect equipment location.
- The university's software inventory records for the audited period appear to be incomplete. Furthermore, the university did not have documentation on hand to support that it completed annual physical inventories of software.
- We tested a sample of 15 equipment items the university disposed of during the audited period and noted nine instances in which the university disposed of a computer without documentation evidencing that the hard drive was either destroyed or erased. In addition, of the 15 disposals tested, four lacked adequate documentation supporting management's approval of the donation and six lacked adequate documentation supporting the donee's receipt of the item. The inadequate disposal approval and donee receipt documentation consisted of signed cover sheets referencing attachments; however, the attachments itemizing the discarded items lacked approval or receipt signatures. We also noted one instance in which the university disposed of a pickup truck via transfer to the Department of Administrative Services (DAS). The university removed the truck from its inventory control records prior to the date when management signed the disposal approval document. Neither the university nor DAS could provide us documentation identifying the date when DAS received the truck (though DAS confirmed to us that the truck was received and later sold through its state surplus equipment

department). Therefore, we could not determine whether this disposal was completed before or after university management signed documentation approving the disposal.

- The university did not maintain a perpetual (continuous) inventory system for office supplies. Instead, the university employed a monthly, periodic inventory system. The Office of the State Comptroller requires that a perpetual inventory system be maintained for stores and supplies when the entire value of these items is estimated to exceed \$1,000. The value of WCSU's supplies appears to have exceeded \$1,000 during the audited period.

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.

In the instances noted in which motor vehicle logs were incomplete, there was less assurance that certain vehicles were used expressly for university business.

Cause: It is unknown why these conditions occurred.

Recommendation: Western Connecticut State University should improve internal control over equipment and supplies by complying with the Connecticut State University System's Capital Asset Valuation Manual and the State Property Control Manual. (See Recommendation 9.)

Agency Response: "The university agrees with the comments concerning property control. In response to the comment regarding the discarding of equipment on loan forms, the university understands these forms carry a retention requirement and will retain them in accordance with the noted retention schedules. Concerning tagging and barcoding of instruments or instrument cases, the university will review and amend its processes to ensure tag numbers are applied and properly reconciled with property control records. Regarding the destruction of computer hard drives, the university will develop a process which links the destruction of the hard drive to the computer from which it came. For the recommendation pertaining to signatures from donation recipients, the university will incorporate a process where the donor representative signs off on each sheet listing donated items. With regards to the comment detailing the use of a perpetual inventory system for office supplies as opposed to a periodic system, the university will seek to develop an automated system to best track these

items. With regards to software inventory, although some of the requirements described in the State Property Control Manual are not relevant with regards to modern software licensing, the university will work towards better compliance. This will be done by reviewing our existing processes and implementing changes to simplify and automate where possible.”

Timeliness of Bank Deposits of Non-Bursar’s Office Receipts

- 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 15 university receipts received at offices remotely located from the Bursar’s Office and noted ten instances, totaling \$17,349, in which funds received were deposited into the bank late. Deposit delays ranged from one to four business days, with the majority being one to two days 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 loss or theft.
- Cause:* It appears that, in some instances, departments remotely located from the Bursar’s Office delayed turning in receipts to the Bursar’s Office for deposit.
- Recommendation:* Western Connecticut State University should take steps to ensure that offices remotely located from the Bursar’s Office submit receipts to the Bursar’s Office in a timely manner to improve the timeliness of bank deposits and comply with Section 4-32 of the General Statutes. (See Recommendation 10.)
- Agency Response:* “The university agrees with the comment. The university will reemphasize the need to deposit all receipts in a timely manner. In addition, in December of 2011, the State Treasurer’s Office permitted the university a one business day waiver for deposits and receipts.”

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 to determine whether they are being carried out in accordance with the language of the contract.

Condition:

We noted that various contractors delayed making payments to the university under the terms of facilities usage agreements. In 12 of the 15 facilities usage agreements we reviewed, we noted instances in which the contractor did not pay the university within the timeframe specified in the agreements. Late payments ranged from two to 220 business days past the stipulated due dates.

In addition, we noted that two revenue-generating contracts were amended during the audited period. The agreement with the university's on-campus bookstore was amended three times during the audited period. The agreement with the university's on-campus laundry service provider was amended twice during the audited period. However, the effective dates of the amendments to the bookstore and laundry services contracts were not specified in the written agreements.

During the audited period, the university entered into a contract with a bank, which provided the university monthly rental payments for automatic teller machines (ATMs) that the bank installed on campus. The contract, however, did not specify the due dates of the rental payments.

We also noted that the university entered into an agreement with a beverage company during the audited period. The terms of the agreement provide the company the exclusive rights for vending, marketing, promotion, and merchandising its products on campus. In turn, among other things, the company agreed to pay the university commissions based on cash collected from sales of its products. The agreement period began on July 1, 2010, and ends on June 30, 2015. However, the contract was signed by the contractor, the university, and the Office of the Attorney General between four and 19 business days after the contract period began.

Effect:

Insufficient monitoring of revenue-generating facilities usage agreements could lead to late or incorrect payments of associated revenues.

Without explicit effective dates included in amended written agreements, it is uncertain when the amended terms of these contracts begin. This increases the risk of noncompliance with contract terms.

The absence of payment due dates in the terms of revenue-generating contracts leaves the standards for prompt payment open to interpretation and increases the risk of late payments.

Late execution of contracts increases the risk that the terms of such agreements may have been carried out without the approval of management or other key parties to the contract.

Cause: It appears that the university did not sufficiently emphasize the monitoring and collection of revenues from revenue-generating facilities usage agreements.

The lack of effective dates for amendments to revenue-generating contracts and the omission of contractual payment due dates from certain contracts may have been oversights.

It is unknown why the beverage company contract noted above was not executed in a timely manner.

Recommendation: Western Connecticut State University should improve the monitoring of revenue-generating agreements to better enforce the timeliness of contractor payments to the university. Also, the university should execute such agreements in a timely manner, specify payment due dates in the agreements, and include, when applicable, the effective dates of agreement amendments. (See Recommendation 11.)

Agency Response: “The university agrees with the noted comments concerning the amendments to the revenue generating contracts. Going forward, the university will note an effective date on amendments. For the ATM contract, while the university has been receiving monthly basis scheduled payments, future agreements will be more definitive in its payment schedules. Regarding the exclusive beverage contract, the university agrees that this contract was signed nineteen days after the intended start date and will continue to stipulate on future contracts that effectively will occur after all signatures are applied. Regarding facility usage agreements, the university will work to improve payment processes.”

Incorrect Student Status and Tuition and Fee Classification

Criteria: During the audited years, Section 10a-99 of the General Statutes provided that “the Board of Trustees of the Connecticut State University System shall fix fees for tuition and shall fix fees for such other purposes as the board deems necessary at the university....” Subsection (d) of this statute identifies and defines certain categories of students for whom the board of trustees shall waive tuition payments.

Section 10a-29 of the General Statutes defines the status of a student, whether in-state or out-of-state, for tuition purposes. Subsection (1) of

this section states that, “Every person having his domicile in this state shall be entitled to classification as an in-state student for tuition purposes. Except as otherwise provided in this part, no person having his domicile outside of this state shall be eligible for classification as an in-state student for tuition purposes.”

Condition:

During our prior audit of the university, we noted an instance in which the university incorrectly classified a student as an in-state student during the Fall 2009 and Spring 2010 terms when the student should have been considered an out-of-state student for tuition purposes. Banner system records and other records we examined indicated that the student resided in Florida since at least November 2008. In turn, the university incorrectly charged the student the lower in-state rates for tuition and the State University Fee for these semesters. We noted undercharges for tuition and fees totaling \$9,692 during the 2009 and 2010 fiscal years.

During our current audit, the university reported to us another instance in which a student was incorrectly charged the lower in-state rates for tuition and fees rather than the out-of-state rates. In these instances, the student, a New York resident, was incorrectly charged the lower in-state tuition and State University Fee rates for the Spring 2011 and Fall 2011 terms. Total undercharges for these terms amounted to \$10,494.

The university informed us that its president later waived the portion of these students’ tuition and fee charges that exceeded the in-state rates. However, neither the General Statutes nor board of trustee policies appear to provide Connecticut State University presidents the authority to grant such waivers.

Effect:

Student tuition and fee charges for the above students totaling \$20,186 were waived without statutory or Connecticut State University policy authority.

Cause:

The university attributed the additional instances of misclassification of student status and the resulting incorrect tuition and fee charges to a coding error.

With respect to the waiver of the additional incremental charges for out-of-state tuition and fees, university management stated that the incorrect amounts were university coding errors that were beyond the students’ control. In addition, regarding the second student noted above, the university waived the out-of-state portion of charges, in part, due to the student’s financial hardship.

The university cited Board of Trustees Resolution 10-37 as the basis for granting the above presidential waivers. This resolution provides, among other things, CSUS presidents the authority to grant refunds of tuition and fees. It does not, however, address waivers of tuition and fees.

Recommendation: Western Connecticut State University should take steps to ensure that students are properly classified and charged as in-state or out-of-state students for tuition and fee purposes. Furthermore, the university should execute waivers of tuition and fees in accordance with Connecticut State University policy and the General Statutes. (See Recommendation 12.)

Agency Response: “The university agrees with the finding. In August of 2014 a report was created to capture any student with an out-of-state address with an in-state residency code. The report is run periodically and reviewed to capture any errors prior to the fall and spring semester billing due dates. The University agrees that tuition and fee waivers should be executed in accordance with BOR policy and the general statutes.”

Danbury Public School System Tuition Waivers

Background: During the audited period, the university entered into an agreement with the Danbury Public School System. Under the terms of the agreement, the school system offered certain advanced placement courses, taught by Danbury High School teachers at Danbury High School, which were mutually agreed upon by the school system and the university. The agreement also provided that the university and the school system work together to develop curriculum, train Danbury High School faculty, and assist Danbury High School faculty with professional development.

Criteria: The version of the university/school system agreement that WCSU provided us covered the period from August 29, 2011 through June 30, 2012, and sets fees for associated advanced placement courses at \$55 for registration fees, \$10 for transcript fees, and \$9 for student activity fees. No charges for tuition were established.

Condition: We examined a sample of 15 tuition and fee waivers granted to students during the audited period and noted one instance in which the amount of tuition waived was not supported by the documentation that the university provided to us.

In this instance, a student registered for a Summer 2012 term course for which the university waived \$468, or 40 percent, of the tuition amount charged, based on the above agreement with the school

system. This waiver amount was not in compliance with the university/school system agreement, which does not prescribe a 40 percent waiver of tuition charges. Rather, the agreement only establishes amounts to be charged for certain fees and does not set a charge for tuition.

We expanded our sample to include five additional Danbury Public School System tuition waivers and noted the following:

- Contrary to the agreement, in all five instances, the university waived 40 percent of tuition amounts charged.
- In four of the five instances tested, the university waived tuition charges before the agreement became effective.
- In one of the five instances tested, the university waived tuition charges after the agreement period ended.

Effect:

The university did not comply with its agreement with the Danbury Public School System with respect to the amounts charged for advanced placement course tuition. By applying a 40 percent waiver instead of a full waiver of tuition charges, it appears that the university overcharged student participants. Also, in some instances, tuition amounts waived were outside the agreement period.

Cause:

It is unknown why this condition occurred.

Recommendation:

Western Connecticut State University should take steps to ensure that it applies the correct tuition waiver amounts to student accounts. Furthermore, the university should review tuition amounts charged to students who participated in the university's Danbury Public School System Advanced Placement course program and refund overcharges. (See Recommendation 13.)

Agency Response:

"The university agrees with the comment. The current contract with Danbury gives the university more discretion on tuition and fee waivers. The university will look to improve processes that will prevent postings to student accounts before and after contract dates."

Bursar's Office Credit Card Receipts

Criteria:

The State Library's Records Retention Schedule requires that state agencies retain revenue records for at least three years or until audited, whichever comes later.

- Condition:* We attempted to test whether a sample of credit card payments for tuition and fees during the fiscal year ended June 30, 2011 were properly posted to student accounts. However, we could not perform this test, as the university informed us that it disposed of credit card receipts for student credit card payments of tuition and fees during the fiscal year ended June 30, 2011.
- Effect:* The university did not comply with the State Library's records retention requirements for state agencies, which require revenue records to be retained for at least three years or until audited, whichever comes later.
- Cause:* It was the university's practice to periodically destroy credit card receipts as a security measure.
- Recommendation:* Western Connecticut State University should retain credit card receipt records of student payments for tuition and fees for three years or until audited, whichever comes later, in accordance with the State Library's records retention requirements. (See Recommendation 14.)
- Agency Response:* "The university agrees with this comment. Credit card receipts were shredded because they contained student credit card information. However, the university has discontinued this process and will retain credit card receipts for the specified periods."

Delinquent Student Accounts and Student Payment Plans

- Criteria:* The WCSU Collection Process and Procedures detail the university's method of handling delinquent student accounts. For students with delinquent tuition and fee amounts due for the spring and spring break terms, the procedures require that the university sends the first delinquency notice in July, the second in August and the third in September.
- The procedures further require that delinquent student accounts for the above terms be referred to a collection agency within the December through March timeframe.
- WCSU student payment plan policies state that if a student pays less than the amount due per the payment plan, or if the payment is not received by the scheduled due date, a \$50 late fee will be charged, the payment plan will be cancelled, and the student will be billed the entire account balance on the next month's statement.
- Condition:* Our review of a sample of 28 collection notices sent to students with delinquent accounts disclosed four instances in which the university

did not send collection notices to these students in a timely manner. In two of these instances, notices were sent four business days past the deadline set by university policies. In the two other instances, notices were sent 15 business days past the deadline set by university policies.

In addition, we examined a sample of eight in-house student payment plans during the audited period and noted one instance in which the university did not charge the established \$50 late fee for a late payment. In this instance, the student made three late payments to the university: the payment due on June 14th was received on June 20th; the payment due on June 28th was received on August 30th, and the payment due by July 12th was received on October 17th. According to the university's payment plan policy, the university should have assessed a \$50 late fee after the first late payment, then the payment plan should have been cancelled and the student billed for the remaining balance due.

Effect: The university did not comply with its established policies with respect to the collection of delinquent student accounts and student payment plans.

Cause: It is unknown why these conditions occurred.

Recommendation: Western Connecticut State University should improve its controls over delinquent student accounts and student payment plans by following its established policies and procedures. The university should send collection notices to students with delinquent accounts in a timely manner and assess late fees when payments are late.
(See Recommendation 15.)

Agency Response: "The university agrees with this comment. The in house collection procedures have been revised to allow more flexibility in the timing of collection notices that relate to the date the debt is incurred, not the semester. The university believes that there are now adequate controls over the managing of delinquent accounts and policies are in accordance with the State Accounting Manual's procedures."

Student Activity Trustee Account Receipts

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 examined a sample of 15 receipts credited to the student activity account and noted nine instances, totaling \$6,793, in which all or part of a receipt was not deposited into the bank within the 24-hour time

frame set by Section 4-32 of the General Statutes. Deposit delays ranged from one business day to 29 business days after the 24-hour requirement. Most of the late deposits fell within the one to four business day range.

Effect: In some instances, the university did not comply with the prompt deposit requirements of Section 4-32 of the General Statutes. Funds that were not deposited in a timely manner were exposed to an increased risk of loss or theft.

Cause: Existing controls were not sufficient to prevent the condition from occurring.

Some of the bank deposit delays were the result of student organization delays in submitting funds to the Bursar's Office for deposit.

Recommendation: Western Connecticut State University should improve internal controls over student activity account cash receipts by complying with the prompt bank deposit requirements established by Section 4-32 of the General Statutes. In particular, the university should take further steps to ensure that student organizations deliver funds generated from student events to the Cashier's Office in a timely manner. (See Recommendation 16.)

Agency Response: "The university agrees with this comment. The Office of Student Life now receives and verifies deposits and the deposits are sent to the Cashier's Office on the same day. The university will continue to communicate with the student clubs as to the importance of timely deposits. In addition, as of December 19, 2011, the State Treasurer's Office has permitted the university a one business day waiver for deposits and receipts."

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.

WCSU student activity account procedures provide for the completion of a student activity payment voucher when purchasing goods or services. The vouchers require signatures of the student organization treasurer or president, advisor, and student activity fiscal manager.

The State Comptroller's Accounting Procedures Manual for Trustee Accounts requires that "Copies of the minutes of all meetings held by

the student organization must be on file in the institution office, and be available for audit. These minutes must clearly indicate all action taken by the group, particularly that concerning financial matters.”

The university’s Student Life Financial Policies state that, “If using the Student Government Association (SGA) account, all vouchers must be signed by the student organization treasurer, advisor and the SGA Vice President of Finance.” The policies further provide that “student organizations are required to submit minutes of their meetings to the SAF Officer every month and before any expenditure can be made.” In addition, the policies require that student organizations receiving cash advances submit to the Cashier’s Office all paid receipts and the remaining cash on hand within five days after the advance was disbursed.

Condition:

We tested a sample of 25 student trustee account purchases during the audited period and noted two instances, totaling \$6,910, in which neither student organization meeting minutes nor a completed payment voucher was on file.

In addition, the above test disclosed one instance in which a cash advance was disbursed to a student organization, but supporting documentation for related advance expenditures and the remaining balance of the advance, \$163, was not submitted to the Cashier’s Office within the five-day timeframe specified in the Student Life Financial Policy. The documentation and funds were submitted three business days past the five-day deadline.

Effect:

The university, at times, did not comply with its Student Life Financial Policies. As a result, there was less assurance that payments made met the approval of student organizations.

In addition, delays in submitting unspent cash advances and related documentation supporting advance expenditures could increase the risk of loss or theft of such funds.

Cause:

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

Recommendation:

Western Connecticut State University should improve controls over student activity account expenditures by ensuring that such expenditures are properly approved by student organizations in accordance with the university’s Student Life Financial Policies. In addition, student organizations should promptly return unspent cash advances and related supporting documentation to the Cashier’s Office. (See Recommendation 17.)

Agency Response “The university agrees with this comment. SGA advisors have been made aware that all vouchers must be signed by the President or Treasurer, Advisor, Student Activity Fee Assistant, and the Associate Director of Student Activities. Vouchers are no longer processed without minutes.”

Information System Access Controls

Background: The Connecticut State University System primarily uses an automated information system, known as Banner, to maintain its accounting and student academic records. CSUS is considered a limited scope agency with respect to the state’s centralized financial and administrative information system, Core-CT, which CSUS uses primarily to process payroll and human resources data.

Criteria: Access to information systems should be limited to only appropriate employees who need such access and should be terminated promptly upon an employee’s separation from employment.

Condition: We examined a sample of 15 employees who were granted Banner system access and noted one instance in which the university did not deactivate an employee’s Banner system access upon the employee’s separation from the university. At the time of our review, in July 2012, the employee’s Banner access had remained active for nearly 14 months after the employee’s separation from the university.

In addition, we examined a sample of five employees with Core-CT system access who separated from university employment during the audited period. We noted one instance in which the university did not promptly deactivate an employee’s Core-CT access upon the employee’s separation from the university. The employee’s Core-CT access remained active for 39 business days after the employee separated from the university.

Effect: Unnecessary or inappropriate access to information systems could increase the risk of data system errors and fraud.

Cause: Existing controls did not, at times, prevent the untimely deactivation of information system access.

Recommendation: Western Connecticut State University should regularly review information system access privileges granted to employees to determine whether such access is appropriate. The university should promptly deactivate system access upon an employee’s separation from university employment. (See Recommendation 18.)

Agency Response: “The university agrees with the comment. The process for deactivation of Banner access is documented and is a component of our workflow for deleting accounts and removing access for systems for terminated employees. The Information Technology & Innovation Department will continue to work with the Human Resources Department to ensure timely notifications of employee terminations are received. In addition, periodic audits of Banner privileges for active users are conducted which will identify any access that should be deactivated.”

Schedule 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: 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 federal Office of Management and Budget Circular A-133.

Condition: The university omitted the following federal expenditure amounts from its SEFA for the fiscal year ended June 30, 2011:

- Perkins Loan Program (CFDA 84.038) expenditures totaling \$2,441,366
- Federal Direct Student Loans Program (CFDA 84.268) expenditures totaling \$26,863,319
- Assistance to State Water Resources Research Institutes Program (CFDA 15.805) expenditures totaling \$7,087

On the same SEFA, the university reported Substance Abuse and Mental Health Services Projects of Regional and National Significance Program (CFDA 93.243) expenditures totaling \$73,040 under an incorrect CFDA number.

The university also omitted Perkins Loan Program (CFDA 84.038) expenditures totaling \$2,429,742 from its SEFA for the fiscal year ended June 30, 2012.

Effect: The university understated the amount of federal expenditures reported on its SEFA reports.

Regarding the incorrect CFDA number reported on the SEFA for the fiscal year ended June 30, 2011, the university understated the amount of federal expenditures charged to CFDA 93.243, the Substance Abuse and Mental Health Services_Projcts of Regional and National Significance Program.

Cause: These errors appear to have been oversights on the university's part.

Recommendation: Western Connecticut State University should prepare accurate Schedules of Expenditures of Federal Awards.
(See Recommendation 19.)

Agency Response: "The university agrees with the comment. The university will attempt to complete all grant analysis prior to submitting the SEFA report to ensure accurate reporting."

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 Western Connecticut State University in the Report to Management for the fiscal year ended June 30, 2012, are presented below:

Information Technology:

- Continue to work with Human Resources to achieve prompt notification of employee terminations. This will help to ensure the prompt cancellation of information system access upon an employee's termination.

As noted above in the Condition of Records section of this report, our current audit disclosed that further improvement is needed in this area.

Other Matter

The university informed us that, in July 2011, one of its employees improperly purchased various computer supplies, amounting to \$226, without obtaining authorization from the employee's supervisor. The employee was directed to return the items to the vendor from whom they were purchased. Subsequently, the employee informed the university that the items could not be located. After a meeting with the employee on this matter, the university notified the employee that the above actions constituted grounds for dismissal. In September 2011, the

employee was placed on paid administrative leave. In accordance with a stipulated agreement between the employee and the university, the employee resigned effective October 18, 2011. Section 4-33a of the General Statutes requires that state agencies “shall promptly notify the Auditors of Public Accounts and the Comptroller of any unauthorized, illegal, irregular or unsafe handling or expenditure of state...agency funds.” The university stated that no such notification was made with respect to this matter.

RECOMMENDATIONS

Our prior audit report on WCSU contained 18 recommendations for improving operations, 14 of which are being repeated or restated with modification in our current audit report. Our current audit report presents 19 recommendations, including five new recommendations.

Status of Prior Audit Recommendations:

- **WCSU should improve controls over the purchasing process by ensuring that all purchases are properly approved beforehand. These approvals should be documented by purchase orders signed by authorized employees; signed copies of purchase orders should be retained, and related payments should be charged to the correct accounts.** Our current audit disclosed improvement in this area. However, further improvement is needed. The recommendation is being repeated with modification. (See Recommendation 1.)
- **WCSU should improve controls over personal services purchases by ensuring that corresponding purchase requisitions, purchase orders, and personal service agreements are signed before such purchases are initiated. Furthermore, the university should retain signed copies of such purchase orders.** During our current audit, we noted significant improvement in this area. The recommendation is not being repeated.
- **WCSU should improve internal controls over purchasing card purchases by following the Western Connecticut State University Purchasing Card Policy.** We noted no significant improvement in this area during the current audited period. The recommendation is being repeated. (See Recommendation 2.)
- **WCSU should improve internal controls over travel expenditures by complying with the Connecticut State University System's Travel Policy and Procedures Manual.** During our current audit, we noted that further attention is needed in this area. The recommendation is being repeated. (See Recommendation 3.)
- **WCSU should improve controls over SUOAF-AFSCME employee compensatory time by following the requirements of the SUOAF-AFSCME collective bargaining agreement with respect to the maximum compensatory time balances allowed for bargaining unit members.** Our current audit disclosed that controls over SUOAF-AFSCME employee compensatory time have improved. The recommendation is not being repeated.
- **WCSU should take steps to ensure that payments to employees for accrued sick leave at retirement are made as specified in applicable collective bargaining agreements. Furthermore, the university should attempt to recover the overpayment made to an employee for accrued sick leave at retirement that was disclosed during our audit.** The university implemented this recommendation. The recommendation is not being repeated.

- **WCSU should retain employee background check reports on durable media to comply with the State Library's records retention requirements.** The university did not implement this recommendation during the current audited period. The recommendation is being repeated. (See Recommendation 5.)
- **WCSU should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by promptly documenting, through signed certification, that no conflicts of interest or conflicts in schedules exist in instances in which an employee holds multiple state positions.** Our current audit disclosed that noncompliance continued in this area. The recommendation is being repeated. (See Recommendation 6.)
- **WCSU should implement a time and effort reporting system for documenting payroll costs charged to federal programs to ensure compliance with the requirements of federal Office of Management and Budget Circular A-21.** We saw no improvement in this area during our current audit. The recommendation is being repeated with modification. (See Recommendation 7.)
- **WCSU should improve controls over equipment and improve compliance with the Connecticut State University System's Capital Asset Valuation Manual by reporting losses or damage of university property to the appropriate state agencies in a timely manner and improving controls over property on loan, among other things.** Our current audit disclosed significant improvement in the university's timeliness of loss reporting. However, other weaknesses in property control persisted. The recommendation is being repeated with revisions to reflect the conditions noted during our current audit. (See Recommendation 9.)
- **WCSU should re-emphasize that offices remotely located from the Bursar's Office should submit receipts to the Bursar's Office in a timely manner to improve the timeliness of bank deposits and comply with the requirements of Section 4-32 of the General Statutes.** During our current audit, we noted that further improvement is needed in this area. The recommendation is being repeated. (See Recommendation 10.)
- **WCSU should improve its monitoring of revenue-generating agreements to better ensure that the terms of such contracts are being followed. Also, the university should ensure that the terms of such agreements specify the dates when commission payments are due, and should amend such agreements, in writing, when necessary.** Our current audit disclosed that further improvement is needed in this area. The recommendation is being repeated. (See Recommendation 11.)

- **WCSU should take steps to ensure that students are properly classified as in-state or out-of-state students for tuition and fee purposes. Furthermore, the university should identify the tuition and fee amounts that the university undercharged the incorrectly classified student noted during our audit, and should pursue collection of those amounts.** The recommendation was not fully implemented. The recommendation is being repeated with modification. (See Recommendation 12.)

- **WCSU should improve internal controls over student activity account cash receipts by promptly recording the receipts in its cash accounting records, taking steps to ensure that student organizations deliver funds generated from student events to the Cashier's Office in a timely manner, and following the prompt bank deposit requirements established by Section 4-32 of the General Statutes.** During our current audit, we noted that weaknesses persisted in this area. The recommendation is being repeated in revised form to reflect conditions noted during our current audit. (See Recommendation 16.)

- **WCSU should improve controls over student activity account expenditures by ensuring that such expenditures are properly approved by student organizations in accordance with the university's Student Life Financial Policies. In addition, student organizations should promptly return unspent cash advances and related supporting documentation to the Cashier's Office. Furthermore, state income taxes should be withheld from payments made to certain nonresident contractors when required by the Department of Revenue Services.** We noted improvement in this area but further improvement is needed. The recommendation is being repeated with modification. (See Recommendation 17.)

- **WCSU should regularly review information system access privileges granted to employees to determine whether such access is appropriate. Furthermore, the university should remove access privileges from those employees who have unnecessary access to such systems, and promptly deactivate access upon an employee's separation from university employment. Also, the university should adjust the level of Core-CT access for certain employees in the Payroll and Human Resources departments to improve the separation of duties within those departments. As an alternative, the university should implement a compensating control system that would require an employee independent of both Payroll and Human Resources departments to monitor biweekly changes in payroll transactions to ensure that such changes are valid and authorized. Such reviews should be documented.** During the audited period, the university implemented compensating controls to offset the risk posed by the potential lack of segregation of duties between the Payroll and Human Resources departments' Core-CT access. However, additional exceptions were noted regarding prompt deactivation of automated information system access. The recommendation is being restated with revisions. (See Recommendation 18.)

- **WCSU should improve controls over petty cash funds by following the State Accounting Manual requirements regarding petty cash funds.** No exceptions were noted during the audited period. The recommendation is not being repeated.
- **WCSU should be more accurate when preparing Schedules of Expenditures of Federal Awards.** Our current audit disclosed that additional improvement is needed in this area. The recommendation is being repeated. (See Recommendation 19.)

Current Audit Recommendations:

1. **Western Connecticut State University should improve controls over the purchasing process by ensuring that all purchases are properly approved beforehand. These approvals should be documented by purchase orders signed by authorized employees.**

Comment:

We noted instances in which purchases were initiated before properly approved purchase orders were in place.

2. **Western Connecticut State University should improve internal controls over purchasing card use by following the Western Connecticut State University Purchasing Card Policy.**

Comment:

In some instances, monthly purchasing card statements or purchasing card logs were not signed to indicate that charges recorded were reconciled to supporting documentation and complied with purchasing card policies. In two instances noted, the university exceeded the \$999 single purchase limit.

3. **Western Connecticut State University should improve internal controls over travel expenditures by complying with the Connecticut State University System's Travel Policies and Procedures Manual.**

Comment:

In a number of instances, travel expenditures were coded to incorrect accounts and athletic team travel rosters were not on hand.

4. **Western Connecticut State University should implement controls to prevent duplicate payments to teaching faculty members who perform non-instructional work in addition to their teaching duties. The university should also recover the noted payroll overpayment issued to the faculty member during the audited period.**

Comment:

The university processed an erroneous, duplicate payroll payment to a faculty member who was assigned non-instructional duties during the audited period.

5. **Western Connecticut State University should either retain employee background check reports on durable media in its own custody or use an appropriate records retention firm that is contractually obligated to retain these records in accordance with the State Library's records retention requirements.**

Comment:

The university did not retain employee background check reports. Instead, it relied on its background check vendor to retain these reports.

6. **Western Connecticut State 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 of interest or conflicts in schedules exist in instances in which an employee holds multiple state positions.**

Comment:

We noted instances in which dual employment certification forms were signed late, that is, after the employee began working in a secondary state position at WCSU.

7. **Western Connecticut State University should implement a time and effort reporting system for documenting payroll costs charged to federal programs to ensure compliance with the requirements of Title 2 of the Code of Federal Regulations, Part 200.**

Comment:

The university did not prepare time and effort reports to document payroll costs charged to federal programs during the audited period.

8. **Western Connecticut State University should implement paid sick leave benefits for student employees in accordance with the requirements of Public Act 11-52.**

Comment:

The university did not provide paid sick leave benefits to student employees when required during the audited period.

9. **Western Connecticut State University should improve internal control over equipment and supplies by complying with the Connecticut State University System's Capital Asset Valuation Manual and the State Property Control Manual.**

Comment:

We noted instances in which there was no documentation supporting the destruction or erasure of discarded computer hard drives. Software inventory records were incomplete, among other property control exceptions.

10. **Western Connecticut State University should take steps to ensure that offices remotely located from the Bursar's Office submit receipts to the Bursar's Office in a timely manner to improve the timeliness of bank deposits and comply with Section 4-32 of the General Statutes.**

Comment:

In a number of instances, receipts received directly at offices remotely located from the Bursar's Office were not deposited into the bank in a timely manner.

11. **Western Connecticut State University should improve the monitoring of revenue-generating agreements to better enforce the timeliness of contractor payments due to the university. Also, the university should execute such agreements in a timely manner, specify payment due dates in the agreements, and include, when applicable, the effective dates of agreement amendments.**

Comment:

Contractors who had entered into facilities usage agreements, in some instances, did not make payments to the university in a timely manner. We also noted revenue-generating agreements that lacked effective dates of amendments or due dates for rental payments.

- 12. Western Connecticut State University should take steps to ensure that students are properly classified and charged as in-state or out-of-state students for tuition and fee purposes. Furthermore, the university should execute waivers of tuition and fees in accordance with Connecticut State University policy and the General Statutes.**

Comment:

The university informed us of instances in which a student was incorrectly charged the in-state rates for tuition and fees but should have been charged the higher out-of-state rates. The university waived certain charges for the student noted in our prior audit who was incorrectly charged the lower in-state tuition and fee rates. Neither the General Statutes nor the CSUS Board of Trustees policies appear to provide the Connecticut State Universities the authority to grant such waivers.

- 13. Western Connecticut State University should take steps to ensure that it applies the correct tuition waiver amounts to student accounts. Furthermore, the university should review tuition amounts charged to students who participated in the university's Danbury Public School System advanced placement course program and refund overcharges noted.**

Comment:

Under an agreement with the Danbury Public School System, the university waived certain tuition and fee amounts for the school system's participating students. The amounts that the university waived did not agree with the terms of the agreement. In addition, some of the waivers granted did not fall within the agreement time period.

- 14. Western Connecticut State University should retain credit card receipt records of student payments for tuition and fees for three years or until audited, whichever comes later, in accordance with the State Library's records retention requirements.**

Comment:

The university did not retain credit card receipt records for students who paid tuition and fee amounts via credit card.

15. **Western Connecticut State University should improve its controls over delinquent student accounts and student payment plans by following its established policies and procedures. The university should send collection notices to students with delinquent accounts in a timely manner and assess late fees when student payments are late.**

Comment:

In some instances, the university did not promptly send collection letters to students with past due accounts.

16. **Western Connecticut State University should improve internal control over student activity account cash receipts by complying with the prompt bank deposit requirements established by Section 4-32 of the General Statutes. In particular, the university should take further steps to ensure that student organizations deliver funds generated from student events to the Cashier's Office in a timely manner.**

Comment:

We noted various instances in which receipts generated from student organization events were not deposited into the bank in a timely manner.

17. **Western Connecticut State University should improve controls over student activity account expenditures by ensuring that such expenditures are properly approved by student organizations in accordance with the university's Student Life Financial Policies. In addition, student organizations should promptly return unspent cash advances and related supporting documentation to the Cashier's Office.**

Comment:

In two instances noted, purchases were charged to student activity trustee accounts without supporting documentation evidencing student organization approval of the expenditures. The unspent balance of a student activity account cash advance along with supporting documentation was not submitted to the Cashier's Office in a timely manner.

- 18. Western Connecticut State University should regularly review information system access privileges granted to employees to determine whether such access is appropriate. The university should promptly deactivate system access upon an employee's separation from university employment.**

Comment:

In two instances noted, employee automated information system access was not deactivated promptly upon the employee's separation from the university.

- 19. Western Connecticut State University should prepare accurate Schedules of Expenditures of Federal Awards.**

Comment:

The university's Schedules of Expenditures of Federal Awards for the fiscal years ended June 30, 2011 and 2012, contained errors that resulted in understatements of expenditure amounts reported.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of Western Connecticut State University for the fiscal years ended June 30, 2011 and 2012. 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 Western Connecticut State University for the fiscal years ended June 30, 2011 and 2012, 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 Western 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 Western 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 Western 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 Western 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 1 – weaknesses in controls over the purchasing process; Recommendation 2 – control weaknesses and noncompliance with respect to purchasing card purchases; Recommendation 4 – weaknesses in controls to prevent duplicate payroll payments; and Recommendation 18 – weaknesses in the monitoring of information system access privileges. 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 Western 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 1 – weaknesses in controls over the purchasing process; Recommendation 2 – control weaknesses and noncompliance with respect to purchasing card purchases; and Recommendation 18 – weaknesses in the monitoring of information system access privileges.

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

Western 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 Western 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

In conclusion, we wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of Western 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