

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
BOARD OF REGENTS FOR HIGHER EDUCATION  
WESTERN CONNECTICUT STATE UNIVERSITY  
FISCAL YEARS ENDED JUNE 30, 2015, 2016 AND 2017*

**AUDITORS OF PUBLIC ACCOUNTS**  
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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**May 14, 2020**  
**EXECUTIVE SUMMARY**

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of Western Connecticut State University. The objectives of this review were to evaluate the university's internal controls; compliance with policies and procedures, as well as certain legal provisions; and management practices and operations for the fiscal years ended June 30, 2015, 2016 and 2017.

The key findings and recommendations are presented below:

<b>Page 9</b>	<p>The university did not provide us with evidence that it compared prices when purchasing from one of the multiple contractors awarded Department of Administrative Services (DAS) or purchasing consortium contracts. We noted instances in which the university did not pay vendor invoices on time, billed for services that did not match the invoices, and charged a rate that was inconsistent with contractual terms. In one instance, the university purchased construction services without evidence of competitive bidding.</p> <p>Western Connecticut State University should improve controls over purchasing by maintaining sufficient documentation of price comparisons for purchases from contractors listed DAS or purchasing consortium contracts. The university should also ensure that it promptly pays vendor invoices to avoid late charges, improve its monitoring of contractor payments to ensure that charges agree with contract terms and are supported by vendor invoices, and solicit competitive bids for purchases exceeding \$50,000 as required by Section 10a-151b of the General Statutes. (Recommendation 1.)</p>
<b>Page 13</b>	<p>Our audit disclosed instances in which purchasing cardholders did not comply with the university's purchasing card policy. We noted insufficient documentation of monthly purchasing card statement reconciliations, paying sales tax while being tax exempt, and splitting a purchase into 2 transactions to circumvent the purchase dollar limit. Western Connecticut State University should improve internal control over purchasing card use by improving compliance with its purchasing card policies. (Recommendation 2.)</p>
<b>Page 16</b>	<p>The university did not test its IT disaster recovery plan during the audited period. Western Connecticut State University should annually test its information technology disaster recovery plan as required in its disaster recovery plan. (Recommendation 3.)</p>
<b>Page 16</b>	<p>We noted instances in which the university did not maintain formal documentation supporting that part-time, non-teaching employees completed the work for which they were paid. Western Connecticut State University should improve controls over part-time, non-teaching appointments by implementing a system to document that such employees completed the duties for which they are paid. (Recommendation 4.)</p>

# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

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JOHN C. GERAGOSIAN

ROBERT J. KANE

May 14, 2020

## AUDITORS' REPORT

### INTRODUCTION

We have audited certain operations of Western Connecticut State University in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2015, 2016 and 2017. The objectives of our audit were to:

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

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

We conducted our audit in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from various available sources including, but not limited to, the university's management and the state's information systems, and was not subjected to the procedures applied in our audit of the university. For the areas audited, we identified:

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

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of Western Connecticut State University.

## 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 component of the Connecticut State Colleges and Universities (CSCU) System. The other three are Eastern Connecticut State University in Willimantic, Central Connecticut State University in New Britain, and Southern Connecticut State University in New Haven. The university is overseen by the Board of Regents for Higher Education, which serves as the administrative office for CSCU. The Connecticut State University System, a constituent unit of the State of Connecticut's system of public higher education, operates principally under the provisions contained in Sections 10a-87 through 10a-101 of the General Statutes.

During the audited period, Dr. James W. Schmotter served as university president until he retired effective July 1, 2015. Dr. John B. Clark was appointed university president effective July 1, 2015 and continues to serve in that capacity.

### Recent Legislation

The following notable legislative changes affecting the university were enacted by the General Assembly during the audited period:

- **Public Act 14-98**, effective July 1, 2014, authorized \$103.5 million in new bonding under the Connecticut State University 2020 infrastructure program (renamed the Connecticut State Colleges and Universities 2020 Program).
- **Public Act 15-82**, effective July 1, 2015, expanded in-state tuition benefits at Connecticut public higher education institutions to include certain students who attended a Connecticut

high school for at least 2 years rather than 4 years. The act also extended the in-state tuition benefit to certain nonimmigrant aliens.

**Enrollment Statistics**

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

	<b>Fall 2014</b>	<b>Spring 2015</b>	<b>Fall 2015</b>	<b>Spring 2016</b>	<b>Fall 2016</b>	<b>Spring 2017</b>
Full-time undergraduate	4,365	4,061	4,250	3,853	4,116	3,780
Full-time graduate	57	75	78	73	79	72
Total full-time	<u>4,422</u>	<u>4,136</u>	<u>4,328</u>	<u>3,926</u>	<u>4,195</u>	<u>3,852</u>
Part-time undergraduate	1,077	1,089	1,048	1,119	1,065	1,067
Part-time graduate	453	439	450	433	461	465
Total part-time	<u>1,530</u>	<u>1,528</u>	<u>1,498</u>	<u>1,552</u>	<u>1,526</u>	<u>1,532</u>
<b>Total Enrollment</b>	<b><u>5,952</u></b>	<b><u>5,664</u></b>	<b><u>5,826</u></b>	<b><u>5,478</u></b>	<b><u>5,721</u></b>	<b><u>5,384</u></b>

Enrollment declined slightly over the audited years. The average of the fall and spring semesters' total enrollment was 5,808, 5,652, and 5,553 during the 2014-2015, 2015-2016, and 2016-2017 fiscal years, respectively, compared to an average of 5,846 during the 2013-2014 fiscal year.

**RÉSUMÉ OF OPERATIONS**

During the audited period, university operations were supported primarily 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.

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

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

<u>Student Status</u>	<u>2014 - 2015</u>			<u>2015 - 2016</u>			<u>2016 - 2017</u>		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduate	\$4,600	\$14,886	\$6,900	\$4,968	\$16,078	\$7,450	\$5,216	\$16,882	\$7,823
Graduate	5,729	15,963	8,597	6,188	17,240	9,284	6,497	18,102	9,748

## Auditors of Public Accounts

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In accordance with Section 10a-67 of the General Statutes, the Board of Regents for Higher Education sets tuition amounts for nonresident students enrolled in the CSCU System through the New England Regional Student Program at an amount equal to 1.5 times that of the in-state tuition rate.

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

Fee description:	<u>2014 - 2015</u>			<u>2015 - 2016</u>			<u>2016 - 2017</u>		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
General	\$3,277	\$3,277	\$3,277	\$3,559	\$3,559	\$3,559	\$3,737	\$3,737	\$3,737
University Fee	1,051	2,500	1,051	840	2,000	840	865	2,060	865

In addition, the Housing and Food Service fees 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:	<u>2014 - 2015</u>	<u>2015 - 2016</u>	<u>2016 - 2017</u>
Housing	\$ 6,592	\$ 6,785	\$ 6,989
Food Service	4,674	4,908	5,055

The Board of Regents for Higher Education entered into agreements with public accounting firms to conduct annual audits of the combined financial statements of the Connecticut State Universities. The revenue and expenditure amounts that we present below are derived from the related audit reports produced by these accounting firms.

### Operating Revenues

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

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

	<u>2013 - 2014</u>	<u>2014 - 2015</u>	<u>2015 - 2016</u>	<u>2016 - 2017</u>
Tuition and fees (net of scholarship allowances)	\$37,707,740	\$37,849,780	\$39,782,563	\$42,859,561
Federal grants and contracts	7,465,382	8,134,842	410,589	725,806
State and local grants and contracts	1,659,249	2,454,977	2,374,275	2,015,390
Non-Governmental grants and contracts	12,000	33,000	40,000	35,000
Indirect cost recoveries	-	-	-	240
Auxiliary revenues	16,340,668	16,965,641	19,669,133	19,601,718
Other operating revenues	2,755,766	2,714,622	2,179,023	12,584,702
Total operating revenues	<u>\$65,940,805</u>	<u>\$68,152,862</u>	<u>\$64,455,583</u>	<u>\$77,822,417</u>

Operating revenues totaled \$68,152,862, \$64,455,583, and \$77,822,417 during the fiscal years ended June 30, 2015, 2016, and 2017, respectively, compared to \$65,940,805 during the fiscal year ended June 30, 2014. These amounts increased \$2,212,057 (3.4%) in fiscal year 2015, decreased \$3,697,279 (5.4%) in fiscal year 2016, and increased \$13,366,834 (20.7%) in fiscal year 2017.

The increase in operating revenues during the fiscal year ended June 30, 2015 can be partially attributed to an increase in both federal and state grants and contracts.

The decrease in operating revenues during the fiscal year ended June 30, 2016 was largely a result of a reclassification of federal Pell Grant program receipts. Beginning in fiscal year 2016, the Connecticut State University System began classifying Pell Grant receipts as nonoperating revenues rather than operating revenues (reflected in the federal grants and contracts category) as was done in previous years.

The increase in operating revenues during the fiscal year ended June 30, 2017 can be primarily attributed to an increase in Connecticut Health and Education Facilities Authority (CHEFA) receipts, which are reflected in the other operating revenues category. In addition, during the 2017 fiscal year, the revenue impact of the continued decline in student enrollment was more than offset by an increase in tuition (5%) and fee rates.

### **Operating Expenses**

Operating expenses generally result from payments made for goods and services to achieve the university'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>2013 - 2014</u>	<u>2014 - 2015</u>	<u>2015 - 2016</u>	<u>2016 - 2017</u>
Personal service and fringe benefits	\$ 81,574,758	\$ 91,922,978	\$ 92,864,940	\$ 92,176,225
Professional services and fees	4,722,515	4,240,549	5,309,973	3,653,538
Educational services and support	16,842,353	16,793,871	16,922,326	17,962,999
Travel expenses	1,026,950	874,634	916,034	855,391
Operation of facilities	8,306,851	9,394,308	8,513,621	10,184,681
Other operating supplies and expenses	4,921,472	5,741,862	6,646,876	6,765,638
Depreciation expense	9,885,054	12,012,950	12,028,672	12,239,585
Amortization expense	45,764	40,444	38,721	35,882
Total operating expenses	<u>\$127,325,717</u>	<u>\$141,021,596</u>	<u>\$143,241,163</u>	<u>\$143,873,939</u>

Operating expenses totaled \$141,021,596, \$143,241,163, and \$143,873,939 during the fiscal years ended June 30, 2015, 2016, and 2017, respectively, compared to \$127,325,717 during the fiscal year ended June 30, 2014. These expenses increased \$13,695,879 (10.8%), \$2,219,567 (1.6%), and \$632,776 (0.4%) during the 2015, 2016, and 2017 fiscal years, respectively.



The increase in operating expenses during the fiscal year ended June 30, 2015 can primarily be attributed to employee salary increases in accordance with collective bargaining agreements and additional staffing. The number of university employees increased 4% at the end of the spring 2015 term, compared to the end of the spring 2014 term. Employee medical insurance expenses also increased as a result of the increased staffing.

The increase in expenses during the fiscal year ended June 30, 2016 was the result of several factors, such as increased pension benefits costs associated with the State Employees Retirement System and an increase in equipment purchases related to telecommunications infrastructure improvements.

Operating expenses remained relatively flat during the fiscal year ended June 30, 2017, due in part to a hiring freeze implemented by the CSCU system as a spending control measure.

### **Nonoperating Revenues**

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

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

	<u>2013 - 2014</u>	<u>2014 - 2015</u>	<u>2015 - 2016</u>	<u>2016 - 2017</u>
State appropriations	\$49,305,866	\$52,708,713	\$55,088,735	\$51,367,159
Pell Grant revenue	-	-	7,688,160	7,471,343
Gifts	145,324	128,740	123,438	126,919
Investment income	50,411	53,045	106,679	233,474
Other nonoperating revenues	736,246	719,314	751,856	695,761
Transfers to the State of Connecticut	-	-	(750,703)	-
Total nonoperating revenues	<u>\$50,237,847</u>	<u>\$53,609,812</u>	<u>\$63,008,165</u>	<u>\$59,894,656</u>

Nonoperating revenues totaled \$53,609,812, \$63,008,165, and \$59,894,656 during the fiscal years ended June 30, 2015, 2016, and 2017, respectively, compared to \$50,237,847 during the fiscal year ended June 30, 2014. These revenues increased \$3,371,965 (6.7%) and \$9,398,353 (17.5%) during the 2015 and 2016 fiscal years, respectively, and decreased \$3,113,509 (4.9%) in fiscal year 2017.

The increase in nonoperating revenues during the fiscal year ended June 30, 2015 can largely be attributed to an increase in state appropriations.

The increase in nonoperating revenues during the fiscal year ended June 30, 2016 is mostly the result of an increase in state appropriations along with a reclassification of Pell Grant program receipts. In fiscal year 2015 (and earlier years), the Connecticut State University System classified

Pell Grant program receipts as operating revenues. Starting in fiscal year 2016, the university classified these receipts as nonoperating revenues.

The nonoperating revenue increase during the 2016 fiscal year was offset, in part, by transfers to the State of Connecticut, totaling \$750,703, in accordance with Connecticut Public Act 16-1. Effective March 30, 2016, section 7 of the act authorized the Office of Policy and Management to approve the transfer of up to \$4,100,000 from the Connecticut State University Operating Fund to the General Fund for the 2016 fiscal year.

The decrease in nonoperating revenues during the fiscal year ended June 30, 2017 can largely be attributed to a decrease in state appropriations.

### **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 such organizations that support state agencies. The requirements address the annual filings 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, 2015, 2016, and 2017, in accordance with Section 4-37f (8) of the General Statutes. The auditors expressed unqualified opinions on the foundation's financial statements for all three fiscal years. 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 \$5,239,027, \$1,182,988, and \$5,341,231 during the fiscal years ended June 30, 2015, 2016, and 2017, respectively. Net assets were reported at \$19,779,003, \$19,667,425, and \$23,985,317 as of June 30, 2015, 2016, and 2017, respectively.

## STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of Western Connecticut State University disclosed the following 6 findings and recommendations, 3 of which have been repeated from the previous audit:

### **Procurement Control Weaknesses**

*Criteria:* Section 10a-151b of the General Statutes requires, with certain exceptions, the state's public higher education institutions to electronically solicit competitive bids or proposals for purchases estimated to exceed \$50,000.

For other purchases made via existing state or other contracts, which have already been competitively bid, the Connecticut State Colleges and Universities Procurement Manual recommends that the universities compare available contracts for the best value in pricing and/or services. Additionally, the Department of Administrative Services encourages state agencies to obtain a minimum of 3 quotations when purchasing from vendors awarded a DAS contract.

It is good business practice to promptly pay invoices to avoid late charges and maintain positive relationships with contractors.

Good business practice also requires the university to ensure that vendors comply with contractual terms. The university must also ensure that it received services it was billed for, and that the services agree with vendor invoices and other documentation.

It is also a good business practice to sufficiently document the bid selection process to provide assurance that it was proper.

*Condition:* We examined 20 non-payroll expenditure transactions, totaling \$5,393,305. Our review disclosed the following:

1. In 4 instances, the university did not maintain documentation to support that it compared prices for a purchase made via an existing state or purchasing consortium contract awarded to multiple vendors. These purchases totaled \$195,010, \$167,811, \$170,639, and \$3,065,271.
2. We noted 4 transactions, with invoices totaling \$414,927, which the university paid between 23 and 125 days late. Three of the invoices specified a 1.5% per month finance charge on past due accounts. However, we did not note any instances in which the vendor charged the university late fees.

3. In one instance, the university entered into an agreement totaling \$253,171 for the renovation of part of a building on campus. The university had no evidence documenting that it put this purchase out to bid.
4. In one instance, a contractor's \$81,510 in invoices for dorm cleaning services did not agree with the terms of the signed contract. In some instances, the contractor's invoices specified billing rates that were below the contract rates, resulting in what appeared to be a \$435 underpayment. In other instances, the contractor charged \$10,780 for additional services that were not supported by vendor invoices.
5. In one instance, the university awarded a \$589,060 contract to a vendor based on its evaluation of proposals. However, there was no documentation of evaluation committee member proposal evaluations. Instead, the university prepared and retained a summary of the total scores.

*Effect:*

Lack of price comparisons during the purchasing process decreases assurance that goods or services are obtained at best prices. The late payment of invoices could impair the university's relationships with vendors and result in late charges. Inconsistencies between contract terms and vendor invoices increase the risk of incorrect payments and could result in higher costs. When the university fails to adequately document the vendor selection process, there is decreased assurance that the contract was awarded properly. This could also raise questions on the fairness of the evaluation process.

*Cause:*

The university did not maintain relevant documentation of the vendor selection process. It appears that late payments were due to university delays in submitting the invoices to the Accounts Payable department. In some instances, inconsistencies between contract terms and amounts on vendor invoices were caused, in part, by the university's insufficient monitoring of contract terms.

*Prior Audit Finding:*

We previously reported the portion of this finding concerning the late payment of vendor invoices in the last audit report covering the fiscal years ended June 30, 2013 and 2014.

*Recommendation:*

Western Connecticut State University should improve controls over purchasing by maintaining sufficient documentation of price comparisons for purchases from contractors listed on Department of Administrative Services or purchasing consortium contracts. The university should also ensure that it promptly pays vendor invoices to avoid late charges.

The university should improve its monitoring of contractor payments to ensure that charges agree with contract terms and are supported by vendor invoices. The university should also solicit competitive bids for purchases exceeding \$50,000 as required by Section 10a-151b of the General Statutes. (See Recommendation 1.)

*Agency Response:*

Comments provided by CSCU System Office:

“With regard to condition 1:

Per the Connecticut State Colleges and Universities’ (CSCU) Procurement Manual § 2.6 and Connecticut General Statute (CGS) § 10a-151b (n), the CSCU is removed from the standard procurement requirement of competitive bidding or quotation when participating in any available contract award which has already undergone competitive bidding. Specifically, the CSCU procurement manual provides the following:

§ 2.6: Use of Available Contracts

Competitive bidding or quotations are not required when participating in any available contract award which has already undergone competitive bidding. In addition to utilizing DAS, state higher education, and standing contracts, goods and services may be secured by utilizing other purchasing consortiums, private or non-profit organizations, GSA, governmental agencies, or other state governments and other institutions of higher education. C.G.S. § 10a-151b (n) provides that the state, through the chief executive officer of a constituent unit, may purchase equipment, supplies, materials and services from a person who has a contract to sell such property or services to another state government, political subdivision of this state, nonprofit organization or private or public purchasing consortium, in accordance with the terms and conditions of such contract.

It is recommended, when possible, that the end user compare available stated contracts for best value in pricing and/or services.

Said recommendation is not a mandate that the CSCU as the end-user must compare available contracts to ensure best value in pricing and/or service; thus, it is limited to circumstances of when possible to do so. It is the CSCU’s position is that it is not mandated to maintain documentation to support that it compared prices for a purchase made via an existing state or purchasing consortium contract awarded to multiple vendors. The CSCU has statutory authority under C.G.S. § 10a-151b (m) that provides that the chief executive officer of a constituent unit may join with a federal agency, another state

government, political subdivision of this state or private or nonprofit organization in a cooperative purchasing plan when the best interests of the state would be served by such plan. Additionally, C.G.S. § 10a-151b (n) provides that the state, through the chief executive officer of a constituent unit, may purchase equipment, supplies, materials and services from a person who has a contract to sell such property or services to another state government, political subdivision of this state, nonprofit organization or private or public purchasing consortium, in accordance with the terms and conditions of such contract.

As contracting workloads increase, purchase requirements become more complex and budgets and resources are on a steady decline, procurement personnel are strained to continue to meet these objectives and seek new and innovative tools to deliver effective and efficient support. The CSCU's usage of available contracts allows the institutions to benefit from cost-effective quality goods and services that have already undergone competitive bidding. The audit's four (4) cited instances were purchases procured using valid DAS State of Connecticut existing contracts and NASPO ValuePoint consortium contracts; therefore, these purchases were in accordance with CSCU's Procurement Manual and statutory authority.

In regards to condition 3:

A full description of the work performed was not included on the purchase orders for this project. The actual work was a design-build of the Audio-Visual and IT Infrastructure within Higgins Hall. These services are included under Board of Regents for Higher Education (BOR), aka CSCU, contract SO-58-15, a contract that resulted from a competitive bid process (RFP BOR 14-09). The contract specifically states the following in Section 1.A:

A. Red Thread Spaces LLC ("Red Thread" or "Contractor") agrees to provide various hardware products and related services to the Board of Regents for Higher Education on behalf of the Community -Technical Colleges ("State" or "College"). This agreement may be made available to the Connecticut State University System, Charter Oak State College and the University of Connecticut, subject to the approval of the Contractor.

The CSCU Institution correctly used the services within the scope of the contract listed in Section 1.M., which includes various technology brands and services. Institutions will be reminded that they should

include a more detailed description of actual work to be performed by the vendor on the Purchase Order.”

*Auditors’ Concluding  
Comments:*

We are not suggesting that the university rebid contracts already bid out by DAS or purchasing consortiums. Rather, we recommend that the university compares prices among awarded contractors in instances in which multiple vendors were awarded DAS or purchasing consortium contracts. In this way, the university could obtain some assurance that it is purchasing goods or services at optimum prices.

In the instance in which the university could not provide us evidence that it properly put a renovation purchase out to bid, the university informed us that the purchase was made using a system office contract for the purchase of IT hardware and related services. However, the contractor’s documentation stated that the work it completed consisted primarily of building renovation services. Therefore, the contract that the university and the system office cited should not have applied to this purchase. Furthermore, the university’s purchasing department informed us that it had no documentation to support that the university properly put the purchase out to bid.

**Noncompliance with Purchasing Card Policies**

*Criteria:*

The Western Connecticut State University Purchasing Card Policy provides guidelines for the use of university purchasing cards. The policy requires cardholders to sign and date purchasing card monthly statements to certify that they timely reconciled the statements to supporting documentation, and that purchases were consistent with university policies.

The policy also establishes a per purchase limit of \$999.99 and states, “splitting a single item purchase to circumvent the purchasing card threshold of \$999.99 is not allowed.”

In addition, the policy limits the authorized use of a purchasing card to the person whose name appears on the card.

The policy also states that no purchases of professional or personal services may be made using a purchasing card.

Western Connecticut State University is a Connecticut sales tax tax-exempt organization. Per university policy, the cardholder has a responsibility to dispute any sales tax charges billed incorrectly to the

cardholder's account, and make a diligent effort to have a credit issued in a timely manner.

*Condition:*

We reviewed 12 purchasing card monthly statements, selected from 4 months during the audited period. The related purchasing cards had \$22,316 in charges. Our review disclosed the following:

1. We noted 6 instances, totaling \$12,902, in which cardholders signed, but did not date, their purchasing card monthly statements. This was intended to indicate that they promptly reviewed and reconciled the purchasing card statement to related receipts.
2. We noted one instance, totaling \$1,590, in which a cardholder did not sign and date the purchasing card monthly statement.
3. We noted one instance in which a cardholder signed, but misdated the monthly statement's time of review.
4. We noted one instance in which a cardholder made a \$1,210 purchase, which exceeded the established per purchase limit of \$999.99. In addition, the cardholder split this purchase into 2 separate transactions, of \$928.00 and \$282.00, thereby circumventing the \$999.99 per purchase limit.
5. We noted one instance in which an employee other than the assigned cardholder made a \$254 purchase.
6. We noted 8 instances in which the monthly statement indicated that the university paid Connecticut sales tax on purchases, despite its tax-exempt status.
7. We noted one instance in which the university purchased car wash services, which are unallowed purchasing card expenditures.

*Effect:*

The lack of purchasing cardholder certifications and related dates on monthly purchasing card statements decreased assurance that these purchases were appropriate, supported, and in accordance with university purchasing card policy.

Noncompliance with purchasing card policies increases the risk of improper, unauthorized purchases.

*Cause:*

University employees did not carry out purchasing card policies.

*Prior Audit Finding:*

This finding has been previously reported in the last 3 audit reports covering the fiscal years ended June 30, 2009 through 2014.



*Recommendation:* Western Connecticut State University should improve internal control over purchasing card use by improving compliance with its purchasing card policies. (See Recommendation 2.)

*Agency Response:* “The university agrees with the auditors comments regarding the purchasing card. Concerning the signing and dating of the statements, as purchasing card statements and receipts are now delivered to a centralized location within the Purchasing Office, statements are reviewed upon submittal to ensure signatures and dates are in place. Concerning the comments on the sales tax, the purchase limit of \$999.99, and the use of the card beyond the cardholder, individual departments continue to be advised and reminded of the need to comply with policies and regulations governing the use of the purchasing card. In the matter of the car wash charges, as any restrictions were intended to disallow the use of the purchasing card for the washing of non-university owned vehicles, the university will clarify and update its policies in this area regarding acceptable use of the purchasing card for the washing of university-owned vehicles.”

### **IT Disaster Recovery Plan Not Recently Tested**

*Criteria:* Disaster recovery and business continuity plans should be established to help minimize the risks of negative business impact in the event of an information technology service interruption. These plans should be routinely tested to ensure that systems and data can be promptly recovered following a disaster or other interruption.

The Western Connecticut State University disaster recovery plan requires the plan to be tested at least once annually.

*Condition:* The university informed us that it did not test its disaster recovery plan during the audited period.

At the time of our review (December 2017), we examined documentation indicating that the university completed the most recent test of its disaster recovery plan in May 2013.

*Effect:* Without periodic testing, there is decreased assurance that the disaster recovery plan will be effective.

*Cause:* Management turnover in the IT department could have contributed to this condition.

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

*Recommendation:* Western Connecticut State University should annually test its information technology disaster recovery plan as required in its disaster recovery plan. (See Recommendation 3.)

*Agency Response:* “The university agrees with this finding. An information technology disaster recovery plan will be tested in the future.”

### **Weaknesses in Controls over Part-time, Nonteaching Employees**

*Background:* The Connecticut State University American Association of University Professors (AAUP) collective bargaining agreement with the Board of Regents for Higher Education classifies affiliated employees as teaching employees or non-teaching employees. Non-teaching employees include counselors, librarians, and athletic trainers, and others.

*Criteria:* Sufficient documentation should be maintained to provide assurance that the university paid employees for work they completed.

*Condition:* Our review of 10 part-time faculty appointments during the audited period disclosed 2 instances in which the university did not maintain formal documentation supporting that part-time, non-teaching employees completed their appointed work.

*Effect:* There is decreased assurance that employees fulfilled the job responsibilities they were paid for.

*Cause:* The university informed us that it had not established a system to document whether part-time, non-teaching faculty members completed their duties. Rather, the university relied on supervisors to inform them if an employee had not worked.

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

*Recommendation:* Western Connecticut State University should improve controls over part-time, non-teaching appointments by implementing a system to document that such employees completed the duties for which they are paid. (See Recommendation 4.)

*Agency Response:* “The University agrees with this comment. HR will develop a process for confirming that this type of work has been completed in the future.”

### **Football Game Gate Receipts Records Not Retained**

*Criteria:* It is a good business practice to ensure that university departments submit receipts to the Bursar's Office in a timely manner so that they can be deposited promptly in accordance with Section 4-32 of the General Statutes. In addition, revenue accountability reports and accompanying records of funds submitted to the Bursar's Office for athletic event ticket sales should be retained to support tickets sold and the amount of revenue collected.

The Connecticut State Library's records retention requirements provide that state agencies retain cash receipt records for three years or until audited, whichever is later.

*Condition:* We tested gate receipt revenues from 5 university football games during the audited period. In all 5 instances, the university did not retain records of ticket sales. Moreover, in 3 of these instances, the university did not retain records of related amounts submitted to the Bursar's Office for deposit.

*Effect:* There is decreased assurance that the athletic department promptly submitted all football game gate receipts to the Bursar's Office.

*Cause:* The university informed us that its former Athletic Director retired without leaving these records behind.

*Prior Audit Finding:* A related finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2013 and 2014.

*Recommendation:* Western Connecticut State University should improve controls over football game gate receipts by retaining ticket sale and related records of funds the athletic department submitted to the Bursar's Office for deposit. The university should maintain these records in accordance with the Connecticut State Library's records retention requirements. (See Recommendation 5.)

*Agency Response:* "The University agrees with this comment. The Athletics department now has full control and documentation over the football game receipts and the funds are deposited in a timely manner.

### **Late Deposits of Receipts Originating Outside of the Bursar's Office**

*Criteria:* Section 4-32 of the General Statutes generally requires state agencies to deposit funds received into authorized bank accounts within 24 hours.

<i>Condition:</i>	<p>We examined 25 receipts transactions and noted 9 instances in which the university did not promptly deposit funds received in departments other than the Bursar's Office. The deposits ranged from one to 14 business days late.</p> <p>In one instance, we noted that the university did not maintain a record of when it received the funds. Therefore, we could not determine the timeliness of this deposit.</p>
<i>Effect:</i>	<p>The university did not comply with the prompt deposit requirements of Section 4-32 of the General Statutes, exposing funds to an increased risk of loss or theft.</p>
<i>Cause:</i>	<p>Various university departments did not promptly submit funds received to the Bursar's Office. As a result, Bursar's Office's deposits were delayed.</p>
<i>Prior Audit Finding:</i>	<p>This finding has not been previously reported.</p>
<i>Recommendation:</i>	<p>Western Connecticut State University should ensure that its departments promptly submit funds received to the Bursar's Office for deposit. (See Recommendation 6.)</p>
<i>Agency Response:</i>	<p>"The university agrees with the comment. We will continue to communicate and emphasize the importance of timely deposits to the university community."</p>

### **Other Audit Examination**

The Board of Regents for Higher Education 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 Universities. As part of its audit work, the firm has made an annual study and evaluation of the universities' 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 reports to management for the audited years follows:

Fiscal Year 2014-2015:

- Management should ensure that write offs are appropriately recorded in the general ledger in a timely manner.

Fiscal Year 2015-2016:

- The prior year recommendation was not repeated and there were no new recommendations pertaining to Western Connecticut State University.

Fiscal Year 2016-2017:

- There were no recommendations pertaining to Western Connecticut State University.

## RECOMMENDATIONS

Our prior audit report on the Western Connecticut State University contained 12 recommendations. Nine have been implemented or otherwise resolved and 3 have been repeated or restated with modifications during the current audit.

### *Status of Prior Audit Recommendations:*

- Western Connecticut State University should improve controls over the purchasing process by ensuring that all purchases are properly approved prior to initiating the purchase of goods or services. These approvals should be documented by purchase orders signed by authorized employees. The university should also ensure that invoices are paid in a timely manner. **During the current audit, we noted improvement in the timeliness of purchase approvals, but further improvement is needed prompt payment of invoices. In addition, we noted other aspects of purchasing operations that need to be addressed. The recommendation is being repeated with modification. (See Recommendation 1.)**
- 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. In addition, the university should pursue recovery of the mileage reimbursement overpayments noted. **During the current audit, we noted no significant audit exceptions in this area. The recommendation is not being repeated.**
- Western Connecticut State University should improve internal controls over purchasing cards by complying with the Western Connecticut State University Purchasing Card Policy. In addition, the university should retain gas credit card receipts. **Our current audit disclosed improvement in the university's retention of gas credit card receipts. However, weaknesses in purchasing card policy compliance persisted. The recommendation is being repeated with modification. (See Recommendation 2.)**
- Western Connecticut State University should improve controls and comply 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. **We noted no audit findings in this area during the current audit. The recommendation is not being repeated.**
- Western Connecticut State University should implement a time and effort reporting system for part-time employees to adequately document time charged to federal programs and ensure compliance with the requirements of Title 2 of the Code of Federal Regulations, Part 200. **During our Statewide Single Audit for the 2017 fiscal year, we examined research and development program expenditures at Western Connecticut State University and noted significant improvement in the university's time and effort reporting system. The recommendation is not being repeated.**

- 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 Connecticut State Library's records retention requirements. **During the 2017 fiscal year, the university implemented a new system to retain employee background check reports, which resulted in improved retention. The recommendation is not being repeated.**
- Western Connecticut State University should implement paid sick leave benefits for student employees in accordance with the requirements of Section 37-57s of the General Statutes. **Our current audit disclosed that this recommendation was implemented. The recommendation is not being repeated.**
- Western Connecticut State University should improve its monitoring of revenue-generating agreements to better ensure the amounts and timeliness of contractor payments to the university agree with contractual terms. Also, the university should execute such agreements in a timely manner and obtain certificates of insurance from contractors when necessary. **During our current audit, we noted no significant exceptions. The recommendation is not being repeated.**
- Western Connecticut State University should improve controls over the collection of football game gate receipts by completing accurate ticket sales accountability reports. In addition, these receipts should be submitted to the Bursar's Office promptly so that they can be deposited in a timely manner. **During our current audit we noted that the university did not retain some football game gate receipts records. The recommendation is being repeated with modification. (See Recommendation 5.)**
- Western Connecticut State University should improve internal control over equipment and supplies by complying with the State Property Control Manual and the Connecticut State University System's Capital Asset and Valuation Manual. **We noted improvement in this area during our current audit. The recommendation is not being repeated.**
- Western Connecticut State University should promptly report breakdowns in the safekeeping of state resources to the State Comptroller and the Auditors of Public Accounts, as required by Section 4-33a of the General Statutes. In addition, the university should investigate instances in which university resources are misused and consider disciplinary action against the employees involved. **Unlike our prior audit, we noted no significant, reportable data breaches during our current audit. The recommendation is not being repeated.**
- Western Connecticut State University should improve internal controls over the close-out process for university administered construction projects to ensure that all required supporting documentation is completed and submitted to the Department of Construction Services in the Department of Administrative Services. **We noted no audit findings in this area during our current audit. The recommendation is not being repeated.**

*Current Audit Recommendations:*

- 1. Western Connecticut State University should improve controls over purchasing by maintaining sufficient documentation of price comparisons for purchases from contractors listed on Department of Administrative Services or purchasing consortium contracts. The university should also ensure that it promptly pays vendor invoices to avoid late charges.**

**The university should improve its monitoring of contractor payments to ensure that charges agree with contract terms and are supported by vendor invoices. The university should also solicit competitive bids for purchases exceeding \$50,000 as required by Section 10a-151b of the General Statutes.**

Comment:

There was no evidence that the university compared prices when purchasing from one of the multiple contractors awarded Department of Administrative Services or purchasing consortium contracts. We noted instances in which the university did not pay vendor invoices on time. We noted an instance in which the university was billed for services that did not match the invoices, and the charged a rate that was inconsistent with contractual terms. In one instance, the university purchased construction services without evidence of competitive bidding.

- 2. Western Connecticut State University should improve internal control over purchasing card use by improving compliance with its purchasing card policies.**

Comment:

Our audit disclosed instances in which purchasing cardholders did not comply with the university's purchasing card policy. We noted audit exceptions, including insufficient documentation of monthly purchasing card statement reconciliations, paying Connecticut sales tax even though the university is Connecticut sales tax exempt, and splitting a purchase into 2 transactions to circumvent the purchase dollar limit.

- 3. Western Connecticut State University should annually test its information technology disaster recovery plan as required in its disaster recovery plan.**

Comment:

The university did not test its information technology disaster recovery plan during the audited period.



- 4. Western Connecticut State University should improve controls over part-time, non-teaching appointments by implementing a system to document that such employees completed the duties for which they are paid.**

Comment:

We noted instances in which the university did not maintain formal documentation supporting that part-time, non-teaching employees completed the work for which they were paid.

- 5. Western Connecticut State University should improve controls over football game gate receipts by retaining ticket sale and related records of funds the athletic department submitted to the Bursar's Office for deposit. The university should maintain these records in accordance with the Connecticut State Library's records retention requirements.**

Comment:

The university did not retain some football game ticket sale records and related receipts.

- 6. Western Connecticut State University should ensure that its departments promptly submit funds received to the Bursar's Office for deposit.**

Comment:

University departments delayed submitting funds received to the Bursar's Office, resulting in late deposits.

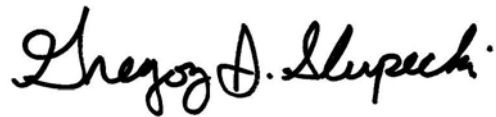
**ACKNOWLEDGEMENT**

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

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Daniel Puklin  
Samantha Smith  
Jamie Swope

**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.



Gregory Slupecki  
Administrative Auditor

Approved:



John C. Geragosian  
State Auditor



Robert J. Kane  
State Auditor