

STATE OF CONNECTICUT



*AUDITORS' REPORT
BOARD OF REGENTS FOR HIGHER EDUCATION
WESTERN CONNECTICUT STATE UNIVERSITY
FISCAL YEARS ENDED JUNE 30, 2018 AND 2019*

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

Table of Contents

EXECUTIVE SUMMARY	i
COMMENTS	2
FOREWORD	2
Recent Legislation	2
Enrollment Statistics.....	3
RÉSUMÉ OF OPERATIONS	4
Operating Revenues.....	4
Operating Expenses	5
Nonoperating Revenues.....	6
Western Connecticut State University Foundation, Inc.	7
STATE AUDITORS' FINDINGS AND RECOMMENDATIONS.....	8
Procurement Control Weaknesses	8
Noncompliance with Purchasing Card Policies	12
Lack of Receiving Dates – Receipts Originating Outside of the Bursar's Office.....	15
Weaknesses in Control over Part-Time Faculty and Nonteaching Employees	15
Unreported Accidental Release of Confidential FERPA Information	16
Disaster Recovery Plan Lack of Testing	17
Football Game Gate Receipts Control Weakness	18
Information System Access – Undocumented Approval & Untimely Termination	19
Gasoline Card Purchasing Weakness	20
Lack of Control Procedures over Gift Card Distribution	21
RECOMMENDATIONS	23
Status of Prior Audit Recommendations	23
Current Audit Recommendations	24
ACKNOWLEDGMENTS	28

December 8, 2020

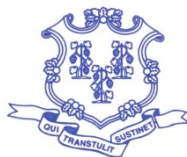
EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of Western Connecticut State University (WCSU). 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, 2018 and 2019.

The key findings and recommendations are presented below:

Page 8	Western Connecticut State University did not compare prices when purchasing from multiple contractors approved for the Department of Administrative Services or consortium purchasing contracts. The university did not complete a personal service agreement for professional services or properly approve purchases prior to ordering and receiving goods. In addition, WCSU did not adequately document its justification of sole source vendor selection. WCSU should perform price comparisons or competitive bidding for applicable purchase, and retain documentation related to the vendor selection process, including a comparison of prices for DAS and consortium contracts. The university should complete personal service agreements when purchasing professional services and properly document its justification for the selection of sole source vendors. WCSU should improve its compliance with purchasing policies and procedures. (Recommendation 1.)
Page 12	Our audit disclosed instances in which purchasing cardholders did not comply with the university’s purchasing card policy. We noted audit exceptions, including the purchase of prohibited items, the use of a card by an unauthorized user, untimely reconciliation of monthly purchasing card statements, paying of Connecticut sales tax even though the university is tax exempt, and delivery of a purchase to a personal residence. Western Connecticut State University should promptly review and reconcile purchasing card monthly statements. WCSU should follow its purchasing card policies and procedures to ensure authorized and proper use of purchasing cards in compliance with the Western Connecticut State University purchasing card policy manual. WCSU should follow its ordering process guidelines to secure tax exemptions prior to placing an order and to avoid paying Connecticut sales tax. (Recommendation 2.)
Page 15	The university did not maintain written documentation confirming that part-time and non-teaching employees completed the work prior to paying them. Western Connecticut State University should develop control procedures to document that part-time faculty and nonteaching employees complete their assigned duties prior to paying them. (Recommendation 4.)
Page 16	In February 2019, a university employee inadvertently e-mailed restricted information under the Family Educational Rights and Privacy Act (FERPA) to a group of 120 students. Although the university responded to this issue, it did not report the incident to the State Comptroller, Auditors of Public Accounts, or Security & Policy Program Office. Western Connecticut State University should promptly report breakdowns in the safekeeping of state resources to the Office of the State Comptroller and Auditors of Public Accounts as required by Section 4-33a of the General Statutes and to the Connecticut State Colleges & Universities Security & Policy Program Office as required by the WCSU Information Security Policy. (Recommendation 5.)

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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December 8, 2020

AUDITORS' REPORT

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, 2018 and 2019. The objectives of our audit were to:

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

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the university; 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 department. 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 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 Board of Regents for Higher Education, which serves as the administrative office for CSCU, oversees the university. 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.

Dr. John B. Clark has served as president of the university since July 1, 2015.

Recent Legislation

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

- **Public Act 16-93**, effective July 1, 2017, imposed new requirements on foundations established to support constituent units of higher education. They include requiring the foundations to refrain from prohibited acts under the Solicitation and Charitable Funds Act and to submit two annual reports to the executive authority of the supported constituent unit and the Attorney General.
- **Public Act 17-130**, effective July 1, 2017, limited the applicability of certain state contracting requirements for the board of regents and allowed the Connecticut State University System to implement programs to reduce textbook and educational resource costs.

- **Public Act 17-206**, effective July 1, 2017, required public service employers with more than 10 employees to provide information regarding certain student loan forgiveness programs.
- **Public Act 17-229**, effective January 1, 2018, required the Connecticut State Colleges and Universities System to provide information on transfer and articulation programs to all students admitted to any regional community-technical college (CTC). It also required each higher education institution that receives federal funds to provide a link on its website to its most recent National Center for Education Statistics (NCES) profile.
- **Public Act 18-2**, effective upon passage (April 27, 2018), extended eligibility for institutional financial aid to attend a state public institution of higher education to certain students and honorably discharged veterans who lack legal immigration status, providing they meet certain other eligibility requirements.
- **Public Act 18-47**, effective October 1, 2018, extended benefits to certain veterans diagnosed with post-traumatic stress disorder or a traumatic brain injury, or experienced military sexual trauma, including tuition waivers for state public colleges and universities if the veteran served in time of war.

Enrollment Statistics

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

	Fall 2017	Spring 2018	Fall 2018	Spring 2019
Full-time undergraduate	4,089	3,725	4,128	3,717
Full-time graduate	99	89	53	78
Total full-time	4,188	3,814	4,181	3,795
Part-time undergraduate	993	1,133	900	1,001
Part-time graduate	483	469	561	496
Total part-time	1,476	1,602	1,461	1,497
Total Enrollment	5,664	5,416	5,642	5,292

Enrollment declined slightly over the audited years. The average of the fall and spring semesters' total enrollment was 5,540 and 5,467 during the 2017-2018 and 2018-2019 fiscal years, respectively, compared to an average of 5,553 during the 2016-2017 fiscal year.

RÉSUMÉ OF OPERATIONS

During the audited period, the primary support for university operations were 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.

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

Operating fund receipts primarily consisted of student tuition payments. Under the provisions of Section 10a-99 (a) of the General Statutes, tuition charges 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>2017 – 2018</u>			<u>2018 – 2019</u>		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduate	\$5,424	\$16,882	\$7,824	\$5,642	\$16,882	\$7,824
Graduate	6,757	18,102	9,750	7,027	18,102	9,750

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

Fee description:	<u>2017 – 2018</u>			<u>2018 – 2019</u>		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
General	\$3,904	\$3,904	\$3,904	\$4,060	\$4,060	\$4,060
University Fee	891	2,122	891	918	2,186	918

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 (double occupancy) and Food Service fees during the audited period:

Fee Description:	<u>2017 - 2018</u>	<u>2018 - 2019</u>
Housing	\$ 7,269	\$ 7,560
Food Service	5,308	5,467

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>2016 - 2017</u>	<u>2017 - 2018</u>	<u>2018 - 2019</u>
Tuition and fees (net of scholarship allowances)	\$42,859,561	\$43,559,450	\$50,351,178
Federal grants and contracts	725,806	1,291,848	1,349,790
State and local grants and contracts	2,015,390	1,500,466	1,229,639
Nongovernment grants and contracts	35,000	-	-
Indirect cost recoveries	240	9,420	9,465
Auxiliary revenues	19,601,718	21,027,273	20,397,906
Other operating revenues	<u>12,584,702</u>	<u>2,110,371</u>	<u>921,945</u>
Total operating revenues	<u>\$77,822,417</u>	<u>\$69,498,828</u>	<u>\$74,259,923</u>

Operating revenues totaled \$69,498,828 and \$74,259,923 during the fiscal years ended June 30, 2018 and 2019, respectively, compared to \$77,822,417 during the fiscal year ended June 30, 2017. These amounts decreased \$8,323,589 (10.7%) in fiscal year 2018 and increased \$4,761,095 (6.9%) in fiscal year 2019.

The decrease in operating revenues during the fiscal year ended June 30, 2018 was primarily due to a decrease in other operating revenues (\$10,474,331), partially offset by an increase in auxiliary revenues (\$1,425,555). The decrease in other operating revenues resulted from a higher than normal amount reported in Connecticut Health and Education Facilities Authority (CHEFA) receipts and the transfer of a newly completed building from the system office in the fiscal year ended June 30, 2017.

The increase during the fiscal year ended June 30, 2019 is attributed to an increase in the net amount of tuition and fees (\$6,791,728), which was offset by the decrease in other operating revenues (\$1,188,426). The increase in tuition and fees resulted from a combination of a tuition increase and a change in the manner in which the university presents debt service fees in the financial statements. For the fiscal years ended, June 30, 2017 and 2018, tuition and fees reported in the financial statement for the university was presented net of debt service fees. For the fiscal years ended, June 30, 2019, the system office decided not to deduct debt service fees from the tuition and fees reported in the financial statements, but opted to record it as an interagency transfer.

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>2016 - 2017</u>	<u>2017 - 2018</u>	<u>2018 - 2019</u>
Personal services and fringe benefits	\$ 92,176,225	\$ 91,913,423	\$95,217,661
Professional services and fees	3,653,538	4,061,677	3,189,303
Educational services and support	17,962,999	19,121,095	20,690,742
Travel expenses	855,391	931,930	1,160,952
Operation of facilities	10,184,681	10,537,840	9,106,292
Other operating supplies and expenses	6,765,638	5,881,127	5,432,063
Depreciation expense	12,239,585	13,685,530	12,491,988
Amortization expense	35,882	27,434	19,202
Total operating expenses	<u>\$143,873,939</u>	<u>\$146,160,056</u>	<u>\$147,308,203</u>

Operating expenses totaled \$146,160,056 and \$147,308,203 during the fiscal years ended June 30, 2018 and 2019, respectively, compared to \$143,873,939 during the fiscal year ended June 30, 2017. These expenses increased \$2,286,117 (1.6%) and \$1,148,147 (0.8%) during the 2018 and 2019 fiscal years, respectively.

The increase in operating expenses during the fiscal year ended June 30, 2018 is primarily attributable to increases in educational services and support (\$1,158,096), and depreciation expenses (\$1,445,945). The increase in operating expenses during the fiscal year ended June 30, 2019 is primarily due to increases in fringe benefits (\$3,283,499) and educational services support (\$1,569,647), offset by decreases in operation of facilities (\$1,431,548) and depreciation expenses (\$1,193,542).

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>2016 - 2017</u>	<u>2017 - 2018</u>	<u>2018 - 2019</u>
State appropriations	\$51,367,159	\$47,767,665	\$51,332,823
Pell Grant revenue	7,471,343	7,642,063	7,739,050
Gifts	126,919	132,060	122,832
Investment income	233,474	456,653	800,134
Capital projects financed by SO	-	-	667,929
Other nonoperating revenues	695,761	701,481	630,393
Total nonoperating revenues	<u>\$59,894,656</u>	<u>\$56,699,922</u>	<u>\$61,293,161</u>

Nonoperating revenues totaled \$56,699,922 and \$61,293,161 during the fiscal years ended June 30, 2018 and 2019, respectively, compared to \$59,894,656 during the fiscal year ended June 30, 2017. These revenues decreased \$3,194,734 (5.3%) in the 2018 fiscal year and increased \$4,593,239 (8.1%) in the 2019 fiscal year.

The decrease in nonoperating revenues during the fiscal year ended June 30, 2018 can largely be attributed to a reduction in state appropriations. The increase during the 2019 fiscal year is primarily the result of an increase in state appropriations and the presence of capital projects financed by the system office.

In addition to the operating and nonoperating revenues presented above, the university's financial statements reported revenues classified as state appropriations restricted for capital purposes totaling \$13,493,097, \$10,743,665 and \$24,759,907, for the fiscal years ended June 30, 2017, 2018, and 2019, respectively

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 recordkeeping 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, 2018 and 2019, in accordance with Section 4-37f (8) of the General Statutes. The auditors expressed unqualified opinions on the foundation's financial statements for both 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 \$1,934,622 and \$2,455,667 during the fiscal years ended June 30, 2018 and 2019, respectively. Net assets were reported at \$23,732,345 and \$24,565,330 as of June 30, 2018 and 2019, respectively.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of Western Connecticut State University disclosed the following 10 findings and recommendations, of which 6 have been repeated from the previous audit:

Procurement Control Weaknesses

Criteria: Section 4-252 of the General Statutes and Governor Dannel P. Malloy's Executive Order No. 49 require vendors to submit certain ethics affidavits and certifications for state contracts with values exceeding \$50,000. In addition, Sections 4a-60 and 4a-60a require that contractors provide nondiscrimination certifications as part of state contracts.

The Connecticut State Colleges and Universities Procurement Manual requires a personal service agreement for professional services with a value exceeding \$10,000. The manual also recommends that universities compare available state contracts for the best value in pricing and services when possible.

The Department of Administrative Services (DAS) encourages state agencies to obtain a minimum of three quotations when purchasing from vendors on the DAS multi-vendor awarded contract.

The university's internal controls require that an appropriate official approve purchase orders prior to placing an order. These internal controls also require that, prior to making a payment, the Accounts Payable department must match the invoice to the purchase order to ensure the information is correct.

It is a good business practice for the university to compare prices and vendors for comparable goods and services to ensure the university obtains the best pricing and services possible.

It is also good business practice to pay invoices promptly to take advantage of potential discounts, avoid potential late fees, and ensure that relationships with vendors remain unimpaired.

The Office of the State Comptroller State Property Control Manual and the CSUS Capital Asset Valuation Manual requires the recording of a capital asset when the cost of personal property equals or exceeds \$5,000.

Condition: We examined 20 non-payroll expenditure transactions, comprising 31 vendor invoices, during the audited period and found the following:

1. We noted 7 instances, totaling \$1,121,350, in which the university did not document a price comparison or other evaluation of goods and services for purchases made from vendors on DAS multiple award or consortium contracts.
2. We noted 8 instances, totaling \$579,809, in which the university paid invoices after the due date.
3. We noted 3 instances, totaling \$252,432, in which a purchase order was not approved by an appropriate official. We also noted 3 instances, totaling \$218,337, in which goods were ordered and received prior to the creation and approval of a purchase order.
4. We noted one instance in which the university did not capitalize and record the purchase of \$5,623 in personal property in the asset listing.
5. We noted 3 instances, totaling \$265,480, in which the university could not provide the required ethics affidavits and nondiscrimination certifications from its vendors.
6. We noted 3 instances, totaling \$265,480, in which the university did not complete a personal service agreement for the purchases of professional services.
7. We examined 5 invoices from one vendor, totaling \$136,562, and found that all had incorrect billing addresses. We noted a control weakness since the Accounts Payable department did not note or correct these errors, but continued to make payments to the vendor.
8. In 2 instances, the university did not provide adequate documentation to support its sole source justification for selecting certain vendors.

Context: We examined \$6,006,748 in purchase orders; \$1,967,502 in invoices; and 4 personal services transactions totaling \$288,980.

Effect: A lack of price comparisons or competitive bidding during the purchasing process decreased assurance that goods and services were obtained at the best prices.

Failure to promptly pay invoices could result in the university missing discounts, incurring late fees, and impairing its relationships with vendors.

Internal controls over purchasing are ineffective when goods or services are ordered and received prior to being properly authorized.

There is increased risk that the university's asset record could be materially misstated if the university does not properly record or account for capital assets. In addition, assets could be misappropriated and go undetected.

When the university does not demand submission of required ethics affidavits and nondiscrimination certifications, there is an increased risk that the university will do business with a vendor that did not comply with the ethics and nondiscrimination provisions of the General Statutes and executive orders.

The university did not comply with its and state procurement requirements when it purchased personal services without a personal service agreement. In addition, internal controls over personal services are ineffective when the university does not enter into personal service agreements.

The control weakness noted in the Accounts Payable department increase the risk that the university could overpay on invoices, send payments to incorrect addresses, or make other improper payments.

There is decreased assurance that the contract was properly awarded when the university does not adequately document its justification for selecting a sole source vendor.

Cause:

The university informed us that it is not mandated to maintain records to document that it compared prices for a purchase when it uses an existing DAS or purchasing consortium contract awarded to multiple vendors.

It appears that the late payments were due to delays in submitting invoices to the Accounts Payable department.

In the instances noted, the university did not follow its internal control procedures regarding approving purchases prior to ordering, executing personal service agreements for personal service transactions, properly reviewing payment documents prior to payment, and documenting sole source justification.

The university may have overlooked shipping and installation costs that should have been included in the cost of assets. Without these ancillary costs, oftentimes the purchase price is below the capitalization threshold and thus not capitalized.

In the instances noted, we could not determine why the university did not obtain copies of the required ethics affidavits and nondiscrimination certifications from vendors.

Prior Audit Finding:

The finding concerning the late payments of vendor invoices has been previously reported in the last 2 audit reports covering the fiscal years ended 2013 to 2017.

The finding concerning the lack of documentation regarding price comparisons has been previously reported in the prior audit report covering the fiscal years ended 2015 to 2017.

The remaining findings have not been previously reported.

Recommendation:

Western Connecticut State University should perform price comparisons or competitive bidding for all applicable purchases. The university also should retain documentation related to the vendor selection process, including a comparison of prices for Department of Administrative Services multiple award contracts and consortium contracts.

Western Connecticut State University should improve its compliance with purchasing policies and procedures by properly reviewing payment documents and promptly paying invoices.

Western Connecticut State University should capitalize and record all capital assets in accordance with the Office of the State Comptroller Property Control Manual and the CSUS Capital Asset Valuation Manual.

Western Connecticut State University should obtain and maintain the required ethics affidavits and nondiscrimination certifications from its vendors.

Western Connecticut State University should complete a personal services agreement when purchasing professional services. The university also should properly document its justification for the selection of sole source vendors. (See Recommendation 1.)

Agency's Response:

“Concerning the condition noted by the auditors of the University not maintaining documentation to support that it compared prices for a

purchase made via an existing state or purchasing consortium contract awarded to multiple vendors, this same comment was made in the FY15/16/17 audit. In referring this comment to the CSCU System Office for evaluation, and the System Office's subsequent response to the auditors, the University acted in accord with policies and procedures in this instance. Regarding the comments pertaining to the sole source justifications, these represented management directed decisions and acquisitions. Concerning the comments regarding the affidavits and personal services agreements, as the University does not have a full time person dedicated to the Purchasing function due to financial challenges which caused this condition, the University agrees with this comment. Referencing the comment on asset management, the University agrees with this comment and will review its asset management practices for this particular item"

Auditors' Concluding Comment:

The university's response indicating that it acted in accord with policies and procedures is inconsistent with the Connecticut State Colleges and Universities Procurement Manual that explicitly recommends that universities compare prices. In addition, our finding does not question the sole source selection, but rather cites the lack of proper documentation to justify the selection. Therefore, the university's position that its sole source justification represented management directed decisions and acquisitions does not eliminate the requirement to document its justification.

Noncompliance with Purchasing Card Policies

Criteria:

The Western Connecticut State University Purchasing Card Policy Manual governs purchasing card (P-Card) transactions. The manual includes specific instructions, including restricting the use of P-Cards to the authorized cardholder and prohibiting the purchase of certain items using P-Cards.

The manual requires cardholders to maintain documents supporting the legitimate business use of the P-Card. Cardholders are also required to promptly reconcile monthly statements. Furthermore, it is a good business practice to reconcile statements before paying the account.

In addition, the manual requires that purchases be delivered to the university's main campus.

Western Connecticut State University is exempt from Connecticut sales tax. Per university policy, the cardholder should make every effort to ensure that Connecticut sales tax is not charged. Furthermore, the cardholder is responsible for disputing any sales tax charges incorrectly

billed to the account. The cardholder also must make a diligent effort to have a sales tax 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 included charges totaling \$39,388. Our review disclosed the following:

1. We noted 6 instances in which the university did not promptly reconcile monthly P-Card statements, totaling \$25,685. We could not verify whether the university reconciled the statements before paying the account in these instances.
2. We noted 3 instances in which the university purchased \$110 in prohibited items according to the Western Connecticut State University Purchasing Card Policy Manual.
3. We noted 5 instances, totaling \$2,873, in which documentation supporting a purchase was inadequate or missing.
4. We noted 3 instances, totaling \$3,155, in which someone other than the assigned cardholder made a purchase.
5. We noted one instance in which a \$699 P-Card purchase was delivered to a personal residence.
6. We noted 6 instances in which the university paid sales tax, totaling \$78, on purchases despite its tax-exempt status.

Effect:

There is less assurance that purchases were made for a legitimate state purpose or that the university will discover potential errors prior to payment without adequate documentation of purchases and timely reconciliation of P-Card statements.

The university did not comply with its purchasing card policies and procedures manual when cardholders purchased prohibited items and when an item was delivered to a personal residence. Furthermore, it increased the risk that cardholders could use purchasing cards for personal or other inappropriate purposes.

Noncompliance with purchasing card policies decreases assurance that purchases were appropriate, supported, and in accordance with the university's purchasing card policy.

The university incurs unnecessary expenses when cardholders fail to secure tax-exempt purchases.

Cause: The university did not properly execute established internal control procedures over the use of purchasing cards.

In addition, it appears that cardholders did not follow the university's ordering process guidelines to secure tax exemptions prior to placing an order.

Prior Audit Finding: We previously reported the portion of this finding concerning untimely reconciliation of monthly statements in the last 4 audit reports covering the fiscal years ended 2009 through 2017.

We previously reported the portions of this finding concerning unauthorized P-Card users and prohibited purchases in the last 2 audit reports covering the fiscal years ended 2013 through 2017.

We previously reported the portions of this finding concerning the payment of sales taxes in the last 3 audit reports covering the fiscal years ended 2011 through 2017.

The remaining portions of this finding have not been previously reported.

Recommendation: Western Connecticut State University should promptly review and reconcile purchasing card monthly statements.

Western Connecticut State University should follow its purchasing card policies and procedures to ensure authorized and proper use of purchasing cards in compliance with the Western Connecticut State University Purchasing Card Policy Manual.

Western Connecticut State University should follow its ordering process guidelines and secure tax exemptions prior to placing an order to avoid paying Connecticut sales tax. (See Recommendation 2.)

Agency's Response: "The University agrees with the auditors comments regarding the purchasing card. Concerning the restricted purchases, the University will review its policies in relation to those items purchased. Concerning the comments on the sales tax, documentation, deliveries, and 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."

Lack of Receiving Dates – Receipts Originating Outside of the Bursar’s Office

Criteria: Section 4-32 of the General Statutes generally requires state agencies to deposit funds within 24 hours of its receipt. In addition, the Office of the Treasurer granted Western Connecticut State University a one-day waiver for the deposit of receipts collected by armored car.

Condition: We examined 14 receipt transactions, consisting of cash and checks collected outside the Bursar’s Office. For 8 receipts, totaling \$39,446, the university did not provide sufficient documents for us to verify that the Bursar’s Office promptly received and deposited funds. Specifically, the university did not provide records to document when departments received funds.

Effect: Without documents to verify when the university initially collected funds, we are unable to provide assurance that the university complied with statutory deposit requirements. The risk of loss or theft of funds is increased when funds are not deposited promptly.

Cause: It appears that controls in place were insufficient to prevent the above condition from occurring.

Prior Audit Finding: This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2015 through 2017.

Recommendation: Western Connecticut State University should record the date funds are collected by departments outside of the Bursar’s Office to ensure that departments promptly submit these funds to the Bursar’s Office. In addition, the university should record the date the Bursar’s Office receives these funds to provide assurance that the university complied with statutory deposit requirements. (See Recommendation 3.)

Agency’s Response: “The University agrees with this finding. We will continue to notify departments, as we have in the past, to submit their deposits in a timely manner.”

Weaknesses in Control over Part-Time Faculty and Nonteaching Employees

Criteria: Sound internal control requires the preparation of properly approved timesheets or equivalent documentation to provide assurance that the university only paid employees for their completed work.

Condition: We reviewed 10 part-time faculty and nonteaching employees appointed during the audited period. We noted 3 instances in which the university did not maintain formal documentation to confirm that these employees completed their assigned duties prior to paying them.

- Effect:* There is decreased assurance that employees fulfilled the duties for which they were paid.
- Cause:* The university informed us that it had not established a system to document whether part-time faculty and nonteaching employees completed their duties. Rather, the university relied on the employees' supervisors to inform it when an employee did not complete assigned work.
- Prior Audit Finding:* This finding was previously reported in the last audit report covering the fiscal years ended 2015 through 2017.
- Recommendation:* Western Connecticut State University should develop control procedures to document that part-time faculty and nonteaching employees complete their assigned duties prior to paying them. (See Recommendation 4.)
- Agency's Response:* "The University agrees with the finding The Human Resource department is working with the AAUP union to identify a process that will handle this situation."

Unreported Accidental Release of Confidential FERPA Information

- Criteria:* Section 4-33a of the Connecticut General Statutes requires state agencies to report breakdowns in the safekeeping of state resources to the Office of the State Comptroller and the Auditors of Public Accounts promptly. In addition, the Western Connecticut State University Information Security Policy requires that security breach events be reported to the Connecticut State Colleges & Universities Security & Policy Program Office.
- Condition:* In February 2019, a university employee inadvertently e-mailed restricted information under the Family Educational Rights and Privacy Act (FERPA) to a group of 120 students. Although the university responded to this issue, it did not report the incident to the State Comptroller, Auditors of Public Accounts, or the Security & Policy Program Office.
- Effect:* The university did not fully comply with the requirements of Section 4-33a of the Connecticut General Statutes or the Western Connecticut State University Information Security Policy.
- Cause:* We were unable to determine why the university did not report the incident to the State Comptroller, the Auditors of Public Accounts, and the Connecticut State Colleges & Universities Security & Policy Program Office.

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

Recommendation: Western Connecticut State University should promptly report breakdowns in the safekeeping of state resources to the Office of the State Comptroller and the Auditors of Public Accounts as required by Section 4-33a of the General Statutes and the Connecticut State Colleges & Universities Security & Policy Program Office as required by the WCSU Information Security Policy. (See Recommendation 5.)

Agency's Response: "The University agrees with the finding"

Disaster Recovery Plan Lack of Testing

Criteria: Western Connecticut State University maintains a disaster recovery plan to help minimize the risks of negative business impact in the event of an interruption of information technology services. The university must annually test its disaster recovery plan.

Condition: Our review of the disaster recovery plan revealed that the university had not formally tested the disaster recovery plan since May 31, 2013. The university could not provide documentation to verify that it tested its plan during the audited period.

Effect: The university did not fully comply with the requirements of its disaster recovery plan in some instances.

Cause: It appears that controls in place were insufficient to prevent this condition.

Prior Audit Finding: This finding has been previously reported in the last audit report covering the fiscal years ended 2015 through 2017.

Recommendation: Western Connecticut State University should annually test its information technology disaster recovery plan as required. (See Recommendation 6.)

Agency's Response: "The University agrees with this finding. The existing Disaster Recovery Plan is outdated because of department personnel changes and significant information system changes, making testing of the plan impractical. While the plan is being updated, simplified annual testing of system recovery from backups will be conducted."

Football Game Gate Receipts Control Weakness

Background: Western Connecticut State University sells tickets for its home football games on a cash-only basis.

Criteria: It is a good business practice to document ticket sales receipts and supporting records from athletic events and submit them to the Bursar's Office for prompt deposit.

It is also a good business practice that the university submits revenue accountability reports and accompanying records of athletic ticket sales to the Bursar's Office. The university should retain these records to confirm the number of tickets sold and the amount of revenue collected.

Proper internal controls require the segregation of duties in the handling of cash collection, reconciliation, and deposit to minimize the risk of mishandling these collections.

Condition: We reviewed receipts from the sales of tickets at 5 football games and noted the following:

In all 5 instances, the university did not maintain sufficient documentation confirming the number of tickets sold or reconcile the amount of money collected to ticket sales. Also, there was a lack of accountability over ticket inventory, as the university did not retain unsold tickets. In addition, there are insufficient controls over the accounting and deposit of monies, because one individual is responsible for collecting, reconciling, and submitting funds to the Bursar's Office for deposit.

Context: We examined \$15,220 in ticket sale receipts from a total of \$27,078 in game receipts during the audited period.

Effect: Without adequate documentation over football ticket sales and proper segregation of duties over the collection and reconciliation of receipts, there is decreased assurance that all receipts collected by the Athletic department from ticket sales are submitted to the Bursar's Office intact and in a timely manner.

Cause: We were unable to determine why the university did not maintain adequate football ticket sales documentation.

It appears that the university has not established control policies and procedures to provide adequate control over the collection of ticket sales funds.

Prior Audit Finding: These findings have been previously reported in the last 2 audit reports covering the fiscal years ended 2013 through 2017.

Recommendation: Western Connecticut State University should improve controls over the collection of football game receipts by completing accurate accountability reports of ticket sales, retaining unsold tickets for reconciliation, and segregating the responsibilities of cash collection, reconciliation, and deposit. In addition, the university should maintain detailed documentation to verify the promptness of fund deposits. (See Recommendation 7.)

Agency's Response: "The University disagrees with this finding, other than the retainage of unsold tickets finding. The Athletic Director has control over the ticket sales process, as she accounts for, collects, and reconciles the work of all ticket sellers. She is also responsible for depositing funds in a timely manner."

Auditors' Concluding Comment: Appropriate segregation of duties in the handling of cash collection, reconciliation, and deposit is essential to proper internal controls.

Information System Access – Undocumented Approval & Untimely Termination

Background: Western Connecticut State University uses Ellucian Banner as its enterprise resource planning and student information system. This primarily automated system is used to maintain the university's accounting and student academic records.

Criteria: Banner access and specific roles granted to new employees, which is necessary to perform their assigned duties, should be approved and documented by the appropriate university official. The university should promptly terminate Banner access upon an employee's separation.

Condition: We examined 6 employees who were hired and granted access to Banner during the audited period. We found 2 instances in which the university could not provide documents to verify that it approved the employees' Banner access.

We also examined the Banner access status for 10 employees who separated from university employment during the audited period. We found 2 instances in which the university did not promptly terminate the employee's Banner user account upon separation. In one instance, the university terminated access 73 days late. In the other instance, the university terminated access 598 days late, after we inquired about it.

Effect: Without proper approval and documentation of user access, there is decreased assurance that only authorized individuals were granted access to restricted information.

Untimely termination of user access exposes the university's information system to unnecessary or inappropriate access that increases the risk of data system errors and fraud.

Cause: We were unable to determine why the university did not document its approval of employees' Banner access.

It appears that the controls in place were not sufficient to ensure that the university promptly terminated access to its systems.

Prior Audit Finding: These findings have not been previously reported.

Recommendation: Western Connecticut State University should retain documentation to verify that it granted appropriate Banner access and privileges to new employees and that they were approved by the proper official.

Western Connecticut State University should also review employee Banner access regularly to determine whether access and privileges are still appropriate. The university should promptly remove access upon an employee's separation. (See Recommendation 8.)

Agency's Response: "The University agrees with this finding. Documenting and executing Banner access approval and removal was subject to many process changes during this period: involved personnel retired, new personnel were introduced, the IT service desk software changed, and Banner was moved from on-premises to cloud hosting."

"WCSU will review the current processes, identify areas of concern, and will implement changes to assure that Banner access approval and removal are properly documented and executed in a timely manner. Additionally, we will increase periodic Banner access auditing to improve detection of any process failures."

Gasoline Card Purchasing Weakness

Background: Western Connecticut State University operates a gasoline purchase program using credit cards for university-owned vehicles.

Criteria: The Connecticut State Library's records retention requirements provide that state agencies retain cash receipt records for 3 years or until audited, whichever is later.

It is a good business practice to retain gasoline credit card receipts to confirm the validity and accuracy of the charges.

Condition: We reviewed 53 gasoline purchases made with gasoline credit cards during the audited period, totaling \$1,845.08. We found that the university did not retain sales receipts for 38 purchases, totaling \$1,349.43.

Effect: The lack of supporting receipts for gasoline purchases decreases assurance that correct amounts were billed on monthly gasoline credit card statements. It also increases the risk of erroneous or fraudulent transactions.

Cause: The university did not perform internal control procedures as required.

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

Recommendation: Western Connecticut State University should retain all gasoline credit card receipts for purchases. (See Recommendation 9.)

Agency's Response: "The University agrees with the finding. We will now retain all gasoline receipts in a central location."

Lack of Control Procedures over Gift Card Distribution

Criteria: It is good business practice that the university have proper internal controls over the distribution of state resources. Such internal controls require that the university maintain sufficient documentation to provide assurance that all disbursements of state resources are made only to individuals entitled to receive such resources.

Condition: We reviewed a selection of expenditures charged to a Lyme disease research program during the fiscal year ended June 30, 2019. We noted that the program gave gift cards as a stipend to participants in the research program. Our review disclosed that the university charged \$10,040 in gift cards to the program and distributed \$5,240 in gift cards to 123 research participants. However, the university did not maintain sufficient documentation to confirm that recipients were entitled to receive the stipends or that participants actually received the gift cards.

Effect: There is no assurance that the program properly distributed gift cards, because there were no control procedures in place to confirm each recipient's participation and receipt of gift cards.

Cause: The university does not have control procedures in place related to the distribution of gift cards as stipends to research participants.

Additionally, there is no procedure in place to document that the recipients received the gift cards.

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

Recommendation: Western Connecticut State University should establish a written policy detailing proper control procedures related to the distribution of gift cards as stipends to research participants. In addition, the university should properly document and maintain records confirming each recipient's participation and receipt of the gift card. (See Recommendation 10.)

Agency's Response: "The university agrees with the finding. Although it is very rare for grants to be involved with issuing gift cards to complete surveys, we will develop a process to track and confirm receipt of the gift cards while not breaking grant confidentiality regulations."

RECOMMENDATIONS

Status of Prior Audit Recommendations

Our prior audit report on Western Connecticut State University contained 6 recommendations. All 6 have been repeated or restated with modifications during the current audit.

- 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 also should 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 also should solicit competitive bids for purchases exceeding \$50,000 as required by Section 10a-151b of the General Statutes. **During the current audit, we noted no significant improvement in these areas. Therefore, this recommendation is being repeated with modification. (See Recommendation 1.)**
- Western Connecticut State University should improve internal controls over purchasing card use by improving compliance with its purchasing card policies. **During the current audit, we noted no significant improvement in this area. Therefore, this recommendation is being repeated with modification. (See Recommendation 2.)**
- Western Connecticut State University should annually test its information technology disaster recovery plan as required in its disaster recovery plan. **Our current audit revealed that Western Connecticut State University has not tested its information technology disaster recovery plan as required. This recommendation is being repeated. (See Recommendation 6.)**
- Western Connecticut State University should improve controls over part-time, nonteaching appointments by implementing a system to document that such employees completed the duties for which they are being paid. **We noted similar findings in this area. Therefore, this recommendation is being repeated. (See Recommendation 4.)**
- Western Connecticut State University should improve controls over football game gate receipts by retaining ticket sales 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. **We noted similar findings in this area. Therefore, this recommendation is being repeated with modification. (See Recommendation 7.)**
- Western Connecticut State University should ensure that its departments promptly submit funds received to the Bursar's Office for deposit. **We noted similar findings in this area. Therefore, this recommendation is being repeated with modification. (See Recommendation 3.)**

Current Audit Recommendations

- 1. Western Connecticut State University should perform price comparisons or competitive bidding for all applicable purchases. The university also should retain documentation related to the vendor selection process, including a comparison of prices for Department of Administrative Services multiple award contracts and consortium contracts.**

Western Connecticut State University should improve its compliance with purchasing policies and procedures by properly reviewing payment documents and promptly paying invoices.

Western Connecticut State University should capitalize and record all capital assets in accordance with the Office of the State Comptroller Property Control Manual and the CSUS Capital Asset Valuation Manual.

Western Connecticut State University should obtain and maintain the required ethics affidavits and nondiscrimination certifications from its vendors.

Western Connecticut State University should complete a personal services agreement when purchasing professional services. The university should properly document its justification for the selection of sole source vendors.

Comment:

We noted instances in which the university did not comply with its control policies and General Statute requirements regarding procurement. Specifically, the university did not compare prices when purchasing from one of the multiple contractors awarded DAS contracts or purchasing consortium contracts. In some instances, the university did not complete a personal services agreement for professional services, did not provide evidence to verify the justification of its selection of a sole source vendor, and could not provide the required ethics affidavits and nondiscrimination certifications from some of its vendors. In other instances, the university did not approve purchases prior to ordering and receiving goods. The university paid on invoices with incorrect billing addresses and paid vendor invoices late. In one instance, the university failed to capitalize and record one personal property item purchased during the audited period.

2. **Western Connecticut State University should promptly review and reconcile purchasing card monthly statements.**

Western Connecticut State University should follow its purchasing card policies and procedures to ensure authorized and proper use of purchasing cards in compliance with the Western Connecticut State University Purchasing Card Policy Manual.

Western Connecticut State University should follow its ordering process guidelines and secure tax exemptions prior to placing an order to avoid paying Connecticut sales tax.

Comment:

Our audit disclosed instances in which purchasing cardholders did not comply with the university's purchasing card policy. We noted audit exceptions, including the purchase of prohibited items, use of a card by an unauthorized user, untimely reconciliation of monthly purchasing card statements, paying of Connecticut sales tax even though the university is tax exempt, and delivery of a purchase to a personal residence.

3. **Western Connecticut State University should record the date funds are collected by departments outside of the Bursar's Office to ensure that departments promptly submit these funds to the Bursar's Office. In addition, the university should record the date the Bursar's Office received the funds to provide assurance that the university complied with statutory deposit requirements.**

Comment:

The university did not provide sufficient documents for us to verify that the Bursar's Office promptly received and deposited funds. We also noted several instances in which the university did not provide documents to verify when departments received funds.

4. **Western Connecticut State University should develop control procedures to document that part-time faculty and nonteaching employees complete their assigned duties prior to paying them.**

Comment:

We noted instances in which the university did not maintain formal documentation confirming that part-time and non-teaching employees completed the work prior to paying them.

5. **Western Connecticut State University should promptly report breakdowns in the safekeeping of state resources to the Office of the State Comptroller and the Auditors of Public Accounts as required by Section 4-33a of the General Statutes and the Connecticut State Colleges & Universities Security & Policy Program Office as required by the WCSU Information Security Policy.**

Comment:

In February 2019, a university employee inadvertently e-mailed restricted information under the Family Educational Rights and Privacy Act (FERPA) to a group of 120 students. Although the university responded to this issue, it did not report the incident to the State Comptroller, the Auditors of Public Accounts, or the Connecticut State Colleges & Universities Security & Policy Program Office.

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

Comment:

Our review of the disaster recovery plan revealed that the university had not formally tested the disaster recovery plan since May 31, 2013. The university could not provide documentation to verify that it tested its plan during the audited period.

7. **Western Connecticut State University should improve controls over the collection of football game receipts by completing accurate accountability reports of ticket sales, retaining unsold tickets for reconciliation, and segregating the responsibilities of cash collections, reconciliation, and deposit. In addition, the university should maintain detailed documentation to verify the promptness of fund deposits.**

Comment:

The university did not maintain sufficient documentation confirming the number of football game tickets sold or reconcile the amount of money collected to ticket sales. Also, there was a lack of accountability over ticket inventory, as the university did not retain unsold tickets. In addition, there are insufficient controls over the accounting and deposit of monies, because one individual is responsible for collecting, reconciling, and submitting funds to the Bursar's Office for deposit.

- 8. Western Connecticut State University should retain documentation to verify that it granted appropriate Banner access and privileges to new employees and that they were approved by the proper official.**

Western Connecticut State University should also review employee Banner access regularly to determine whether access and privileges are still appropriate. The university should promptly remove access upon an employee's separation.

Comment:

We noted instances in which the university could not provide documents to verify that it approved employees' Banner access. Also, the university did not promptly terminate employees' Banner user accounts upon their separation.

- 9. Western Connecticut State University should retain all gasoline credit card receipts for purchases.**

Comment:

We reviewed 53 gasoline purchases made with gasoline credit cards during the audited period, totaling \$1,845.08. We found that the university did not retain sales receipts for 38 purchases, totaling \$1,349.43.

- 10. Western Connecticut State University should establish a written policy detailing proper control procedures related to the distribution of gift cards as stipends to research participants. In addition, the university should properly document and maintain records confirming each recipient's participation and receipt of the gift card.**

Comment:

The university did not maintain sufficient documentation to verify that 123 research participants were entitled to receive the stipends or that participants actually received the gift cards.

ACKNOWLEDGMENTS

The Auditors of Public Accounts would like 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.

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

Andrew Collins
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Marva N. Robinson
Associate Auditor

Approved:



John C. Geragosian
State Auditor



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