

STATE OF CONNECTICUT



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

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

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July 15, 2021

EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of Central Connecticut State University for the fiscal years ended June 30, 2018 and 2019. Our audit identified internal control deficiencies; instances of noncompliance with laws, regulations, and policies; and the need for changes in management practices that warrant the attention of management. The significant findings and recommendations/resolutions are presented below:

Page 9	We noted two instances in which the university approved \$90,485 in purchase requisitions and related purchase orders after the invoice date. Additionally, we noted six instances in which the university entered multi-year contracts and could not provide us with the required annual ethics affidavits and nondiscrimination certifications. During the audited period, the university paid \$1,437,500 for services covered by these contracts. Central Connecticut State University should improve its controls over procurement by ensuring that all purchases are properly preapproved. The university should also obtain and retain all required ethics affidavits and nondiscrimination certifications from vendors. (Recommendation 1.)
Page 10	Our audit of five rehired retirees disclosed three instances in which the university reemployed retirees after they had reached the two-year limit. The university did not obtain proper approval or failed to document the justification for the rehire. Central Connecticut State University should strengthen controls over its process for rehiring retirees and ensure that it obtains and documents approval when rehiring retirees that have reached the two-year limit. (Recommendation 2.)
Page 11	During a separate investigation, we identified two instances in which a direct family member of a university employee provided \$3,800 in photography services to the university. In both instances, no exceptions existed, and the university did not award the services through an open and public process as required by Section 1-84(i) of the General Statutes. Upon notification, Central Connecticut State University promptly reported this violation to the Office of State Ethics (OSE). On May 17, 2021, the Office of State Ethics and the photographer entered a stipulation and consent order regarding this matter. The university is scheduling ethics training through the Office of State Ethics to ensure that university employees are aware of the restrictions in Section 1-84(i) of the General Statutes and other requirements in the state’s Code of Ethics.

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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July 15, 2021

AUDITORS' REPORT

We have audited certain operations of Central Connecticut State University in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 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, as well as certain external parties; and testing selected transactions. Our testing was not designed to project to a population unless specifically stated. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

1. Identified deficiencies in internal controls;
2. Identified apparent non-compliance with laws, regulations, contracts and grant agreements, policies, and procedures; and
3. Identified need for improvements in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of Central Connecticut State University.

COMMENTS

FOREWORD

Central Connecticut State University in New Britain 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, Western Connecticut State University in Danbury, 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. Zulma R. Toro served as university president during the audited period and continues to serve in that capacity.

Significant Legislation

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 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.

Enrollment Statistics

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

	Fall 2017	Spring 2018	Fall 2018	Spring 2019
Full-Time Undergraduate	7,605	6,935	7,576	6,732
Full-Time Graduate	648	580	591	497
Total Full-Time	8,253	7,515	8,167	7,229
Part-Time Undergraduate	1,949	1,939	1,970	1,965
Part-Time Graduate	1,678	1,631	1,685	1,684
Total Part-Time	3,627	3,570	3,655	3,649
Total Enrollment	11,880	11,085	11,822	10,878

The average of the fall and spring semesters' total enrollment was 11,483 and 11,350 during the 2017-2018 and 2018-2019 fiscal years, respectively, compared to an average of 11,422 during the 2016-2017 fiscal year. Overall enrollment declined slightly during the audited period with the total average number of enrolled students increasing by 61 (0.5%) from fiscal year 2017 to 2018 and decreasing by 133 (1.2%) from fiscal year 2018 to 2019.

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>2017 – 2018</u>			<u>2018 – 2019</u>		
Student Status:	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 period, including the University General Fee and a University Fee. The following presents these fees, on an annual basis, during the audited period:

Fee Description:	<u>2017 – 2018</u>			<u>2018 – 2019</u>		
	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
General	\$3,670	\$3,670	\$3,670	\$3,816	\$3,816	\$3,816
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 fee (double occupancy) and Food Service fee during the audited period:

Fee Description:	<u>2017 – 2018</u>	<u>2018 – 2019</u>
Housing	\$ 6,776	\$ 6,961
Food Service	\$ 4,996	\$ 5,172

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, were:

	<u>2016 – 2017</u>	<u>2017 – 2018</u>	<u>2018 – 2019</u>
Tuition and Fees (net of scholarship allowances)	\$ 84,179,100	\$ 90,898,979	\$105,618,126
Federal Grants and Contracts	1,521,510	2,331,666	3,325,599
State and Local Grants and Contracts	4,289,288	4,293,144	3,751,361
Non-Governmental Grants and Contracts	1,681,471	1,715,197	1,920,080
Indirect Cost Recoveries	148,921	249,412	324,493
Auxiliary Revenues	33,149,079	32,659,550	32,696,312
Other Operating Revenues	6,638,345	5,364,981	3,254,839
Total Operating Revenues	\$131,607,714	\$137,512,929	\$150,890,810

Operating revenues totaled \$137,512,929 and \$150,890,810 during the fiscal years ended June 30, 2018 and 2019, respectively, compared to \$131,607,714 during the fiscal year ended June 30, 2017. These amounts increased \$5,905,215 (4.5%) in fiscal year 2018 and \$13,377,881 (9.7%) in fiscal year 2019.

The increase during the fiscal year ended June 30, 2018 is primarily the result of a 4% increase in tuition and fees.

The increase during the fiscal year ended June 30, 2019 was attributed to an increase in the net amount of tuition and fees (\$14,719,147), which was offset by the decrease in other operating revenues (\$2,110,142). 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 were presented net of debt service fees. For the fiscal year 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, educational services and support, professional services, supplies, depreciation, and various other expenses.

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 Service and Fringe Benefits	\$162,076,965	\$159,346,264	\$167,792,549
Professional Services and Fees	5,918,194	4,991,198	5,097,722
Educational Services and Support	34,657,068	38,952,356	41,273,679
Travel Expenses	2,733,289	2,771,744	2,662,882
Operation of Facilities	25,301,681	26,571,463	25,186,533
Other Operating Supplies and Expenses	5,152,260	5,102,935	5,414,343
Depreciation Expense	18,262,833	17,221,042	17,426,636
Total Operating Expenses	\$254,102,290	\$254,957,002	\$264,854,344

Operating expenses totaled \$254,957,002 and \$264,854,344 during the fiscal years ended June 30, 2018 and 2019, respectively, compared to \$254,102,290 during the fiscal year ended June 30, 2017. These amounts increased \$854,712 (0.3%) during fiscal year 2018 and \$9,897,342 (3.9%) during fiscal year 2019.

The slight increase during the fiscal year ended June 30, 2018 is mostly due to additional expenses for educational services and support, which was offset by a decrease in expenses for personal service and fringe benefits caused by a decrease in the number of full-time employees.

The increase during the fiscal year ended June 30, 2019 is mostly attributable to growth in personal service and fringe benefits due to the hiring of full-time and part-time employees, a number of employees who switched to the State Employee Retirement System (SERS) during the fiscal year, and longevity payments originally designated to be paid in fiscal year 2018 but were delayed to fiscal year 2019. In addition, educational services and support saw an increase in expenses.

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:

	2016 – 2017	2017 – 2018	2018 – 2019
State Appropriations	\$ 84,487,949	\$78,050,460	\$ 86,172,084
Pell Grant Revenue	13,490,588	14,915,492	15,309,364
Gifts	2,416,368	3,118,968	3,417,155
Investment Income	568,350	1,135,784	2,147,131
Interest Expense	(28)	(57)	-
Capital Projects Financed by SO	-	-	1,044,595
Other Nonoperating Revenues	388,069	392,357	444,176
Total Nonoperating Revenues	\$101,351,296	\$97,613,004	\$108,534,505

Nonoperating revenues totaled \$97,613,004 and \$108,534,505 during the fiscal years ended June 30, 2018 and 2019, respectively, compared to \$101,351,296 during the fiscal year ended June 30, 2017. These amounts decreased \$3,738,292 (3.7%) during fiscal year 2018 and increased \$10,921,501 (11.2%) during fiscal year 2019.

The decrease during the fiscal year ended June 30, 2018 is mostly attributable to a reduction in state appropriations during the fiscal year, which were slightly offset by increases in Pell Grant revenue and investment income.

The increase during the fiscal year ended June 30, 2019 is primarily due to additional state appropriations during the fiscal year. Increases in Pell Grant revenue, investment income, and capital project allocations from the system office also helped drive up nonoperating revenues during the fiscal year.

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 \$13,752,537, \$44,532,999, and \$37,940,762, for the fiscal years ended June 30, 2017, 2018, and 2019, respectively.

Central Connecticut State University Foundation, Inc.

The Central 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.

An independent certified public accounting firm performed audits of the books and accounts of the foundation for the fiscal years ended June 30, 2018 and 2019, in accordance with Section 4-37f (8) of the General Statutes. The auditors expressed unmodified 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 4-37j of the General Statutes.

The foundation's financial statements reported revenues, gains and other support totaling \$11,153,822 and \$9,613,701 during the fiscal years ended June 30, 2018 and 2019, respectively. Net assets totaled \$76,989,398 and \$81,156,183 as of June 30, 2018 and 2019, respectively.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of Central Connecticut State University disclosed the following two recommendations, of which one has been repeated from the previous audit, and one resolution:

Non-Payroll Expenditure Authorizations and Contracting

Criteria: The Connecticut State Colleges and Universities Procurement manual requires proper approval of purchases before incurring expenditures for goods or services.

Section 4-252 of the General Statutes and Executive Order No. 49 require vendors to submit certain ethics affidavits and certifications for state contracts with values exceeding \$50,000. Sections 4a-60 and 4a-60a require that contractors provide nondiscrimination certifications as part of state contracts. These sections also require vendors with multi-year contracts to submit updated ethics and nondiscrimination certifications on an annual basis.

Condition: Our audit of 25 non-payroll expenditures, totaling \$2,596,932, disclosed two instances in which the university approved \$90,485 in purchase requisitions and related purchase orders after the invoice date. In these instances, purchase authorizations were obtained roughly one and-a-half and two-months after the date of the invoices.

Additionally, we noted six instances in which the university entered multi-year contracts and could not provide us with the required annual ethics affidavits and nondiscrimination certifications. During the audited period, the university paid \$1,437,500 for services covered by these contracts.

Effect: Because the university did not always preapprove purchases, there is decreased assurance that the purchases were authorized and appropriate.

With respect to the annual ethics affidavits and nondiscrimination certifications, the university did not fully comply with the contracting requirements set forth in the General Statutes and Executive Order No. 49. There was also increased risk that the university continued to do business with a vendor that no longer complied with the ethics and nondiscrimination provisions of the General Statutes.

Cause: The university failed to consistently follow the established purchasing policies regarding the timing of purchase authorizations. The university did not fully comply with the ethics affidavit and nondiscrimination certification contracting requirements set forth in the General Statutes.

Prior Audit Finding: The portion of this finding related to the preapproval of purchases has been previously reported in the last two audit reports covering fiscal years 2013 through 2017. The ethics affidavits and nondiscrimination certifications finding has not been previously reported.

Recommendation: Central Connecticut State University should improve its controls over procurement by ensuring that all purchases are properly preapproved. The university should also obtain and retain all required ethics affidavits and nondiscrimination certifications from vendors. (See Recommendation 1.)

Agency Response: “The procurement department reminds the campus community that purchases should be made in accordance with the Connecticut State Colleges and Universities Unified Procurement Manual, and no purchases for goods and/or services should be provided until a purchase order has been submitted. Any Purchase Requisition submitted after a service has begun must be accompanied by a Purchase Requisition Late Justification Form signed by both the budget manager and the appropriate vice president or chief officer, which requires an acknowledgement of the rules and the identification of action items to ensure compliance in the future.

The University has reemphasized the importance of timely collection of required forms and shall ensure the forms are promptly scanned into our imaging system. In addition, enhanced supervision and tracking has been implemented to ensure compliance with applicable statutes and policies.”

Rehired Retirees

Criteria: Board of Regents Resolution #09-44 generally limits the rehiring of retirees to no more than 120 days within a year and restricts the rehiring to two years. The resolution provides an exception to the two-year limit when the university can justify the need to extend the rehire. In these situations, the university must submit a justification to the Council on Employee Relations, which makes a recommendation on allowing the hire to the head of the Connecticut State Colleges and Universities System for a final decision.

Condition: Our audit of five rehired retirees disclosed three instances in which the university reemployed retirees after they had reached the two-year limit. The university did not obtain proper approval or failed to document the justification for the rehire.

Effect: In some instances, the university did not comply with Board of Regents Resolution #09-44.

Cause: The university informed us that in two of the instances, it overlooked the requirement to obtain approval due to a misunderstanding at the department level. In the third instance, we were told that the university obtained verbal approval, but it was unable to provide us with documentation. Due to a lack of documentation, we could not verify that approval was obtained.

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

Recommendation: Central Connecticut State University should strengthen controls over its process for rehiring retirees and ensure that it obtains and documents approval when rehiring retirees that have reached the two-year limit. (See Recommendation 2.)

Agency Response: “Central Connecticut State University agrees with the finding.

Effective, March 1, 2021 the University has assigned an employee the specific responsibility of tracking and maintaining documentation related to rehired retirees to ensure compliance with the applicable CSCU Board Resolutions and Executive Orders.”

Other Matters

At the time this audit was being conducted, our office also conducted an investigation covering certain university operations. During that review, we noted an issue that we deemed significant enough to include in this report.

Ethics Violation – Section 1-84(i) of the General Statutes

Criteria: Section 1-84(i) of the General Statutes restricts public officials, state employees, and members of the official’s or employee’s immediate family or associated business from entering into any contract with the state valued at \$100 or more. The statute allows for certain exceptions to this restriction and if those cannot be met, the contract must be awarded through an open and public process.

Condition: During our investigation, we identified two instances in which a direct family member of a university employee provided \$3,800 in photography services to the university. In both instances, no exceptions existed, and the university did not award the services through an open and public process.

Effect: Section 1-84(i) of the General Statutes was violated when a direct family member of a university employee provided services exceeding \$100 to the university without the need for those services going through an open and public process.

Cause: We were informed that this issue was the result of miscommunication and a misunderstanding of the restrictions set forth in Section 1-84(i) of the General Statutes.

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

Audit Resolution: Upon notification of this matter, Central Connecticut State University promptly reported this violation to the Office of State Ethics (OSE). On May 17, 2021, the Office of State Ethics and the photographer entered a stipulation and consent order regarding this matter.

The university is scheduling ethics training through the Office of State Ethics to ensure that university employees are aware of the restrictions in Section 1-84(i) of the General Statutes and other requirements in the state's Code of Ethics.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on Central Connecticut State University contained four recommendations. Three have been implemented or otherwise resolved and one has been restated with modifications during the current audit.

- Central Connecticut State University should improve its controls over procurement by ensuring that all purchases are properly preapproved. **Our current audit disclosed further improvement is needed in this area. The recommendation is being repeated with modification to reflect our current audit findings. (See Recommendation 1.)**
- Central Connecticut State University should regularly test its information technology disaster recovery plan as required by its own policy. **Our current audit disclosed that sufficient improvement has been made in this area. The recommendation is not being repeated.**
- Central Connecticut State University should improve its controls over the collection of receipts originating outside the Bursar's Office by ensuring that all departments promptly submit funds to the Bursar's Office for deposit. Furthermore, the university should maintain appropriate, dated receipt records of all monies it collected. **Our current audit disclosed that sufficient improvement has been made in this area. The recommendation is not being repeated.**
- Central Connecticut State University should continue its efforts to improve its faculty release time internal controls by maintaining documentation to support the work completed by faculty while on release time and retaining adequate records. **Our current audit disclosed that sufficient improvement has been made in this area. The recommendation is not being repeated.**

Current Audit Recommendations:

- 1. Central Connecticut State University should improve its controls over procurement by ensuring that all purchases are properly preapproved. The university should also obtain and retain all required ethics affidavits and nondiscrimination certifications from vendors.**

Comment:

We noted two instances in which the university approved \$90,485 in purchase requisitions and related purchase orders after the invoice date. Additionally, we noted six instances in which the university entered multi-year contracts and could not provide us with the required annual ethics affidavits and nondiscrimination certifications. During the audited period, the university paid \$1,437,500 for services covered by these contracts.

- 2. Central Connecticut State University should strengthen controls over its process for rehiring retirees and ensure that it obtains and documents approval when rehiring retirees that have reached the two-year limit.**

Comment:

Our audit of five rehired retirees disclosed three instances in which the university reemployed retirees after they had reached the two-year limit. The university did not obtain proper approval or failed to document the justification for the rehire.

ACKNOWLEDGMENTS

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of Central 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:

Marva Robinson
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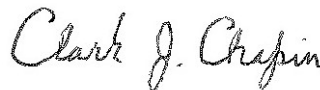
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