



OFFICE *of the*
STATE COMPTROLLER

REPORT TO THE GOVERNOR

*On the Connecticut State
Colleges and Universities
Special Examination*

December 2024

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EXECUTIVE SUMMARY

On October 25, 2024, following recent reporting on spending by the Chancellor of the Connecticut State Colleges and Universities System (CSCU), Governor Lamont formally requested that my office examine the financial records and policies for institutions governed by the Board of Regents (BOR).

After requesting financial records and policies from CSCU and the State's purchasing card (P-Card) vendor, my office reviewed both transactions attributed to CSCU leadership and a sample of other spending by staff to identify instances of inappropriate spending, disregard for financial practices and procedures, inadequate reporting, and misuse of state property.

Our audit identifies several transactions by certain university leadership that did not have adequate documentation or did not follow university policies. Additionally, our review of state vehicles assigned to leadership staff found instances of missing logs and potential violations of state procedures regarding vehicle usage.

The audit also concludes CSCU lacks a comprehensive, uniform purchasing policy that should provide sufficient internal controls against misuse. We strongly recommend a stronger P-card policy with more checks and balances, greater enforcement mechanisms and more stringent reporting requirements to ensure appropriate spending.

In the wake of budget deficits and tuition increases at CSCU, it is imperative that the public and students who our universities serve have the confidence that public funds are used appropriately, and that financial practices and policies are followed.

State law provides the CSCU system broad autonomy over its purchasing policies and procedures. While our office has statutory authority to audit the system's finances, we have limited ability to enforce changes to their practices.

In light of this report's findings, however, I strongly urge CSCU take swift action to adopt our recommendations and build a culture that better reflects the financial realities facing our institutions.

SUMMARY OF PROCEDURES AND FINDINGS

Under the authority granted by Connecticut General Statutes (CGS) §3-112(b), OSC requested the following financial records for CSCU and the four regional universities for the period starting July 1, 2021 through October 2024:

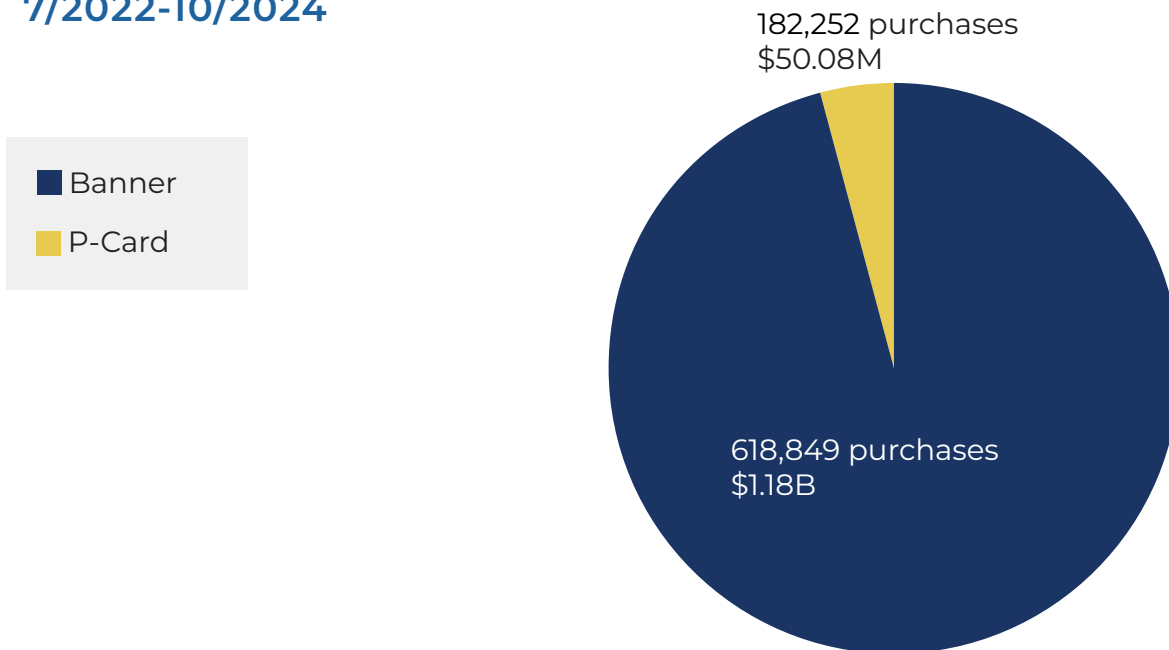
- A detailed report of all P-Card activity for all P-Cards throughout the CSCU System;
- A detailed report of all gas card activity for all gas cards throughout the CSCU System in Excel format;
- Detailed check register, disbursement, and vendor activity reports from Banner for the entire CSCU System;
- Detailed general ledger reports from Banner for the entire CSCU System ; and
- Annual fleet listings of the CSCU System that includes the individual the vehicle is assigned to when applicable.

The review of these records included, but was not limited to, the review of adherence to applicable state and university financial policies, the adherence to proper IRS tax reporting requirements, and the connection of these expenditures to the educational mission of the CSCU system.

Disbursements for expenditures are made by check or automated clearing house (ACH), an electronic network for processing transactions between financial institutions, via the CSCU Financial system (Banner) or by credit card using the State's P-Card issued by JP Morgan bank.

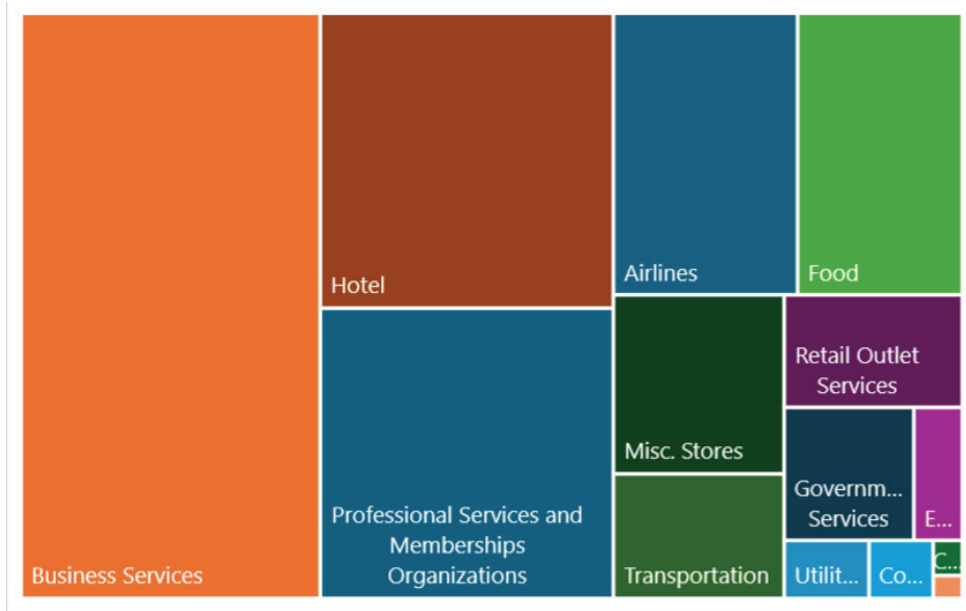
The total number of disbursements for the review period were 628,849 from Banner and 182,252 by P-Card, amounting to \$ 1,184,473,919 and \$50,080,277, respectively.

CSCU Spending, P-Cards vs. Banner 7/2022-10/2024

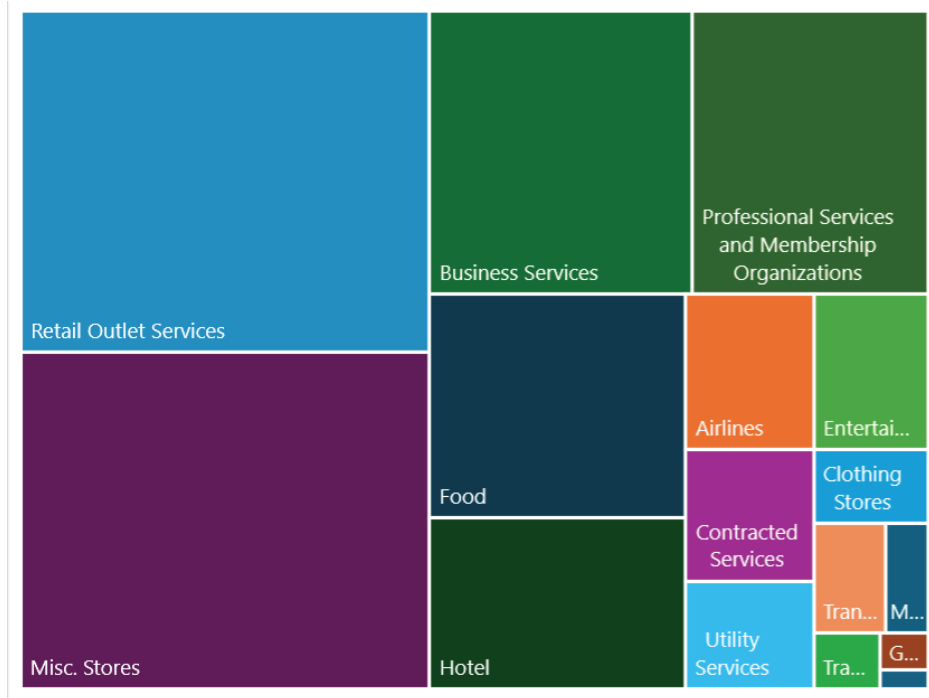


The P-Card transactions were provided by JP Morgan and consisted of 182,252 transactions from 26,135 billing cycles from 07/2021 - 10/2024. The P-Card spend was divided into two groups for review: leadership and staff. The graphs below show the spend by category or each group.

P-Card Spending: CSCU Leadership July 2022- October 2024



P Card Spending: CSCU Staff July 2022- October 2024



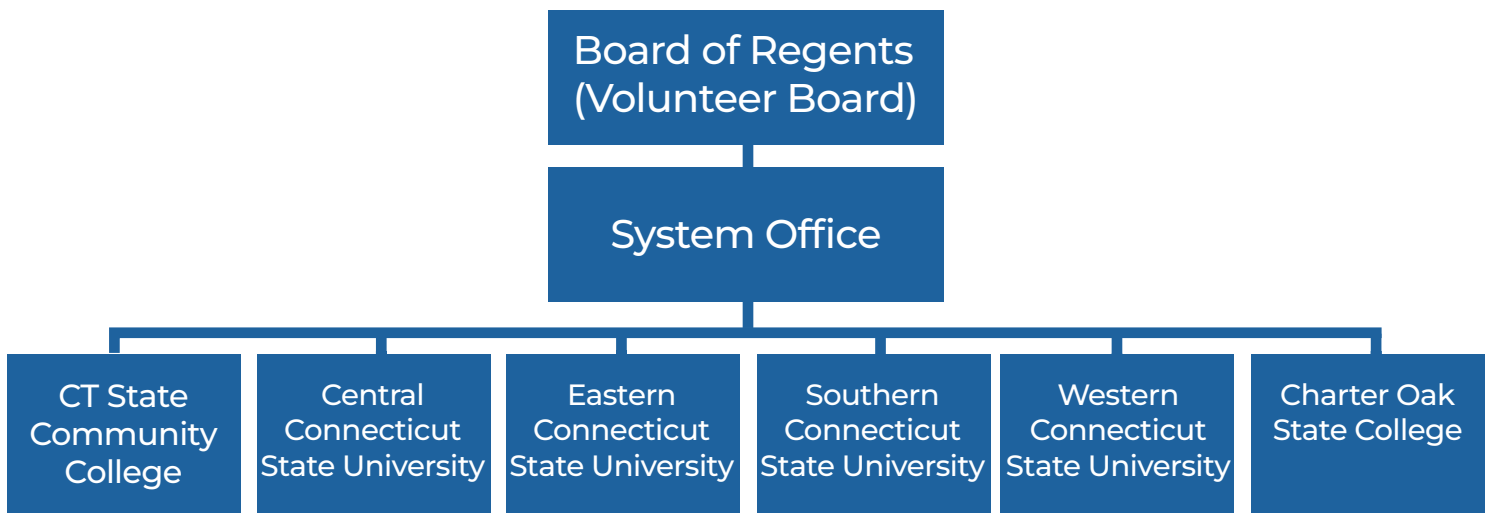
From these records, OSC selected 76 billing cycles containing 1,031 transactions for a detailed review of backup documentation and compliance with policies. The results of this review identified findings of incomplete documentation, restricted purchases, and policy violations.

Based on those findings, OSC is making a number of recommendations to improve the processes and internal controls related to P-Card usage including the standardization of policies across the system, segregation of duties, the establishment and enforcement of repercussions for misuse, and an ongoing system of training and re-training for new and existing cardholders.

STRUCTURE OF CSCU

Chapter 185 of the CGS describes the structure of the CSCU. CGS §10a-1a established the Board of Regents of Higher Education which shall oversee CSCU, the regional community-technical colleges, and Charter Oak State College (COSC). This board shall appoint the president of CSCU (Chancellor) who shall directly oversee the system office and who shall be assisted by two appointed vice-presidents, one in charge of the state university system, and the other in charge of the regional community-technical college system.

Each state university shall have its own Board of Trustees who shall appoint a President of that constituent unit. The Chancellor shall work to build interdependent support among the Connecticut State University System, the regional community-technical college system (CT State Community College) and Charter Oak State College, balance central authority with institutional differentiation, autonomy, and creativity, and facilitate cooperation and synergy among the constituent units so each may fulfill its mission.



PROCUREMENT CARD (P-CARD) REVIEW

The State of Connecticut began allowing the use of state-issued credit cards (Procurement or P-Cards) in 1998. The P-Card program was designed to give agencies flexibility in procurement for small non-recurring purchases. It helped to alleviate the entering of Purchase Orders for vendors which might be used infrequently or even a single time. The P-Card program was intended to supplement existing purchasing policy, not eliminate or supersede internal controls.

The Connecticut State Colleges and Universities (CSCU) System currently has 1,070 P-Card users across all of its constituent units.

Due to the structure of the system the central office (including the community colleges) and each university have their own policy on P-Card use.

A strong P-Card policy gives users uniform guidance with clear expectations and instruction on procedures for different types of scenarios. It should describe not just the correct use, but also the possible types of misuse. Policies should also give guidance on repercussions from misuse (ex. Point systems for infractions), provide clear segregation of duties related to procurement with this method of payment (ex. Pre-approvals for certain programs), and include good internal controls for the program (ex. Post-audit checklists). Because this program takes the place of normal procurement processes, there should be a strong requirement in the policy for detailed documentation supporting each transaction to eliminate fraud, waste, and abuse.

FINDINGS

As part of this review of the CSCU System's financial records and policies, JP Morgan provided P-Card transaction data for 1,753 cards during the review period of FY22-25, 1,070 of which were still active on October 24, 2024.

We reviewed the P-Card usage of top-ranking personnel (e.g., Presidents, Vice Presidents, the Chancellor, etc.) along with random staff below the leadership level that showed a variety of transaction types within the System Office and State Universities.

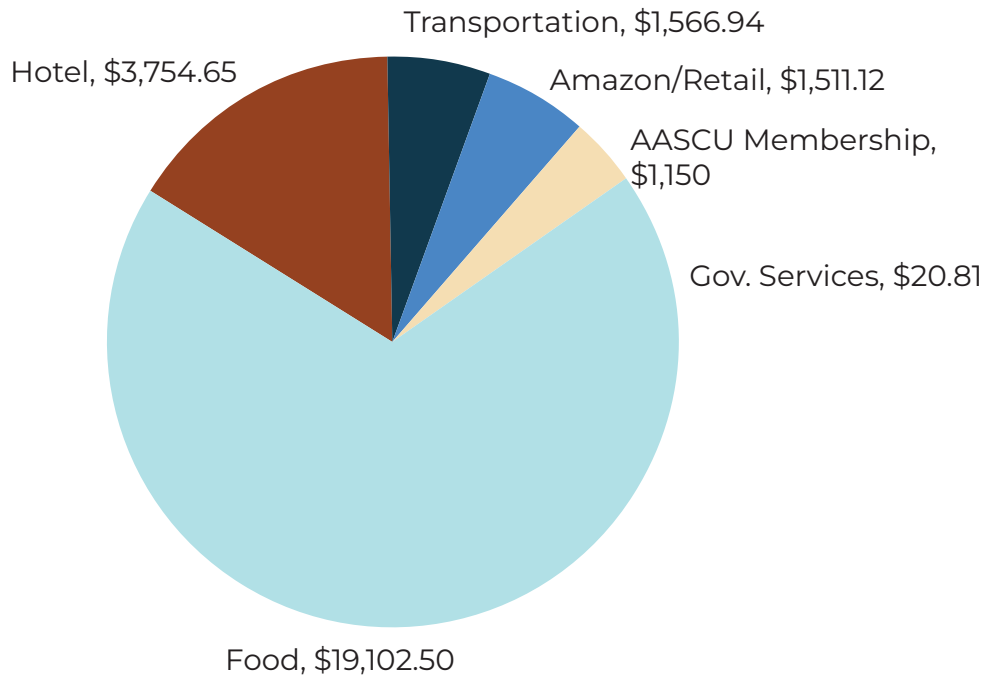
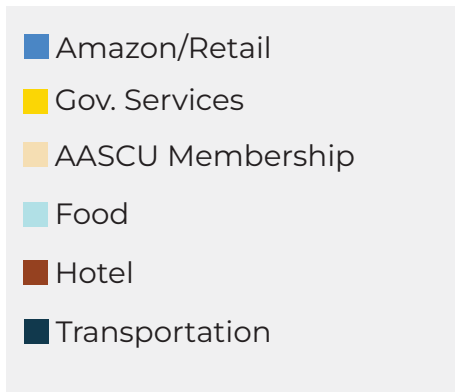
We judgmentally selected 76 P-Card statements, requested the backup documentation, and conducted a post-audit resulting in the review of 1,031 individual transactions out of the 182,252 transactions which occurred during fiscal years 2022 through 2025 for a total of \$50,080,277.

Based on our review, we noted the following:

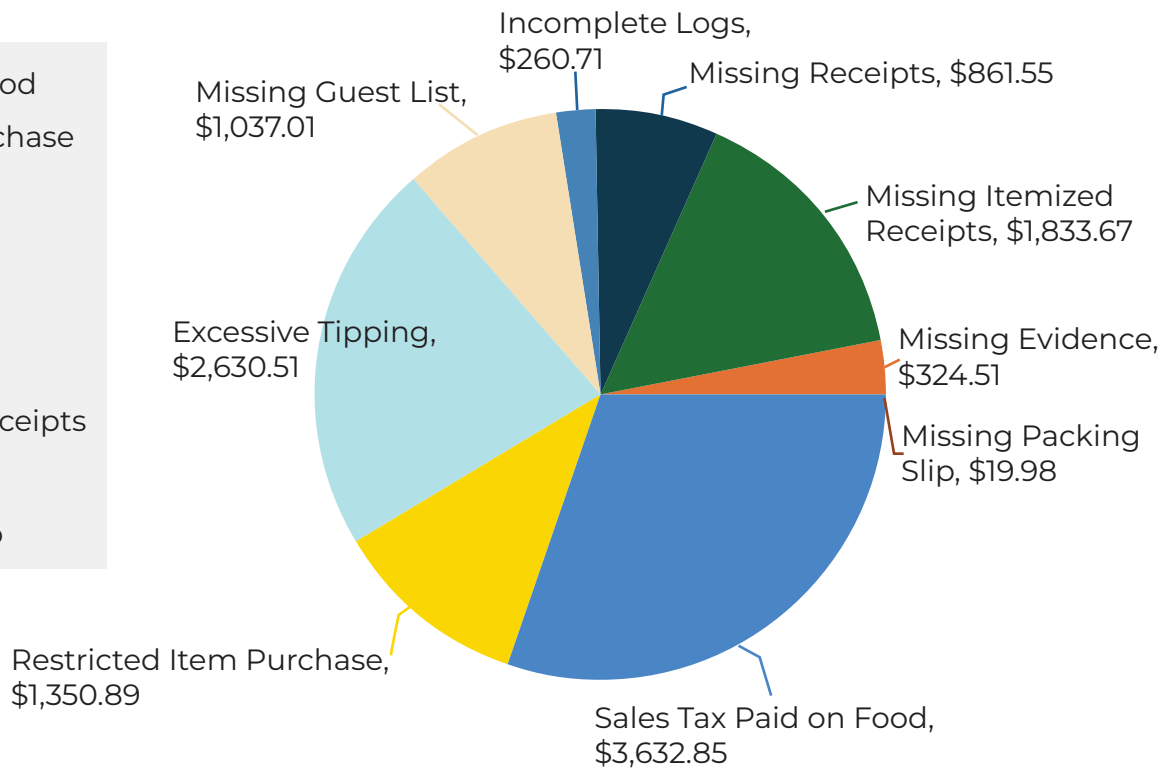
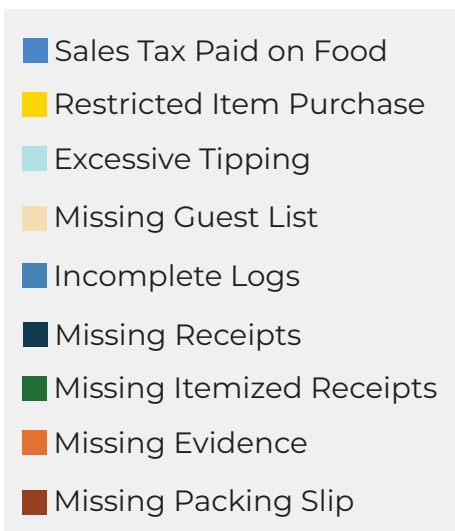
- Three (3) marketing payments that exceeded the policy limit for individual users and should not have been paid using the P-Card were selected as part of our review. Upon discovering that employees were using split payments to avoid the P-Card limits for authorized expenditures, we investigated further and discovered that fifty (50) payments were made for amounts less than the invoiced total due to card capacity and timing of charges. This resulted in several charge declines from lack of available card balance and multiple individuals using their cards to split payments due to charge declines.
- One instance where a notation was made that a flight was cancelled and credit issued, but the credit did not appear on subsequent statements.
- One instance where tickets to Friends of the Danbury Museum and Historical Society Authority Gala were purchased for the Interim President of WCSU and their spouse.
- One instance where a single ticket was purchased for a sports event which did not involve CSCU associated teams. This was not logged as a business meeting or scouting event.
- Three (3) instances where an employee with an assigned state vehicle utilized a livery service for travel. Trip details listed below in section regarding the Chancellor.
- Twenty (20) instances where the P-Card was used to purchase restricted items without special approval or documentation (ex. dry cleaning, fuel, room service, office supplies, flowers, cellphones and IT assets, decorations).
- One instance where a capital asset (Freezer) was purchased, against P-Card policy, and there is no documentation regarding it being added to the institution's capital asset list.
- One instance where three identical charges were made with only one invoice submitted as backup. The extra charges did not appear to be properly disputed or refunded.
- One employee routinely failed to supply supporting documentation within ten (10) days of the end of the billing cycle, as required by the SCSU P-Card policy, and filled out missing receipt forms only when our review required it. This also led to multiple inaccurate descriptions of the purchase being used on the missing receipt form.
- Eighty-two (82) instances where purchases were made without properly removing or refunding state sales tax.
- Forty (40) instances where an itemized receipt for goods was not included in the monthly documentation.

- Ninety-six (96) instances where Travel Authorizations were missing.
- Two-hundred twenty-seven (227) instances where Packing Slips, and other additional backup documents required by policy are missing or were not supplied.
- Ninety-five (95) instances where receipts or supporting documentation were not included in the monthly log supporting the charges. An additional thirty (30) instances where a missing receipt form was supplied in place of a lost receipt. In some cases, these missing receipt forms were submitted months after the reporting period was closed and/or were filled out with inaccurate information due to the time lapse (gasoline charges listed for actual auto detailing services).
- Nineteen (19) cases where the submitted log was incomplete or inconsistent with the policy.
- Fifteen (15) instances where a required purchasing log was not provided.
- Twenty-three (23) instances where excessive tipping was shown, ranging from 22% up to 36% gratuity.
- Several instances where emergency funds were used to pay student personal debts to companies (Verizon, Eversource, etc.) exceeding \$600. This constitutes a financial benefit to the student and may require that corresponding 1099 forms be issued by the educational institution for those amounts. CSCU noted that they had not considered this as the payment was not made directly to the student.

Chancellor P-Card Spending FYs 22-24



Chancellor Spending by Violation



Our review of the Chancellor's spending practices centered on two topics: meals and transportation.

Between assuming the office of Chancellor on July 1, 2021 and October 24, 2024, the Chancellor charged \$27,125 to his P-Card.

The majority (70%) of the Chancellor's P-Card transactions are for meals designated as business meetings.

CSCU policy allows P-Card holders to use their cards for meals with the following requirements:

- Meals should be less than \$50 per person including tip
- Sales tax exemption should apply
- No alcohol may be purchased
- A written record of guests should be maintained
- An itemized receipt is necessary to verify compliance with the policy

During the period we reviewed, the Chancellor used his P-Card in some instances for meals over the \$50 limit, to purchase alcohol, and at times did not properly record guests. In 43% of the transactions we reviewed, the receipts were either missing or there were no itemized receipts.

Various other findings identified included 30 occasions where sales tax was paid, a violation of policy, as well as 18 occasions of excessive tips (in excess of 22%). The amount of tip is not a policy violation but a questionable use of university funds.

However, our review determined that the Chancellor did not technically violate the policy because, as Chancellor, the policy permits him to override the policy at his own discretion.

The Chancellor lives in New York State and commutes to his office in Hartford. In 2021, he was provided with a state vehicle. In 2024, he returned that state vehicle and will instead receive a \$24,000 annual car allowance.

The use of a state vehicle for personal business constitutes a taxable benefit to the employee. The value of the benefit is calculated per IRS requirements and is included in the employee's pay on form W-2. Employees given state vehicles are required to keep logs showing personal or business miles based on odometer readings taken at the start and end of each trip. The Chancellor had the use of a state vehicle from July 2021, through August 2024. In June of 2024, CSCU self-reported to the Auditors of Public Accounts for the State of Connecticut that discrepancies were found in the mileage reporting for the Chancellor's assigned vehicle. At the time of the reporting, it was noted that the errors appeared to be a result of administrative mistakes and gaps in procedure training. CSCU conducted an analysis to determine the actual value of the taxable benefit. Corrected W-2s were issued to the Chancellor for tax years 2021, 2022, and 2023.

In September of 2024, the Chancellor stopped using the state vehicle and began using his personal vehicle. He then began to receive a vehicle allowance to cover the expense. The vehicle allowance is paid bi-weekly in his paycheck and is taxable. It is the employee's responsibility to track the expense and make any adjustments to their tax returns in accordance with IRS regulation.

During our review period – during which the Chancellor also had a state vehicle – he used a car service on at least three occasions.

There was one charge for a car/driver service made on the Chancellor's assigned P-Card. The charge was for \$490, including tip, on November 20, 2022 for a trip from South Salem, NY to Stamford, CT. Additionally, a general review of transportation charges over \$500 found two similar charges made to the President's Office P-Card. On September 19, 2023, there was a trip from South Salem, NY with three stops in Hartford, a stop in Stamford, and drop off in South Salem, NY totaling \$1,263.00. On October 25, 2023, there was a trip from Hartford, CT with stops in New Britain, Killingly, and drop off in Hartford totaling \$784.00.

Our review determined that the use of a car and driver did not violate university policy, but these trips are of note as the Chancellor was provided with a state vehicle for their use.

In conclusion, while not technically violating state or university policy, we found that, in the absence of sound, comprehensive policies, the Chancellor utilized poor judgement when making P-Card purchases that were especially troubling given the financial stress on the CSCU system.

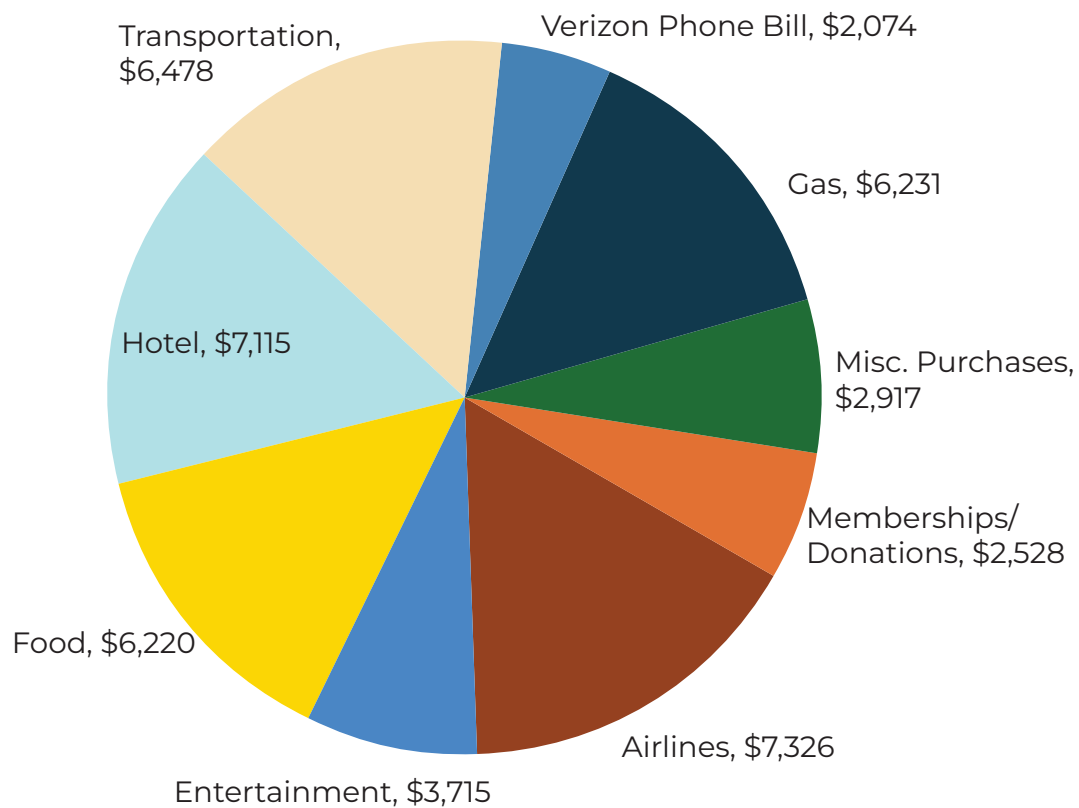
OTHER ADMINISTRATORS

President COSC

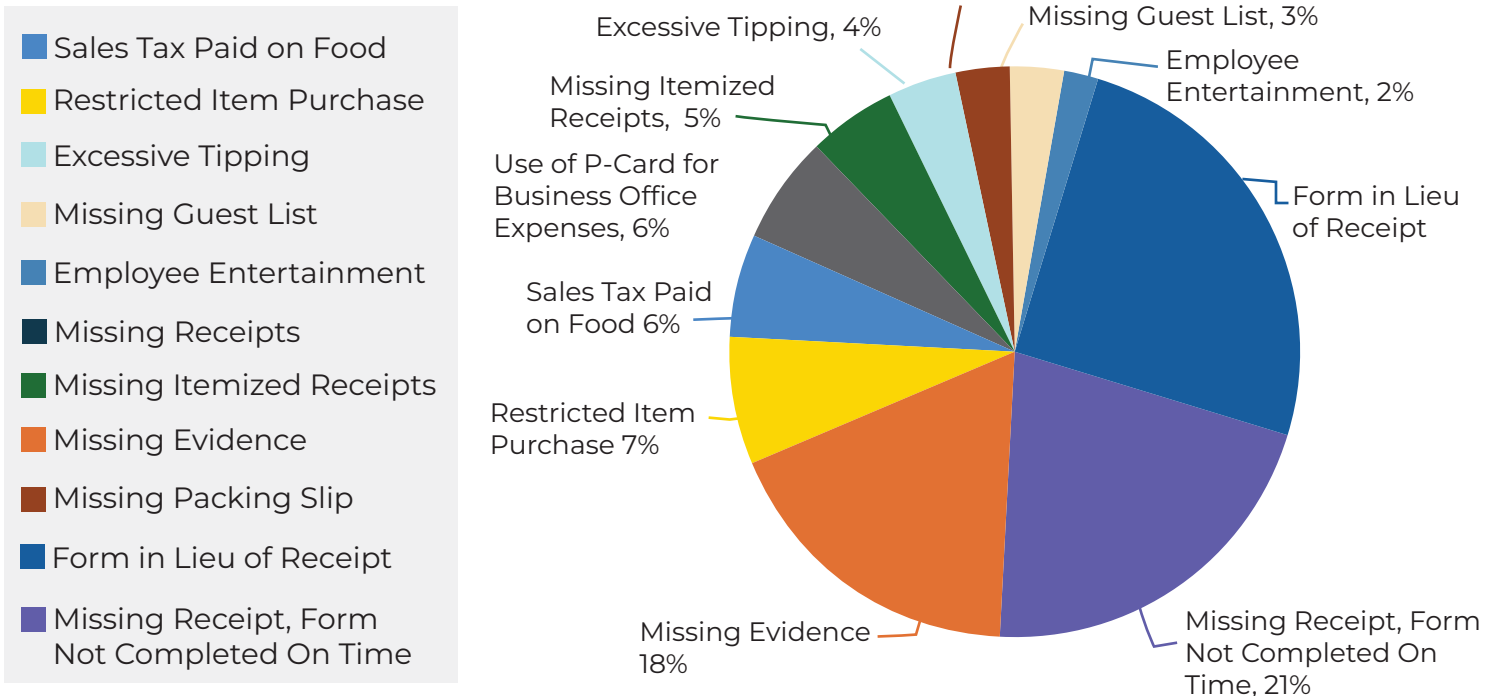
The President of Charter Oak State College's impermissible charges are almost entirely the payment of marketing invoices using a method called split payments. This is where the total monthly invoice is above the spending limit (Daily, Transactional, or Monthly) of the P-Card being used. Three split payments fell into our random selection criteria, but because of the splitting the associated invoices led us to discover a total of 50 charges totaling \$497,062.44 on two cards, assigned to the President and the marketing director, that violated P-Card policies regarding splitting payments to bypass cardholder spending limits. These payments, due to their amount and frequency, should have been processed through the university procurement office.

President SCSU

SCSU President Spending



SCSU President Spending by Violation



Our review of transactions for The Interim President of Southern Connecticut State University's P-Card shows a wide variety of infractions spanning almost every category of restricted purchasing and failure to follow many of the policy requirements for documentation and reporting of transactions. The most blatant of which was failure to supply receipts within 10 days of the close of the billing period. In many cases the receipts were never saved, and he created missing receipt forms only when we began our investigation. Due to the time between the purchases and his submittal of the missing receipt forms, two forms submitted falsely documented automotive detailing charges as fuel purchases. State sales tax was never removed or credited. He purchased a ticket to a Yale vs. Morgan State football game without stating that it was for a business meeting or scouting event. A flight purchased with the P-Card had a notation on the receipt saying \$745.99 was credited on Oct. 5, 2024 but did not show on any JP Morgan statements as a credit for that or any subsequent billing period.

SUMMARY OF TRAVEL LOG REVIEW

Findings:

As part of our review of the Connecticut State Colleges and Universities (CSCU) System's financial and operational activities, we reviewed the vehicle usage of top-ranking personnel (e.g., Presidents, Vice Presidents, the Chancellor, etc.) within the System Office and State Universities. For this review, we obtained the related policies and procedures in place and judgmentally selected several months to review amounting to 103 monthly vehicle usage logs within the period of Fiscal Years 2023 through 2025. Based on our review, we noted the following:

- Fifty-nine (59) instances where signatures were not present on vehicle usage logs indicating that the information had not been reviewed for accuracy and approved;
- Thirteen (13) instances where usage logs for one vehicle were not provided for the months selected. In effect, a review that vehicle's usage could not be completed;
- Three instances where monthly activity was reported in one lump-sum mileage amount rather than daily as required by policy;
- Seven instances where the monthly activity logs were not signed by the employee using the vehicle; and
- One instance where an employee with an assigned state vehicle purchased enough fuel (\$50.00) using the state P-Card to fill a vehicle on Saturday morning (3-30-24 9:19AM), the vehicle log shows a 2.6-mile trip for that weekend, and then used the same P-Card to purchase 10.26Ga (\$35.00) of fuel on Sunday evening (3-31-24 8:15PM).

In addition, we were provided with detailed usage reports documenting the activity of two vehicles maintained by the System Office. While reviewing the information on these logs, we noted several instances in which the top speed of the vehicles exceeded the State's top speed limit of 65 miles per hour. Specifically, we noted that of the 238 trips logged by these vehicles from July 2024 through November 2024, the vehicles exceeded the maximum speed limit of the state in 146 of those trips, or 61 percent of the time. Top speeds during those 146 trips ranged from 66 to 89 miles per hour, or one to 24 miles per hour over the maximum speed limit. Per the State of Connecticut's Vehicle Use Policy, the driver's responsibility while using a state vehicle includes obeying all motor vehicle laws. It should also be noted that we were not able to determine the actual speed limit of where these vehicles were driving, so the State's maximum highway speed limit was used for our analysis.

Further, we noted that multiple policies for the use of state vehicles exist within the CSCU System. We also found that the mileage logs used to track activity varied between institutions. This can lead to inconsistencies in the treatment of vehicle usage, taxable benefits related to the use of state vehicles and can cause confusion when determining what policy to apply (e.g., the institutions, the State's, or both). It also creates additional work when policies need to be updated. Additionally, the policies in place did not seem to address certain situations for vehicles assigned to leadership, which could lead to confusion or uncertainty in what is and is not allowed as far as the use of state vehicles as well as how that activity should be treated for compensation and tax purposes.

RECOMMENDATIONS

1. Reinstitute the internal audit function.

CSCU should reinstitute its internal audit function to provide analysis, evaluations, assurances, recommendations, and other pertinent business and compliance information to management and those charged with governance. The internal audit unit should ensure that strong internal controls exist and all units are adhering to them.

2. Establish a centralized P-Card policy.

CSCU System should establish a comprehensive centralized policy related to P-Card usage and restrictions. The policy should address training and expectations of cardholders, proper documentation, and segregation of duties in the approval process.

3. Use foundation funds for meals and entertainment.

CSCU should seek financial support from its various foundations to cover certain costs, such as food and entertainment, when it's related to networking, fundraising, or other business-related purposes rather than using a P-Card. This will eliminate the risk of unintentional violations of the CSCU P-Card policy as well as deter any misuse of P-Cards and State funds.

4. Set limits and review procedures for executive P-Card use.

If meals and entertainment cannot be shifted to foundation expenses, CSCU should evaluate its current policies and procedures to specifically address how they are applied to personnel in management positions. In the case of exceptions to certain spending limits for P-Cards for management, a secondary review and sign-off should be required to ensure that the exception to the policy is warranted. A secondary review and sign-off would also deter any misuse of the exception to the spending limit in place.

5. Establish a vehicle use policy.

The CSCU System should create a system-wide vehicle use policy that addresses all relevant situations to ensure consistency across the CSCU System with respect to the usage of state vehicles and how that usage should be treated for compensation and tax purposes. It should also take steps to ensure the policy in place is adhered to and enforce disciplinary actions when infractions occur to mitigate the misuse of State vehicles and noncompliance with CSCU policies.

6. Institute residency requirement for executives.

The Board of Regents should consider implementing residency requirements for high level staff, e.g. Chancellor, President, and Vice-President. This would be similar to the Executive branch authority to enforce residency requirements per CGS 5-231 for selected classes.

7. Add CSCU to OpenConnecticut.

Section 10a-9b of the Connecticut General Statutes should be expanded to require constituent units of the state system of higher education to submit quarterly, or at a minimum annual, detailed financial and budgetary information to the Office of the State Comptroller when Core-CT is not being fully utilized. This information will be made available through the State's OpenConnecticut website, which will increase transparency and create additional accountability on how state funds are spent.

8. Create uniform training.

CSCU should align its policies and procedures throughout the system to ensure uniformity in how business functions are carried out at the various institutions within the system. This will also help when training personnel as all CSCU personnel would be able to receive the same training.

9. Submit transactions for post-audit by OSC.

CSCU should be subject to a randomized post-audit by OSC, similar to the ones all executive branch state agencies are currently subject to. In order to complete this, OSC will require access to all CSCU transactions.

10. Enforce accountability measures for misuse of P-Cards.

After establishing a system-wide policy for P-Card usage, CSCU should also create and enforce accountability measures for potential P-Card misuse. This may take the form of a point-system with tiered consequences, ultimately resulting in the revocation of one's P-Card.

CONCLUSION

The Comptroller's Office would like to express our appreciation and thanks to CSCU system staff for their voluntary provision of documents, cooperation, and time during this examination.

The Comptroller's Office would also like to note that findings and recommendations are based on a sample of the more than 600,000 documents obtained by the office.