

SPECIAL MEETING OF THE
AUDIT COMMITTEE
Board of Regents for Higher Education
39 Woodland Street, Hartford, Connecticut

Thursday, December 6, 2012, at 10:00 a.m.
Room 209

AGENDA

1. Approval of Minutes of the June 7, 2012 meeting
2. Presentation by Marcum, LLP –Audit of Project Expenditures of CSUS 2020 during the Fiscal Year ended June 30, 2012: Michael Brooder, Partner; James Miller, Senior Accountant
3. Overview of CSU/CCC Financial Statements/Highlights (W. Bowes)
4. Presentation by PricewaterhouseCoopers LLP – FY2012 Financial Statements and Management Letters for the Connecticut State Universities and Community Colleges: Raymond Vicks, Lead Engagement Partner; Steven Manocchio, Risk Assurance Director; Carol Ruiz, Assurance Senior Manager; Shannon Smith, Manager
5. Update on Internal Auditor Search Process
6. Western CSU Security Issues/ Security Matters
7. *Possible move to Executive Session*

**MEETING OF THE
AUDIT COMMITTEE**
Connecticut State Colleges and Universities
Board of Regents for Higher Education
39 Woodland Street
Hartford, Connecticut

Wednesday, June 7, 2012, at 10:00 a.m.
Room 123

Minutes

REGENTS PRESENT

Lewis Robinson, BOR Chair
Craig Lappen, Audit Committee Chair
Michael Pollard
Nick Donofrio (Telephonic)

BOR/CONNSCU STAFF PRESENT

Michael Meotti, EVP; William Bowes, CFO; Cliff Williams, Chief Financial and Administrative Officer, COSC; Charlene Casamento, CFO, CCSU; Mitch Knight, Director of Internal Audit; Rosalie Butler, Administrative Assistant for Finance

PWC STAFF PRESENT

LeeAnn Leahy, Transition Partner; Ray Vicks, Partner; Carol Ruiz, Managing Director (for CSU); Shannon Smith, Managing Director, (for CCCs); Steve Manocchio, IT Director

With a quorum present, the meeting was called to order at 10:00 a.m. Items were discussed out of agenda order.

1. Minutes of the January 11, 2012 meeting

The minutes of the January 11, 2012 meeting were unanimously approved on a motion by Regent Pollard, seconded by Regent Donofrio.

2. Approval of Audit Committee Charter

Chairman Lappen turned to CFO Bowes for further explanation. Pursuant to its first meeting in January 2012, the Audit Committee agreed to the creation of an Audit Committee Charter. An initial draft was presented and reviewed at the January meeting. The Committee had requested certain revisions to the draft, as well as review from the independent audit firm assigned to audit both the Connecticut State Universities and Community Technical Colleges. The charter presented reflected the results of consultation with PricewaterhouseCoopers and a review of several charters of similar governance organizations. CFO Bowes further explained that when

fully implemented, the Charter will provide for appropriate accountability, responsibility and transparency in accord with best practices.

The Audit Committee Charter was approved on a motion by Regent Donofrio, seconded by Regent Pollard.

3. Approval of Internal Audit Charter

Director of Internal Audit Mitch Knight provided a brief overview of the proposed Internal Audit Charter. Similar to the Audit Committee Charter, it provides the authority and access for Internal Audit staff to perform their function.

The Internal Audit Charter was approved on a motion by Regent Donofrio, seconded by Regent Pollard.

4. Resolution concerning The Leadership, Responsibility, and Ongoing Operational Management of the Information Security Programs for the Board of Regents of Higher Education and its Institutions

EVP Meotti provided details on the proposed Information Security Program, indicating it would bring shared responsibility to the Community Technical Colleges and State Universities, who will bear the monetary cost resulting from any security breaches. Annual reporting will be a requirement.

Regent Donofrio suggested the Resolution encompass senior staff and include both an amnesty period and a day of IT Plan review. Committee members requested a wording change in the third “WHEREAS” to elevate senior staff above the Chief Information Officers. The committee also recommended, in the fourth “RESOLVE” clause, that the role of the BOR Chief Information Officer be to oversee all investigations rather than conduct all investigations.

The Resolution was approved, as amended, by Regent Pollard, seconded by Regent Donofrio.

5. Audit Plan for FY13

Director of Internal Audit Mitch Knight gave a broad overview of the Internal Audit Plan for FY13. Staffing levels, scope and review cycle were discussed.

The FY13 Internal Audit Plan was accepted on a motion by Regent Donofrio, seconded by Regent Pollard.

6. Audit Proposal – CSU (Lee Leahy, Carol Ruiz)
Audit Proposal – CCCs (Shannon Smith)

PricewaterhouseCoopers staff provided Regents with a detailed overview of their FY13 Audit Plan, including the communications framework, areas of audit emphasis, timetable and estimated cost. Raymond Vicks was introduced as the new engagement partner to oversee both the Community College and State University audits.

PwC staff left the meeting at 10:45AM. No action was taken.

7. Charter Oak State College External Audit RFP

Chief Financial and Administrative Officer Cliff Williams reported on the status of the Charter Oak State College External Audit RFP.

8. Quarterly Internal Audit Report

The Committee heard a report on the status of Third Quarter 2012 Internal Audit Activities from Director of Internal Audit Mitch Knight.

9. Risk Management

Committee members received an overview of planned Enterprise Risk Management and areas to be covered. An orientation session is to be offered in September, given by PricewaterhouseCoopers.

10. Other Business

With no other business to discuss, the meeting was adjourned at 12:08 p.m. on a motion by Regent Pollard, seconded by Regent Donofrio.

CONNECTICUT STATE UNIVERSITY SYSTEM

**AUDIT OF CONSTRUCTION EXPENDITURES
OF CSUS 2020 PROJECT EXPENDITURES
DURING THE FISCAL YEAR ENDED**

JUNE 30, 2012

CONNECTICUT STATE UNIVERSITY SYSTEM

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INDEPENDENT AUDITORS' REPORT

Board of Trustees and Audit Committee
Connecticut State University System

We have audited the accompanying schedule of CSUS 2020 construction expenditures – cash basis (the “Schedule”) of the Connecticut State University System (the “System”) paid during the fiscal year ended June 30, 2012. This Schedule is the responsibility of the System’s management. Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the construction expenditures related to identified CSUS 2020 projects of the System that were paid during the fiscal year ended June 30, 2012, in conformity with the cash basis of accounting.

This report is intended solely for the information and use of the Board of Trustees, the Audit Committee, and management of the System and is not intended to be and should not be used by anyone other than these specified parties.

Hartford, CT
_____, 2012

CONNECTICUT STATE UNIVERSITY SYSTEM

SCHEDULE OF CSUS 2020 CONSTRUCTION EXPENDITURES - CASH BASIS

FOR THE YEAR ENDED JUNE 30, 2012

Project Name	Approved Budget	Expenditures Paid in the Year Ended June 30, 2012	Recommended Adjustments	Adjusted Expenditures Paid in the Year Ended June 30, 2012	Expenditures Paid during the period of July 1, 2008 through June 30, 2011	Total Expenditures Paid To Date
<i>Eastern Connecticut State University:</i>						
Code Compliance/Infrastructure Improvements	\$ 8,255,113	\$ 2,337,035	\$ --	\$ 2,337,035	\$ 4,042,822	\$ 6,379,857
Fine Arts Instructional Center (design)	12,000,000	2,217,938	--	2,217,938	--	2,217,938
Athletic Support Building	1,921,000	95,950	--	95,950	--	95,950
New Warehouse	2,269,000	112,396	--	112,396	--	112,396
Outdoor Track- Phase II	1,816,000	125	--	125	1,435,035	1,435,160
<i>Western Connecticut State University</i>						
Fine Arts Instructional Center (construction)	80,605,000	10,724,091	--	10,724,091	--	10,724,091
Code Compliance/Infrastructure Improvements	7,658,330	1,340,240	--	1,340,240	2,718,633	4,058,873
University Police Department Building (design)	500,000	--	--	--	--	--
<i>Central Connecticut State University</i>						
Code Compliance/Infrastructure Improvements	18,146,445	4,406,200	--	4,406,200	4,240,015	8,646,215
New Classroom Office Building	33,978,000	9,118,969	--	9,118,969	--	9,118,969
East Campus Infrastructure Development	13,244,000	--	--	--	--	--
New Maintenance/Salt Shed Facility	2,503,000	1,920,952	--	1,920,952	217,058	2,138,010
<i>Southern Connecticut State University</i>						
Code Compliance/Infrastructure Improvements	21,860,500	6,058,087	--	6,058,087	3,278,927	9,337,014
New Laboratory Building/Parking Garage	20,426,000	3,012,519	--	3,012,519	1,978,221	4,990,740

CONNECTICUT STATE UNIVERSITY SYSTEM

SCHEDULE OF CSUS 2020 CONSTRUCTION EXPENDITURES - CASH BASIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

Project Name	Approved Budget	Expenditures Paid in the Year Ended June 30, 2012	Recommended Adjustments	Adjusted Expenditures Paid in the Year Ended June 30, 2012	Expenditures Paid during the period of July 1, 2008 through June 30, 2011	Total Expenditures Paid To Date
<i>Connecticut State University System Office</i>						
New and Relacement Equipment	\$ 26,895,000	\$ 5,213,487	\$ --	\$ 5,213,487	\$ 9,315,654	\$ 14,529,141
Land and Property	4,250,190	--	--	--	3,110,711	3,110,711
Telecommunications Infrastucture Upgrade	10,000,000	503,781	--	503,781	451,199	954,980
Alterations/Improvements: Auxillary Service Facilities	<u>18,672,422</u>	<u>4,690,877</u>	<u>--</u>	<u>4,690,877</u>	<u>3,091,629</u>	<u>7,782,506</u>
	<u>\$285,000,000</u>	<u>\$ 51,752,647</u>	<u>\$ --</u>	<u>\$ 51,752,647</u>	<u>\$ 33,879,904</u>	<u>\$ 85,632,551</u>

CONNECTICUT STATE UNIVERSITY SYSTEM

NOTES TO SCHEDULE OF CSUS 2020 CONSTRUCTION EXPENDITURES – CASH BASIS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - PRESENTATION

The Connecticut State University System (the “System”) is a comprehensive institution of higher education and is a major enterprise fund of the State of Connecticut. The Connecticut State University System Infrastructure Act (“CSUS 2020”) authorized the issuance of up to \$950,000,000 in general obligation bonds over a ten year period beginning in fiscal year June 2009. CSUS 2020 funds capital improvements on all four universities (Eastern Connecticut State University, Central Connecticut State University, Western Connecticut State University, and Southern Connecticut State University), along with improvements made to the Central Office of the System.

CSUS has prepared a schedule of CSUS 2020 construction expenditures (the “Schedule”) on the cash basis of accounting rather than under the accrual basis method in accordance with accounting principles generally accepted in the United States of America. As such, certain expenditures are recognized when cash is disbursed rather than when the related obligation is incurred.

The Schedule has been prepared by System management to comply with Connecticut General Statute section 10a-91h requiring independent auditors to annually conduct an audit of any project of CSUS 2020 as defined in subdivision (4) of Section 10a-91c. The purpose of the legislation is to review invoices, expenditures, cost allocations, and other appropriate documentation in order to reconcile project costs and verify conformance with project budgets, cost allocations agreements and applicable contracts and shall be submitted to the Governor and the General Assembly in accordance with Section 11-4a.

The Schedule does not include expenditures paid for or incurred by the Department of Public Safety. The Department of Public Safety directly pays for the costs associated with Building Code and Fire Code inspections of “threshold buildings”. “Threshold buildings” are defined by Connecticut State Statute §29-276b as, “(1) having four stories, (2) sixty feet in height, (3) with a clear span of one hundred fifty feet in width, (4) containing one hundred fifty thousand square feet of total gross floor area, or (5) with an occupancy of one thousand persons.” The System provides funding through its operating funds for the necessary costs of the Department of Public Safety for the inspection of non-threshold buildings that are part of CSUS 2020. Since these costs are not paid with CSUS 2020 bond funds, the expenditures are not included in the Schedule.

CONNECTICUT STATE UNIVERSITY SYSTEM

NOTES TO SCHEDULE OF CSUS 2020 CONSTRUCTION EXPENDITURES – CASH BASIS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

Management uses estimates and assumptions in preparing the Schedule in accordance with the cash basis of accounting. Those estimates and assumptions affect the reported amounts of projects costs and disclosure of contingent project costs. Actual results could vary from the estimates that were used.

APPROVED BUDGET

The approved budget amounts are the revised budgeted amounts for the entire contract approved by the Department of Construction Services (DCS) on CSUS 2020 projects. The breakdown by category is provided by System management and approved by the DCS.

EXPENDITURES PAID IN THE YEAR ENDED JUNE 30, 2012

Expenditures paid in the year ended June 30, 2012 represent expenditures that were paid on CSUS 2020 projects during the fiscal year ended June 30, 2012.

RECOMMENDED ADJUSTMENTS

Recommended adjustments are the net value of costs reviewed that either lacked sufficient supporting documentation or represented errors.

ADJUSTED EXPENDITURES PAID IN THE YEAR ENDED JUNE 30, 2012

Adjusted expenditures paid in the year ended June 30, 2012 include expenditures that were paid on CSUS 2020 projects during the fiscal year ended June 30, 2012 plus (or minus) the recommended adjustments.

EXPENDITURES PAID DURING THE PERIOD OF JULY 1, 2008 THROUGH JUNE 30, 2011

Expenditures paid during the period of July 1, 2008 through June 30, 2011 represent expenditures that were paid on CSUS 2020 projects from inception of the projects through June 30, 2011.

CONNECTICUT STATE UNIVERSITY SYSTEM

NOTES TO SCHEDULE OF CSUS 2020 CONSTRUCTION EXPENDITURES – CASH BASIS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TOTAL EXPENDITURES PAID TO DATE

Total expenditures paid to date represent expenditures that were paid on CSUS 2020 projects from the inception of the project through June 30, 2012.

SUBSEQUENT EVENTS

Events subsequent to June 30, 2012 have been evaluated through _____, 2012, the date that the financial statements were available to be issued.

NOTE 3 - CONSTRUCTION EXPENDITURES

Construction expenditures include all general contractor and subcontractor costs, and indirect costs related to project performance such as design fees, indirect labor, insurance, and professional fees that can be attributed to specific projects. Indirect costs not specifically allocable to contracts and general and administrative costs are charged to expense when paid.

FY 2012 Financial Statement Overview

Connecticut Community Colleges &
State Universities



CONNECTICUT STATE
COLLEGES & UNIVERSITIES
BOARD OF REGENTS FOR HIGHER EDUCATION

Board of Regents for Higher
Education
Audit Committee
December 6, 2012

Financial Statement Components

- Management's Discussion and Analysis
- Statement of Net Assets (Balance Sheet)
- Statement of Revenues, Expenditures & Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements
 - Accounting Policies
 - Additional Details or Explanations

Reporting Entities

- The system of community colleges and the system of state universities are each budgeted as single agencies by the state.
- Each college and university is operated as a separate institution and held accountable for operation of its academic programs and finances.
- Each is recognized as a separate entity under Federal Title IV regulations (federal student financial assistance).
- Each receives separate accreditation by the New England Association of Schools and Colleges (NEASC).
- Each of the colleges and universities has separate fundraising foundations, which are operated as legally separate tax-exempt, non-profit organizations.
- Under GASB statement No. 39 and Connecticut state law, audited foundation financial statements are required as part of the annual audit process.



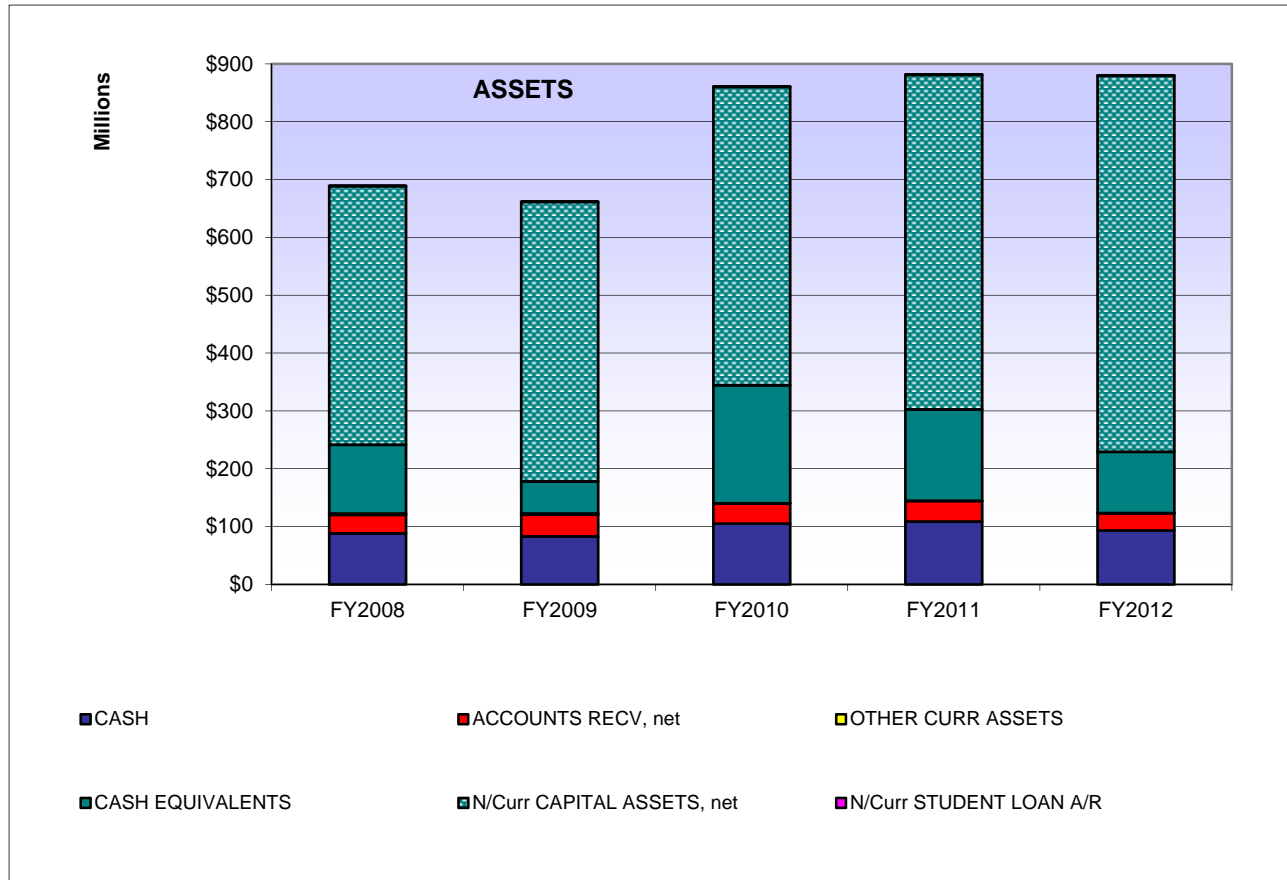
Connecticut Community Colleges

Connecticut Community Colleges

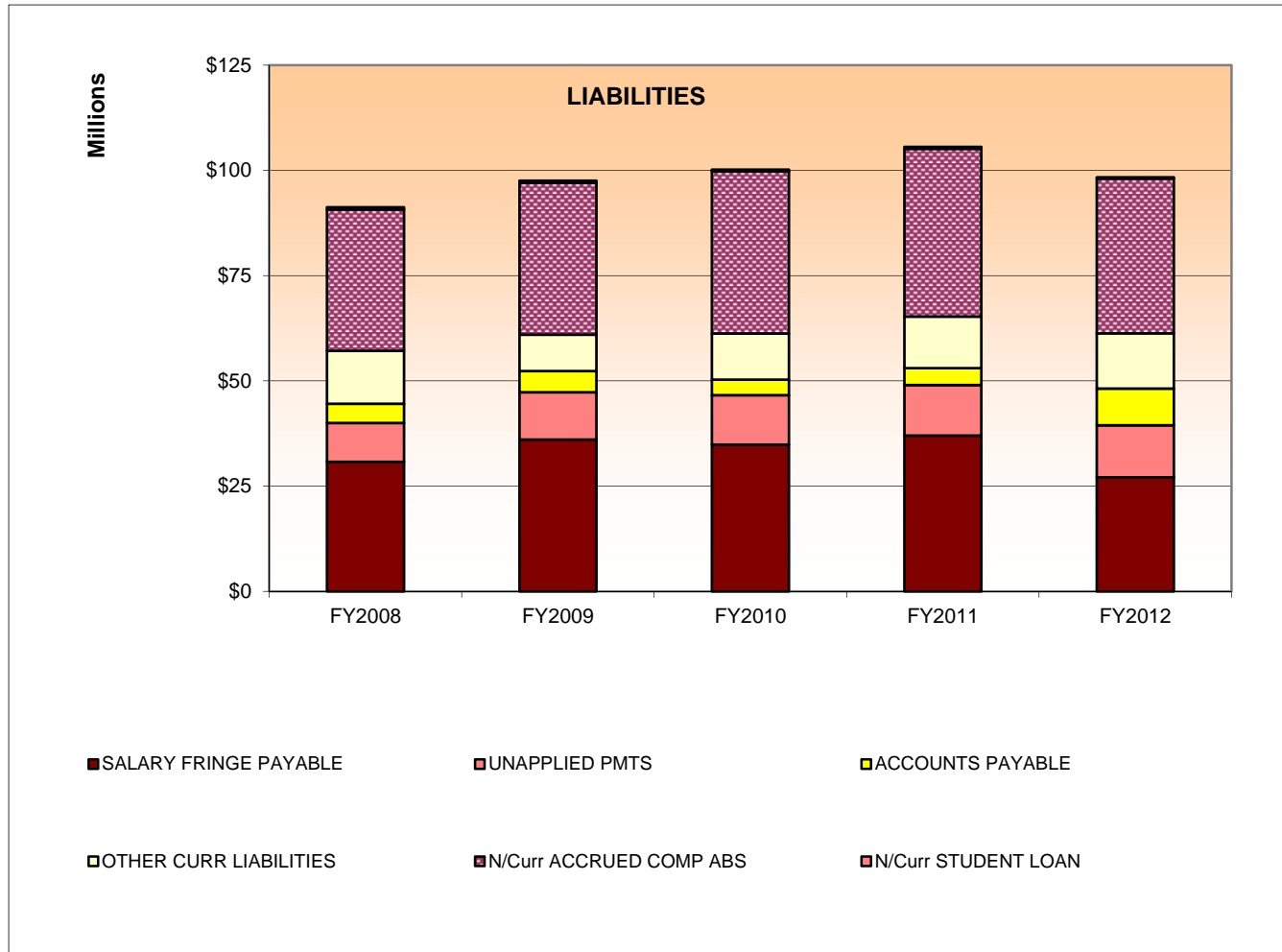
Condensed Statements of Net Assets June 30, 2012, 2011 and 2010 (in thousands)

	2012	2011	Primary Institution 2010	% Change	
				current yr	prior yr
ASSETS					
Current assets	\$ 229,587	\$ 302,720	\$ 344,661	(24) %	(12) %
Non-current assets	650,499	578,935	516,289	12	12
Total assets	<u>\$ 880,086</u>	<u>\$ 881,655</u>	<u>\$ 860,950</u>	<u>(0) %</u>	<u>2 %</u>
LIABILITIES					
Current liabilities	\$ 61,324	\$ 65,282	\$ 61,233	(6) %	7 %
Non-current liabilities	37,060	40,303	38,966	(8)	3
Total liabilities	<u>98,384</u>	<u>105,585</u>	<u>100,199</u>	<u>(7)</u>	<u>5</u>
NET ASSETS					
Invested in capital assets	649,998	578,431	515,841	12	12
Restricted-nonexpendable	20	20	20	-	-
Restricted-expendable	103,366	158,429	206,983	(35)	(23)
Unrestricted	28,318	39,190	37,907	(28)	3
Unrestricted-mandatory transfer to State	-	-	-	-	-
Total net assets	<u>781,702</u>	<u>776,070</u>	<u>760,751</u>	<u>1</u>	<u>2</u>
Total liabilities and net assets	<u>\$ 880,086</u>	<u>\$ 881,655</u>	<u>\$ 860,950</u>	<u>(0) %</u>	<u>2 %</u>

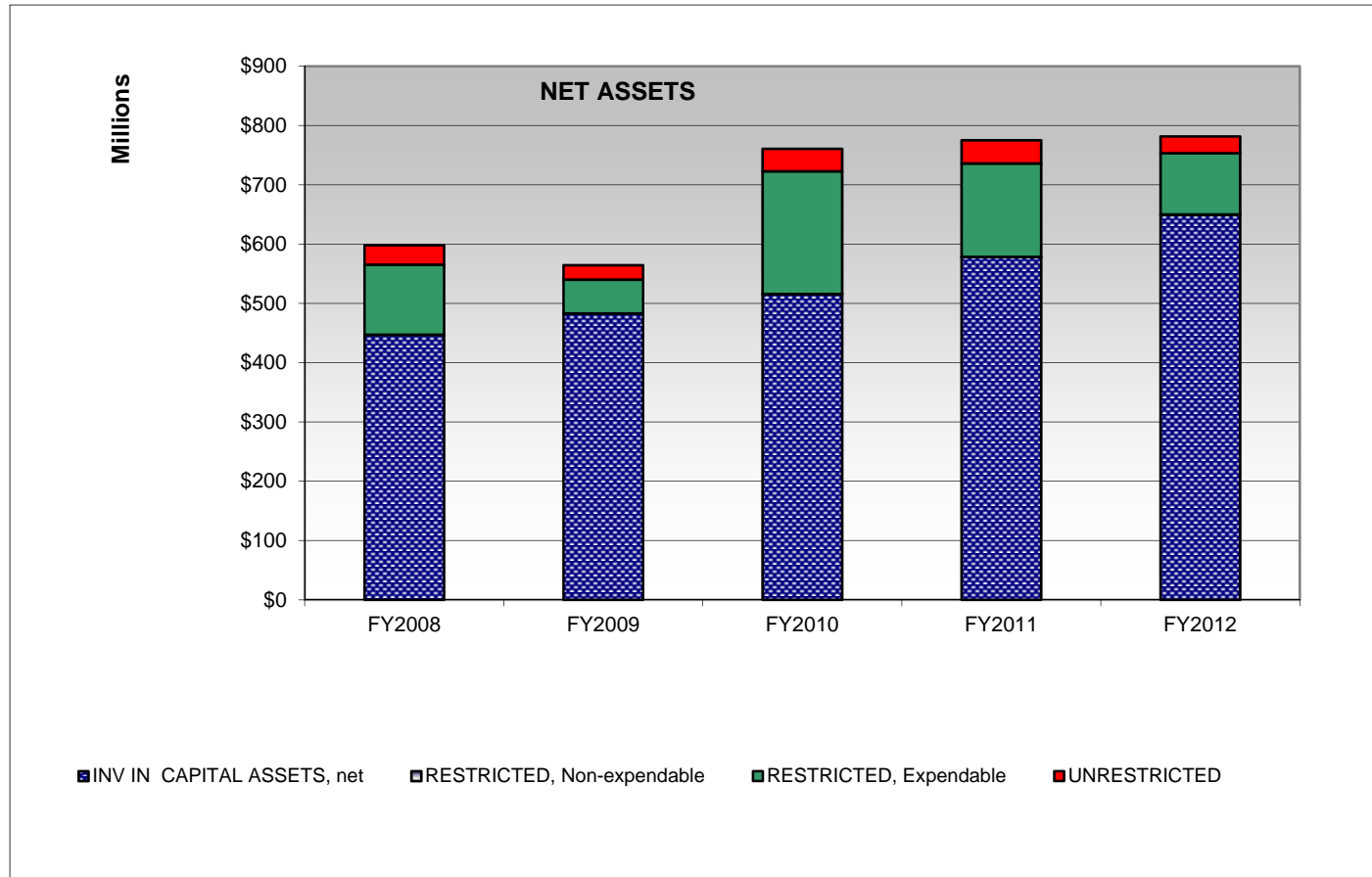
Connecticut Community Colleges



Connecticut Community Colleges



Connecticut Community Colleges



Connecticut Community Colleges

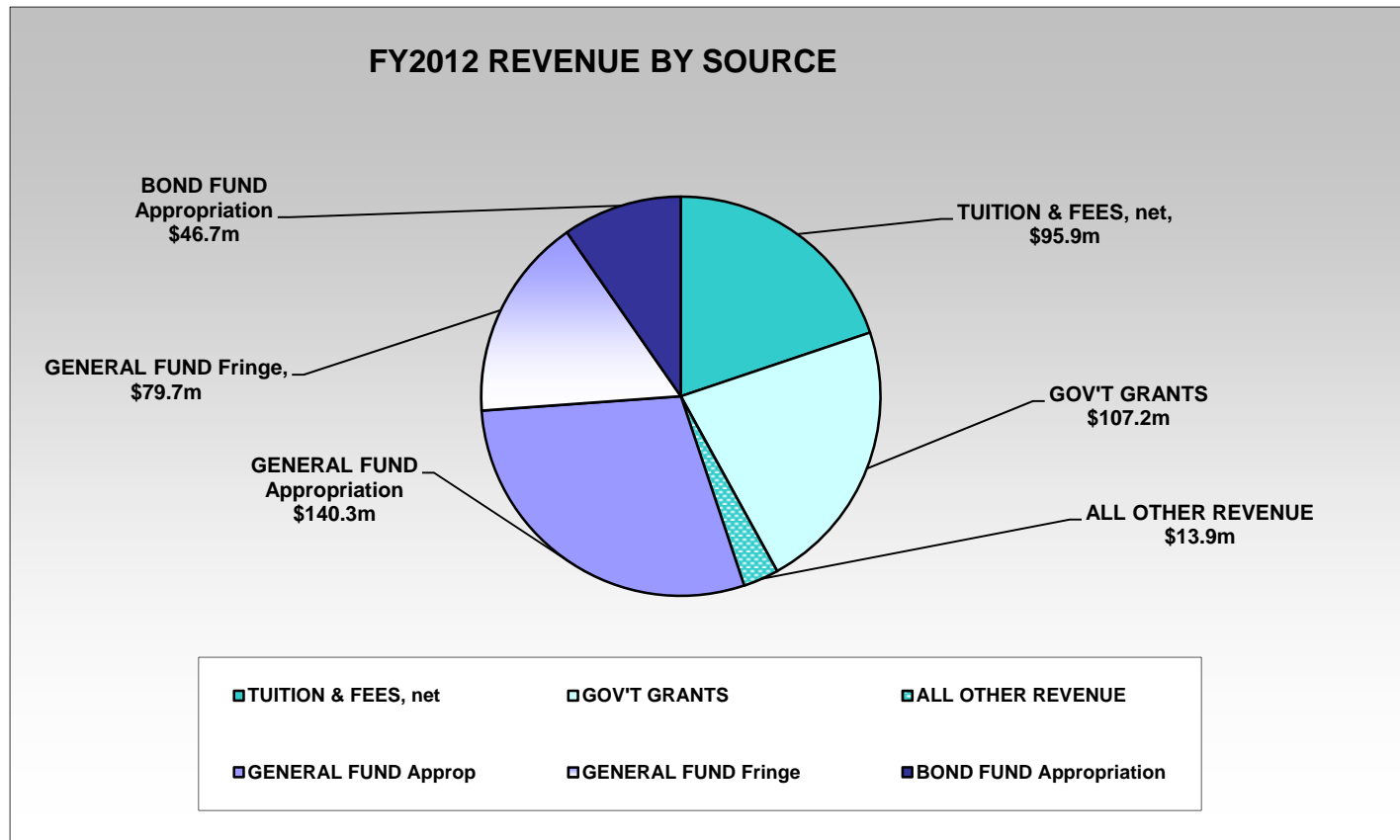
Condensed Statements of Revenues, Expenses and Changes in Net Assets Years Ended June 30, 2012, 2011 and 2010 (in thousands)

	2012	2011	2010	% Change	
				current yr	prior yr
OPERATING REVENUES					
Student tuition and fees	\$ 169,881	\$ 167,526	\$ 154,794	1 %	8 %
Less: Scholarship discounts and allowances	(73,964)	(70,071)	(57,688)	6	21
Net tuition and fees	95,917	97,455	97,106	(2)	0
Government grants and contracts	107,170	106,922	89,734	0	19
Additional operating revenues	11,654	9,780	15,879	19	(38)
Total operating revenues	214,741	214,157	202,719	0	6
OPERATING EXPENSES	477,494	479,985	447,961	(1)	7
Operating loss	(262,753)	(265,828)	(245,242)	1	(8)
NON-OPERATING REVENUES					
State appropriations - general fund *	219,976	244,782	238,525	(10)	3
State appropriations - bond fund **	46,728	36,127	202,964	29	(82)
Other non-operating revenues (expenses), net	1,681	238	163	606	46
Net non-operating revenues	268,385	281,147	441,652	(5)	(36)
Net income	5,632	15,319	196,410	(63)	(92)
Change in net assets	5,632	15,319	196,410	(63)	(92)
NET ASSETS					
Net assets, beginning of year	776,070	760,751	564,341	2	35
Net assets, end of year	\$ 781,702	\$ 776,070	\$ 760,751	\$ 1 %	\$ 2 %

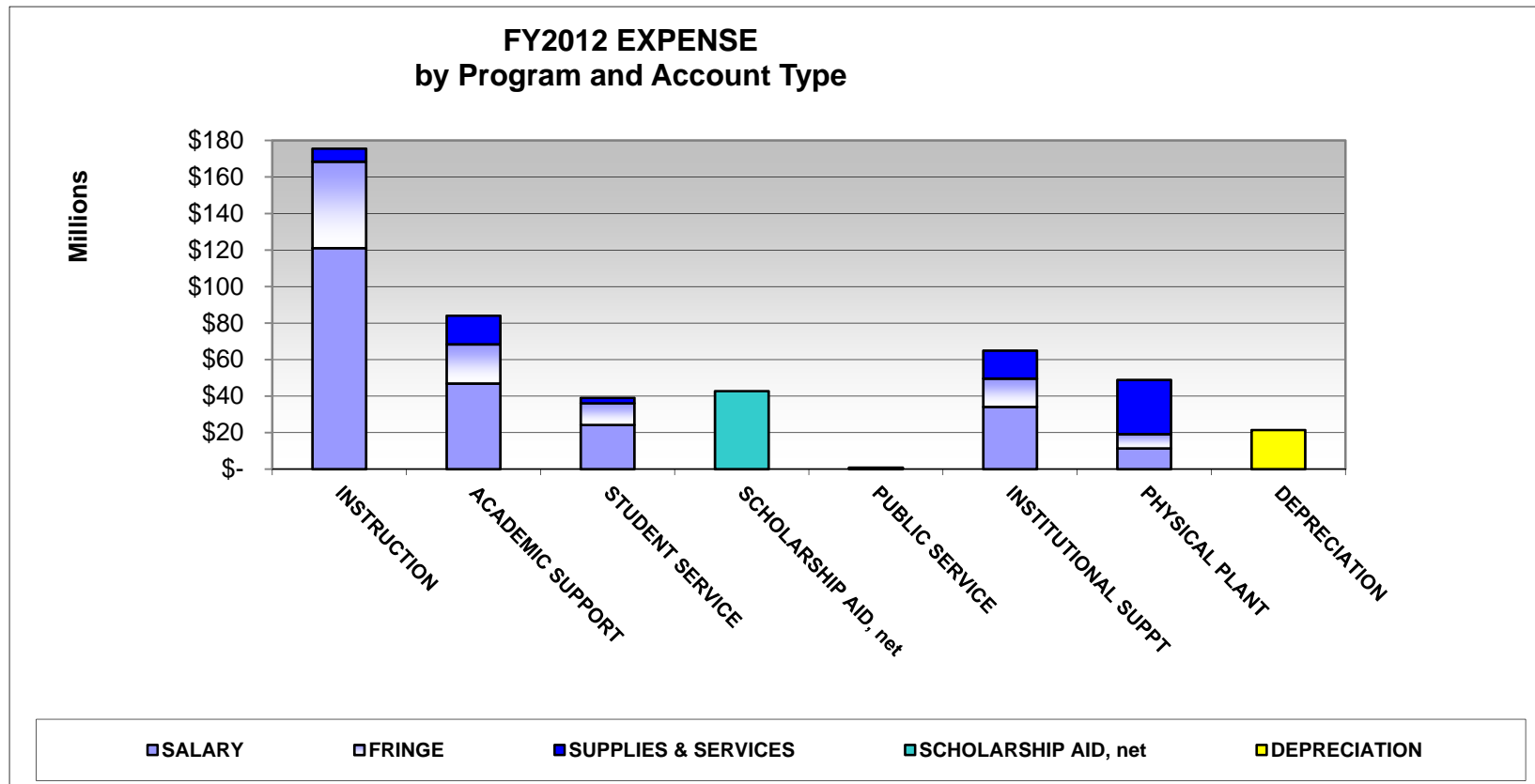
* Including fringe benefits

** Including agency and DPW administered

Connecticut Community Colleges



Connecticut Community Colleges



Connecticut Community Colleges

Condensed Statements of Cash Flows Years Ended June 30, 2012, 2011 and 2010 (in thousands)

	2012	2011	2010	% Change	
				current yr	prior yr
NET CASH PROVIDED BY (USED IN)					
Operating activities	\$ (257,424)	\$ (251,049)	\$ (228,670)	(3) %	(10) %
Investing activities	191	260	372	(27)	(30)
Capital and related financing activities	(47,976)	(67,066)	148,792	28	(145)
Noncapital financing activities	<u>237,639</u>	<u>275,269</u>	<u>250,086</u>	<u>(14)</u>	<u>10</u>
Net change in cash and cash equivalents	(67,570)	(42,586)	170,580	(59)	(125)
CASH AND CASH EQUIVALENTS					
Cash and cash equivalents, beginning of year	<u>266,840</u>	<u>309,426</u>	<u>138,846</u>	<u>(14)</u>	<u>123</u>
Cash and cash equivalents, end of year	<u>\$ 199,270</u>	<u>\$ 266,840</u>	<u>\$ 309,426</u>	<u>(25) %</u>	<u>(14) %</u>

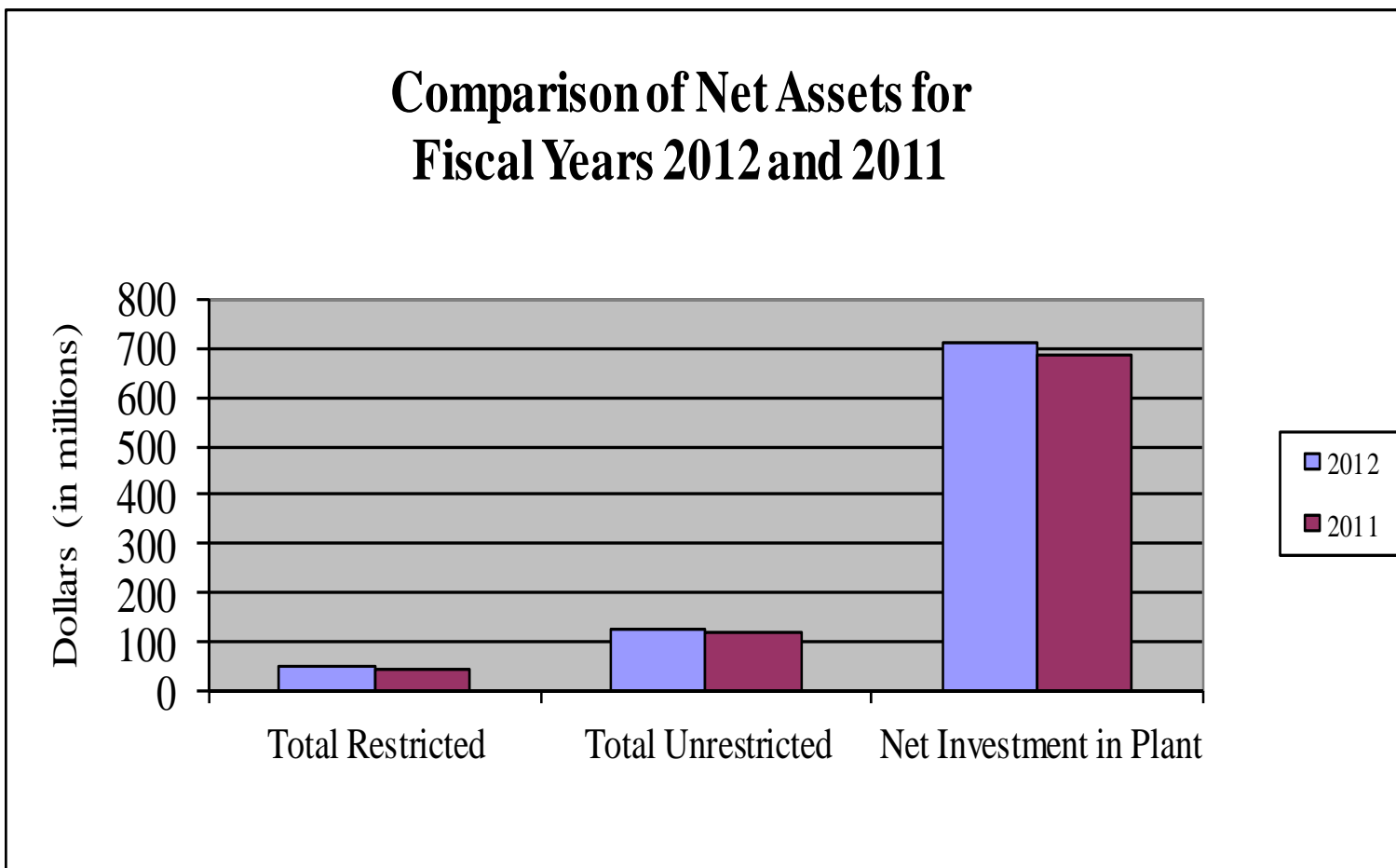


Connecticut State Universities

Connecticut State Universities

SUMMARY OF NET ASSETS June 30, 2012, 2011 and 2010 (\$ In millions)					
	2012	2011	2010	\$ Increase (Decrease) 11-12	% Increase (Decrease) 11-12
Current Assets	\$424.2	\$438.5	\$401.2	(\$14.3)	(3.3)
Non-Current Assets:					
Capital Assets, net	876.8	852.9	846.9	23.9	2.8
Other	160.9	154.9	142.8	6.0	3.9
Total Assets	1461.9	1446.3	1390.9	15.6	1.1
Current Liabilities	273.6	279.0	288.0	(5.4)	(1.9)
Non-current liabilities	299.2	316.7	307.8	(17.5)	(5.5)
Total Liabilities	572.8	595.7	595.8	(22.9)	(3.8)
Net Assets					
Investment in Plant – Net of Related Debt	712.2	686.8	664.7	25.4	3.7
Restricted					
Nonexpendable	.4	.6	.9	(.2)	(33.3)
Expendable	50.4	41.4	28.6	9.0	21.7
Total Restricted	50.8	42.0	29.5	8.8	21.0
Unrestricted	126.1	121.8	100.9	4.3	3.5
Total Net Assets	\$889.1	\$850.6	\$795.1	\$ 38.5	4.5

Connecticut State Universities



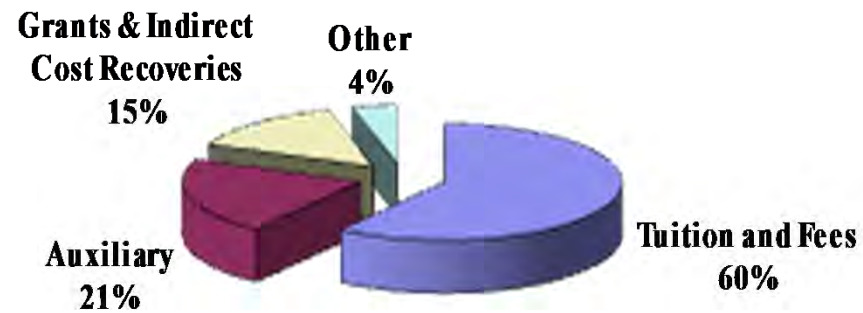
Connecticut State Universities

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS June 30, 2012, 2011 and 2010 (\$ In millions)					
	2012	2011	2010	\$	%
				Increase (Decrease) 11-12	Increase (Decrease) 11-12
Operating Revenues					
Tuition and fees	\$254.8	\$255.0	\$243.7	(\$.2)	(.1)
Auxiliary revenues	90.6	91.1	87.1	(.5)	(.5)
Grants & Indirect Cost Recoveries	63.0	66.3	61.6	(3.3)	(5.0)
Other	17.1	15.6	16.5	1.5	9.6
Total Operating Revenues	425.5	428.0	408.9	(2.5)	(.6)
Less: Operating Expenses before depreciation and amortization	589.9	601.5	572.7	(11.6)	(2.0)
Depreciation	51.7	51.4	49.4	.3	.6
Amortization	.1	.1	.4	-	-
Operating Loss	(216.2)	(225.0)	(213.6)	(8.8)	(3.9)
Non-Operating Revenues (Expenses)					
State Appropriations	258.5	270.5	254.8	(12.0)	(4.4)
Investment Income	1.1	1.3	1.5	(.2)	(15.3)
Other	(4.9)	8.7	(20.0)	(13.6)	(156.3)
Total Non-Operating Revenues (Expenses)	254.7	280.5	236.3	25.8	(9.2)
Increase in Net Assets	38.5	55.5	22.7	(17.0)	(30.6)
Net Assets, beginning of year	850.6	795.1	772.4	55.5	7.0
Net Assets, end of year	\$889.1	\$850.6	\$795.1	38.5	4.5

Connecticut State Universities

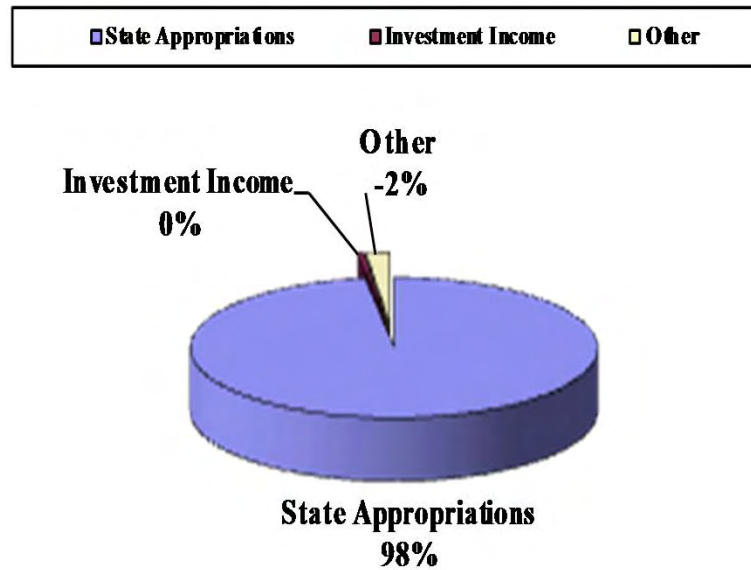
2012 Operating Revenues

■ Tuition and Fees ■ Auxiliary ■ Grants & Indirect Cost Recoveries ■ Other



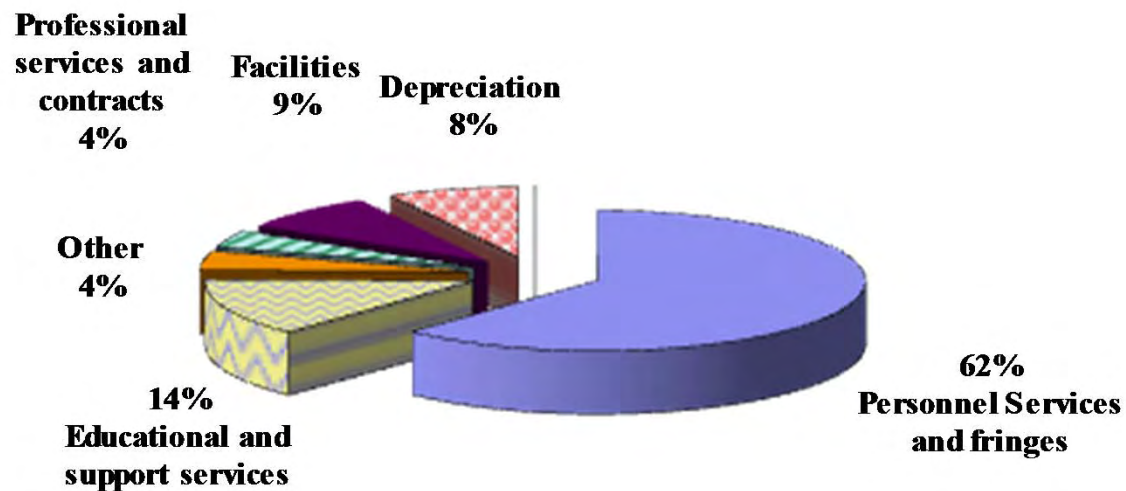
Connecticut State Universities

2012 Non-Operating Revenues



Connecticut State Universities

2012 Operating Expenses



- | | |
|----------------------------------|---------------------------------------|
| ■ Personnel Services and fringes | ■ Educational and support services |
| ■ Other | ■ Professional services and contracts |
| ■ Facilities | ■ Depreciation |
| ■ Amortization | |

Connecticut State Universities

STATEMENT OF CASH FLOWS June 30, 2012, 2011 and 2010 (\$ In millions)					
				\$	%
	2012	2011	2010	Increase (Decrease) 11-12	Increase (Decrease) 11-12
Cash provided (used) by					
Operating Activities	\$(172.9)	\$(173.4)	\$(161.4)	.5	.3
Non-Capital Financing Activities	224.2	236.2	244.6	(12.0)	(5.1)
Capital & Related Financing Activities	(53.7)	(20.9)	(42.9)	(32.8)	(156.9)
Investing Activities	11.4	(24.2)	2.4	35.6	147.1
Net Increase (Decrease) in Cash	9.0	17.7	42.7	(8.7)	(49.2)
Cash, beginning of year	293.2	275.5	232.8	17.7	6.4
Cash, end of year	\$302.2	\$293.2	\$275.5	9.0	3.1

FY 2012 Financial Statement Overview

Questions

Connecticut State Colleges and Universities

Report to the Board of Regents

December 6, 2012





To the Board of Regents
of the Connecticut State Colleges and Universities

December 6, 2012

Dear Board of Regents:

We have completed our audits of the combined financial statements of Connecticut Community Colleges ("CCC") and the combined financial statements of Connecticut State University System ("CSUS") for the year ended June 30, 2012.

This report on our audit sets forth the matters which we believe are appropriate to communicate to you in accordance with auditing standards generally accepted in the United States of America.

This report has been prepared in advance of our meeting and prior to the completion of procedures. Other matters of interest to the Board of Regents may arise which we will bring to your attention at our meeting.

Our comments on internal control matters are included in the Report to Management under separate cover.

Very truly yours,

Raymond Vicks, Jr.
Partner

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Appendix A

Draft Representation Letters

THIS REPORT AND THE INFORMATION THAT IT CONTAINS ARE SOLELY FOR THE BENEFIT AND RESTRICTED USE OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS AND ARE NOT INTENDED TO BE USED OR RELIED UPON BY ANY OTHER PARTY.

Executive Summary and Status of the Audits

This document outlines the results of our audits of the combined financial statements of CCC and the combined financial statements of CSUS as of and for the year ended June 30, 2012.

The following topics are discussed in the accompanying report:

- We have substantially completed our audits of the 2012 CCC and CSUS financial statements pending the completion of the items noted below. Our audits have been performed in accordance with the plan and timeline previously communicated to the Audit Committee. We plan to issue unqualified opinions. The following items will need to be completed prior to issuance of our opinions:
 - Legal letter updates
 - Representation letters
 - Subsequent events reviews
- Consistent with prior years, we did not audit the financial statements of the affiliated College Foundations of CCC or University Foundations of CSUS. Those statements were audited by other auditors whose reports have been furnished to us, and which we refer to in our opinion of CCC's combined financial statements and the combined financial statements of CSUS.
- We performed our audits in accordance with auditing standards generally accepted in the United States of America. Our audits have been performed substantially in accordance with the plan and timeline previously communicated to the Committee.
- Based on the results of our audit procedures to date, we are not aware of any material modifications that should be made to the CCC or CSUS combined financial statements.
- We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.
- Required communications to the Board of Regents and the Audit Committee are addressed herein.

Areas of Audit Emphasis, Judgments, and Other Matters

The audit standards require that the engagement team presume there is a significant risk of management override of the control environment. Additionally, we identified the risk of fraud in revenue recognition to be a significant risk. All other audit areas are judged to be normal risk.

Accounts Receivable other than State

- Gross student accounts receivable totaled \$5.0 million for CCC at June 30, 2012 (\$4.5 million at June 30, 2011).
- Gross student accounts receivable totaled \$177.3 million for CSUS at June 30, 2012 (\$172.8 million at June 30, 2011).
- Gross other receivables (consisting primarily of third party and governmental contracts) totaled \$4.0 million for CCC at June 30, 2012 (\$4.8 million at June 30, 2011).
- Gross other receivables (consisting primarily of third party and governmental contracts) totaled \$18.8 million for CSUS at June 30, 2012 (\$18.1 million at June 30, 2011).
- CCC has recorded a reserve for potentially uncollectible student accounts receivable which was \$1.9 million and \$1.5 million at June 30, 2012 and 2011, respectively. We tested management's reserve model, as well as performed analytics, and concluded that the reserve is reasonable. The allowance provided was determined using a consistent methodology.
- CSUS has recorded a reserve for potentially uncollectible receivables (student accounts receivables, student loans receivables, and grants receivables) which totaled \$6.5 million and \$5.9 million at June 30, 2012 and 2011, respectively. We tested management's reserve model, as well as performed substantive analytics, and concluded that the reserves are reasonable. The allowances provided were determined using a consistent methodology.
- All student accounts receivable greater than one year old are fully reserved at CCC and CSUS.
- CCC and CSUS should continue to focus on their reserve for uncollectible accounts and make adjustments as necessary considering the current credit environment and the ability of their students to pay their tuition.

Accounts Receivable due from State

- Accounts receivable due from the State totaled \$23.4 million for CCC at June 30, 2012 (\$28.2 million at June 30, 2011). All of the receivables due from the State represent employee salary and fringe benefit expenses accrued at June 30, 2012.
- Accounts receivable due from the State totaled \$32.8 million for CSUS at June 30, 2012 (\$44.4 million at June 30, 2011). Approximately \$19.9 million of these receivables due from the State

represent employee salary and fringe benefit expenses accrued at June 30, 2012 while the remaining \$12.9 million represent state appropriations for capital projects.

- We agree with management's conclusion that there is no allowance necessary on the receivable due from the State for CCC or CSUS.

Capital Assets

- Additions to property, plant and equipment totaled \$71.9 million for CCC in fiscal year 2012. We tested a sample of additions for appropriate capitalization and the accounting for certain construction projects.
- Additions to property, plant and equipment totaled \$ [REDACTED] million for CSUS in fiscal year 2012. We tested a sample of additions for appropriate capitalization and the accounting for certain construction projects.
- CCC is required to utilize the Connecticut's Department of Construction Services ("DCS") for management of construction projects greater than \$2 million. Bond funds held on CCC's behalf at June 30, 2012 were \$56.1 million and are reflected as cash and cash equivalents on CCC's statement of financial position. CCC also reflected \$81.5 million in construction in progress fund additions that were confirmed with DCS as of June 30, 2012.
- Major construction projects for new physical plant and original equipment financed by the State of Connecticut capital outlay appropriations are managed and controlled by DCS. When projects are complete and/or when title passes from DCS to CSUS, the entire cost value of the project is recognized as non-operating revenue and recorded as an addition in investment in plant by the Universities. Amounts recognized for such projects were \$2.9 million and \$17.3 million as of June 30, 2012 and 2011, respectively.

Cash and Cash Equivalents

- CCC's Primary Institution carrying value of cash and cash equivalents totaled \$199.3 million at June 30, 2012 (\$266.8 million at June 30, 2011). This 25.3% decrease is primarily due to a reduction in DCS administered funds in the current year for various construction projects at the colleges.
- CCC's Cash and cash equivalents was comprised of:
 - \$1.3 million in restricted agency accounts for student activity, institutional welfare and student loans;
 - \$91.9 million in restricted and unrestricted operating funds;
 - \$49.9 million in agency-administered bond appropriations; and
 - \$56.1 million in DCS-administered bond appropriations.
- The carrying value of cash and cash equivalents for CSUS totaled \$302.1 million at June 30, 2012 (\$293.2 million at June 30, 2011), a 3% increase from the prior year.

Accrued Compensated Absences

- Employees earn the right to be compensated during absences for vacation and sick leave.
- The financial statements include CCC's estimated liability for compensated absences of approximately \$40.2 million and \$41.7 million at June 30, 2012 and 2011, respectively (reflects a 3.6% decrease). This decrease is attributable to a reduction in rate assumptions as dictated by the State of Connecticut.
- The financial statements include CSUS's estimated liability for compensated absences of approximately \$36.3 million and \$34.1 million at June 30, 2012 and 2011, respectively (reflects a 6.5% increase). This increase is primarily attributable to an increase in rate assumptions as calculated by management.

Net Assets

- During fiscal year 2012, CCC's total net assets increased \$5.6 million, or 0.7%. This was mainly driven by growth at the colleges for various construction projects.
- During fiscal year 2012, CSUS's total net assets increased \$38.5 million, or 4.5%. This was mainly driven by an increase in invested capital assets, net of related debt.

Current Economic Risks

- CCC and CSUS are required to hold cash and short-term investment funds ("STIF") with the State of Connecticut. The State has informed CCC that the STIF account earned 0.16% for the twelve months ended at June 30, 2012, compared with benchmark returns of 0.05%.

The following lists our areas of risk which were identified as significant or elevated. The key procedures we performed and our audit results are as follows:

	Audit Area	Risk Factors	Audit Approach	Results
S	Management override of controls	<ul style="list-style-type: none"> ■ Management may have entered into transactions that are not authorized or do not have an underlying purpose. ■ Management may record entries not supported by underlying transactions. 	<ul style="list-style-type: none"> ■ Testing of recorded journal entries. ■ Testing of manual entries. ■ Substantive testing over material estimates. ■ Understanding and testing material, non-recurring transactions, if any. 	<ul style="list-style-type: none"> ■ Procedures were executed as planned, no exceptions noted. ■ We performed testing of recorded journal entries for both CCC and CSUS, including manual journal entry testing. No exceptions noted. ■ All material estimates for CCC and CSUS were tested. No exceptions noted. ■ No non-recurring transactions were noted for CCC or CSUS in the current year.
S	Risk of fraud in revenue recognition	<ul style="list-style-type: none"> ■ Revenue may be recorded for non-existence transactions. ■ Revenue may be accelerated before its appropriate recognition period. ■ Revenue may be recorded that does not meet all the criteria for revenue recognition. 	<ul style="list-style-type: none"> ■ Testing of tuition revenue and student fees revenue by testing student accounts for existence. ■ Testing of appropriations received from the State. ■ Testing of other revenue by tracing back to contracts or cash receipts. 	<p>Procedures were executed as planned, no exceptions noted.</p> <ul style="list-style-type: none"> ■ We performed substantive analytical procedures over the revenues as well as tuition reasonableness, discount reasonableness, and room & board reasonableness. No exceptions noted. ■ We tested student head count to ensure that our basis for tuition and room and board analytics was reasonable. No exceptions noted. ■ We tested other operating revenue accounts. No exceptions noted. ■ We tested and vouched 100% of appropriations received from the State. No exceptions noted. ■ We substantively tested

	Audit Area	Risk Factors	Audit Approach	Results
				grant expenditures and the corresponding federal state, and local draw downs. No exceptions noted.
E	Elevated Risk	S	Significant Risk	

Information Technology Observations Summary

See separate letter for our internal control observations and management's responses for CCC and CSU.

- Applied a consistent IT audit approach across the four universities and the System Office
- Prior Year Observations Summary:
 - 50% of prior year observations were closed across CSUS
 - 50% continue to remain open
- Current Year Observations Summary:
 - Six (6) new observations were identified across CSUS in 2012
- Key Observation Themes
 - Review of User Access Rights
 - Restrict Data Center Access
 - Formalize Infrastructure and Firewall Change Management Process
 - Enhance Network Termination Process

Legend:

“PY” = Prior Year (2011) Observation – Status in this column applies to observations included in the prior year audit report (asterisk indicates multi-year observation).

“CY” = Current Year (2012) Observation – Status of new observations made for FY2012.

“C” = Observation is Closed.

“IP” = In Progress. The observation is open; however, significant progress has been made towards resolution per developed action plans.

“O” = Open. Observation is applicable and a related action plan is in place.

Please refer to the Management Letter Comments of each university for management responses.

		CSUS Location											
Domain	Observation Theme	CCC		System Office		Western		Central		Southern		Eastern	
		PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY
Entity Level Controls	Update IT Strategic Plan										CY		
Access to Programs and Data	Use of Generic Administrative IDs									IP			
	Enhance User Termination Controls Process						CY	C		O			
	Enhance Data Center Physical and Environment Controls											C	
	Review Data Center Access on a Periodic Basis				CY								
	Enhance Periodic Review of Banner Access	C							CY				
	Rename Windows Administrator Account and Change Password		CY										
Change Management	Developer Segregation of Duties									IP			
	Enhance Audit Logging of Direct Data Changes to Banner							C					
	Formalize the Infrastructure and Firewall Change Management Process				CY								
Computer Operations	Develop Disaster Recovery/Business Continuity Plan	O											

Required Communications to the Audit Committee

Matter to be communicated	Auditor's response
Auditor's responsibility under Generally Accepted Auditing Standards	These matters have been communicated to management in our engagement letter dated June 8, 2012 for CSUS and in the contract that was signed by the Connecticut Attorney General's Office during 2008.
Significant accounting policies, alternative treatments within generally accepted accounting principles, and the auditor's judgment about the quality of accounting policies	All significant accounting policies have been disclosed in CCC's and CSUS's financial statements. We consider CCC's and CSUS's selection of accounting principles to be appropriate and consistently applied as compared with those policies applied in the preparation of the financial statements as of and for the year ended June 30, 2012.
Management judgments and accounting estimates	Accounting estimates were made in the ordinary course of business. The more significant areas requiring the use of judgment and estimates are the following: <ul style="list-style-type: none"> • Allowance for Student Accounts Receivable • Allowance for Student Loan Receivable • Employee Compensated Absences We have tested management's estimates and have concluded that they are reasonable.
Audit adjustments	There was one out of period audit adjustment identified during the CSUS audit. PwC proposed an adjustment to correct a prior period balance relating to Construction in Process to properly represent the Construction in Process balance as of June 30, 2011. Management has not booked this item as of June 30, 2012. There were no audit adjustments identified during the CCC audit.
Potential effect on the financial statements of any significant risks and exposures	We are not aware of any significant risks or exposures that could materially affect the financial statements.

Matter to be communicated	Auditor's response
Material uncertainties related to events and conditions that may cast doubt on the ability to continue as a going concern	We are not aware of any material uncertainties that cast doubt on CCC's or CSUS's ability to continue as a going concern.
Significant deficiencies and material weaknesses	There were no material weaknesses that came to our attention. We have communicated internal control observations and recommendations related to CCC's and CSUS's internal control structure. Refer to our Report to Management, under separate cover.
Other information in documents containing audited/reviewed financial information	<p>Our responsibility with respect to other information in documents containing audited financial statements is to consider whether its content or manner of presentation is materially inconsistent with the financial information covered by our report or whether it contains a material misstatement of fact.</p> <p>We are not aware of documents, other than the Annual Report, containing the CCC or CSU audited financial statements.</p>
Disagreements with management	There were no disagreements with management.
Consultation with other accountants	Management has advised us that they have not relied on consultations with other accounting firms regarding any significant accounting matters during the year.

Matter to be communicated	Auditor's response
Significant issues discussed, or subject to correspondence, with management prior to retention	No significant issues were discussed, or subject to correspondence, with management prior to our retention.
Significant difficulties encountered during the audit	No difficulties were encountered while performing our audit that requires the attention of the Audit Committee.
Fraud and illegal acts	No irregularities, frauds or illegal acts involving senior management that would cause a material misstatement to the financial statements, came to our attention as a result of our audit procedures.
Other material written communications	Other material written communications include: <ul style="list-style-type: none"> • Management representation letters for CCC and CSUS • Engagement letter • Management recommendations (Report to Management)
Other matters	There have been no other matters not previously disclosed to the Audit Committee except for communications with CCC and CSUS containing the information in this report.

Independence

December 6, 2012

Dear Board of Regents:

We have been engaged to audit the consolidated financial statements of Connecticut Community Colleges ("CCC") and our combined financial statements of Connecticut State University System ("CSUS") for the year ending June 30, 2012. Pursuant to Rule 101 of the Code of Professional Conduct of the American Institute of Certified Public Accountants, we must communicate with you prior to accepting an initial engagement conducted pursuant to the standards of the American Institute of Certified Public Accountants and at least annually regarding all relationships between PricewaterhouseCoopers LLP ("PwC") and Connecticut Community Colleges ("CCC") and Connecticut State University System ("CSUS") or persons in financial reporting oversight roles at CCC and CSUS that may reasonably be thought to bear on our independence. We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since June 7, 2012 (for CSUS) and June 7, 2012 (for CCC), the dates of our last letter.

We are not aware of any relationships between PwC and CCC or CSUS or persons in financial reporting oversight roles at CCC or CSUS that may reasonably be thought to bear on our independence which have continued or occurred since June 7, 2012, the dates of our last letter, through the date of this letter.

We hereby affirm that, as of the date of this letter, we are independent accountants with respect to CCC and CSUS, within the meaning of the Code of Professional Conduct of the American Institute of Certified Public Accountants and its interpretations and rulings, and the Government Accountability Office Independent Standard ("Yellow Book").

This report is intended solely for the use of the Audit Committee, the Board of Regents, and management, and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you at our upcoming meeting on December 6, 2012. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Very truly yours,

PricewaterhouseCoopers LLP

Appendix A

PricewaterhouseCoopers LLP
185 Asylum Street, Suite 2400
Hartford, CT 06103

December __, 2012

We are providing this letter in connection with your audits of the consolidated financial statements of Connecticut State University System ("CSUS") as of June 30, 2012 and 2011 and for the years then ended for the purpose of expressing an opinion as to whether such consolidated financial statements present fairly, in all material respects, the net assets, revenues, expenditures, and changes in net assets and cash flows of CSUS in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the financial statements of net assets, revenues, expenditures and, changes in net assets and cash flows in conformity with generally accepted accounting principles.

Certain representations in this letter are described as being limited to those matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of December __, 2012, the date of your report, the following representations made to you during your audit(s):

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America, and include all disclosures necessary for such fair presentation and disclosures otherwise required to be included therein by the laws and regulations to which the CSUS is subject.
2. We have made available to you all:
 - a. Financial records and related data.
 - b. Minutes of the meetings of stockholders, directors, and Audit or other committees of directors. The most recent meetings held were:

Academic Affairs Committee meeting on November 2, 2012
Audit Risk Management Committee meeting on June 7, 2012
Executive Committee meeting on November 15, 2012
Finance and Administration Committee meeting on November 12, 2012
Board of Regents meeting on November 15, 2012

3. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
4. There are no material transactions, agreements or accounts that have not been properly recorded in the accounting records underlying the financial statements.
5. There are no significant deficiencies, including material weaknesses, in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect CCSU's ability to record, process, summarize and report financial data.
6. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
7. We have no knowledge of any fraud or suspected fraud affecting CCSU involving:
 - a. Management,
 - b. Employees who have significant roles in internal control over financial reporting, or
 - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting CCSU received in communications from employees, former employees, analysts, regulators, short sellers, or others.

(As to items 6, 7 and 8, we understand the term "fraud" to mean those matters described in Statement on Auditing Standards No. 99).

9. There have been no violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
10. CCSU has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
11. The following, if material, have been properly recorded or disclosed in the financial statements:
 - a. Related-party transactions, as described in Accounting Standards Codification (ASC) 850, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
12. There are no:
 - a. Guarantees, whether written or oral, under which the CCSU is contingently liable.

- b. Significant estimates and material concentrations known to management, which are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. (Significant estimates are estimates at the Statement of Net Assets Date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year).
- 13. CCSU has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in the financial statements.
- 14. CCSU has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 15. Receivables, including grants and contracts, recorded in the financial statements represent bona fide claims against students or agencies or other charges arising on or before the balance sheet dates, and are not subject to discount. Receivables classified as current do not include any material amounts which are collectible after one year. All receivables have been appropriately reduced to their estimated net realizable value.
- 16. All liabilities of CCSU of which we are aware are included in the financial statements at the balance sheet dates. There are no other liabilities or gain or loss contingencies that are required to be accrued or disclosed by ASC 450, *Contingencies*, and no unasserted claims or assessments that our legal counsel has advised us are probable of assertion and required to be disclosed in accordance with that Statement.
- 17. All cash and bank accounts and all other properties and assets of CCSU of which we are aware are included in the financial statements at June 30, 2012 and 2011.
- 18. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.
- 19. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value.
- 20. The assumptions and methods used to measure liabilities and costs for financial accounting purposes for the liability for compensated absences are appropriate in the circumstances.
- 21. Related to long-term debt:
 - a. All borrowings and financial obligations of CSUS of which we are aware are included in the financial statements at June 30, 2012 and 2011, as appropriate. We have fully disclosed to you all borrowing arrangements of which we are aware.

- b. CSUS has not violated any covenants on its long-term debt agreements during any of the periods reported. We have fully disclosed to you all covenants and information related to how we determined our compliance with the terms of the covenants.
 - c. Tax-exempt bonds issued have retained their tax-exempt status.
- 22. Related to Connecticut Health and Educational Facilities Authority (CHEFA) loan agreements:
 - a. We have complied with all terms, provisions and covenants of our CHEFA loan agreements. There were no conditions, events, actions, or failure to take any action which constitutes or would constitute an event of default.
 - b. CSUS will furnish to the Connecticut Health and Educational Facilities Authority ("CHEFA" or the "Authority"), the Trustee, and each national recognized municipal security repository and the appropriate state information repository, the required annual financial information, including audited financial statements, within 8 months after June 30, 2012.
 - c. CSUS will furnish a certificate signed by an authorized officer of CSUS indicating that CSUS has complied with all terms, provisions and conditions of the loan agreement, the tax certificate and the hazardous substance agreement to CHEFA and the Trustee within 8 months after June 30, 2012.
 - d. We have had no liens placed on any of CSUS's assets.
- 23. The valuation of library books was estimated by management using historical information and is accurately reflected in their carrying value.
- 24. All gifts received during the year were entered in the accounting records and conditions governing the gifts and funds were duly observed.
- 25. With respect to workers compensation claims incurred by CSUS employees on or before June 30, 2012 and 2011, other than the amount included for the accrued fringe benefits liability in the June 30, 2012 and 2011 statement of net assets, CSUS does not have any liabilities to individual employees or the State of Connecticut for these claims. Responsibility for the payments of such claims rests directly with the State of Connecticut.
- 26. CSUS has complied with all applicable Federal Title IV rules and regulations regarding federal reimbursement of Perkins loan in default, and expects full reimbursement for these loans in default.

27. CSUS has properly:

- a. Recorded depreciation expense for the years ended June 30, 2012 and 2011 and accumulated depreciation at June 30, 2012 and 2011;
- b. Classified operating and non-operating revenues and expenditures on the statements of revenues, expenditures and changes in net assets;
- c. Recorded the liability for refundable advances (e.g. Perkins Loan Funds) as of June 30, 2012 and 2011;
- d. Presented assets and liabilities classified as current or long-term on the statements of net assets.
- e. Classified its net assets in accordance with GASB Statement No. 34, as unrestricted, restricted nonexpendable, restricted expendable and invested in capital assets, of June 30, 2012 and 2011.

28. The CSUS has appropriately reconciled its books and records (e.g., general ledger accounts) underlying the financial statements to their related supporting information (e.g., sub ledger or third-party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. There were no material un-reconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to an income statement account and vice versa. All related parties accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.

29. CSUS is an agency of the State, which issues separate “agency” or “fund” financial statements. The State of Connecticut statutes (sections 5-257 and 5-259) make the State legally responsible for 100% of the payment for premiums associated with the postretirement benefits offered to retirees. CSUS has not reflected a liability for these benefits in the June 30, 2012 financial statements, as they are not legally responsible and the State makes all payments under the plan. CSUS has disclosed the name of the plan that covers its employees and indicated that the State of Connecticut makes the contributions to the plan.

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

William Bowes, Chief Financial Officer

PricewaterhouseCoopers LLP
185 Asylum Street, Suite 2400
Hartford, CT 06103

We are providing this letter in connection with your audits of the combined financial statements of the Connecticut Community Colleges ("CCC") as of June 30, 2012 and June 30, 2011 and for the years then ended for the purpose of expressing an opinion as to whether such combined financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of CCC in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the combined financial statements of financial position, results of operations, and of cash flows in conformity with generally accepted accounting principles, including the appropriate selection and application of accounting policies.

Certain representations in this letter are described as being limited to those matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of December XX, 2012, the date of your report, the following representations made to you during your audit(s):

1. The combined financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America (GAAP), and include all disclosures necessary for such fair presentation and disclosures otherwise required to be included therein by the laws and regulations to which CCC is subject. We have prepared CCC's combined financial statements on the basis that CCC is able to continue as a going concern, including to meet its obligations in the ordinary course of business, and we are not aware of any significant information to the contrary.
2. We have made available to you:
 - a. All financial records and related data.
 - b. Unconditional access to persons within the entity from whom you have requested audit evidence.
 - c. All minutes or summaries of actions of recent meetings for which minutes have not yet been prepared of the meetings of the Board of Regents. The most recent meeting held was December 6, 2012.
3. We have appropriately reconciled our books and records (e.g., general ledger accounts) underlying the combined financial statements to their related supporting information (e.g., sub ledger or third-party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the combined financial statements, as necessary. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account

balance. There were no material general ledger suspense account items written off to a statement of net assets account, which should have been written off to an income statement account and vice versa. All intra-entity accounts have been eliminated or appropriately measured and considered for disclosure in the combined financial statements.

4. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
5. There are no material transactions, agreements or accounts that have not been properly recorded in the accounting records underlying the combined financial statements.
6. There are no uncorrected financial statement misstatements to the combined financial statements taken as a whole.

We are not aware of any deficiencies in the design or operation of internal control over financial reporting.

7. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
8. We have no knowledge of any fraud or suspected fraud affecting CCC involving:
 - a. Management,
 - b. Employees who have significant roles in internal control over financial reporting, or
 - c. Others where the fraud could have a material effect on the combined financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting CCC received in communications from employees, former employees or others.

(As to items 8, 9 and 10, we understand the term "fraud" to mean those matters described in Statement on Auditing Standards No. 99.)

10. There have been no violations or possible violations of laws or regulations whose effects should be considered for disclosure in the combined financial statements or as a basis for recording a loss contingency.
11. CCC has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
12. The following, if material, have been properly recorded or disclosed in the combined financial statements:
 - a. Relationships and transactions with related-parties, as described in Accounting Standards Codification (ASC) 850, *Related Party Disclosures*, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

- b. Guarantees, whether written or oral, under which CCC is contingently liable.
 - c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with ASC 275, *Risks and Uncertainties*, 275-10-50. (Significant estimates are estimates at the statement of net assets date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.)
13. CCC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in the combined financial statements.
 14. CCC has complied with all aspects of contractual agreements that would have a material effect on the combined financial statements in the event of noncompliance.
 15. Receivables recorded in the combined financial statements represent bona fide claims against debtors for sales or other charges arising on or before the statement of net assets statement of net assets dates and are not subject to discount except for normal cash discounts. Receivables classified as current do not include any material amounts which are collectible after one year. All receivables have been appropriately reduced to their estimated net realizable value.
 16. All liabilities of CCC of which we are aware are included in the combined financial statements at the statement of net assets dates. There are no other liabilities or gain or loss contingencies that are required to be accrued or disclosed by ASC 450, *Contingencies*, and no unasserted claims or assessments that our legal counsel has advised us are probable of assertion and required to be disclosed in accordance with that Topic.
 17. We are responsible for all significant estimates and judgments affecting the combined financial statements. Significant estimates and judgments and their underlying assumptions, methods, procedures and the source and reliability of supporting data are reasonable and based on applicable guidance, are completely and appropriately disclosed in the combined financial statements, and appropriately reflect management's intent and ability to carry out specific courses of action, where relevant. The procedures and methods utilized in developing assumptions, estimates and judgments are appropriate and have been consistently applied in the periods presented. There have been no subsequent events which would require the adjustment of any significant estimate and related disclosures.
 18. All cash and deposit accounts and all other properties and assets of CCC are included in the combined financial statements. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, collateral posted or similar arrangements have been properly disclosed in the combined financial statements.
 19. All material costs that have been deferred to future periods meet the definition of an asset as defined in the Statement of Financial Accounting Concepts No. 6, *Elements of Financial Statements* (CON 6), and are recoverable.
 20. The combined financial statements include the accounts of the CCC System Office, and the following regional community colleges: Asnuntuck Community College, Capital Community

College, Gateway Community College, Housatonic Community College, Manchester Community College, Middlesex Community College, Naugatuck Valley Community College, Northwestern Connecticut Community College, Norwalk Community College, Quinebaug Valley Community College, Three Rivers Community College and Tunxis Community College.

21. All assets and liabilities under CCC's control have been included in the combined financial statements.
22. CCC has properly recorded, classified and disclosed the existence or absence of donor imposed restrictions on contributions received that would affect invested in capital assets, net of related debt, restricted-nonexpendable, restricted expendable and unrestricted net assets in the combined financial statements pursuant of GASB Statement No.33, Accounting and Financial Reporting for Nonexchange Transactions. ("GASB 33").
23. CCC has appropriately adopted the provisions of GASB Statement No.34, Basic Financial Statements-and Management Discussion and Analysis-for State and Local Governments ("GASB 34") GASB Statement No.35 Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities ("GASB 35"), GASB Statement No.37, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus and amendment of GASB Statements No.21 and No.34 ("GASB 37"), and GASB Statement No.38, Certain Financial Statement Note Disclosures ("GASB 38").
24. CCC has appropriately adopted the provisions of GASB Statement No.39, Determining Whether Certain Organizations Are Component Units an amendment of GASB Statement 14 ("GASB 39"). CCC determined that the only component units that are required to be disclosed under GASB 39 are the twelve individual college foundations, Great Path Academy and Quinebaug Valley Middle College High School. These foundations are appropriately disclosed in CCC's financial statements as discretely presented component units.
25. CCC has appropriately adopted Government Accounting Standards Board, Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51). CCC has determined that no additional intangible assets are required to be recorded by CCC in the Statement of Net Assets nor disclosed in the footnotes of the combined financial statements.
26. Great Path Academy and Quinebaug Valley Middle College High School are included as separately stated component units on the face of CCC's combined financial statements. CCC considers Great Path Academy and Quinebaug Valley Middle College High School to be component units as the educational missions are different than CCC and they are separately managed and accounted for.
27. All contributions received during the year were entered in the accounting records and conditions governing restricted gifts and funds were duly observed. All disbursements and charges for expenditures relating to restricted funds were made in accordance with the purpose of restriction on the fund affected and were appropriately authorized.
28. All disbursements, charges for expenditures and interfund transfers relating to restricted funds have been made in accordance with the purpose or restriction of the fund affected and was properly authorized. When both restricted and unrestricted resources are held for the same purpose, restricted resources are utilized first in making expenditures for the purpose or program.

29. We have presented, in either the statement of activities or the notes to the combined financial statements, information about expenses (but not losses) reported by their functional classification, such as major classes of program services and supporting activities. Expenses that relate to more than one program or supporting activity, or to a combination of programs and supporting services, have been appropriately allocated among the appropriate functions. Administrative allocations to the functional categories were based on full cost allocations.
30. We reviewed long-lived assets to be held and used for impairment in accordance with ASC 360, *Property, Plant, and Equipment* (ASC 36), 360-10-35, *Subsequent Measurement*, and determined no adjustment was necessary.
31. We have disclosed all contracts or other agreements with service organizations.
32. We have disclosed to you all communications from a service organization relating to noncompliance at the service organization, if any.
33. We are responsible for establishing and maintaining effective internal control over financial reporting. We have a process to track the status of audit findings and recommendations.
34. CCC appropriately records summer tuition revenue and extension credit and non-credit program fees. Revenues are split between two fiscal years when they are earned or incurred and become measurable.
35. CCC appropriately implemented GASB No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49"). As of June 30, 2011, CCC has not recorded a liability.
36. The State of Connecticut's Short Term Investment Funds (STIF) balance is currently trading at a \$1 per share net asset value.

To the best of our knowledge and belief, no events have occurred subsequent to the statement of net assets date and through the date of this letter that would require adjustment to or disclosure in the aforementioned combined financial statements.

William Bowes, Chief Financial Officer

Susan Grant, Senior Financial Analyst

***Connecticut State Colleges
and Universities***

**Report to Management
Year Ended June 30, 2012**



December 6, 2012

To the Board of Regents of the Connecticut State University System

In planning and performing our audit of the combined financial statements of Connecticut Community Colleges ("CCC") and the combined financial statements of Connecticut State University System (CSUS), including the System Office and the four individual Universities, as of and for the year ended June 30, 2012, we considered CCC and CSUS's internal control with respect to financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on internal control over financial reporting. Accordingly, we do not express an opinion on CCC or CSUS's internal control over financial reporting.

Our consideration of internal controls over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses as defined below:

Control Deficiency—exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Significant Deficiency—a control deficiency, or combination of control deficiencies, that adversely affects the company's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

Material Weakness—a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

We identified no deficiencies involving internal control over financial reporting that we consider to be material weaknesses as defined above. We noted certain matters involving internal control and its operation, and are submitting for your consideration related recommendations designed to help CCC and CSUS make improvements.

Board of Regents
Connecticut State Colleges and Universities
June 30, 2012

This report has been divided into two sections. Section I contains the detailed comments, findings, observations, recommendations for improvement, and responses from individual Colleges/Universities. Section II summarizes prior year findings and recommendations that the Colleges/Universities and the System Office have acted upon and have adequately resolved.

The accompanying comments, recommendations and summaries are intended solely for the information and use of management and the Board of Regent of CCC and CSUS, and are not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation and assistance we have received from CCC and CSUS management and staff in developing our findings, observations and recommendations. We also appreciate the opportunity to have been of service to you, CCC and CSUS. Should you have any questions about our findings, observations and recommendations, this letter, or any other matter, please contact us at your convenience.

Very truly yours,

PWC SIGNATURE

Connecticut State Colleges and Universities
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June 30, 2012

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*Prior year comment still applicable- updated where appropriate.

Connecticut State Colleges and Universities
Section I
Current Year Comments

The observations and recommendations below relate to Central Connecticut State University ("CCSU").

I. Information Technology Comments

A. Enhance Periodic Review of User Access Rights

Observation

As a result of the periodic review of user access to the Banner application, PwC identified (2) two users who were denoted for removal by the review; however, per inspection of system authority logs, access was not removed from the application. Timely revocation of terminated employee access helps reduce the risk of unauthorized access to sensitive data.

Recommendation

Management should ensure that all access to the system is commensurate with the reviews performed and ensure each identified modifications are adequately followed up and completed in accordance to the results of the assessment.

Management's Response

Management agrees with the recommendation. The process of formally creating and documenting a control procedure for part-time employee user account access is receiving greater attention. Initial steps are being taken to utilize the same Human Resources full-time employee transfer control procedure for updating part-time employee records in our ERP Banner system. This will ensure that the appropriate information has been updated in Banner in a timely manner and it should eliminate the need for the DBA to trouble shoot whether or not a part-time employee's Banner account should remain active or deleted.

Connecticut State Colleges and Universities
Section I
Current Year Comments

The observations and recommendations below relate to Southern Connecticut State University (“SCSU”).

I. Information Technology Comments

A. Update IT Strategic Plan

Observation

Due to recent changes in SCSU IT leadership, management has not completed a formalized update of the SCSU IT Strategic Plan. Formalizing and updating the plan to reflect the current strategic direction of the University will help ensure IT resources and projects are better aligned to strategic initiatives from campus leadership.

Recommendation

Management should formalize their update to the SCSU IT Strategic Plan to help ensure that all projects and activity within the IT department are aligned to support the overall University strategy. In doing so, management should ensure the plan is vetted through the relevant advisory committees to gain campus-wide adoption.

Management's Response

Management agrees with the recommendation. SCSU's new President, Dr. Mary Papazian, began her career at Southern in January, 2012. She has announced her intention to begin a new Southern Connecticut State University strategic planning process over the coming year. A search has already begun for a permanent campus Chief Information Officer, with the goal of filling that position by the Spring of 2013. One of the charges to the new SCSU CIO will be to help develop an updated IT Strategic Plan, which will integrate with and help support Southern's new institutional Strategic Plan. Plans are also underway at the Board of Regents for development of a Connecticut State Colleges and Universities (ConnSCU) System Level IT Strategic Plan, which should help inform IT strategic planning for the 17 member institution-based IT operations.

B. Developer Segregation of Duties

Observation

SCSU developers have been granted a level of access that provides the ability to perform code development and the migration of new program code to the production environment. Providing users with the ability to perform both code development as well as code migration presents the risk that change management controls can be bypassed, allowing an unauthorized program modification into the production environment. Unauthorized programs can affect Banner functionality and the integrity of data, reducing management's ability to rely on the information in the Banner application.

Recommendation

Management should consider logging the use of Banner IDs used to compile code in production. To achieve segregation of duties, management should ensure that the activity logs are reviewed on a periodic basis by an individual independent of the migration process.

Current Year Update (2012)

This comment is partially open. SCSU has hired a new DBA, and is in the process of training this new DBA to migrate program changes. Management has removed developer IDs on the production system with the exception of one developer ID who will serve as an emergency backup. In addition, through February six (6) developers had the ability to make direct data changes to Banner's Oracle database, without any monitoring of the activity logs. This portion of the process was remediated beginning in February as the logs are now being reviewed by David Sieser.

Management's Response

Management agrees with the recommendation. Management plans to fully address the situation whereby the DBA will have exclusive access to system passwords and program migration responsibilities. This should be fully implemented in the next 3 months.

C. Use of Generic ID's

Observation

Management currently utilizes generic administrative IDs (BANSECR ID's) on the Banner application to perform various administrative functions. The BANSECR IDs and passwords are shared with multiple people that have been authorized to have such information. However, the use of generic IDs is not required as the access can be granted to the individual accounts of those requiring access, eliminating the need to share a generic administrative ID and password. Sharing a generic administrative ID and password restricts management's ability to monitor the use of the ID.

Recommendation

Management should work to restrict the use of generic IDs and passwords and require end users to utilize their own individual user accounts to perform actions required as part of their job responsibilities. In instances where individual IDs cannot be granted the required access rights, and a generic ID is necessary, management should investigate proper compensating controls that will allow them to gain comfort and accountability over the use of such IDs.

Current Year Update (2012)

This comment is partially open. Management has restricted access to the generic BANSECR account within the Banner application to two (2) individuals who have knowledge of the password, one of the individuals being a developer. In addition, management has created custom BANSECR accounts assigned to four (4) users; of which two (2) are developers. Management should consider reviewing activity performed by the custom Banner administrator accounts belonging to the developers to ensure that activity is appropriate and authorized. In the upcoming fiscal year, a new DBA will be trained and ready to own the BANSECR accounts, and access for developers will be restricted.

Management's Response

Management agrees with the recommendation. Management plans to implement procedures whereby all BANSECR activities will be regularly monitored by either the DBA, or some other designee.

D. User Access Termination for Contractors and Temporary Employees

Observation

End user access to systems and applications is removed upon formal communication from the HR department. Our review of the termination process identified that formal HR communication excludes user provisioning for contractors and temporary employees. Currently there is no formalized process for communicating contractors and temporary employees to the IT department that no longer require access to systems and applications. The lack of a formalized process for communicating contractors and temporary employees that no longer require system and application access increases the risk that access may remain active past the date for which it was authorized. In addition, testing performed to ensure that user access was removed from the Windows Active Directory as well as the Banner financial modules identified that three (3) of five (5) users sampled continue to have an active account.

Recommendation

Management should work towards implementing a formalized process to ensure that all contractors and temporary employees have their access to systems and applications disabled/removed in a timely manner. Ensuring that all system and application users have their access disabled/removed timely will help management gain comfort that only authorized end users have active access to key financial and student information. In addition, management should continue to emphasize the importance of removing access which is no longer required to ensure that only authorized users have access to systems and applications.

Current Year Update (2012)

This comment is open. Testing revealed that, of 30 users tested, two (2) Banner users and 11 Windows Active Directory user accounts continued to remain active subsequent to the user termination date. Management should continue to collaborate with HR to ensure timely revocation of access.

Management's Response

Management agrees with the recommendation. Upon further investigation, it was determined that the users in question were not reported to IT in a timely manner to allow for removal of access rights within a reasonable period of time of the termination date. IT will continue to work with Human Resources to reach 100% compliance.

Connecticut State Colleges and Universities
Section I
Current Year Comments

The observations and recommendations below relate to Western Connecticut State University ("WCSU").

I. Information Technology Comments

A. Enhance the Network Termination Process

Observations

An analysis of the current procedures and controls used to manage the revoking of network access identified that WCSU network access is not consistently disabled or removed. Testing revealed that of the 10 terminated employees selected from a total population of 48, two (2) terminated employees did not have Active Directory access revoked in a timely manner due to untimely notifications from Human Resources. These two (2) terminated employees did not retain any access to the Banner application. Timely revocation of terminated employee access helps reduce the risk of unauthorized access to production programs and data.

Recommendations

Management should continue to work collaboratively with Human Resources to identify terminations and to be notified in a timely manner. Doing so will help ensure that Active Directory access is revoked timely for terminated employees.

Management's Response

Management agrees with this recommendation. As indicated, University Computing did not receive notification from Human Resources sometime after employee's departure. The CIO and the Associate Vice President of Human Resources will continue to collaborate to reinforce and strengthen the notification process for terminated employees. University Computing responds to the authority of Human Resources with respect to employee information.

Connecticut State Colleges and Universities
Section I
Current Year Comments

The observations and recommendations below relate to the Connecticut State University System's Office ("CSUSO").

I. General Comments

A. Approval of High Dollar Checks

Observation

In testing internal controls over purchasing and cash disbursements; we noted an instance of non-compliance with the University's policy which provides for proper authorization of high dollar disbursements. The policy requires a manual signature for disbursements between \$25,000 and \$250,000, and dual signatures for disbursements greater than \$250,000. Out of a sample of twenty high dollar disbursements, we noted that one did not comply with the University's policy.

Recommendation

The engagement team recommends that management segregate all checks greater than \$25,000 and perform a review after these checks have been approved by the appropriate levels of management. This will ensure that all checks greater than \$25,000 are being signed by management appropriately.

Management's Response

All checks are reviewed by the Accounts Payable supervisor. Checks greater than \$25,000 are segregated and submitted to the CFO (or designee) for approval. This finding was an isolated incident.

B. Vendor Set Up Process

Observation

In testing internal controls over purchasing and cash disbursements; we noted an instance of non-compliance with the University's policy which provides for proper authorization of a W-9 or BO-1 Form for new vendors. The policy requires a signed W-9 or BO-1 form prior to entry of the new vendor in the Banner System. Out of a sample of five new third party vendors, we noted that one did not comply with the University's policy.

Recommendation

The engagement team recommends that management implement an approval process that requires signature by the appropriate levels of management acknowledging that a signed W-9 or BO-1 Form has been obtained and approving that vendor may be entered into the Banner System. This will ensure that signed W-9 or BO-1 forms for all new third party vendors prior to be entered into the Banner System.

Management's Response

Management agrees with this recommendation, and will strengthen our current procedure to reduce the likelihood of a non-compliance instance happening again.

II. Information Technology Comments

A. Review Data Center Access on a Periodic Basis

Observation

Management currently leverages the use of the 61 Woodlawn Street Data Center to support the CSU System Office / CCC instances of the Banner application; however, management has not formalized a periodic review of individuals with access to the data center. Timely review of access to the data center helps reduce the risk of unauthorized access to physical resources and can help detect terminated employees who may have retained access.

Recommendation

Management should formalize a periodic review of data center access and coordinate with the Department of Public Works to establish timely working practices to perform the review.

Management's Response

Management agrees with the finding and will establish a periodic review process in consultation with DPW.

B. Formalize the Infrastructure and Firewall Change Management Process

Observation

While management has established standard working practices to facilitate changes to infrastructure and firewall devices; evidential matter of the request, testing and approvals to facilitate changes is not consistently maintained. Formalized and consistent use of a standardized process of infrastructure and firewall changes helps to reduce the risk that unauthorized modifications are introduced into the environment.

Recommendation

Management should enhance current working practices to formalize the infrastructure and firewall change management process supporting the prioritization, testing results, and approvals of infrastructure and firewall changes.

Management's Response

Management agrees with the finding and has since deployed Footprints system to track requests, approvals, and testing of the infrastructure and firewall changes.

Connecticut State Colleges and Universities
Section I
Current Year Comments

The observations and recommendations below relate to the Connecticut Community Colleges ("CCC").

I. Information Technology Comments

A. Rename Windows Administrator Account and Change Password

Observation

Management has not renamed the default Windows "Administrator" account resident on the CCC Windows Domain Controller. In addition, management has not proactively changed the password associated with the generic administrator account in at least 2 years. Renaming the generic administrator account and changing the associated password on a regular basis will help ensure that access from external sources are limited and only authorized personnel are able to access the account.

Recommendation

Management should rename the generic windows domain controller account and password.

Management's Response:

Management agrees with the finding and is in the process of evaluating the impact that the change may cause. Once the evaluation is completed, we will develop procedures to change the account information on a regular basis.

B. Develop Disaster Recovery/Business Continuity Plan

Observation

Management has not formally documented a disaster recovery or business continuity plan. Disaster recovery and business continuity plans together will help ensure that management will be able to recover in the event there is an operational failure resulting in a significant business interruption.

Recommendation

Management should continue to work on developing formal disaster recovery and business continuity plans. In addition, once developed, the plan should be tested and updated on a periodic basis. Management has received funding and approval to start conducting the Business Impact Analysis with SunGard in 2005.

Current Year Update:

This comment remains open. A full scale disaster recovery/business continuity plan continues to be an objective of the organization; however, management has made progress towards developing a formal plan. Management has conducted an Impact Analysis with Sunguard in 2005 and has conducted several feasibility studies (e.g. staffing requirements, required equipment, location analysis, and estimated funding). Although not formally documented, the current disaster recovery strategy includes the establishment of a "warm" site in Enfield, CT. Management is moving forward to contract with a third party to design the "warm" site.

Management's Response:

The CSU System implemented a disaster recovery strategy that universities use each other as backup. With the merger, the plan is to expand CSU's disaster recovery strategy to include community colleges and Charter Oak. The Enfield CT site is no longer under consideration.

Connecticut State Colleges and Universities **Section II**

Status of Prior Year Comments Resolved

The following prior year observations were resolved by Connecticut State Colleges and Universities:

CCSU

Restrict Banner Direct Data Access- This comment is closed. Access privileges to direct data changes within Oracle have been recently removed from the Director of Administrative Technology Services profile.

Timely Revocation of User Access- This comment is closed. Management worked with HR to strengthen the termination communication process. No exceptions were noted in testing this control in FY 2011.

ECSU

Restricted Data Center Access- This comment is closed. Testing noted that management has appropriately restricted access and performs reviews on a periodic basis.

CSUS

Enhance the Periodic Review Process- This comment has been closed. The periodic Banner review is now performed on a semi-annual basis and was tested in 2012 ITGCs.

CCC

Enhance the Periodic Review Process- This comment has been closed. The periodic Banner review is now performed on a semi-annual basis and was tested in 2012 ITGCs.