

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
STATE EDUCATION RESOURCE CENTER  
FISCAL YEARS ENDED JUNE 30, 2017 AND 2018*

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

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December 1, 2020

**EXECUTIVE SUMMARY**

In accordance with the provisions of Sections 1-122, 2-90 and 10-357b(c) of the Connecticut General Statutes, we have audited certain operations of the State Education Resource Center (SERC). The objectives of this review were to evaluate the quasi-public agency’s internal controls; compliance with policies and procedures, as well as certain legal provisions; and management practices and operations for the fiscal years ended June 30, 2017 and 2018.

The findings and recommendations are presented below:

<b>Page 8</b>	The SERC Foundation did not have audits conducted nor develop a whistleblower policy. The agreement between SERC and its foundation is not consistent with established best practices, and there was inconsistent accounting for transactions between the entities. Additionally, the SERC Foundation was used as a pass-through agency without established policies and procedures. The State Education Resource Center should ensure that the SERC Foundation complies with its bylaws and implements policies and procedures consistent with established best practices. (Recommendation 1.)
<b>Page 10</b>	SERC’s telework policy allowed employee mileage reimbursement claims that are more generous than generally accepted public policy. The State Education Resource Center modified its mileage reimbursement policy to be consistent with generally accepted public policy. The new policy was approved by the board of directors effective July 1, 2020.
<b>Page 11</b>	SERC’s board of directors did not approve fiscal policies necessary to meet all of its internal control objectives and SERC did not fulfill all statutorily required annual reporting requirements. SERC should continue to develop a comprehensive internal control system that is appropriately documented and approved by its board of directors. The internal control system should comply with the General Statutes and operational objectives of the agency. (Recommendation 2.)
<b>Page 12</b>	The SERC executive director did not always review and approve credit card statements prior to payment. SERC should implement the purchasing and credit card policies that are approved by the board of directors. (Recommendation 3.)

# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

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JOHN C. GERAGOSIAN

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December 1, 2020

## AUDITORS' REPORT

### INTRODUCTION

We have audited certain operations of the State Education Resource Center in fulfillment of our duties under Sections 1-122, 2-90 and 10-357b(c) of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2017 and 2018. The objectives of our audit were to:

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

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

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

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

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

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the State Education Resource Center.

## COMMENTS

### FOREWORD

The state established the State Education Resource Center (SERC) in 1969 (formerly the Special Education Resource Center) to address requirements in the Education of the Handicapped Act. Subsequently, the General Assembly enacted Sections 10-4q and 10-76n of the General Statutes, placing requirements on the State Board of Education (SBE) and the State Department of Education (SDE) related to the operation of SERC and the activities it may perform. SERC operated without a defined status until July 1, 2014 when Public Act 14-212 established it as a quasi-public entity as defined under Section 1-120 of the General Statutes.

SERC currently operates under the provisions of Chapter 179a, Sections 10-357a through 10-357g, of the General Statutes as a body politic and corporate, constituting a public instrumentality and political subdivision of the state of Connecticut established and created to be a public educational authority acting on behalf of the state.

The duties of SERC are to assist the State Board of Education in the provision of programs and activities that promote educational equity and excellence. The assistance is limited to: training, technical assistance and professional development for local and regional boards of education, school leaders, teachers, families, and community partners in the form of seminars, publications, site visits, on-line content and other appropriate means; maintaining a state education resource center library; publication of technical materials; research and evaluation; and writing, managing, administering, and coordinating grants. In addition, SERC may support early childhood education programs and activities, in collaboration with the Office of Early Childhood, to improve school and district academic performance and close achievement gaps between socioeconomic subgroups.

The SERC board of directors appointed Ingrid Canady as interim executive director on December 2, 2014, and executive director on October 12, 2016. She served in that capacity throughout the audited period.

### **Board of Directors**

Section 10-357a of the General Statutes established SERC and created a 13-member board of directors charged with overseeing SERC. The board consists of 4 members appointed by the Governor, 2 appointed by the State Board of Education, and one each appointed by the president pro tempore of the Senate, majority leader of the Senate, minority leader of the Senate, speaker of the House of Representatives, majority leader of the House of Representatives, minority leader of the House of Representatives, and the Commissioner of Education. The Governor appoints the chairperson of the board from among the members with the advice and consent of the General Assembly.

The SERC board of directors consisted of the following, as of June 30, 2018:

- George A. Coleman, Interim Chairperson, Vice Chairperson
- Elizabeth Brown
- Jeffrey Leake
- Richard J. Porth, Jr.
- Dr. Agnes Quinones
- Charlene Russell-Tucker
- Thomas R. Swan
- Dr. Salvatore Menzo

The board has 5 vacancies, including the chairman of the board appointee.

Subsequent to the audit period, the Governor appointed George A. Coleman as the chairperson in January 2019. Jennifer Tooker and Diane Ullman, PhD also served on the board during the audited period.

### **SERC Foundation, Inc.**

The SERC Foundation was established as a 501(c)(3) organization under the United States Internal Revenue Service tax code, effective January 20, 2016. The foundation allows SERC to raise tax-deductible donations as an alternative funding source. SERC and the foundation entered into a memorandum of agreement in November 2016 to clarify their relationship. The agreement appoints 2 SERC board members to the foundation's board, and requires the foundation to provide reports of its programmatic and financial activities to the SERC board of directors. The SERC fiscal department is responsible for foundation accounting, as the foundation has no paid employees and does not maintain its own accounting system.

The foundation's board of directors consisted of the following members, as of June 30, 2018:

- Jeffrey Leak, Chairperson of Foundation Board and a SERC board member
- George A. Coleman, SERC Board of Directors Vice Chairperson
- Marilyn Calderon
- Paul F. Flinter
- Jessica Sager
- Deborah Stanley-McAulay
- Ex Officio Member Ingrid Canady, SERC Executive Director
- Ex Officio Member Wendy Waithe Simmons, Director of SERC Foundation

SERC has the ability to exercise significant influence over the foundation due to the interrelationship of the boards.

### **Other Audit Examinations**

Independent public accountants (IPA) audited SERC's financial statements and conducted federal and state single audits for the fiscal years under review. The IPA issued an unmodified opinion on the financial statements and single audits and reported no material weaknesses in internal controls. The federal single audit resulted in a finding related to cash management, citing that SERC drew down excess monies from SDE for the IDEA grant during both fiscal years under review. These findings did not result in any questioned costs.

## **RÉSUMÉ OF OPERATIONS**

### **Introduction**

The State Department of Education (SDE) provided over 80% of SERC's funding during the period through federal and state grants, a majority of which was for the federal Individuals with Disabilities Education Act (IDEA) grant. IDEA, which provides education resources for children with disabilities, funds numerous educational initiatives at SERC, including the educational library. The library is a comprehensive resource center that contains current collections of research, reference, and instructional material on education and social services. This free, public lending library assists Connecticut education professionals, college/university students, families, and community members in achieving positive educational and life outcomes for all learners. The library closed on June 29, 2018 due to fiscal challenges, and reopened in December 2019.

SERC's other significant educational initiatives include:

- School Climate Transformation Grant (SCTG) – SCTG is a federally funded initiative administered on the behalf of SDE to provide schools with on-site, job-embedded training and technical assistance in implementing Connecticut's Positive Behavioral Interventions and Supports program. In spring 2015, SERC held a competitive selection process through

which Wilbur L. Cross, a pre-kindergarten to grade 8 school in Bridgeport; Keigwin Annex School, a 6th-grade-only school in Middletown; and Naugatuck High School, a comprehensive grade 9-12 high school, were selected to participate in the 2015-2018 Cohort.

- Service Contracts with Local Education Agencies (LEA) – SERC contracts with LEA to provide training and technical assistance. These service contracts account for approximately 7% of SERC’s revenue, and provide funding that is independent of federal and state grants.
- State Parent Trust Grant (SPTG) – SPTG is a state funded initiative administered on behalf of SDE to expand opportunities and the number of communities offering parent leadership training. SERC uses the resources to increase the awareness of issues that matter to families and emphasize the important role they play as advocates. SERC provides SPTG awards to local education agencies and non-profits to provide training to achieve the program’s objectives. SERC transferred administration of the SPTG program back to SDE during fiscal year 2018-2019 due to significant reductions in grant funding.

We performed a comparative analysis of SERC revenue, expenditures and net position based on amounts presented in SERC’s audited financial statements for the fiscal years ended June 30, 2017 and 2018. It should be noted that there was an adjustment to amounts reported in SERC’s financial statements for the fiscal year ended June 30, 2016 due to a change in the reporting of SERC’s net pension liability under the Connecticut State Teachers’ Retirement System.

### Comparative Analysis of Revenues

SERC’s operations are financially dependent on federal and state grants, primarily funded by SDE, which account for the majority of SERC’s revenues and are the most significant economic factor that can impact its operations. A summary of SERC revenues by category follows:

Revenue Category	Fiscal Year Ended June 30,		
	2018	2017	2016 (as restated)
Federal and State grants	\$4,572,129	\$5,357,843	\$6,962,433
On-behalf amount	88,470	731,476	-
<b>Intergovernmental</b>	<b>4,660,599</b>	<b>6,089,319</b>	<b>6,962,433</b>
Charges for services	771,407	902,854	964,553
Private funding	46,215	159,648	191,827
Other	15,347	125,276	2,980
<b>Total Revenues</b>	<b>\$5,493,568</b>	<b>\$7,277,097</b>	<b>\$8,121,793</b>

Reductions in revenue for both fiscal years were due primarily to reduced federal and state grant funding. On-behalf amounts represent contributions paid by the state for SERC employees participating in the Connecticut State Teachers’ Retirement System. Charges for services represent



revenue from contracted services provided to local school districts and fees paid by participants attending SERC-funded events.

### **Comparative Analysis of Expenditures**

SERC primarily makes expenditures pursuant to federal, state, and private restrictions on grant revenue. Revenue generated from charges for services is unrestricted and the related expenditures are subject only to approval by the SERC board of directors. A summary of expenditures by category follows:

Expenditure Category	Fiscal Year Ended June 30,		
	2018	2017	2016 (as restated)
Salaries	\$3,657,664	\$3,986,791	\$4,339,083
Employee benefits	825,694	897,165	1,298,283
On-behalf amount	88,470	731,476	-
Programs and events	629,975	613,903	491,907
External contract services	71,581	211,319	631,084
Grantee payments	-	273,141	479,676
Professional development	2,947	24,677	20,530
Occupancy	238,034	200,217	171,876
Technology	66,789	25,784	189,075
Marketing	14,375	15,443	112,615
Library	20,677	44,859	80,183
Foundation	-	32,537	69,663
Professional services	38,525	86,364	40,743
Insurance	214,030	131,448	26,943
Travel	56,964	46,256	16,998
Office supplies	8,070	16,023	5,103
Other	37,183	-	68,699
Depreciation	30,572	32,824	32,824
<b>Total Expenditures</b>	<b>\$6,001,550</b>	<b>\$7,370,227</b>	<b>\$8,075,285</b>

Total expenditures decreased in both fiscal years reviewed due primarily to a reduction in salaries, employee benefits, and grantee payments. Decreases in salaries and employee benefits were due to reduced grant funding, as well as employee layoffs in fiscal year 2017-2018. Decreases in grantee payments were due to the reduction of private grants, which are now being provided to the SERC Foundation. On-behalf amounts represent contributions paid by the state for SERC employees participating in the Connecticut State Teachers' Retirement System.

### **Comparative Analysis of Net Position**

Over time, net position may serve as a useful indicator of SERC's financial position. SERC uses unrestricted net position to meet ongoing obligations to its employees and creditors. The

remaining balance is its investment in capital assets (e.g., furniture, equipment, and computer equipment). A summary of SERC's net position follows:

	Fiscal Year Ended June 30,		
	2018	2017	2016 (as restated)
Current assets	\$2,309,223	\$3,405,642	\$3,748,466
Capital assets (net)	281,629	300,216	401,564
<b>Totals assets</b>	<b>2,590,852</b>	<b>3,705,858</b>	<b>4,150,030</b>
Current liabilities	1,289,604	1,928,084	2,228,540
Noncurrent liabilities	65,412	33,956	14,143
<b>Totals liabilities</b>	<b>1,355,016</b>	<b>1,962,040</b>	<b>2,242,683</b>
Net position:			
Net investment in capital assets	281,629	300,216	401,564
Unrestricted	954,207	1,443,602	1,504,933
<b>Total Net Position</b>	<b>\$1,235,836</b>	<b>\$1,743,818</b>	<b>\$1,906,497</b>

SERC's assets exceeded its liabilities at the close of each fiscal year. The decreases in net position were due primarily to losses on the disposal of assets, a settlement payment in fiscal year 2016-2017, and reductions in special education grant funding in fiscal year 2017-2018.

## STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the State Education Resource Center disclosed the following 4 findings and recommendations, of which 2 have been repeated from the previous audit:

### **SERC Foundation, Inc. – Noncompliance with Bylaws and Best Practices**

*Criteria:* Article V, Section 4 of SERC Foundation, Inc.'s bylaws requires its books and records to be audited in accordance with standard accounting practices at the close of each fiscal year.

Sound business practice dictates that contracts be properly completed, fully executed, and that the terms and conditions adequately describe the responsibilities of each party.

Sound business practice also dictates that a foundation should develop a complaint process that includes a whistleblower policy, to investigate and handle allegations of waste, fraud, and abuse.

*Condition:* Audits of the SERC Foundation were not conducted for the fiscal years ended June 30, 2017 and 2018. The SERC Foundation reported revenue of \$180,955 and \$218,399 on IRS Form 990 for the fiscal years ended June 30, 2017 and 2018, respectively.

The memorandum of agreement (MOA) between SERC and the SERC Foundation identifies SERC as the main source of funding for the general operations of the foundation. However, the MOA does not address the use of SERC's facilities and resources, require the foundation to reimburse SERC for expenses incurred as a result of foundation operations, or provide procedures in the event that the foundation dissolves.

The SERC Foundation has not developed a whistleblower policy.

SERC's financial statements for the fiscal year ended June 30, 2018 misrepresent transactions with the SERC Foundation. We determined that the foundation owed SERC \$8,328 as of the fiscal year ended June 30, 2018. However, SERC's financial statements for the period reported \$9,841 due from the foundation as "Other Receivables" and \$1,513 due to the foundation as "Due to SERC Foundation." Although, the disclosure of these transactions is not required since the amounts are not material to the financial statements, the presentation of these balances should be accurate.

The SERC Foundation’s board of directors approved the foundation as a pass-through entity without established policies and procedures. Furthermore, the \$25,000 passed-through the foundation was not reported on its IRS Form 990.

*Effect:*

In the absence of required audits, there is reduced assurance for donors and other interested parties that the foundation has properly administered and used its funds for their intended purpose.

Transactions may not be accounted for properly due to the MOA not adequately defining the responsibilities of each party.

Members of the organization may be reluctant to report fraud, waste, or abuse without established whistleblower protection.

The relationship and the nature of the transactions between SERC and the foundation are unclear to financial statements users when the presentation is inaccurate.

Transactions may not be accounted for properly due to a lack of policies and procedures for use of the foundation as a pass-through.

*Cause:*

SERC did not consider implementing the established best practices when creating the foundation.

SERC did not always use the appropriate accounts for transactions between the entities.

The SERC Foundation board of directors was presented with an opportunity to collect an administrative fee for the use of the foundation as a pass-through entity and did not have adequate time to establish policies and procedures before entering into the agreement.

*Prior Audit Finding:*

This finding has not been previously reported.

*Recommendation:*

The State Education Resource Center should ensure that the SERC Foundation complies with its bylaws and implements policies and procedures consistent with established best practices. (See Recommendation 1.)

*Agency Response:*

“While the State Education Resource Center (SERC) questions whether the State auditor has purview over a separate non-profit entity of this particular quasi-public entity, the agency does acknowledge the recommendations as best practice guidance. SERC and the SERC Foundation have implemented multiple changes, both prior to this audit

and since, in order to improve the policies, practices and internal control mechanisms of both entities.”

### **Generous Mileage Reimbursement Claims for Teleworkers**

*Background:* The Department of Administrative Services’ General Letters No. 32 - Telecommuting Guidelines and General Letter No. 115 - Policy for Motor Vehicles Used for State Business contain the state’s policies related to mileage reimbursement for state employees who telework. The policies allow telecommuting employees to receive reimbursement for travel to locations other than their official duty station, less their normal round-trip commute from home to their official duty station, when using a personally owned vehicle on official state business.

The State Education Resource Center (SERC), as a quasi-public agency, should consider generally accepted public policies when creating or modifying its policies.

*Criteria:* Section 10-357b(a)(5)(B) of the General Statutes authorizes SERC to establish all necessary or appropriate personnel practices and policies, including those relating to hiring, promotion, compensation, retirement and collective bargaining.

*Condition:* SERC’s telework policy allowed employee mileage reimbursement claims that are more generous than generally accepted public policy. SERC’s policy allowed teleworkers to receive mileage reimbursement for work-related travel between their telework location and destination without deducting the normal round-trip commute. Travel between SERC and the telework location is not eligible for mileage reimbursement.

SERC modified its mileage reimbursement policy after we brought this to its attention. The new policy, approved by the board of directors effective July 1, 2020, is consistent with generally accepted public policy.

*Context:* Our review noted two instances in which SERC reimbursed an employee for more than 120 round-trip miles for travel from their telework location to destinations that are approximately 4 and 20 round-trip miles from SERC, respectively.

*Effect:* SERC employees who telework received mileage reimbursement amounts that were more generous than established public policy.

*Cause:* SERC created the telework policy based on legal counsel’s interpretation of federal and state labor requirements.

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

*Conclusion:* The State Education Resource Center modified its mileage reimbursement policy to be consistent with generally accepted public policy. The new policy was approved by the board of directors effective July 1, 2020.

*Agency Response:* “The State Education Resource Center (SERC) does not concur with this finding because as indicated above, the agency as a quasi-public entity has the autonomy to establish personnel policies and practices as authorized by the General Statutes. The agency acted accordingly by considering various sources of guidance when establishing the Board approved policy in question. While the finding states an opinion that the policy is unreasonable it does not violate any required guidelines as SERC employees are not deemed to be employees of the State nor are they subject to these specific requirements. With that being stated, SERC is in the process of reviewing all of its policies and has since amended this particular mileage policy while taking this feedback into consideration.”

### **Internal Control System and Governance Weaknesses**

*Criteria:* Standards for Internal Control in the Federal Government, issued by the United States Government Accountability Office, defines an internal control system as a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the entity will achieve its objectives. Documentation of internal controls is required for the effective design and implementation.

Section 10-357c of the General Statutes requires the State Education Resource Center (SERC) board of directors to establish written procedures that include adopting an annual budget.

Section 1-123(a) of the General Statutes requires SERC to annually submit a report to the Governor and the Auditors of Public Accounts that includes specific information on the fiscal operations and personnel matters of the center during the fiscal year.

Section 10-357d of the General Statutes requires SERC to annually submit a yearly budget, projected revenue statement, and financial audit to the State Board of Education and the General Assembly.

*Condition:* SERC’s board of directors did not approve fiscal policies necessary to meet its internal control objectives, including procedures for adopting an annual budget, as required by Section 10-357c of the General Statutes. SERC’s board of directors reviews and approves SERC’s operational budget annually.

SERC did not comply with the annual reporting requirements prescribed in Sections 1-123(a) and 10-357d of the General Statutes.

*Effect:* Informal internal controls reduce the assurance that the entity will achieve its objectives, and increases the risk of fraud, waste, and abuse.

Lack of compliance with statutory reporting limits the state's monitoring function over the quasi-public entity.

*Cause:* SERC did not have an internal fiscal director until the beginning of fiscal year 2018-2019, and lacked the necessary financial expertise to establish an effective internal control system.

Since hiring a chief financial officer, SERC updated draft fiscal policies and procedures to ensure compliance with state and federal requirements. The board of directors approved policies and procedures regarding purchasing, credit cards, bank reconciliations and the compilation and submission of annual and quarterly fiscal year 2019-2020 reports.

*Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2015 to 2016.

*Recommendation:* The State Education Resource Center should continue to develop a comprehensive internal control system that is appropriately documented and approved by its board of directors. The internal control system should comply with the General Statutes and operational objectives of the agency. (See Recommendation 2.)

*Agency Response:* "The State Education Resource Center (SERC) agrees with the finding and the corresponding recommendation. SERC has implemented several internal control improvements and established multiple corresponding Board approved policies in recent months and the process is ongoing to ensure that compliance with the General Statutes is achieved."

### **Ineffective Purchasing Internal Controls**

*Criteria:* The State Education Resource Center established credit card procedures that require the requestor and supervisor to approve individual transactions. The executive director must then review and approve all transactions and authorize payment of the monthly statements.

*Condition:* The executive director did not always review and approve credit card statements prior to payment.

*Context:* Our review of 10 of 24 monthly credit card statements during the audited period, noted 6 instances in which the executive director approved credit

card statements after they had been paid, and one instance in which the approval was not dated. The 7 monthly statements totaled \$31,066.

It should be noted that SERC updated its purchasing and credit card policies which should address the conditions in our report if properly implemented. The board of directors approved the policies in fiscal year 2019-2020.

*Effect:* Untimely monitoring of credit card statements reduces the assurance that SERC detects inappropriate or fraudulent payments prior to payment.

*Cause:* SERC pays their monthly credit card statement using automatic payments.

*Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2015 to 2016.

*Recommendation:* The State Education Resource Center should implement the purchasing and credit card policies that are approved by the board of directors. (See Recommendation 3.)

*Agency Response:* “The State Education Resource Center (SERC) acknowledges there may have been discrepancies regarding the timing of the executive director final review and approval of the monthly credit card statements. These timing discrepancies were generally due to coordination challenges as a result of the executive director’s travel schedule and other commitments outside of the office at those particular times. The monthly statements were reconciled in a timely manner by the responsible fiscal staff prior to the statement payment being automatically executed by the bank. Additionally, each individual credit card transaction on the monthly statements had preapproval documentation (credit card purchase request form or purchase order) which was approved by the executive director prior to each transaction being executed.

As previously noted, the establishment of formal, written, Board approved credit card and purchasing policies and procedures has since taken place and further internal control policy development is ongoing.”



## RECOMMENDATIONS

### Status of Prior Audit Recommendations:

Our prior audit report on the State Education Resource Center contained 4 recommendations. Two have been implemented or otherwise resolved and 2 have been repeated or restated with modifications during the current audit.

- The State Education Resource Center should develop a comprehensive internal control system that is appropriately documented and approved by the board of directors. The internal control system should comply with the General Statutes and operational objectives of the agency. Internal controls should also limit access rights within information systems to those employees who need the privileges and should define responsibilities of user account holders to those granted primary and alternate access rights. **This recommendation is being repeated with modifications. (See Recommendation 2.)**
- The State Education Resource Center should improve internal controls over purchasing cards by consistently applying internal controls to all divisions. The center should implement a monthly purchasing card log to adequately track and monitor card usage as required by the Department of Administrative Services Agency Purchasing Card Coordination Manual. **This recommendation is being repeated with modifications. (See Recommendation 3.)**
- The State Education Resource Center should improve internal controls by establishing procedures for commitment authorizations and requiring that purchase orders and leases be properly approved and monitored for commitment amounts. **This recommendation has been resolved.**
- The State Education Resource Center should improve internal controls by requiring that all journal vouchers be supported with underlying documentation and that any calculation be properly maintained to ensure accuracy. **This recommendation has been resolved.**

**Current Audit Recommendations:**

- 1. The State Education Resource Center should ensure that the SERC Foundation complies with its bylaws and implements policies and procedures consistent with established best practices.**

Comment:

The SERC Foundation did not have audits conducted nor develop a whistleblower policy. The agreement between SERC and its foundation is not consistent with established best practices, and there was inconsistent accounting for transactions between the entities. Additionally, the SERC Foundation was used as a pass-through agency without established policies and procedures.

- 2. The State Education Resource Center should continue to develop a comprehensive internal control system that is appropriately documented and approved by its board of directors. The internal control system should comply with the General Statutes and operational objectives of the agency.**

Comment:

SERC's board of directors did not approve fiscal policies necessary to meet its internal control objectives, and SERC did not comply with annual reporting requirements.

- 3. The State Education Resource Center should implement the purchasing and credit card policies that are approved by the board of directors.**

Comment:

The executive director did not always review and approve credit card statements prior to payment.

**ACKNOWLEDGMENTS**

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

Chris DiDomizio  
Shirley Huang  
Jaimey Makie

**CONCLUSION**

In conclusion, we wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the State Education Resource Center during the course of our examination.



Chris DiDomizio  
Associate Auditor

Approved:



John C. Geragosian  
State Auditor



Robert J. Kane  
State Auditor