

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
BOARD OF TRUSTEES FOR THE CONNECTICUT STATE UNIVERSITY  
EASTERN CONNECTICUT STATE UNIVERSITY  
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2011*

**AUDITORS OF PUBLIC ACCOUNTS**  
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

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September 30, 2013

### **AUDITORS' REPORT BOARD OF TRUSTEES FOR THE CONNECTICUT STATE UNIVERSITY EASTERN CONNECTICUT STATE UNIVERSITY FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2011**

We have examined the financial records of Eastern Connecticut State University (ECSU) for the fiscal years ended June 30, 2010 and 2011.

Financial statement presentation and auditing are performed on a Statewide Single Audit basis to include all state agencies. This audit has been limited to assessing the university's compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating the university's internal control structure policies and procedures established to ensure such compliance.

This report on that examination consists of the Comments, Condition of Records, Recommendations, and Certification that follow.

## **COMMENTS**

### **FOREWORD:**

Eastern Connecticut State University, located in Willimantic, is one of the four higher education institutions that collectively make up the Connecticut State University System (CSUS). The other three are Central Connecticut State University in New Britain, Southern Connecticut State University in New Haven, and Western Connecticut State University in Danbury. During the audited period, the university was administered by the Board of Trustees for the Connecticut State University System through its central office, known as the System Office, in Hartford. CSUS, a constituent unit of the State of Connecticut's system of higher education, operated principally under the provisions contained in Sections 10a-87 through 10a-101 of the General Statutes. Effective January 1, 2012, a consolidation of the administration of the state's public higher education institutions was implemented, with a new Board of Regents for Higher Education serving as the administrative office for the CSUS, the Connecticut Community College System, and Charter Oak State College (see the Recent Legislation section below for further details).

Dr. Elsa Nuñez served as president of the university during the audited period.

**Recent Legislation:**

The following notable legislative changes affecting the university took effect during the audited period and thereafter:

- Public Act No. 09-159 – Effective July 1, 2009, Section 5 of this act allows the Connecticut State University System to recover federal educational assistance payments under the 2008 Post-9/11 Veterans Educational Assistance Act by limiting the waiver for eligible veterans who apply for these benefits. It requires that the universities waive only the tuition charges that exceed the amount of federal benefits granted for tuition and establishes a formula for calculating the federal benefit amount. The act also provides that veterans whose benefits have been denied or withdrawn under the 2008 Post-9/11 Veterans Educational Assistance Act may still be eligible for tuition waivers under the existing laws codified in the General Statutes.
- Public Act No. 11-43 – Effective July 1, 2011, expands in-state tuition benefits to include certain students attending state public higher education institutions, including those without legal immigration status, who reside in Connecticut.
- Public Act No. 11-48 – Effective July 1, 2011, Section 22 of this act requires the state’s higher education institutions to work with the secretary of the Office of Policy and Management (OPM), the Department of Administrative Services (DAS), and the Comptroller to more fully utilize the state’s Core-CT information system. Effective July 1, 2011, Sections 211 through 227 and Section 230 of the act consolidate the administration of all of the state’s public higher education institutions, except the University of Connecticut, under a new Board of Regents for Higher Education (BOR). Effective January 1, 2012, the BOR replaced the Board of Trustees for the Connecticut State University System (BOT). In the meantime, the BOT, subject to oversight by the BOR, served during the transition period.

**Enrollment Statistics:**

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

|                         | <u>Fall 2009</u>    | <u>Spring 2010</u>  | <u>Fall 2010</u>    | <u>Spring 2011</u>  |
|-------------------------|---------------------|---------------------|---------------------|---------------------|
| Full-time undergraduate | 4,326               | 4,096               | 4,416               | 4,113               |
| Full-time graduate      | 100                 | 77                  | 80                  | 64                  |
| Total full-time         | <u>4,426</u>        | <u>4,173</u>        | <u>4,496</u>        | <u>4,177</u>        |
| Part-time undergraduate | 917                 | 820                 | 885                 | 780                 |
| Part-time graduate      | 267                 | 290                 | 225                 | 218                 |
| Total part-time         | <u>1,184</u>        | <u>1,110</u>        | <u>1,110</u>        | <u>998</u>          |
| <b>Total Enrollment</b> | <b><u>5,610</u></b> | <b><u>5,283</u></b> | <b><u>5,606</u></b> | <b><u>5,175</u></b> |

The average of Fall and Spring semesters' total enrollment was 5,447 and 5,391 during the 2009-2010 and 2010-2011 fiscal years, respectively, compared to an average of 5,264 during the 2008-2009 fiscal year. The increase in these figures during the 2009-2010 fiscal year, which amounted to almost 3.5 percent, reflects the state's weak economy during the 2009-2010 fiscal year. Generally, when the economy softens, enrollment increases as job seekers strive to improve or develop new job skills through higher education. Enrollment decreased slightly (one percent) during the 2010-2011 fiscal year, primarily due to a drop in graduate student enrollment. This decrease was the result, in part, of changing demographics: the state, in recent years, experienced a decline in the number of college-age individuals.

**RÉSUMÉ OF OPERATIONS:**

During the audited period, operations of the university were primarily supported by appropriations from the state's General Fund, and by tuition and fees credited to the university's Operating Fund. In addition, the university received capital projects funds generated from state bond issues. Such funds were earmarked to finance various capital projects on campus.

General Fund appropriations were not made to the university directly. Rather, General Fund appropriations for the entire Connecticut State University System were made to the Connecticut State University System Office, where the allocations of these amounts were calculated, and transfers of these funds were made periodically to the university's Operating Fund.

Operating Fund receipts consisted in large part of student tuition payments. Under the provisions of Section 10a-99 subsection (a) of the General Statutes, tuition charges were fixed by the board of trustees. The following presents annual tuition charges for full-time students during the audited fiscal years:

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| Student Status: | 2009 – 2010 |              |          | 2010 – 2011 |              |          |
|-----------------|-------------|--------------|----------|-------------|--------------|----------|
|                 | In-State    | Out-of-State | Regional | In-State    | Out-of-State | Regional |
| Undergraduate   | \$ 3,742    | \$ 12,112    | \$ 5,614 | \$ 4,023    | \$ 13,020    | \$ 6,035 |
| Graduate        | 4,662       | 12,988       | 6,994    | 5,012       | 13,962       | 7,519    |

In accordance with Section 10a-67 of the General Statutes, the Board of Trustees for the Connecticut State University System set tuition amounts for nonresident students enrolled in the State University System through the New England Regional Student Program at an amount equal to one and one-half the in-state tuition rate.

Tuition for part-time students is charged on a prorated basis according to the number of credit hours for which a student registers.

Besides tuition, the university charged students various other fees during the audited years, including a General Fee and a State University Fee, among others. The following presents these fees, on an annual basis, during the audited fiscal years.

| Fee Description: | 2009 – 2010 |              |          | 2010 – 2011 |              |          |
|------------------|-------------|--------------|----------|-------------|--------------|----------|
|                  | In-State    | Out-of-State | Regional | In-State    | Out-of-State | Regional |
| General          | \$ 2,981    | \$ 2,981     | \$ 2,981 | \$ 3,205    | \$ 3,205     | \$ 3,205 |
| State University | 910         | 2,232        | 910      | 942         | 2,310        | 942      |

In addition, the Housing Fee and Food Service Fee, required of resident students, represent a significant portion of the operating revenues category titled Auxiliary Revenues. The following presents the average annual Housing Fee (double occupancy) and Food Service Fee during the audited period:

| Fee Description: | 2009 – 2010 | 2010 – 2011 |
|------------------|-------------|-------------|
| Housing          | \$ 5,410    | \$ 5,674    |
| Food Service     | 4,170       | 4,374       |

### **Operating Revenues:**

Operating revenue results from the sale or exchange of goods and services related to the university's educational and public service activities. Major sources of operating revenue include tuition and fees, federal grants, state grants, and auxiliary services.

Operating revenues as presented in the university's audited financial statements for the audited period and the previous fiscal year follow:

|  | <u>2008 – 2009</u>  | <u>2009 - 2010</u>  | <u>2010 – 2011</u>  |
|--|---------------------|---------------------|---------------------|
| Tuition and Fees (net of scholarship allowances) | \$25,975,510        | \$29,828,189        | \$31,129,750        |
| Federal Grants and Contracts                     | 4,386,079           | 6,478,461           | 7,987,935           |
| State and Local Grants and Contracts             | 2,176,344           | 2,144,724           | 2,052,006           |
| Non-Governmental Grants and Contracts            | 432,860             | 424,490             | 374,158             |
| Indirect Cost Recoveries                         | 257,489             | 453,805             | 566,909             |
| Auxiliary Revenues                               | 21,843,671          | 24,113,437          | 24,843,174          |
| Other Operating Revenues                         | <u>8,759,027</u>    | <u>1,921,210</u>    | <u>2,074,389</u>    |
| Total Operating Revenues                         | <u>\$63,830,980</u> | <u>\$65,364,316</u> | <u>\$69,028,321</u> |

Operating revenues totaled \$65,364,316 and \$69,028,321 during the fiscal years ended June 30, 2010 and 2011, respectively, compared to \$63,830,980 during the fiscal year ended June 30, 2009. These amounts reflect increases in operating revenue totaling \$1,533,336 (2.4 percent) and \$3,664,005 (5.6 percent), respectively, during the audited years.

The increase in operating revenues during the fiscal year ended June 30, 2010, can be primarily attributed to an increase in tuition and fee rates (averaging more than five percent) coupled with an increase in student enrollment. During the fiscal year ended June 30, 2010, increases in reported operating revenues were somewhat offset by a decline in revenues in the Other Operating Revenues category. This decrease, for the most part, does not represent an actual decrease in revenues, but instead reflects a change in accounting method and financial statement presentation. During the fiscal year ended June 30, 2010, CSUS began to present adjustments for plant fund additions at the university level in its financial statements rather than in a consolidated format as was previously the case. As such, for the fiscal year ended June 30, 2010, net adjusted lower amounts were presented for each of the CSUS universities in the combining financial statements for both revenues (in the Other Operating Revenues category) and expenses (in the Operation of Facilities category) with no real net effect change in revenues and expenses. The increase in operating revenues during the fiscal year ended June 30, 2011, is mostly due to an increase in tuition and fee rates (averaging about seven percent) as well an increase in certain federal funding received, including Pell Grant Program funds.

### **Operating Expenses:**

Operating expenses generally result from payments made for goods and services to achieve the university's mission of instruction and public service. Operating expenses include employee compensation and benefits, services, supplies, utilities, and depreciation, among others.

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Operating expenses, as presented in the university's audited financial statements for the audited period and the previous fiscal year, follow:

|                                       | <u>2008 – 2009</u>    | <u>2009 - 2010</u>    | <u>2010 - 2011</u>    |
|---------------------------------------|-----------------------|-----------------------|-----------------------|
| Personal Service and Fringe Benefits  | \$ 70,954,560         | \$ 71,406,294         | \$ 73,804,070         |
| Professional Services and Fees        | 3,611,834             | 3,720,212             | 3,585,487             |
| Educational Services and Support      | 10,588,345            | 12,715,966            | 13,564,825            |
| Travel Expenses                       | 760,240               | 717,010               | 698,582               |
| Operation of Facilities               | 15,852,432            | 8,625,259             | 7,875,686             |
| Other Operating Supplies and Expenses | 4,198,630             | 3,743,004             | 3,477,717             |
| Depreciation Expense                  | 11,342,481            | 11,314,435            | 12,023,520            |
| Amortization Expense                  | 53,170                | 40,380                | 4,071                 |
| Total Operating Expenses              | <u>\$ 117,361,692</u> | <u>\$ 112,282,560</u> | <u>\$ 115,033,958</u> |

Operating expenses totaled \$112,282,560 and \$115,033,958 during the fiscal years ended June 30, 2010 and 2011, respectively, compared to \$117,361,692 during the fiscal year ended June 30, 2009. During the fiscal year ended June 30, 2010, operating expenses decreased by \$5,079,132 (4.3 percent), compared to the previous fiscal year. The decrease can be attributed, in part, to the change in financial statement presentation (reflected in the Operation of Facilities category) described in the Operating Revenues section above. The state's 2009 agreement with the State Employees Bargaining Agent Coalition (SEBAC) also reduced operating expenses during the fiscal year ended June 30, 2010. This agreement, among other things, froze CSUS employee salaries during the fiscal year ended June 30, 2010 at 2009 fiscal year levels. In addition, it established a retirement incentive program, which resulted in the retirement of some university employees. During the fiscal year ended June 30, 2011, operating expenses increased by \$2,751,398 (2.5 percent) over the previous fiscal year. This increase was largely due to scheduled pay raises stipulated in collective bargaining agreements.

### **Nonoperating Revenues:**

Nonoperating revenues are revenues that are not from the sale or exchange of goods or services related to the university's primary functions of instruction, academic support, and student services. Nonoperating revenues include items such as the state's General Fund appropriation, private gifts and donations, investment income, and state financed plant facilities revenues. The state financed plant facilities category represents the recognition of revenue recorded when university capital projects were completed by the Department of Public Works.

Nonoperating revenues during the audited years and the previous fiscal year were presented in the university's audited financial statements, as follows:

|                                       | <u>2008- 2009</u>    | <u>2009 - 2010</u>   | <u>2010 - 2011</u>   |
|---------------------------------------|----------------------|----------------------|----------------------|
| State Appropriations                  | \$ 41,022,565        | \$ 43,556,160        | \$ 43,846,594        |
| Gifts                                 | 81,869               | 13,549               | 117,124              |
| Investment Income                     | 142,429              | 45,854               | 49,165               |
| State Financed Plant Facilities       | 48,300,000           | 2,800,000            | 17,023,830           |
| Other Nonoperating Revenues           | 452,462              | 423,851              | 309,890              |
| Transfers to the State of Connecticut | -                    | (2,303,960)          | -                    |
| Total Nonoperating Revenues           | <u>\$ 89,999,325</u> | <u>\$ 44,535,454</u> | <u>\$ 61,346,603</u> |

Nonoperating revenues totaled \$44,535,454 and \$61,346,603 during the fiscal years ended June 30, 2010 and 2011, respectively, compared to \$89,999,325 during the fiscal year ended June 30, 2009. These revenues decreased \$45,463,871 (50.5 percent) during the fiscal year ended June 30, 2010, and increased \$16,811,149 (37.7 percent) during the fiscal year ended June 30, 2011.

The sharp decrease in nonoperating revenues during the fiscal year ended June 30, 2010, is mostly due to a decrease in state capital projects fund receipts (reflected in the State Financed Plant Facilities category) recognized by the university during this fiscal year compared to the prior fiscal year. In the fiscal year ended June 30, 2009, the university recognized more capital projects funds revenues for the completion of the then new science building. In the fiscal year ended June 30, 2010, the university's primary construction project was a new campus police department building, which was significantly less expensive than the science building that was completed the prior year. In addition, during the fiscal year ended June 30, 2010, the university transferred \$2,303,960 of its reserves to the State of Connecticut. This transfer was in accordance with Public Act 09-7 enacted in the September 2009 Special Session of the General Assembly and Public Act 10-179, which together required that a total of \$15,000,000 be transferred from the Connecticut State University operating reserve account to the state's General Fund during the fiscal years ended June 30, 2010 and 2011. The increase in nonoperating revenue during the fiscal year ended June 30, 2011, was mostly due to an increase in the category of State Financed Plant Facilities revenue, which was the result of funding received for the completion of a new university parking garage.

### **Eastern Connecticut State University Foundation, Inc.:**

The Eastern Connecticut State University Foundation, Inc. is a private, nonprofit corporation established to raise funds to support the activities of the university.

Sections 4-37e through 4-37k of the General Statutes define and set requirements for state foundations. The requirements address the annual filing of an updated list of board members with the state agency for which the foundation was established, financial record keeping and reporting in accordance with generally accepted accounting principles, financial statement and audit report criteria, written agreements concerning the use of facilities and resources, compensation of state officers or employees, and the state agency's responsibilities with respect to affiliated foundations.

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Audits of the books and accounts of the foundation were performed by an independent certified public accounting firm for the fiscal years ended June 30, 2010 and 2011, in accordance with Section 4-37f subsection (8) of the General Statutes. The auditors expressed unqualified opinions on the foundation's financial statements. In addition, the foundation's auditors indicated compliance, in all material respects, with Sections 4-37e through 4-37i of the General Statutes.

The foundation's financial statements reported support and revenue totaling \$2,121,191 and \$2,984,632 during the fiscal years ended June 30, 2010 and 2011, respectively. Net assets were reported at \$14,175,105 and \$15,176,697 as of June 30, 2010 and 2011, respectively.

## **CONDITION OF RECORDS**

Our audit of the financial records of Eastern Connecticut State University disclosed certain areas requiring attention, as discussed in this section of the report.

### **Employee Timesheets and Part-time Faculty Employment Authorization:**

*Criteria:* It is a good business practice to ensure that employee timesheets supporting time worked are signed by employees and their supervisors when the corresponding pay period has been completed. Employee signatures on timesheets provide a firsthand record of time worked, while supervisor signatures provide verification and support for time reported by employees.

A strong internal control system requires that approval documentation for the hiring of an employee be completed and signed prior to the employee's start date.

*Condition:* Our tests of university payroll transactions included a review of 128 employee timesheets, which disclosed various weaknesses in controls over employee timesheet preparation, including the following:

- Five instances in which an employee timesheet was not signed or dated by the employee;
- Four instances in which a supervisor signed but did not date the timesheet signature;
- Two instances in which an employee signed but did not date the timesheet signature;
- Two instances in which an employee and supervisor signed a timesheet prior to the end of the pay period; the employee recorded time earned for the remainder of the pay period subsequent to the signature date.

Further, we noted a weakness in controls over the hiring of a part-time faculty member, as follows:

- One instance in which a Part-time Faculty Assignment Authorization form was signed by the employee's supervisor and university

management after the fact, more than one week after the scheduled end date of the employee's assignment.

*Effect:* In some instances, internal controls over payroll payments were not followed. When employee timesheets were signed before the end of the pay period, there was decreased assurance that employees worked the entire pay period for which they were being paid. Also, late approval or lack of documented approval for the hiring of part-time faculty members raises doubts about whether payroll payments made to such employees were properly authorized.

*Cause:* It appears that the internal controls in place were not sufficient to prevent the above conditions from occurring.

*Recommendation:* ECSU should improve internal controls over payroll and human resources operations by ensuring that employee timesheets are signed in a timely manner. In addition, the university should ensure that documented approval for hiring part-time faculty members is obtained prior to the dates when such employees begin working. (See Recommendation 1.)

*Agency Response:* "The university concurs with this finding. Process improvements within the payroll department to monitor timesheets and increased efforts in communications to all employees have been put into place and will continue."

### **Longevity Pay:**

*Background:* Certain state employees are paid semi-annual payroll disbursements, known as longevity payments, based on the employee's length of state service and pay grade.

*Criteria:* State statutes, employee collective bargaining agreements, and Connecticut State University System policies establish standards for longevity payments made to university employees.

*Condition:* We tested a sample of ten ECSU longevity payments during the audited period and noted that the university's record of state service time for one of these employees was understated by one year.

*Effect:* The university underpaid this employee for longevity pay seven times for the following longevity pay periods: October 1996, April 1997, October 2001, April 2002, October 2006, April 2007, and October 2011. These underpayments totaled \$3,407 in gross pay. After we informed the university of the understatement that we noted in the employee's state service time record, the university corrected the employee's state service

record and made a retroactive payment to the employee for the total amount of the past longevity pay underpayments made to this employee.

*Cause:* The university did not take into account the employee's prior state service at another state agency when posting the employee's longevity data into the state's Core-CT system.

*Recommendation:* ECSU should correctly record employee state service time to help ensure that longevity payments are made in accordance with collective bargaining agreements, state statutes, and Connecticut State University System policy. (See Recommendation 2.)

*Agency Response:* "The university concurs with this finding. The finding refers to an error made prior to an October 1996 payment which continued for several years without notice. The university will continue with all efforts to adhere to collective bargaining agreements, state statutes, and ConnSCU policies."

**Dual Employment:**

*Criteria:* Section 5-208a of the General Statutes bars state employees from being compensated by more than one state agency unless the appointing authorities at such agencies certify that the duties performed and hours worked are outside the responsibilities of the employee's primary position, that there is no conflict in schedules between the positions, and no conflict of interest exists between or among the positions.

*Condition:* Our examination of the personnel records of ten university employees who were concurrently employed in more than one state position during the audited years disclosed the following exceptions:

- 17 instances in which a dual employment certification was signed by the university or the primary agency after the dual employment period began.
- Seven instances, involving two employees, in which a dual employment certification was not completed for a dual employment occurrence.
- One instance in which a dual employment certification, though signed by the university, was not signed by the primary agency.

*Effect:* In some instances, the university failed to comply with the dual employment documentation requirements established by Section 5-208a of the General Statutes. This decreased assurance that no conflicts existed

between primary and secondary positions for dually employed individuals.

*Cause:* Existing controls did not prevent these conditions from occurring.

*Recommendation:* ECSU should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by promptly documenting, through signed certifications, that an employee holding multiple state positions does not have any conflicts of interest or conflicting schedules. (See Recommendation 3.)

*Agency Response:* “The university concurs with this finding. Human Resources will increase diligence to comply with the General Statutes and improve communication with other state agencies for their responses.”

**Employee Attendance and Leave Records:**

*Criteria:* State employee collective bargaining unit agreements and Connecticut State University System personnel policies for unclassified employees in the Connecticut State University System both establish criteria for employee leave time accruals in the Connecticut State University System.

*Condition:* We examined the Core-CT system attendance and leave records of ten employees who were paid for unused sick leave or vacation leave upon their retirement, resignation, or transfer to a university position that did not provide such leave time benefits. Our audit disclosed nine instances in which an employee’s attendance and leave record contained sick or vacation leave balances that were not reduced after the payout for unused leave time occurred.

*Effect:* Attendance and leave records for certain former employees, and one current employee, reflect leave time balances that should have been eliminated. This could contribute to errors in the amount of compensated absences liabilities reported in the university’s financial statements.

*Cause:* It is unknown why this condition occurred.

*Recommendation:* ECSU should ensure that unused employee leave time balances for which payouts have already been made are properly reduced in the Core-CT system. (See Recommendation 4.)

*Agency Response:* “The university concurs with this finding. Core-CT currently has existing limitations which won’t allow the employees’ job record to be updated in these instances. The payroll department will continue to work with Core-CT support to determine procedures in which balances are consistently

cleared prior to job activation.”

**Workers’ Compensation Wage Calculations:**

*Background:* Establishing the average weekly wage for the 52 weeks prior to an injured worker’s date of injury is the basis for calculating the base workers’ compensation rate pursuant to Section 31-310(a) of the General Statutes.

*Criteria:* The Department of Administrative Services (DAS) has established the method state agencies must use to calculate wages for state employees for whom workers’ compensation claims were filed. According to DAS, when calculating an employee’s wages for workers’ compensation purposes, state agencies must include “every form of remuneration payable for personal services, including, but limited to, base salary, COLA, longevity, overtime pay, shift differentials, performance bonuses, on call pay, vacation pay, sick pay, etc...Total wages do not include money paid to the employee in exchange for goods, such as travel allowances, clothing allowances, mileage reimbursements, etc.”

*Condition:* We tested a sample of five workers’ compensation claims that the university processed during the audited years and noted four instances in which the university did not calculate an employee’s worker’s compensation wages in the manner prescribed by DAS. In three of these instances, the university understated the employee’s average weekly wages by \$9, \$14, and \$24, respectively. In the other instance, the university overstated the employee’s average weekly wages by \$8.

*Effect:* The university did not comply with the DAS Worker’s Compensation Manual with respect to computing the average weekly wage for employees for whom workers’ compensation claims were filed. As a result, certain employees were not compensated correctly for workers’ compensation claims.

*Cause:* It appears that the university, in some instances, failed to include some elements (such as longevity pay and furlough days) and incorrectly included other elements (such as safety shoe payments) among the components that make up an employee’s total wages pursuant to DAS guidelines.

*Recommendation:* ECSU should follow the Department of Administrative Services’ requirements for calculating total wages for employees for whom workers’ compensation claims were filed. Furthermore, the university should identify those employees whose average weekly wages were incorrectly calculated for workers’ compensation purposes, compensate those employees who were underpaid, and attempt to recover any related

overpayments noted. (See Recommendation 5.)

*Agency Response:* “The university concurs with this finding. The university will follow the DAS instructions for the calculation of total wages for worker’s compensation. The employees who were underpaid were made whole, and the overpayment was recovered from the employee whose compensation was incorrectly assessed.”

**Employee Background Checks:**

*Criteria:* The CSUS Pre-employment Background Verification Policy provides that, “All regular, full-time and part-time external candidates for employment with a CSU university or the CSU System Office, as well as potential re-hires with a break in service, must undergo a pre-employment background investigation according to this procedure as part of the employee screening process... Documentation shall be retained for the appropriate retention period for employment records promulgated by the State of Connecticut and by university and CSU System Office personnel search policies and procedures.”

CSUS Board of Trustees Resolution 06-52 applies to university employees who live on campus and provides that, “Before occupancy in a university residence pursuant to this policy may commence, each proposed resident aged eighteen (18) years or over shall submit him or herself to the same criminal conviction investigation, sex offender registry status review, and social security verification that is required of the staff member prior to employment.”

The Connecticut State Library’s State Agencies’ Records Retention/Disposition Schedule requires that state agencies retain employee background check records for the “duration of employment plus 30 years.”

*Condition:* The university informed us that it did not retain employee background check reports in its custody. Rather, it relied on the background check firm under contract to retain such records for the university. However, the associated background check contract is expressly a contract to provide the Connecticut State University System reports on the results of its background checks of candidates for employment and does not address records retention services.

*Effect:* The university did not comply with the State Library’s records retention requirements regarding the retention of employee background check records.

*Cause:* The university relied on its background check contractors to retain the university's background check reports.

We were further informed that, to comply with the CSUS Pre-employment Background Verification Policy with respect to confidentiality, the university chooses not to keep such reports in employee personnel files. However, this policy does not preclude the university from keeping such records on file elsewhere.

*Recommendation:* ECSU should either retain employee background check reports on durable media in its own custody or use an appropriate records retention firm that is contractually obligated to retain these records in accordance with the State Library's records retention requirements.  
(See Recommendation 6.)

*Agency Response:* "The university concurs with this finding. The university has been operating under Board of Trustees Resolution 05-8, which did not permit background checks to be included with the employee's personnel file. The university will now retain background checks in a consolidated file at a location designated by the Human Resources Department as the file repository to meet the requirements of the state retention policy."

### **Employee Medical Certificates:**

*Criteria:* Section 5-247-11 of the state's personnel regulations requires that an employee who uses more than five consecutive sick leave days substantiates the use of this sick leave with a medical certificate signed by a licensed physician or certain other practitioners.

*Condition:* We examined a sample of employee attendance and leave records associated with five university employees, each of whom used more than five consecutive sick leave days during the audited years. The attendance and leave record for one of these employees indicated that the employee used 15 consecutive sick leave days in August 2010. The university did not have a medical certificate on file to substantiate the use of this sick leave.

*Effect:* There was a lack of compliance with the state's requirements with respect to employee medical certificates. Therefore, in the instance noted, the use of sick leave was not adequately supported.

*Cause:* The university informed us that it mistakenly believed that the above employee was absent due to a worker's compensation claim rather than sick leave.

*Recommendation:* ECSU should more diligently identify those employees whose sick leave use requires substantiation by a medical certificate and obtain such certificates when required. (See Recommendation 7.)

*Agency Response:* “The university concurs with this finding. The appropriate medical certification was obtained and placed in the employee’s file. Human Resources will be thorough in complying with the regulations.”

**Purchasing and Accounts Payable:**

*Criteria:* Prudent business practices require that a purchase should not be initiated before it is properly approved, and that such approval should be documented via a properly approved purchase requisition and purchase order.

Vendor invoices should be thoroughly reviewed prior to payment to ensure that all charges listed are valid and to prevent duplicate payments.

*Condition:* We tested a sample of 25 purchases during the audited years and noted two instances, amounting to \$390,883, in which the university initiated a purchase prior to the date when the purchase order was approved. In one of these instances, the corresponding purchase order totaling \$354,655 was processed on October 22, 2009, more than three months after the vendor began to provide corresponding services. In the other instance, the purchase order totaling \$36,228 was signed on February 16, 2011, more than a week after the contractor provided corresponding services.

In addition, we noted that the university’s office supplies vendor incorrectly billed the university twice for the same February 2009 order totaling \$342. The university, however, had already paid the vendor the original invoice amount in March 2009, and then incorrectly paid the duplicate invoice amount in November 2009. After we informed the university of this duplicate payment, the university notified the vendor and the vendor agreed to credit the university’s account for the amount of the overpayment.

Furthermore, we noted one instance in which a personal service agreement in the amount of \$62,369 was not executed in a timely manner. The contract, which covered the period from August 31, 2009 through August 30, 2012, was signed by the university, the contractor, and the Office of the Attorney General 16, 23, and 30 days, respectively, after the contract service period began.

*Effect:* The lack of documented prior approval of purchases increases the risk that unauthorized or improper purchases will occur.

In the instance in which the university was billed twice for the same order, the university overpaid the vendor \$342.

The lack of an executed personal service agreement prior to the delivery of corresponding services decreases assurance that the interested parties clearly understood and agreed to the terms of the contract.

*Cause:*

It is unknown why the above instances in which a purchase was initiated before an approved purchase order was in place occurred. In one of these instances, the purchase order indicated that the purchase was for emergency snow removal. Nevertheless, the purchase order covered a six-day period during which the university failed to process the related purchase order.

It appears that existing controls were not sufficient to prevent the overpayment noted above.

It is unknown why the above personal service agreement was not executed in a timely manner.

*Recommendation:*

ECSU should take steps to ensure that purchases are initiated only after an approved purchase order is in place and should execute personal service agreements in a timely manner. Furthermore, the university should re-evaluate its controls to prevent duplicate payments for purchases made. (See Recommendation 8.)

*Agency Response:*

“The university concurs with this finding. The purchasing department is currently reviewing controls and processing procedures to improve the accuracy and on time performance.”

**Travel Expenditures:**

*Criteria:*

The Connecticut State University System’s Travel Policies and Procedures manual requires that an approved travel authorization form be submitted to the travel office at least two weeks prior to travel. In addition, the policies provide that it is the travel office’s responsibility to verify support documentation attached to travel authorization forms and to verify that all amounts and requests are in compliance with travel policies.

*Condition:*

We examined 20 university travel expenditures during the audited period and noted the following exceptions:

- One instance totaling \$2,546 in which a travel authorization form was

not submitted to the travel office in a timely manner. The CSUS Travel Policies and Procedures manual requires that an approved travel authorization form be submitted to the travel office at least two weeks prior to travel.

- One instance in which a travel authorization form totaling \$38,000 was approved by university management but lacked documented approval from the university's travel office.
- One instance in which the university lacked documentation for gratuities totaling \$920 that were listed among expenses included on a travel advance reconciliation submitted by a university employee.

*Effect:* In some instances, the CSUS or the university's own travel policies were not followed.

*Cause:* It is unknown why the conditions cited occurred.

*Recommendation:* ECSU should improve its controls over travel expenditures by following the Connecticut State University System, and its own, travel policies. (See Recommendation 9.)

*Agency Response:* "The university concurs with the overall findings."

**Purchasing Card Purchases:**

*Criteria:* The Eastern Connecticut State University Purchasing Card Procedures manual details the university's requirements for purchasing card use.

*Condition:* We tested a sample of purchasing card transactions that occurred over five months during the audited years and noted the following exceptions:

- Expenditures for equipment, clothing, cell phone services, and a donation, totaling \$1,644, which were considered unallowable or restricted according to the university's purchasing card policies.
- One instance in which a purchasing card monthly log, with recorded expenditures totaling \$10,189 for the period of December 26, 2010 through January 26, 2011, was not signed by the employee's supervisor or reviewer.
- One instance in which the university incorrectly paid Connecticut sales tax totaling \$5.64 for a purchasing card purchase. The university, as a state agency, is exempt from paying Connecticut state

sales tax.

*Effect:* In some instances, the university did not comply with its purchasing card policies, which weakened controls over purchasing card purchases.

*Cause:* Existing controls did not prevent the above conditions from occurring.

*Recommendation:* ECSU should improve controls over purchasing card transactions by complying with its established purchasing card policies and procedures. (See Recommendation 10.)

*Agency Response:* “The university concurs with the finding and is currently reviewing the procedures and guidelines for the use of the purchasing card.”

**Timeliness of Bank Deposits:**

*Criteria:* Section 4-32 of the General Statutes generally requires that each state institution receiving cash receipts amounting to \$500 or more deposit these monies into the bank within 24 hours of receipt.

The Office of the State Treasurer, as detailed in a memorandum dated January 6, 2006, requires state agencies to confirm and journalize bank deposits in the Core-CT system by the end of the day when that deposit information is received through the Core-CT system.

*Condition:* We tested 30 of the university’s receipts for timeliness of bank deposits and noted 13 instances, totaling \$69,143, in which funds received were deposited into the bank late. We also noted one receipt totaling \$129,833 for which we could not determine the timeliness of deposit due to inconsistent documentation on file. Deposit delays noted ranged from one to 12 business days and were arrayed as follows:

- Eight receipts, totaling \$58,028, were deposited one business day late;
- One receipt, totaling \$10,284, was deposited two business days late;
- One receipt, totaling \$222, consisting of funds collected over a two-day period, included amounts that were deposited from one to two business days late;
- One receipt, totaling \$302, was deposited four business days late;
- One receipt, totaling \$112, was deposited five business days late;

- One receipt, totaling \$195, consisting of funds collected over several days, included amounts that were deposited from 10 to 12 business days late.

In addition, we noted 12 instances in which the university did not confirm and journalize deposits in the Core-CT system in a timely manner. Bank deposit data, which included deposit amounts totaling \$1,525,440, was confirmed and journalized one to four business days late.

*Effect:*

In some instances, the university failed to comply with the prompt deposit requirements established by Section 4-32 of the General Statutes. This exposed funds received to an increased risk of theft or loss.

The university, in a number of instances, did not comply with the Office of the State Treasurer's requirements concerning the prompt confirmation and recording of bank deposit information in the Core-CT system. This, in turn, could have delayed the detection of bank deposit recording errors in the Core-CT system.

*Cause:*

It appears that in most of the instances cited, non-Bursar's Office departments delayed turning over receipts to the Bursar's Office, which contributed in large part to the bank deposit delays that we noted.

It is unknown why bank deposits were not always promptly confirmed and journalized in the Core-CT system.

*Recommendation:*

ECSU should improve the timeliness of its bank deposits by adhering to the prompt deposit requirements of Section 4-32 of the General Statutes. In addition, the university should promptly confirm and journalize its bank deposit information within the Core-CT system as required by the Office of the State Treasurer. (See Recommendation 11.)

*Agency Response:*

"The university concurs with this finding. Prior to this audit, deposits to Core-CT were not interpreted as being subject to the deposit requirement of Section 4-32. The guidelines will be followed going forward, and efforts increased to bring non-Bursar's Office departments into compliance."

**Athletics Department Controls over Revenue:**

*Criteria:*

Section 4-32 of the General Statutes generally requires that each state institution receiving cash receipts amounting to \$500 or more deposit these monies into the bank within 24 hours of receipt.

It is a good business practice to prepare and retain accountability reports reconciling records of expected revenue with amounts actually collected.

*Condition:*

In our prior audit of the university, we noted weaknesses in controls over Athletics Department revenue generating events. Our current audit disclosed some improvement in these controls, but further improvement is needed. The following exceptions were noted during the current audit:

- Four instances in which there was a discrepancy between the amount of athletic event ticket sales revenue that should have been collected per Athletics Department ticket control records and the amount of ticket sales receipts turned in to the Bursar's Office for deposit. In three instances, the receipt amount submitted to the Bursar's Office was less than the ticket sales amount recorded in Athletics Department records. This difference was \$1 in two instances and \$24 in one instance. In one instance, the receipt amount submitted to the Bursar's Office was \$1 more than the ticket sales amount recorded in Athletics Department records.
- Three instances in which receipts, totaling \$1,041, were deposited into the bank late. In two of these instances, receipts totaling \$593 were deposited one business day late. In one instance, receipts totaling \$448 were deposited six business days late.

*Effect:*

Discrepancies between records of ticket sales and amounts submitted to the Bursar's Office for deposit decreased assurance that the entire amount of revenue generated from sporting event ticket sales was submitted to the Bursar's Office for deposit.

With respect to the bank deposit delays, the university failed to comply with the prompt deposit requirements established by Section 4-32 of the General Statutes. This exposed funds received to an increased risk of theft or loss.

*Cause:*

It is unclear why there were discrepancies between records of tickets sold and the amount of funds submitted to the Bursar's Office for deposit. However, university documentation indicated that the \$24 difference noted above was due, in part, to the sale of a few nonstudent tickets at the student price.

*Recommendation:*

ECSU should improve controls over Athletics Department revenue generating events. The university should reconcile records of athletic event tickets sold with amounts submitted to the Bursar's Office, document such reconciliations, and investigate discrepancies. Furthermore, the Athletics Department should submit funds received to

the Bursar's Office in a timely manner. (See Recommendation 12.)

*Agency Response:* "The university concurs with this finding. The Athletics Department has a new Director who is reviewing department operations including implementing additional control over revenue operations."

**Collection of Delinquent Student Accounts:**

*Background:* The university establishes payment plans, primarily with former students, as a tool to collect delinquent account balances due the university.

*Criteria:* The State Library, under the authority of Sections 11-8 and 11-8a of the General Statutes, establishes records retention schedules for state agencies. The State Library requires that state agency accounts receivable records be retained for at least three years or until audited, whichever is later.

The Connecticut State University System Write-off Procedure provides that, "Each university shall place a registration and official transcript hold on unpaid student accounts before the start date of the next term registration."

*Condition:* Our examination of delinquent student accounts during the audited period disclosed the following:

- Thirteen of 15 student payment plan records tested in which the student payment plan agreement was not retained by the university. The university informed us that it was university practice to destroy student payment plan agreements when the student fully pays the balance owed or when the student account is sent to a collection agency.
- Five instances in which the university did not send a final delinquent account collection notice to a student in a timely manner. In the instances cited, final collection notices were sent between more than seven months and more than one year after the first collection notice was sent.
- Four instances in which the university either did not retain a copy of a university collection notice sent to a student or did not send the notice.
- Four instances in which the university did not refer a delinquent student account to a collection agency in a timely manner. The referrals cited ranged from three months to almost ten months after

collection notices were sent to the student or the final payment was made by the student.

- One instance in which a hold was not placed on a delinquent student account in a timely manner to prevent the student from registering for courses.
- It was the university's practice not to pursue collection of past due balances owed the university for daycare services provided by its Child and Family Development Research Center. The university informed us that it did not always collect key information, such as social security numbers, from its daycare clients, which hinders the collection process.

*Effect:* Internal control over delinquent student accounts was weakened, subjecting the university to an increased risk that amounts owed to the university would not be paid in full. Also, in some instances, the university did not comply with the records retention requirements established by the State Library or with the Connecticut State University System's write-off procedures.

*Cause:* In some instances, controls in place were not being carried out as designed.

*Recommendation:* ECSU should improve controls over delinquent student accounts by promptly pursuing their collection and by retaining related records, such as student payment plan agreements and copies of collection letters sent, for the time period required by the State Library. The university should also place holds on delinquent student accounts as required by Connecticut State University System procedures.  
(See Recommendation 13.)

*Agency Response:* "The university concurs with this finding. Currently, signed payment agreement forms are collected for every participant, scanned and saved to a secure drive. To improve operations, all due diligence collection letters are generated by the bursar. The Child and Family Development Research Center is in the process of implementing software that will provide improved collections tools."

**Core-CT Information System Access Controls:**

*Background:* Regarding information systems, the Connecticut State University System (CSUS) is considered a limited scope agency when it comes to state government's centralized financial and administrative information system, Core-CT, which CSUS uses primarily to process payroll and human resources data.

*Criteria:* Access to information systems should be limited to only appropriate employees who need such access to perform their duties.

A good internal control system requires a separation of duties among employees so that certain incompatible functions, such as authorizing, recording, and reviewing transactions, are not performed by the same employee. Payroll and human resources functions are included among the duties that should be separated. This separation reduces the risk of error or fraud.

*Condition:* Our review of controls over the university's information technology systems disclosed the following areas that are in need of attention, which were also noted during our prior audit of the university:

- Two Human Resources Department employees were provided Agency HR Specialist, Agency Payroll Specialist, and Agency Time and Labor Specialist roles in the state's Core-CT information system. As such, these employees had write access to both the Core-CT human resources and payroll systems, which enabled them to both add people to the payroll system and process payroll payments to them.
- One Information Technology Department employee was granted write access to the human resources information system in Core-CT but did not appear to need such access, nor did such access seem appropriate for this employee.

*Effect:* Unnecessary or inappropriate access to information systems could increase the risk of data system errors and fraud.

*Cause:* With respect to the Human Resources Department employees who held write access privileges to both human resources and payroll systems, it appears that the university took the position that these employees were the best suited to perform certain data entry functions within the Core-CT system, and those functions required such access. The university also stated that limited staffing made it difficult to achieve a better separation of duties.

The university informed us that it granted write access to the Core-CT human resources system to an Information Technology Department employee so that the employee could perform testing of the system when it was implemented. Subsequently, the university overlooked this employee when removing employee access privileges from those employees who no longer needed it.

*Recommendation:* ECSU should regularly review information system access privileges granted to employees to determine whether access is appropriate. The university should remove access privileges from those employees who have unnecessary access to the systems. Also, the university should adjust the level of Core-CT access for certain Human Resources Department employees to improve the separation of duties within that department. As an alternative, the university should implement a compensating control system that would require an employee independent of the Human Resources Department to monitor biweekly changes in payroll transactions to ensure that such changes are valid and authorized. Such reviews should be documented. (See Recommendation 14.)

*Agency Response:* “The university concurs with this finding. The university, working with reports generated by Core-CT Security, will review the list of Core-CT approved employee access. To address the independent review of payroll transactions, the university will implement a process in which the controller will review and approve payroll transactions that are entered by Human Resources.”

**Student Activity Trustee Account Revenue Internal Controls:**

*Criteria:* Section 4-52 of the General Statutes defines a trustee account as, among other things, an account operated in any state educational institution for the benefit of students.

Section 4-32 of the General Statutes generally requires that each state institution receiving cash receipts amounting to \$500 or more deposit these monies into the bank within 24 hours of receipt.

The university’s Student Activities Club and Organization Manual requires student organizations to register student events for approval with the Student Activities Office at least ten days before the proposed date of the event.

University policies require student organizations to complete Post Event Financial Reports, which detail income and expenses for student events held. The policies require student organizations to submit these reports to

the Student Activities Office the day after the event is held.

*Condition:*

We tested a sample of 20 student organization revenue generating events during the audited period and noted bank deposit delays associated with 11 of these events amounting to \$13,608. These funds were deposited into the bank between one and 17 business days late, with the majority between one and three days late.

In three of the student events that we tested, student organizations did not submit Post Event Financial Reports to the Student Activities Office on time. These reports were submitted between two and 16 business days late. We also noted one instance in which a student organization did not submit this report to the Student Activities Office.

Further, university policy requires student organizations to register proposed student events with the Student Activities Office at least ten days before the event is held. We noted two instances in which timely registration did not occur. In these instances, student organizations registered the events six and nine business days late.

*Effect:*

In some instances, the university did not comply with the prompt deposit requirements of Section 4-32 of the General Statutes, which exposed student organization funds to an increased risk of loss or theft.

At times, student organizations did not comply with university policies with respect to the timely submission of Post Event Financial Reports and the timely registration of student events with the Student Activities Office.

*Cause:*

Controls in place were not always operating as designed. In particular, late student organization deposits were, in part, the result of student organizations delaying the delivery of receipts to the Bursar's Office.

*Recommendation:*

ECSU should reinforce the policy that requires student organizations to deliver funds generated from student events to the Bursar's Office in a timely manner. The university should also take steps to ensure that student organizations promptly register events with and submit Post Event Financial Reports to the Student Activities Office.  
(See Recommendation 15.)

*Agency Response:*

"The university concurs with this finding. Prior to the date of this audit, the Student Activities Business Office was reorganized and moved to Gelsi-Young. Revised policies and procedures have since been adopted to facilitate the deposit process for the students along with the required paperwork associated with student events. We continue to stress the

requirement of timely deposits of funds and related reports to our student population.”

**Student Activity Trustee Account Expenditures:**

*Criteria:* Section 4-52 of the General Statutes defines a trustee account as, among other things, an account operated in any state educational institution for the benefit of students.

Sound business practices require all purchases to be properly approved before they are initiated.

The university’s Student Activities Club and Organizations Manual states that “all expenditure requests require the signatures of the club or organization’s Treasurer and Advisor...any expenditure request for \$2,500 or more also requires a signature from the Vice President of Student Affairs.”

The Connecticut State University System’s purchasing policies generally require that the Office of the Attorney General approve as to form all contracts executed by CSUS that amount to \$3,000 or more per year.

*Condition:* We tested a sample of 20 student trustee account purchases and noted the following exceptions:

- Two instances in which purchases totaling \$262 were made before they were properly approved. In one of these instances, a purchase totaling \$185 was recorded as approved in club meeting minutes after the fact. Further, the corresponding payment voucher was not signed by the club’s treasurer. In the other instance, a \$77 purchase was also approved by the corresponding club after the fact, according to the minutes of the club’s meeting. In addition, the corresponding payment voucher was signed by all required signers after the expenditure was made.
- Two instances totaling \$24,158 in which a student activities account purchase totaling \$2,500 or more was made without obtaining the Vice President of Student Affairs’ signature of approval.
- One instance in which a personal service agreement totaling \$40,000 was entered into without obtaining an approval signature from the Office of the Attorney General.
- Two instances totaling \$110,000 in which expenditures charged to the Campus Activities Board lacked adequate support documentation to

provide assurance that there was student approval of the particular expenditures.

*Cause:* In some instances, controls in place were not being carried out as designed.

*Effect:* In the instances in which purchases were initiated before or without obtaining the required approval signatures, the university did not comply with its established policies regarding student clubs and organizations. This resulted in decreased assurance that certain student activities purchases were properly authorized.

In one instance cited above, the university did not comply with the Connecticut State University System's purchasing policies, which require that the universities obtain the Office of the Attorney General's approval before entering into certain personal service agreements.

In the purchases cited for which there was a lack of documented student organization approval, there was decreased assurance that these payments met the approval of student organizations.

*Recommendation:* ECSU should ensure that expenditures charged to the student activity trustee account are properly approved in accordance with the university's Student Activities Club and Organizations Manual, Connecticut State University System policies, and other sound internal control procedures. (See Recommendation 16.)

*Agency Response:* "The university concurs with this finding. Documentation showing approval by the students will be included with the voucher package presented for payment."

**Property Control:**

*Criteria:* The state Property Control Manual, under authority of Section 4-36 of the General Statutes, sets forth criteria and policies over assets owned or leased by a state agency. Requirements include, among other things, that capital equipment costing \$1,000 or more and certain other controllable items be tagged with a state identification number and recorded in property control records. The manual further requires that state agencies maintain inventory records for software that include each software item's cost, location and the identification number of the computer on which it is installed, among other things.

Chapter nine of the state Property Control Manual and Chapter 10, section C, of the Connecticut State University System's

Capital Asset Valuation Manual require that the loss of or damage to university property be reported immediately to the Office of the State Comptroller and the Auditors of Public Accounts.

*Condition:*

Our examination of the university's property inventory, including equipment, software, and stores and supplies, disclosed the following:

- Two instances of the 21 disposed of equipment items that we tested in which equipment items costing \$17,952 in total were disposed of without properly documented approval in place. In both instances, the university's equipment disposal form was not signed by the Vice President for Finance and Administration.

Furthermore, we noted weaknesses in the university's method of documenting certain items approved for disposal by donation. In such instances, the donee signed a cover sheet acknowledging the receipt of donated equipment. However, because the language on the cover letters that we examined did not specify the number of items being donated or their value, we could not be certain if the listed items attached were the items actually received by the donee.

- Software inventory records, in some instances, omitted the cost of software items, and, generally, did not identify the computer on which the software was installed.
- Stores and supplies inventory values were incorrectly reported on the university's annual property inventory report submitted to the Office of the State Comptroller for the fiscal year ended June 30, 2011. The value of stores and supplies deletions was incorrectly reported on the current value line and vice versa.
- We could not reconcile the value of additions for stores and supplies reported in the annual property report submitted to the State Comptroller for the 2011 fiscal year with the university's stores and supplies inventory records. In general, the value of stores and supplies additions reported was not adequately supported by stores and supplies inventory records.
- Our test counts of a sample of stores and supplies items on hand as of November 11, 2011, disclosed discrepancies between the number of items that we counted and the balances recorded in university inventory records.
- Two equipment items, amounting to \$8,497, had either been disposed

of or lost during the 2011 fiscal year but had not been designated as such in the university's inventory control records. As a result, the university's annual inventory report for the fiscal year ended June 30, 2011, was overstated with respect to the value of capitalized equipment.

- Two instances in our test of 25 loss reports filed during the audited period in which the loss or theft of property was not reported to the Office of the State Comptroller and the Auditors of Public Accounts in a timely manner. These reports were completed more than eight months and two and half months, respectively, after the date of the loss.
- Two instances in which a capitalized property item valued at \$1,000 or more was either not tagged with a university ID number or not tagged in a visible location.
- 12 instances in which a capital equipment item was located in a different location than the location listed in the university's inventory control records.
- One instance in which a university computer was loaned to a student but there was no university loan form completed to document approval of this loan.

*Effect:*

Internal control was weakened. Also, in some instances, the university failed to comply with the property control requirements set forth by the State Comptroller and the Connecticut State University System's Capital Asset Valuation Manual. As a result, property was exposed to an increased risk of loss or theft.

The university's software inventory records did not fully comply with the requirements of the state Property Control Manual.

*Cause:*

It appears that the controls in place were not sufficient to prevent the above conditions from occurring.

*Recommendation:*

ECSU should improve internal controls over equipment by following the policies and procedures established by the state Property Control Manual and the Connecticut State University System's Capital Asset Valuation Manual. In particular, the university should strengthen controls over equipment disposals, improve its software inventory record keeping system, and ensure that all capital/controllable equipment is tagged with state identification numbers and correctly recorded in inventory control records. Lost, stolen, or damaged equipment items should be promptly

reported to the appropriate state agencies. (See Recommendation 17.)

*Agency Response:* “The university concurs with this finding. Currently, the property control procedure is under review by Accounting, Facilities, and IT and a revision is in process. The purpose of this cross function review team is to develop revised procedures that will increase our ability to control university property from acquisition to disposal.”

**Reconciliation of Operating Fund Balance Records and Bank Accounts:**

*Criteria:* A good internal control system requires the prompt reconciliation of accounting records of available fund balances and bank accounts and the resolution of any discrepancies noted in a timely manner.

*Condition:* We examined the university’s reconciliations of Operating Fund balances as of June 30, 2010 and 2011, and noted unresolved differences between the university’s Banner system accounting records and Core-CT system records. These differences, which totaled \$427 and \$25,099, respectively, included amounts that had been outstanding for time periods ranging from more than two months to more than seven months after they were first noted.

In addition, our examination of the university’s bank account reconciliations for the months of June 2010 and June 2011 disclosed that several reconciling items had been outstanding for an extended period of time. One bank account reconciliation for the month of June 2011 included six unresolved variances between the university’s books and the bank statement, which totaled \$12,312. These differences had been outstanding for time periods ranging from nearly two months to more than eight months after the variance was first noted.

*Effect:* The lack of timely resolution of variances noted during reconciliations could delay the detection of errors or fraud.

*Cause:* It is unknown why the above condition occurred.

*Recommendation:* ECSU should promptly resolve any outstanding reconciling items noted when reconciling Operating Fund available fund balances and bank accounts. (See Recommendation 18.)

*Agency Response:* “The university concurs with this finding. Although the reconciliations are done in a timely manner, the university agrees that any variances need to be addressed upon notification. The university will strengthen efforts to improve the timely resolution of any variances.”

**Email Policy:**

- Criteria:* The State of Connecticut’s Acceptable Use of State Systems Policy prohibits users of the state’s email system to distribute union information via state email. The policy goes on to say that, “Should conflict exist between this policy and an agency policy, the more restrictive policy should take precedence.”
- Condition:* The university’s Email Policies and Procedures do not specifically address the use of the university’s email system by employee unions. Furthermore, the university confirmed that certain employee unions on campus are allowed to use the university email system to transmit union information to union members.
- Effect:* The university’s practice of allowing employee unions to use its email system is not in compliance with the State of Connecticut’s Acceptable Use of State Systems Policy, which prohibits users of the state email system from distributing union information via state email.
- Cause:* University management informed us that employee union use of the university’s email system is consistent with the American Association of University Professors (AAUP) and the State University Organization of Administrative Faculty (SUOAF) employee collective bargaining agreements. However, our review of these agreements disclosed that they do not specifically address such email access.
- Recommendation:* ECSU should revise its email policy to comply with the State of Connecticut’s Acceptable Use of State Systems Policy regarding the distribution of union information via the state’s email system. (See Recommendation 19.)
- Agency Response:* “The university does not concur with this finding. Under ConnSCU policy, ITS 002, Electronic Communications, i.e. email is the official communication vehicle for the College and University system. Both agreements, AAUP and SUOAF, allow for the use of computer equipment, provided this use doesn’t interfere with university business. Contracts also allow for the use of the university mail and office systems to conduct business. The university will ensure the employee unions don’t violate reasonable access to the email system when conducting official business. The use of the email system is consistent with the intent of the contract language, has never been abused by the union and is in line with today’s collective bargaining agreements, which were negotiated in good faith.”

*Auditor's Concluding  
Comments:*

As noted above, our review of both the AAUP and SUOAF collective bargaining agreements disclosed that neither agreement addresses union use of the Connecticut State University System's email system. Therefore, the collective bargaining agreements that the university cited do not appear to be an impediment preventing the university from complying with the state's Acceptable Use of State Systems Policy.

**Schedules of Expenditures of Federal Awards:**

*Background:*

Annually, as part of our Statewide Single Audit of the state's federal funds, our office examines the Schedule of Expenditures of Federal Awards (SEFA) prepared by each state agency, including the CSUS universities, for completeness and accuracy.

*Criteria:*

The federal Office of Management and Budget Circular A-133 Compliance Supplement as of June 2010 provides that the value of Federal Family Education Loan (FFEL) Program (CFDA 84.032) loans made to students during the audited period should be included as federal awards expended in the SEFA. The compliance supplement also requires that entities administering the Federal Perkins Loan (FPL) Program (CFDA 84.038) include such expenditures on the SEFA.

State agencies should prepare and submit complete and accurate SEFAs in accordance with the State Comptroller's instructions as well as the guidance provided by federal Office of Management and Budget Circular A-133.

*Condition:*

We noted that the university's SEFA for the fiscal year ended June 30, 2010, omitted the value of FFEL Program (CFDA 84.032) loans made to students. These disbursements totaled \$26,176,457 during the fiscal year ended June 30, 2010. The university also omitted Federal Perkins Loan Program (CFDA 84.038) expenditures from its SEFAs for the fiscal years ended June 30, 2010 and 2011. These expenditures totaled at least \$1,855,000 and \$1,949,700, respectively.

In addition, the university omitted from its SEFA for the fiscal year ended June 30, 2011, the amount of Federal Direct Student Loans Program (CFDA 84.268) expenditures charged during the fiscal year. These expenditures totaled \$26,451,744.

Further, we noted that ECSU omitted from its SEFA for the fiscal year ended June 30, 2011, expenditures totaling \$19,949 charged to the Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault and Stalking on Campus Program (CFDA 16.525). Our examination also

disclosed that the university reported an incorrect Data Universal Numbering System (DUNS) number on this SEFA.

*Effect:* The university understated the amount of federal expenditures reported in its SEFAs.

The incorrect reporting of a DUNS number on the university's SEFA could hamper the federal government's efforts to properly track how federal grant money was spent.

*Cause:* These errors appear to have been an oversight on the university's part.

*Recommendation:* ECSU should prepare accurate Schedules of Expenditures of Federal Awards. (See Recommendation 20.)

*Agency Response:* "The university concurs with this finding. All federal awards will be included in SEFAs. The DUNS number has been corrected on Eastern Connecticut State University documents."

**Other Audit Examination:**

The Board of Trustees of the Connecticut State University System has entered into agreements with a public accounting firm to conduct certain auditing and consulting services on an annual basis, including an audit of the combined financial statements of the Connecticut State University System. As part of its audit work, the firm has made an annual study and evaluation of the system's internal controls to the extent deemed necessary to express an audit opinion on the financial statements. Certain matters involving internal controls have been included in an annual Report to Management accompanying the audited financial statements.

A summary of the recommendations pertaining to Eastern Connecticut State University in the Report to Management for the 2010-2011 fiscal year is presented below:

Information technology:

- Restrict access to the primary and back up data centers to only authorized personnel with a valid need to access these facilities.

General:

- Written procedures should be developed to ensure that control functions, such as reviewing payroll and accounts receivable reconciliations, are performed in the event of the controller's absence.

**Other Matter:**

In May 2013, the university reported to us that an investigation of alleged fraud in the university's purchasing department had begun. Subsequently, we were informed that the Board of Regents for Higher Education's Internal Audit Department disclosed that a university employee had falsified approval signatures on university personal service agreements. The Internal Audit Department did not find evidence that the employee profited from this activity. Rather, it was the auditors' view that the employee's motivation might have been to expedite the processing of university personal service agreements in order to keep up with the purchasing department's growing workload. The university placed the employee on paid administrative leave during the investigation. After the investigation, in July 2013, the employee's employment at the university was terminated.

## RECOMMENDATIONS

Our prior audit report on the university contained 13 recommendations for improving operations, ten of which are being repeated or restated with modification in our current audit report. Our current audit report presents 20 recommendations, including ten new recommendations.

### *Status of Prior Audit Recommendations:*

- **The university should improve internal controls over payroll and human resources operations by ensuring that employee timesheets are signed only after related work has been performed. In addition, the university should ensure that documentation of the approval for hiring part-time faculty members is obtained prior to the dates when such employees begin working.** Our current audit disclosed that further improvement is needed in this area. Therefore, the recommendation is being repeated with modification. (See Recommendation 1.)
- **The university should take steps to ensure that payments to employees for accrued sick leave at retirement are made as specified in applicable collective bargaining agreements. Furthermore, the university should attempt to recover the overpayments made to the two employees noted above and compensate the other employee cited above for the amount that was underpaid for sick leave at retirement.** The university addressed the incorrect payments for unused sick leave that were noted during our prior audit. No similar incorrect payments were noted during our current audit. The recommendation is not being repeated.
- **The university should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by promptly documenting, through signed certifications, that an employee holding multiple state positions does not have any conflicts of interest or conflicting schedules.** We noted additional exceptions in this area during our current audit. The recommendation is being repeated. (See Recommendation 3.)
- **The university should improve controls over Athletics Department travel expenditures by ensuring that team travel rosters are up-to-date, accurate, and signed by the Director of Athletics or her designee, as certification of the identity of the travelers who were authorized to make the trip.** We noted improvement in controls over Athletics Department travel expenditures during the current audited period. The recommendation is not being repeated.
- **The university should improve the timeliness of its bank deposits by adhering to the prompt deposit requirements of Section 4-32 of the General Statutes.** During our current audit we noted that weaknesses in this area persisted. We also noted delays in journalizing and confirming bank deposit information within the Core-CT system. The recommendation is being repeated with revision. (See Recommendation 11.)

- **The university should improve controls over Athletics Department revenue generating events by ensuring that the Athletics Department submits funds to the Bursar's Office in a timely manner. Furthermore, the university should reconcile records of athletic event tickets sold with amounts submitted to the Bursar's Office, document such reconciliations, and investigate any discrepancies noted.** During our current audit, we saw improvement in the timeliness of Athletics Department submissions of cash receipts to the Bursar's Office, but further improvement is needed. We also noted several discrepancies between the records of Athletics Department receipts that should have been collected and the corresponding dollar amounts that the Athletics Department submitted to the Bursar's Office. These discrepancies were smaller than the ones noted during our prior audit. The recommendation is, therefore, being repeated. (See Recommendation 12.)
- **The university should improve controls over revenue generating agreements by ensuring that such contracts are signed before related services are provided, by submitting them to the Office of the Attorney General in a timely manner for review and approval, and by monitoring and enforcing the terms of such agreements to ensure prompt payment of commissions and late payment fees due.** Improvement was noted. The recommendation is not being repeated.
- **The university should improve controls over payment plans established to collect delinquent student accounts by obtaining from debtors signed promissory notes, in the correct amounts, before allowing such individuals to enter into payment plan arrangements.** We noted no significant improvement in this area. Furthermore, our current audit disclosed other exceptions with respect to the collection of delinquent student accounts. The recommendation is being repeated with modification. (See Recommendation 13.)
- **The university should regularly review information system access privileges granted to employees to determine whether such access is appropriate. Furthermore, the university should ensure that it documents approval granted for information system access, and should remove access privileges from those employees who have unnecessary access to such systems.** During our current audit, we noted no significant improvement regarding information system access. Therefore, the recommendation is being restated. (See Recommendation 14.)
- **The university should re-emphasize that student organizations should deliver funds generated from student events to the Business Office in a timely manner.** Late delivery of student organization receipts to the Business Office persisted during the audited period. In addition, our current audit disclosed late reporting of student organization revenue generating events. The recommendation is being repeated with modification. (See Recommendation 15.)

- **The university should ensure that expenditures charged to the student activity trustee account are properly approved in accordance with the university’s Student Activities Business Office Procedures Manual or other sound internal control procedures.** In our current audit, we again noted exceptions in documenting approval for certain student activity account expenditures. The recommendation is being repeated in revised form. (See Recommendation 16.)
  
- **The university should improve internal controls over equipment by following the policies and procedures established by the state Property Control Manual and the Connecticut State University System’s Capital Asset Valuation Manual. In particular, the university should strengthen controls over equipment disposals, and should ensure that all capital/controllable equipment is tagged with state identification numbers and that lost, stolen, or damaged equipment items are immediately reported to the appropriate state agencies.** Our current audit disclosed that weaknesses in property controls continued during the audited years. The recommendation is being repeated. (See Recommendation 17.)
  
- **The university should promptly resolve any outstanding reconciling items noted when reconciling Operating Fund available fund balances.** We did not note significant improvement in this area during our current audit. The recommendation is being repeated in amended form. (See Recommendation 18.)

*Current Audit Recommendations:*

1. **ECSU should improve internal controls over payroll and human resources operations by ensuring that employee timesheets are signed in a timely manner. In addition, the university should ensure that documented approval for hiring part-time faculty members is obtained prior to the dates when such employees begin working.**

Comment:

We noted several instances in which employees failed to sign employee timesheets. Also, in some instances, employees or their supervisors signed timesheets certifying time worked before the related work was performed. Furthermore, in one instance noted, part-time faculty employment authorization paperwork was signed by management after the employee’s part-time assignment had been completed.

2. **ECSU should correctly record employee state service time to help ensure that longevity payments are made in accordance with collective bargaining agreements, state statutes, and Connecticut State University System policy.**

Comment:

We noted an instance in which an employee's state service time was understated in university records, which resulted in underpayments in longevity pay to this employee.

3. **ECSU should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by promptly documenting, through signed certifications, that an employee holding multiple state positions does not have any conflicts of interest or conflicting schedules.**

Comment:

We noted instances in which dual employment certifications were either not completed or were signed by the university or the secondary agency after the dual employment period had begun.

4. **ECSU should ensure that unused employee leave time balances for which payouts have already been made are properly reduced in the Core-CT system.**

Comment:

In various instances, the university did not reduce employee leave time balance records when the employee separated from the university or was otherwise paid for unused leave time.

5. **ECSU should follow the Department of Administrative Services' requirements for calculating total wages for employees for whom workers' compensation claims were filed. Furthermore, the university should identify those employees whose average weekly wages were incorrectly calculated for workers' compensation purposes, compensate those employees who were underpaid, and attempt to recover any related overpayments noted.**

Comment:

In some instances, the university did not calculate employees' workers' compensation wages in the manner prescribed by the Department of Administrative Services.

- 6. ECSU should either retain employee background check reports on durable media in its own custody or use an appropriate records retention firm that is contractually obligated to retain these records in accordance with the State Library's records retention requirements.**

Comment:

The university neither retained employee background check reports on campus nor employed an appropriate records retention firm to store these records.

- 7. ECSU should more diligently identify those employees whose sick leave use requires substantiation by a medical certificate and obtain such certificates when required.**

Comment:

We noted one instance in which the university did not obtain a medical certificate to support an employee's use of more than five consecutive sick leave days.

- 8. ECSU should take steps to ensure that purchases are initiated only after an approved purchase order is in place and should execute personal service agreements in a timely manner. Furthermore, the university should re-evaluate its controls to prevent duplicate payments for purchases made.**

Comment:

In some instances, purchases were initiated before an approved purchase order or an executed personal service agreement was in place. In one instance noted, the university's office supplies vendor incorrectly billed the university, and the university paid the vendor twice for the same purchase.

- 9. ECSU should improve its controls over travel expenditures by following the Connecticut State University System, and its own, travel policies.**

Comment:

We noted instances in which the university did not follow CSUS travel policy requirements.

- 10. ECSU should improve controls over purchasing card transactions by complying with its established purchasing card policies and procedures.**

Comment:

In some instances, employees used a university purchasing card to purchase items that were considered unallowable according to the university's purchasing card policies.

- 11. ECSU should improve the timeliness of its bank deposits by adhering to the prompt deposit requirements of Section 4-32 of the General Statutes. In addition, the university should promptly confirm and journalize its bank deposit information within the Core-CT system as required by the Office of the State Treasurer.**

Comment:

In some instances, receipts were not promptly deposited into the bank. Bank deposit data was not always confirmed or journalized in the Core-CT system in a timely manner.

- 12. ECSU should improve controls over Athletics Department revenue generating events. The university should reconcile records of athletic event tickets sold with amounts submitted to the Bursar's Office, document such reconciliations, and investigate discrepancies. Furthermore, the Athletics Department should submit funds received to the Bursar's Office in a timely manner.**

Comment:

We noted four small discrepancies between Athletics Department records of the amount of funds received and amounts submitted to the Bursar's Office for deposit. We also noted a few instances in which Athletics Department receipts were not deposited into the bank in a timely manner.

- 13. ECSU should improve controls over delinquent student accounts by promptly pursuing their collection and by retaining related records, such as student payment plan agreements and copies of collection letters sent, for the time period required by the State Library. The university should also place holds on delinquent student accounts as required by Connecticut State University System procedures.**

Comment:

It was the university's practice to destroy student payment plan agreement documents when outstanding balances were paid in full or when accounts were sent to a collection agency. It was also the university's practice not to pursue collection of delinquent accounts for daycare services provided by the university's Child and Family Development Research Center.

- 14. ECSU should regularly review information system access privileges granted to employees to determine whether access is appropriate. The university should remove access privileges from those employees who have unnecessary access to the systems. Also, the university should adjust the level of Core-CT access for certain Human Resources Department employees to improve the separation of duties within that department. As an alternative, the university should implement a compensating control system that would require an employee independent of the Human Resources Department to monitor biweekly changes in payroll transactions to ensure that such changes are valid and authorized. Such reviews should be documented.**

Comment:

We noted that several employees had either incompatible (from an internal control standpoint) or unnecessary access to the Core-CT human resources management system during the audited years.

- 15. ECSU should reinforce the policy that requires student organizations to deliver funds generated from student events to the Bursar's Office in a timely manner. The university should also take steps to ensure that student organizations promptly register events with and submit Post Event Financial Reports to the Student Activities Office.**

Comment:

Student organizations, at times, failed to deliver receipts collected from student events to the Bursar's Office in a timely manner. In some instances, student organizations did not register student events with or submit Post Event Financial Reports to the Student Activities Office within the required timeframe established by ECSU's student organization policies.

- 16. ECSU should ensure that expenditures charged to the student activity trustee account are properly approved in accordance with the university's Student Activities Club and Organizations Manual, Connecticut State University System policies, and other sound internal control procedures.**

Comment:

In some instances, expenditures were incurred and charged to the student activities trustee account without obtaining the required approval signatures or other approval documentation.

- 17. ECSU should improve internal controls over equipment by following the policies and procedures established by the state Property Control Manual and the Connecticut State University System's Capital Asset Valuation Manual. In particular, the university should strengthen controls over equipment disposals, improve its software inventory record keeping system, and ensure that all capital/controllable equipment is tagged with state identification numbers and correctly recorded in inventory control records. Lost, stolen, or damaged equipment items should be promptly reported to the appropriate state agencies.**

Comment:

In a couple of instances, an equipment item was disposed of without obtaining the required approval signature from management. Equipment items disposed of via donation, at times, lacked sufficient documentation to support that the intended donees picked up the donated items. Software inventory records lacked some of the required data elements. Stores and supplies inventory records did not always contain the correct counts of items on hand. Furthermore, the value of stores and supplies was incorrectly reported on the university's annual inventory report to the State Comptroller for the 2011 fiscal year. Some asset loss reports were not completed in a timely manner and, in turn, were not submitted to the appropriate state agencies in a timely manner. Some inventory control records did not correctly identify the locations of capital equipment items. In two instances noted, equipment items were not tagged with university ID numbers.

- 18. ECSU should promptly resolve any outstanding reconciling items noted when reconciling Operating Fund available fund balances and bank accounts.**

Comment:

We noted reconciling items listed on the university's monthly reconciliations of Operating Fund available balances and on monthly bank account reconciliations that had not been resolved promptly. The age of outstanding items noted ranged from about two months to more than eight months.

- 19. ECSU should revise its email policy to comply with the State of Connecticut's Acceptable Use of State Systems Policy regarding the distribution of union information via the state's email system.**

Comment:

The university's email policy does not prohibit the distribution of union information via the university's email system, while the State of Connecticut's Acceptable Use of State Systems Policy does not allow such use.

**20. ECSU should prepare accurate Schedules of Expenditures of Federal Awards.**

Comment:

The university omitted significant expenditures for various federal student loan programs from its Schedules of Expenditures of Federal Awards for the audited years.

## INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of Eastern Connecticut State University for the fiscal years ended June 30, 2010 and 2011. This audit was primarily limited to performing tests of the university's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the university's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the university are complied with, (2) the financial transactions of the university are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the university are safeguarded against loss or unauthorized use. The financial statement audits of Eastern Connecticut State University for the fiscal years ended June 30, 2010 and 2011, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether Eastern Connecticut State University complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

### **Internal Control over Financial Operations, Safeguarding of Assets and Compliance:**

Management of Eastern Connecticut State University is responsible for establishing and maintaining effective internal control over financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts, and grants. In planning and performing our audit, we considered Eastern Connecticut State University's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the university's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of expressing an opinion on the effectiveness of the university's internal control over those control objectives. Accordingly, we do not express an opinion on the effectiveness of Eastern Connecticut State University's internal control over those control objectives.

*A deficiency in internal control* 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 and correct on a timely basis, unauthorized, illegal or irregular transactions, or breakdowns in the safekeeping of any asset or resource. *A material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions and/or material

noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that would be material in relation to the university's financial operations will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance with requirements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the university's financial operations, safeguarding of assets, or compliance with requirements that we consider to be material weaknesses, as defined above. However, we consider the following deficiencies, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be significant deficiencies: Recommendation 8 – weaknesses in controls over the purchasing process; and Recommendation 14 – the need for improved monitoring of information system access privileges and the lack of segregation of duties with respect to Core-CT human resources and payroll functions. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### **Compliance and Other Matters:**

As part of obtaining reasonable assurance about whether Eastern Connecticut State University complied with laws, regulations, contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the university's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Condition of Records and Recommendations sections of this report as the following items: Recommendation 8 – weaknesses in controls over the purchasing process; and Recommendation 14 – the need for improved monitoring of information system access privileges and the lack of segregation of duties with respect to Core-CT human resources and payroll functions.

We also noted certain matters which we reported to university management in the accompanying Condition of Records and Recommendations sections of this report.

Eastern Connecticut State University's response to the findings identified in our audit is described in the accompanying Condition of Records section of this report. We did not audit Eastern Connecticut State University's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the university's management, the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative

Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

**CONCLUSION**

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of Eastern Connecticut State University during the course of our examination.



Daniel F. Puklin  
Principal Auditor

Approved:



John C. Geragosian  
Auditor of Public Accounts



Robert M. Ward  
Auditor of Public Accounts