

STATE OF CONNECTICUT



*AUDITORS' REPORT
BOARD OF REGENTS FOR HIGHER EDUCATION
EASTERN CONNECTICUT STATE UNIVERSITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013*

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

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February 9, 2016

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We have examined the financial records of Eastern Connecticut State University for the fiscal years ended June 30, 2012 and 2013.

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 first six months of 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 CSUS, the Connecticut Community College System, and Charter Oak State College (see the Recent Legislation section below for further details).

Dr. Elsa Núñez served as university president during the audited period.

Recent Legislation

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

- Public Act No. 11-43, effective July 1, 2011, expanded 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 (Section 22), effective July 1, 2011, required the state's higher education institutions to work with the secretary of the Office of Policy and Management, the Department of Administrative Services, and the State 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 consolidated the administration of all 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). The BOT, subject to BOR oversight, served during the transition period.
- Public Act No. 11-52 required, among other things, that state employers provide paid sick leave to certain service workers, including student workers, beginning on January 1, 2012, at the rate of one hour of paid sick leave for each 40 hours worked.
- Public Act No. 13-4, effective upon passage (April 22, 2013), Section 1 of this act modified Section 10a-1b of the General Statutes, shifting the responsibility of appointing the president of the Board of Regents for Higher Education from the Governor to the Board of Regents for Higher Education.

Enrollment Statistics

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

	<u>Fall 2011</u>	<u>Spring 2012</u>	<u>Fall 2012</u>	<u>Spring 2013</u>
Full-Time Undergraduate	4,446	4,171	4,420	4,154
Full-Time Graduate	47	44	39	42
Total Full-Time	<u>4,493</u>	<u>4,215</u>	<u>4,459</u>	<u>4,196</u>
Part-Time Undergraduate	900	624	838	608
Part-Time Graduate	193	168	143	130
Total Part-Time	<u>1,093</u>	<u>792</u>	<u>981</u>	<u>738</u>
Total Enrollment	<u>5,586</u>	<u>5,007</u>	<u>5,440</u>	<u>4,934</u>

The average of the fall and spring semesters' total enrollment was 5,297 and 5,187 during the 2011-2012 and 2012-2013 fiscal years, respectively, compared to an average of 5,391 during the 2010-2011 fiscal year. The total average number of students enrolled at the university decreased slightly during the audited years. The number decreased by 94 (1.7 percent) from the 2010-2011 fiscal year to the 2011-2012 fiscal year, and decreased by 110 (2.1 percent) from the 2011-2012 fiscal year to the 2012-2013 fiscal year.

RÉSUMÉ OF OPERATIONS

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

General Fund appropriations were not made to the university directly. Rather, General Fund appropriations for Connecticut State University institutions were made to the Connecticut State University System Office, where the amount of each state university's allocation was 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:

	2011 – 2012			2012 – 2013		
Student Status:	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduate	\$ 4,124	\$ 13,346	\$ 6,186	\$ 4,285	\$ 13,866	\$ 6,427
Graduate	5,137	14,311	7,707	5,337	14,869	8,008

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 times the in-state 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 a general fee and a state university fee, among others, during the audited period. The following presents these fees, on an annual basis, during the audited fiscal years.

	2011 – 2012			2012 – 2013		
Fee Description:	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
General	\$ 3,285	\$ 3,285	\$ 3,285	\$ 3,446	\$ 3,446	\$ 3,446
State University	966	2,368	966	1,000	2,451	1,000

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:	2011 – 2012	2012 – 2013
Housing	\$ 5,816	\$ 6,067
Food Service	4,483	4,567

Operating Revenues

Operating revenue results from the sale or exchange of goods and services that relate 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>2010 - 2011</u>	<u>2011 - 2012</u>	<u>2012 - 2013</u>
Tuition and Fees (net of scholarship allowances)	\$31,129,750	\$31,984,501	\$32,600,682
Federal Grants and Contracts	7,987,935	6,788,091	5,902,376
State and Local Grants and Contracts	2,052,006	2,155,029	1,719,902
Non-Governmental Grants and Contracts	374,158	257,730	152,529
Indirect Cost Recoveries	566,909	284,695	74,794
Auxiliary Revenues	24,843,174	25,124,521	26,668,122
Other Operating Revenues	2,074,389	1,563,257	1,935,744
Total Operating Revenues	<u>\$69,028,321</u>	<u>\$68,157,824</u>	<u>\$69,054,149</u>

Operating revenues totaled \$68,157,824 and \$69,054,149 during the fiscal years ended June 30, 2012 and 2013, respectively, compared to \$69,028,321 during the fiscal year ended June 30, 2011. These amounts reflect a decrease in operating revenues totaling \$870,497 (1.3 percent) during the fiscal year ended June 30, 2012, and an increase totaling \$896,325 (1.3 percent) during the fiscal year ended June 30, 2013.

The decrease in operating revenues during the fiscal year ended June 30, 2012, can be primarily attributed to a decline in federal grants and contract revenues, especially Direct Loan Program student aid, received during the 2011-2012 fiscal year. The increase in operating revenues during the fiscal year ended June 30, 2013, is due, in part, to an increase in residence hall fees during the 2012-2013 fiscal year.

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.

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

	<u>2010 - 2011</u>	<u>2011 - 2012</u>	<u>2012 - 2013</u>
Personal Services and Fringe Benefits	\$ 73,804,070	\$ 72,111,141	\$ 75,993,991
Professional Services and Fees	3,585,487	3,711,082	3,617,708
Educational Services and Support	13,564,825	13,803,621	13,255,631
Travel Expenses	698,582	800,448	817,865
Operation of Facilities	7,875,686	8,128,767	7,470,392
Other Operating Supplies and Expenses	3,477,717	2,992,815	3,157,043
Depreciation Expense	12,023,520	12,074,363	11,930,214
Amortization Expense	4,071	2,044	-
Total Operating Expenses	<u>\$ 115,033,958</u>	<u>\$ 113,624,281</u>	<u>\$ 116,242,844</u>

Operating expenses totaled \$113,624,281 and \$116,242,844 during the fiscal years ended June 30, 2012 and 2013, respectively, compared to \$115,033,958 during the fiscal year ended June 30, 2011. During the fiscal year ended June 30, 2012, operating expenses decreased by \$1,409,677 (1.2 percent), compared to the previous fiscal year. The decrease can be attributed, in part, to a decrease in accrued salaries and wages payable expenses incurred at June 30, 2012, compared to the amount at June 30, 2011. During the fiscal year ended June 30, 2013, operating expenses increased \$2,618,563 (2.3 percent) compared to the prior fiscal year. The increase was due, in part, to increased costs arising from a September 2010 state arbitration award, which provided certain employees of the state's public higher education institutions a one-time opportunity to transfer from the Alternate Retirement Plan to the costlier State Employees Retirement System.

Nonoperating Revenues

Nonoperating revenues are revenues not generated 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.

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

	<u>2010 - 2011</u>	<u>2011 - 2012</u>	<u>2012 - 2013</u>
State Appropriations	\$ 43,846,594	\$ 38,228,551	\$ 40,573,165
Gifts	117,124	69,147	71,270
Investment Income	49,165	38,175	46,974
State Financed Plant Facilities	17,023,830	2,635,596	-
Other Nonoperating Revenues	309,890	306,598	423,047
Total Nonoperating Revenues	<u>\$ 61,346,603</u>	<u>\$ 41,278,067</u>	<u>\$ 41,114,456</u>

Nonoperating revenues totaled \$41,278,067 and \$41,114,456 during the fiscal years ended June 30, 2012 and 2013, respectively, compared to \$61,346,603 during the fiscal year ended June 30, 2011. These revenues decreased \$20,068,536 (32.7 percent) and \$163,611 (0.4 percent) during the fiscal year ended June 30, 2012 and 2013, respectively, compared to the previous fiscal years.

The sharp decrease in nonoperating revenues during the fiscal year ended June 30, 2012, is primarily due to a decrease in state capital project 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, 2011, the university recognized more plant facilities revenues, especially funds earmarked for the construction of a new campus parking garage. In the fiscal year ended June 30, 2012, the university's primary construction project was a new campus softball field, which was significantly less expensive than the parking garage. The

slight increase in nonoperating revenue during the fiscal year ended June 30, 2013, was primarily due to an increase in state appropriations received, offset by a decrease in state financed plant facilities revenues. During the fiscal year ended June 30, 2013, the university did not receive state financed plant facilities revenues.

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 foundations established for the principal purpose of supporting or improving state agencies. The requirements address the annual filing of an updated list of board members with the state agency for which the foundation was established, financial recordkeeping 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.

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, 2012 and 2013, 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 \$3,280,667 and \$2,974,748 during the fiscal years ended June 30, 2012 and 2013, respectively. Net assets were reported at \$16,414,237 and \$17,386,932 as of June 30, 2012 and 2013, 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.

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, 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:

- Ten instances involving six employees in which a dual employment certification was signed by the university or the primary agency after the dual employment period began. In some instances, these employees were dually employed over several semesters. As such, some of the exceptions noted applied to the same employee over multiple semesters.
- One instance in which the university failed to sign a dual employment certification for an employee. The employee's primary employer did, however, sign the certification.

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 of interest or schedules existed between primary and secondary positions for dually employed individuals.

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

Recommendation: Eastern Connecticut State 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 is free of any conflicts of interest or conflicts in schedules. (See Recommendation 1.)

Agency Response: “The university agrees with the finding. We will continue to work to improve our understanding of current obligations, and make internal adjustments in order to bring our processing of dual employment forms in compliance with state requirements.”

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 two instances in which the university did not calculate an employee’s workers’ compensation wages in the manner prescribed by DAS. In these instances, the university understated the employee’s average weekly wages by \$2 and \$1, respectively.

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

Cause: It appears that the university, in the instances noted, failed to include a type of remuneration among the components that make up an employee’s total wages pursuant to DAS guidelines.

Recommendation: Eastern Connecticut State University should follow the Department of Administrative Services requirements for calculating total wages for employees who file workers’ compensation claims. Furthermore, the university should identify those employees whose average weekly wages were incorrectly calculated for workers’ compensation purposes

and compensate those employees who were underpaid. (See Recommendation 2.)

Agency Response: “The university agrees with the finding. The accounts were reviewed and required adjustments were made by the Human Resources Office. Since the publication of this citation, the Human Resources Office reviewed the Department of Administrative Services manual governing the calculation of Workers’ Compensation benefits and identified the source of these errors. We will continue to review our internal processes and make improvements as necessary.”

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.”

The Fair Credit Reporting Act, under Title 15 US Code Section 1681, subsection 604(b), requires written authorization from the employee in order to procure, or cause to procure, the employee’s background check report.

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.

In addition, we examined a sample of ten of the university's employee background check authorization forms on file and noted one instance in which a background check report was procured without the prospective employee's signed, written consent.

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

In one instance, the university did not comply with the Fair Credit Reporting Act with respect to obtaining an employee's written consent before procuring a background check report.

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

The instance in which a background check report was procured without the employee's signed, written consent was described as an oversight by the university.

Recommendation: Eastern Connecticut State University 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. The university should also take steps to ensure that it complies with the Fair Credit Reporting Act with respect to obtaining an employee's, or a prospective employee's, signed, written consent prior to procuring the employee's background check report. (See Recommendation 3.)

Agency Response: "The university agrees with the finding. The Human Resources Office has revised its procedures so that hard copies of all background checks are retained in a file separate and apart from official personnel files. We are aware of the need to obtain employee consent prior to initiating a background check. The one instance cited was an oversight, most likely due to increased volume of background checks that need to be conducted immediately prior to the start of the fall semester. The citation with respect to the Fair Credit Reporting Act has been corrected."

Paid Sick Leave for Student Employees

- Criteria:* Public Act 11-52, codified as Section 31-57s of the General Statutes, required state employers to provide paid sick leave to certain service workers effective January 1, 2012.
- Condition:* The university informed us that it did not provide paid sick leave to student employees during the audited period. According to the university, this benefit was not implemented until July 2013.
- Effect:* The university did not comply with the requirement of Public Act 11-52 to provide paid sick leave to certain service workers.
- Cause:* The university informed us that it synchronized its implementation schedule for providing sick leave benefits to student workers with the implementation schedules of the other Connecticut State University institutions.
- Recommendation:* Eastern Connecticut State University should implement paid sick leave benefits for student employees in accordance with the requirements of Public Act 11-52. (See Recommendation 4.)
- Agency's Response:* "The university agrees with the finding. The Board of Regents (BOR) office issued a memorandum revision dated 2/28/2013, which was sent out to all state universities' HR and Payroll staffs. This memorandum outlined the sick leave policy. In order to implement sick leave processing, the university payroll officers held a series of meetings with BOR Human Resource management. The part-time sick leave policy was implemented at all state universities in July 2013. The student balances were made whole using the date that the law was instituted for all current students. A correspondence was issued to those students involved to contact the Payroll department if they felt that they were owed sick time for any of the period involved."

Purchasing and Accounts Payable

- Criteria:* It is a good business practice to ensure that a written personal services agreement is in place and signed by all relevant parties before related services are provided.
- Payments for purchases made should be charged to the correct accounts to help ensure that financial statements and the accounting records on which they are based are not misstated.

Condition: We tested 25 purchasing transactions during the audited period, amounting to \$1,224,429, and noted the following:

1. Three instances in which expenditures, totaling \$403,446, were coded to an incorrect account.
2. One instance in which the university failed to execute a personal services agreement contract totaling \$10,000 in a timely manner. The contractor and the university signed the personal services agreement 21 and 23 business days after the start of the contract period, respectively. Furthermore, our testing disclosed that the Office of the Attorney General signature on this contract appears to have been forged. The signature was dated on a holiday and the contract was not included in the Attorney General's log of personal services agreements received for review. We noted in our prior audit report on the university that a Board of Regents for Higher Education investigation disclosed that a university Purchasing Department employee was falsifying Office of Attorney General signatures on university contracts. Subsequent to the investigation, in July 2013, the employee was terminated.

Effect: With respect to the miscoding of transactions, the miscoding of payments could distort the university's financial statements. In turn, the university's management, and others who rely on the university's financial statements, could make decisions based on incorrect data.

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

Cause: It appears that existing controls were not sufficient to prevent these conditions from occurring.

Recommendation: Eastern Connecticut State University should improve internal control over purchasing. In particular, the university should take steps to ensure that purchases are charged to the correct accounts. Moreover, personal services agreements should be executed properly before corresponding services are provided. (See Recommendation 5.)

Agency Response: "The university agrees with the finding. We are working more diligently on coding review for documents. With the recent staff changes in the purchasing area, we continue to review and revise our internal procedures. We are also working with the campus community to improve their understanding of the importance of processing documents in a more timely manner."

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.

Condition: We tested 15 travel expenditure transactions during the audited period totaling \$52,073 and noted the following exceptions:

1. Six instances totaling \$24,328 in which an Athletics Department travel expenditure transaction was not supported by a properly completed travel authorization form. In each of these instances, the university completed a blanket travel authorization form for the athletic team's entire academic year. The authorization form did not identify the particular trip, the date of the trip, or the expenditure amount authorized for the trip.
2. Five instances totaling \$23,288 in which an Athletics Department travel advance was issued in an amount that exceeded the amount authorized on the corresponding travel authorization form. The excess amounts ranged from \$1,159 to \$7,380.
3. Two instances totaling \$11,448 in which the university coded a travel expenditure transaction to an incorrect account in its accounting records. In one of these instances, an athletic team was issued an advance in the amount of \$4,000 for team meals, which was incorrectly coded to out-of-state team travel when the meals were purchased for in-state use. In the other instance, an athletic team was issued an advance for a trip to a tournament in Maine. The university coded this transaction to international travel but should have coded it to team travel out-of-state.
4. One instance totaling \$1,000 in which a travel authorization form was not submitted to the university's travel office in a timely manner. The Connecticut State University travel policy requires travel authorization forms to be submitted to the travel office at least two weeks prior to the trip. In this instance, the travel authorization document was submitted to the travel office eleven days before the trip.

Effect: In some instances, the Connecticut State University System's travel policies were not followed.

The completion of blanket travel authorization forms has the effect of forgoing the identification and documentation of the particular trips that management approved.

In the instances noted in which the amount of expenditures exceeded the amount authorized on the travel authorization form, some expenditure amounts were not authorized properly.

Cause: Regarding the Athletic Department's completion of blanket travel authorization forms for the entire academic year, the university informed us that turnover in the position of athletic director resulted in coaches having more discretion in budgeting and expending funds allotted to sports teams. It is unknown why the other conditions occurred.

Recommendation: Eastern Connecticut State University should improve its controls over travel expenditures by completing and adhering to properly prepared travel authorization documents and following the Connecticut State University System travel policies. (See Recommendation 6.)

Agency Response: "The university agrees with the finding. The BOR approved a revision to the Travel Manual for use as of 07/01/15. We continue to strive to educate the staff and the campus community as a whole to understand and adhere to these policies. For team sports, individual travel authorization forms are not used, but rather a blanket form that covers the entire academic year. As team events take place, a separate reconciliation is sent to the Travel Department for processing. Individual travel authorizations are only completed in athletics when staff members are attending conferences, seminars, etc. Due to the turnover in the Director of Athletics position within the audit period, the Athletic Department relied on individual coaches to monitor their budgets. Since then, Athletics has made improvements in the preparation of annual budget projections for each team, and more realistic blanket travel authorizations are being prepared, keeping in mind that travel authorizations are only estimates of spending for the year."

Personal Services Expenditures

Criteria: It is a good business practice to ensure that purchases of personal services are approved beforehand and supported properly. Furthermore, when necessary, written personal services agreements should be established and executed properly before services are provided.

Office of the Attorney General (OAG) approval is generally required for all state contracts that total \$3,000 or more annually. In a letter dated April 28, 2006, OAG provided a waiver of the OAG approval requirement for certain CSUS contracts, including those that amount to \$15,000 or less annually.

The State Library has established records retention schedules for state agencies. The schedules require that state agencies retain personal service contracts for the length of the contract or until audited, whichever is later.

Condition:

We tested a sample of 15 personal services expenditure transactions during the audited years totaling \$163,206 and noted the following:

1. One instance in which the university received services from a contractor totaling \$9,480 prior to processing a purchase requisition and corresponding purchase order. The purchase requisition and purchase order were processed 56 and 57 business days after the services had been received, respectively.
2. One instance in which the university purchased video production and post-production services totaling \$9,480 via a purchase order. However, based on the type of services purchased, it appears that it would have been more appropriate to enter into a written personal services agreement contract with the vendor to ensure that both parties agreed on the specific terms of the services being provided.
3. One instance in which the university failed to execute a personal services agreement contract totaling \$3,000 in a timely manner. The university signed the personal services agreement 36 business days after the end of the contract period.
4. One instance in which the university incurred and paid costs related to a personal services agreement contract that exceeded the maximum amount allowed without processing an amended contract. In this instance, the cost of the contract was not to exceed \$36,000. However, the university issued a \$36,411 payment for this contract, \$411 over the amount allowed.
5. Two instances in which the university was unable to provide us with the written personal services agreement contracts related to expenditures totaling \$6,650 for testing. In both instances, the documentation on file referenced a personal services

agreement; however, the personal services agreements were not on file.

Furthermore, in one of these instances totaling \$1,650, there was no documentation on hand acknowledging receipt of services, nor was there a vendor's invoice to support the payment. Also, the purchase order for this purchase was approved more than six months after services were received and the payment was issued.

Effect: Controls over personal services expenditures were weakened.

Cause: At times, established controls were not being followed.

Recommendation: Eastern Connecticut State University should improve controls over personal services expenditures by ensuring that, when necessary, written personal services agreements are established and retained. These agreements should be fully executed in a timely manner and related expenditures should be supported sufficiently. (See Recommendation 7.)

Agency Response: "The university agrees with the finding. Tighter controls are in place to offset these deficiencies. Unfortunately, student activity money is spent by the students who at times do not understand the criticality of timely paperwork for contracted services. Tighter procedures are now in place that require signatures before processing."

Purchasing Card Purchases

Criteria: The Eastern Connecticut State University Purchasing Card Procedures manual details the university's requirements for purchasing card use. The manual limits each transaction to \$2,500 or less. Additionally, it states that cardholders should not split purchases in order to avoid the single transaction limit.

The university's policies also identify various restricted items that cardholders are not allowed to purchase with their cards. Included among these restricted items are the purchase of cellular phones and related monthly charges.

Proper internal control dictates that reconciliations of purchasing card statements should be reviewed in a timely manner. Such reviews should be documented with the reviewer's signature.

Condition: We tested a sample of purchasing card transactions that totaled \$72,876 and occurred over five months during the audited years. The following exceptions were noted:

1. One instance in which an employee split a single purchase, which totaled \$7,570, into four separate transactions. This circumvented the \$2,500 single purchase limit set forth in the university's purchasing card policies.
2. One instance in which it appears that a purchasing cardholder made a restricted purchase. The cardholder paid a \$30 charge for a cellphone calling plan fee, which is expressly prohibited by the university's purchasing card policies.
3. Two instances in which we noted a reviewer signature exception on a purchasing card log reconciliation. In one of these instances, a purchasing card log reconciliation consisting of purchases totaling \$5,751 was not signed by a reviewer. In the other instance, a purchasing card log reconciliation, comprising purchases totaling \$863, was signed by a reviewer 25 business days after it had been completed and 34 business days after the end of the billing cycle.

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

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

Recommendation: Eastern Connecticut State University should improve controls over purchasing card transactions by complying with its established purchasing card policies and procedures. (See Recommendation 8.)

Agency Response: "The university agrees with the finding. Purchasing procedures have been modified as of July 1, 2014, in order to improve efficiency and compliance with established policies."

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.

A good internal control system requires the recording of the amounts and dates when cash receipts are received to help ensure and measure the timeliness of bank deposits.

Condition:

We examined a sample of 20 cash receipts transactions totaling \$142,344 during the audited period and noted the following:

1. Four instances of delayed bank deposits. These delayed deposits included receipts that totaled \$12,255, which were deposited into the bank one business day late. In effect, the university did not comply with Section 4-32 of the General Statutes, which generally requires that state agencies deposit monies received within 24 hours.
2. Four instances in which the university did not confirm and journalize bank deposit data in the Core-CT system in a timely manner. Bank deposit data, which included deposit amounts totaling \$32,986, was confirmed and journalized one business day late.

We tested a sample of 24 cash receipts totaling \$458,803 that were received by non-Bursar's Office departments during the audited years and noted the following:

1. Six instances totaling \$41,887 in which receipts were not deposited into the bank within the timeframe established by Section 4-32 of the General Statutes. Late deposits noted were arrayed as follows:
 - a) Three deposits totaling \$36,953 were one business day late.
 - b) One deposit totaling \$2,878 was two business days late.
 - c) One deposit, consisting of student activity account receipts totaling \$1,400, was 22 business days late.
 - d) One deposit, consisting of student activity account receipts totaling \$656, was 23 business days late.
2. One instance, consisting of student activity account receipts totaling \$8,640, in which there was no record of the date funds were received.
3. One instance totaling \$2,878 in which funds received were not confirmed or journalized in the Core-CT system within the 24-

hour timeframe established by the Office of the State Treasurer. The university confirmed and journalized the receipts three 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 to an increased risk of theft or loss.

In a number of instances, the university 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.

In the instance in which the university did not have a record of the date when cash was received, the timeliness of the bank deposit could not be determined. Therefore, it is uncertain whether the university complied with the prompt bank deposit requirements established by Section 4-32 of the General Statutes.

Cause: It appears that established controls were not always being carried out as designed.

Recommendation: Eastern Connecticut State University 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 confirm and journalize its bank deposit information within the Core-CT system promptly as required by the Office of the State Treasurer. (See Recommendation 9.)

Agency Response: "The university agrees with the finding. In June of 2015, the university implemented a new cashiering system to help with the efficiency of deposits. If a receipt is submitted late, the return receipt is accompanied by a timeliness memo from the Bursar indicating that the deposit was received late and reaffirming Section 4-32 of the General Statutes. The Student Activity Business Office (SABO) issues emails to student clubs if they are tardy with their deposits. Student Clubs have 7 days to respond, and if they do not, a hold will be placed on the club account. SABO also work with the Student Activities department to stress the timeliness of deposits. Core-CT deposits are being reviewed daily and deposits are taking place as needed."

Athletics Department Controls over Revenue

Criteria: It is a good business practice to complete accountability reports reconciling records of expected revenue with amounts collected.

Condition: In our two prior audits of the university, we noted weaknesses in controls over Athletics Department revenue-generating events. Our current audit disclosed that further improvement is needed. During our current audit, we examined a sample of ten receipt transactions totaling \$5,688 generated from Athletics Department event ticket sales and noted the following exceptions:

1. Seven instances totaling \$4,827 in which the amount submitted to the Bursar's Office for deposit did not equal the expected ticket sales revenue for an event as recorded on a ticket control accountability report.

In four of these instances, the amount submitted to the Bursar's Office was less than the expected ticket sales per the ticket control accountability report in the amounts of \$5, \$25, \$78, and \$4.

Furthermore, in one of these instances involving a \$78 difference between the ticket control accountability report and the amount submitted to the Bursar's Office, we noted weaknesses in controls over complimentary tickets issued:

- a) The university kept no record of the names of, or associated rationale (e.g., faculty, staff, etc.) for, the recipients of free tickets for this event.
- b) The university did not maintain a record identifying the ticket numbers of free tickets issued for this event. As a result, the university lacked support for the amount of ticket sales revenue that should have been collected for this event.

In three of these instances, the amount submitted to the Bursar's Office was more than the expected ticket sales per the ticket control accountability report in the amounts of \$2, \$13, and \$15. In one of these instances, the student supervisor did not sign the ticket control accountability report.

2. Two instances totaling \$501 in which a ticket sales control sheet was not fully completed. Ticket numbers sold and corresponding expected sales were not recorded. In one of these instances, the ticket seller's name and the event supervisor's name and signature were omitted from the report.

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

Cause: In some instances, notes on ticket control sheets cited human error as the reason for these discrepancies. In other instances, it is unclear why these discrepancies occurred.

Recommendation: Eastern Connecticut State University should improve controls over Athletics Department revenue-generating events. In particular, the university should take steps to ensure that ticket sales revenue accountability reports comparing amounts of expected revenue with amounts submitted for bank deposit are completed properly. Furthermore, the university should improve training for students and staff who handle sporting event ticket sales to reduce the number of discrepancies between records of expected ticket sales revenues and amounts turned in to the Bursar's Office for deposit. (See Recommendation 10.)

Agency Response: "The university agrees with the finding. Effective May 2013, the Athletics Department no longer charges for sporting events."

Collection of Delinquent Student Accounts

Background: The university establishes payment plans as a tool to collect delinquent account balances due to the university.

Criteria: It is a good business practice to pursue all reasonable efforts to collect monies due on delinquent accounts.

The State Library, under the authority of Sections 11-8 and 11-8a of the General Statutes, establishes records retention schedules for state agencies. One of these schedules 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.” These holds should be enforced in order to prevent students with past due accounts from registering for additional classes and incurring additional debt.

Condition:

Our examination of a sample of 15 past due student accounts totaling \$110,052 during the audited period disclosed the following:

1. One instance in which the university did not place a hold on a delinquent account.
2. Two instances in which the university did not send a delinquent account to a second collection agency in a timely manner. In one instance, the university referred an account totaling \$4,219 to a second collection agency more than one year and seven months after the referral to the first collection agency. In the other instance, the university referred an account totaling \$13,400 to a second collection agency more than one year and four months after the referral to the first collection agency.
3. One instance in which a delinquent account totaling \$1,377 was not transferred to an initial collection agency in a timely manner. The university referred the account to a collection agency more than two months after the final collection notice was sent. Furthermore, in this instance, the university did not have a copy of a first collection notice on file.
4. One instance in which a delinquent account totaling \$1,165 was not transferred to a second collection agency before it was coded as write-off pending.
5. One instance in which a collection notice was not sent to a student with a past due account totaling \$1,345.
6. One instance in which a student was allowed to register for courses even though a hold was placed on the student’s delinquent account, which totaled \$19,923.
7. During the audited period, it was the university’s practice not to pursue collection of past due balances owed for daycare services provided by its Child and Family Development Research Center. The university informed us that in part, due to staffing limitations, it did not always collect key information, such as Social Security numbers, from its daycare clients, which hinders the collection process. The university further informed us that it was developing a new system to track and

collect these past due accounts, which would be implemented during the 2014 fiscal year.

In addition, we tested a sample of 15 student payment plan agreements initiated during the audited period and noted the following:

1. Two instances in which the university failed to refer a delinquent student payment plan account to a collection agency. For one account totaling \$4,313, a student failed to make the monthly payments specified in the student payment plan agreement for more than 11 months as of the date of our review (December 23, 2013). For the other account, which totaled \$6,448, the student failed to make monthly payments for more than an eight-month period as of the date of our review (December 23, 2013).
2. One instance in which the university failed to refer a delinquent account totaling \$2,912 to a collection agency in a timely manner. The account was referred to a collection agency in September 2012, after more than an eight-month period during which the student failed to make the monthly payments specified in a student payment plan agreement.
3. One instance in which the university allowed a student to register for courses even though the student's account was past due and a hold was placed on the account. The student entered a payment arrangement, effective in October 2012, to pay off a past due balance that totaled \$2,914. As of December 23, 2013, the date of our review, the balance had increased to \$15,345 because the student had registered for additional courses.

Effect: Internal controls over the collection of delinquent accounts were weakened, jeopardizing the likelihood of collecting past due accounts. Also, in some instances, the university did not comply with the records retention requirements established by the State Library or the Connecticut State University System's write-off procedures.

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

Recommendation: Eastern Connecticut State University should improve controls over delinquent student accounts by following its own and the Connecticut State University System's collection policies and procedures. In particular, the university should refer past due accounts to collection agencies in a timely manner and send out past due collection notices promptly. The university should also ensure that holds placed on past

due student payment plan accounts are enforced to prevent delinquent students from registering for additional courses. (See Recommendation 11.)

Agency Response:

“The university agrees with the finding. The university continues to make significant improvements in the Bursar's Office in the area of collections, delinquent accounts and holds. In December 2014, the Bursar's Office added an Associate Bursar to focus on improving our responsiveness to this function. The University's Child and Family Development Resource Center (CFDRC) collections have been brought up to date and past due accounts are now being pursued via collections.”

Student Activity Trustee Account Expenditures:

Criteria:

It is a good business practice to ensure that purchases are properly approved before expenditures are incurred.

Section 4-52 of the General Statutes defines a trustee account, in part, as an account operated in any state educational institution for the benefit of students.

The State Comptroller's Accounting Procedures Manual for Trustee Accounts provides that expenditures charged to trustee accounts be sufficiently documented to evidence student organization approval in the form of signed payment vouchers and minutes of student organization meetings.

The manual requires, in particular, that “copies of the minutes of all meetings held by the student organization must be on file in the institution office, and be available for audit. These minutes must clearly indicate all action taken by the group, particularly that concerning financial matters.”

Section 12-412 subsection (1)(A) of the General Statutes exempts the state or its subdivisions from paying Connecticut sales tax.

Condition:

We reviewed a sample of 20 student activity account purchases during the audited period, which totaled \$110,652, and noted the following exceptions:

1. Four instances totaling \$51,045 in which the student organization meeting minutes provided did not sufficiently support that student members attended the meeting and approved the expenditure.

2. One instance totaling \$25,000 in which a personal services agreement charged to a student activity account, lacked the required university signature.
3. Two instances totaling \$2,477 in which a payment was made based on a Personal Services Agreement and Honorarium Request form that lacked the approval signatures of the vice presidents of Student Affairs or Finance.
4. Two instances totaling \$2,406 in which documentation of student organization approval indicated that a purchase was approved after the corresponding expenditures were incurred.
5. Two instances totaling \$25 in which sales tax was paid on a tax-exempt trustee account purchase.
6. One instance in which a student organization used a cash advance to pay for member meals at a restaurant, including a gratuity that totaled \$45, or more than 45 percent of the meal cost. This exceeded the 15 percent gratuity limit established by the university's cash advance policy.
7. One instance totaling \$1,800 in which at least the appearance of a conflict of interest existed when a personal services agreement was awarded to a relative of a club president.
8. One instance totaling \$200 in which the unspent funds and supporting receipts for a cash advance issued to a student organization were not turned in to the business office in a timely manner. The advance was issued on February 12, 2013. Subsequently, unspent funds and expenditure supporting documentation were submitted to the Student Activities Business Office on March 6, 2013, fourteen business days after the advance issue date. University policy requires that cash advances be reconciled within five business days of their receipt.
9. One instance totaling \$500 in which a Personal Services Agreement and Honorarium Request form was not completed and approved in a timely manner. University policy requires that the approved forms be submitted to the Purchasing Office at least ten business days before the related event. This request was completed two business days before the related event.

Effect:

In some instances, due to insufficient documentation, there is decreased assurance that student activity account purchases were

properly authorized by student organizations or university management.

Cause: At times, established controls were not being carried out as designed.

Recommendation: Eastern Connecticut State University should improve controls over student activity trustee account expenditures by following the requirements of the State Comptroller's Accounting Procedures Manual for Trustee Accounts, Connecticut State University System purchasing policies, and its own student activities purchasing policies. The university should ensure that the approval of student activity account purchases is timely and properly documented. (See Recommendation 12.)

Agency Response: "The university agrees with the finding. We have established the procedure that procurement will not be made without the proper minutes to support the purchase and that the documents include the appropriate signatory approvals. No purchases will be paid without the aforementioned documentation."

Property Control

Criteria: The Connecticut State University System Procedures for the Disposal of Surplus Property provides that, "Both the Property Control Manager and the Vice chancellor for Finance and Administration, or the Vice President for Finance and Administration, or their respective designees, must certify their approval by signing the record (of disposed of property)."

The procedures also require that if a computer is to be disposed of, its hard drive must be purged or, in certain instances, destroyed. Then, the university must complete a signed certification attesting that the hard drive of the discarded computer was purged or destroyed.

In addition, according to the procedures, when surplus property is donated to a non-profit organization, the organization must complete a Connecticut State University form, certifying the receipt of donated university property.

The State Property Control Manual requires that the loss of or damage to state property be reported immediately to the Office of the State Comptroller and the Auditors of Public Accounts.

The manual also requires that state agencies maintain software inventory control records. These records should include certain key

data elements, such as the identification number of the computer on which the software is installed and cost of the software. The manual also requires that each state agency conduct a physical inventory of its software at the end of each fiscal year.

Condition:

We tested a sample of 19 equipment items that the university disposed of during the audited period and noted the following:

1. Eight instances, with a combined historical cost that totaled \$34,102, in which the university disposed of an equipment item without adequate documentation on file supporting that the disposal was approved by the Vice President for Finance and Administration or a designee;
2. Two instances, with a combined historical cost that totaled \$9,122, in which the university processed the disposal of lost or stolen equipment items without submitting the required loss reports to the State Comptroller and the Auditors of Public Accounts;
3. One instance in which the university returned an equipment item to a vendor that cost \$6,245, but failed to retain documentation supporting the return;
4. One instance in which the university disposed of a computer that cost \$1,229 by recycling it, but had no documentation on file to support that the item was received and recycled by the recycling company;
5. Six instances, with a combined historical cost of \$24,980, in which the university donated an equipment item to an organization but had no documentation on file to indicate that the donee received the item; and
6. Six instances, with a combined historical cost of \$24,864, in which the university disposed of a computer or server with no documentation on file certifying the purging or destruction of the hard drive.

We examined a sample of 20 property loss reports the university completed during the audited years and noted six instances in which a report of loss, damage, or theft of state property was not completed and submitted to the State Comptroller and the Auditors of Public Accounts in a timely manner. The reports were completed from more than three weeks to seven and half months after the date of the loss.

Our audit tests of the university's software inventory control records as of June 30, 2012 and 2013, disclosed the following:

1. The State Property Control Manual requires that software inventory control records include the identification number of the computer on which the software was installed. The university's property control records did not include this information.
2. For some of the software items recorded in the software inventory records, cost amounts were omitted.
3. The records were not up to date. The most recent software item entered in software records as of June 30, 2013, had a receipt date of October 11, 2011.
4. Although the university informed us that a software physical inventory was taken during the audited period, the university had no documentation on hand to support this.

We tested a sample of 25 equipment items recorded on a comprehensive list of university equipment inventory as of the date of our review (December 19, 2013). Our test disclosed one instance in which a computer with a cost of \$1,870 was disposed of without adequate documentation that the disposal was approved. Both the Vice President for Finance and the chief information officer signed off on an equipment disposal cover sheet, approving an attached list of items for disposal. However, as the attached list was not signed, there was a lack of assurance that the disposal of our sample item, which was included on the list, was approved.

Effect:

In some instances, the university did not comply with the Connecticut State University System Procedures for the Disposal of Surplus Property. As a result, internal controls over equipment disposals were weakened.

At times, the university did not comply with Section 4-33a of the General Statutes, which requires state agencies to report state property losses to the State Comptroller and the Auditors of Public Accounts promptly.

The university's software inventory listings were not in compliance with the requirements of the state Property Control Manual. As a result, controls over software were weakened.

Cause: In some instances, established controls were not being carried out as designed.

The university informed us that the above software inventory record deficiencies resulted, in part, from IT Department staffing shortages.

Recommendation: Eastern Connecticut State University should take steps to improve compliance with the policies and procedures set forth in the Connecticut State University System Procedures for the Disposal of Surplus Property. The university should ensure that it obtains and retains proper documentation of the approval of property disposals, certifications of the purging or destruction of disposed of computer or server hard drives, and certifications indicating that donees received donated property. Lost, stolen, or damaged equipment items should be reported promptly to the appropriate state agencies. Software inventory records should be up to date, include all the information required by the State Property Control Manual, and be supported by evidence of annual physical inventories. (See Recommendation 13.)

Agency Response: “The university agrees with the finding. Inventory Control has been assigned to the Facilities Department and the prior staff has been replaced and trained. The disposal process was overhauled during FY 2014 and 2015. Information Technology (IT) is now more heavily involved with the disposal of the electronic equipment. Disposals are now completed by IT or Facilities as applicable. The members of the campus community submit a work order for a pickup of equipment no longer needed by his/her department. Once the equipment has been picked up, Facilities or IT will determine if it will be redeployed to another department or if the item will be disposed of. If the item will be disposed of, IT or Facilities will submit the disposal form to the Vice President for Finance and Administration for approval. The software process in IT has been revised.”

Information System Access Controls

Background: The Connecticut State University System (CSUS) is considered a limited scope agency with respect to the state’s centralized financial and administrative information system, Core-CT, which CSUS uses primarily to process payroll and human resources data. In addition, CSUS uses an automated information system, known as Banner, to maintain its accounting and student academic records.

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

An effective 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:

1. As 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 independently add people to the payroll system and process payroll payments to them.
2. We examined the status of Banner information system privileges for a sample of ten employees who separated from university employment during the audited years. Our audit test disclosed six instances in which the university did not promptly terminate an employee's Banner user account upon the employee's separation from the university. In the instances noted, the user accounts were disabled between three and 111 business days after the employees separated from the university.
3. We tested a sample of ten employees with university computer user accounts who separated from university employment during the audited period. Our testing disclosed four instances in which the university did not promptly terminate the employee's computer user account upon the employee's separation from the university. In the instances noted, the user accounts were disabled between two and 36 business days after the employees separated from the university.

Effect:

Unnecessary or inappropriate access to information systems increases the risk of data system errors and fraud.

Cause:

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

With respect to the Human Resources Department employees who held write access privileges to both human resources and payroll

systems, the university stated that staffing limitations made it difficult to achieve a better separation of duties.

Recommendation:

Eastern Connecticut State University should regularly review information system access privileges granted to employees to determine whether access is appropriate. The university should promptly remove access privileges upon an employee's separation from university employment. 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 agrees with the finding. The university has revised the Payroll Reconciliation process to include a review of all Additional Pay items. The University Controller reviews each biweekly payroll reconciliation packet that is prepared by the Payroll Coordinator. Any additional pay items are included in the packet and reviewed on the payroll.

Banner Accounts & Computer Accounts:

Information Technology Services receives notification of Banner and/or Computer accounts changes or deletions via the HR Employee Status Change Notification system. Once notified, the Information Technology Services Database Administrator is responsible for Banner account modification or termination and the Information Technology Services Server Administrator is responsible for the computer account modification or termination."

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:

As noted in our previous audit report, 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 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 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 past practice and 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: Eastern Connecticut State University should revise its email policy to comply with the State of Connecticut's Acceptable Use of State Systems Policy, which prohibits the distribution of union information via the state email system. (See Recommendation 15.)

Agency Response: "The university agrees with the finding. Contract negotiations are expected to begin in the Fall of 2015 with SUOAF and AAUP unions. The topic of email access for union business has been added to the list of contract items to be discussed. We await a directive or clarification from the Board of Regents (BOR)."

Other Audit Examination

The Board of Regents for Higher Education 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 fiscal year ended June 30, 2013, is presented below:

- There were no comments made pertaining to Eastern Connecticut State University.

Other Matter

Our audit disclosed an unusual and insufficiently supported payment that the university made to the Eastern Connecticut State University Foundation, Inc. In April 2012, the university issued a payment totaling \$289,328 to the foundation. In a memorandum dated January 9, 2012, the university's then Vice President for Finance and Administration directed that the payment be made for back rent due to the foundation. The memorandum added that the university owed the foundation for the rental of foundation office space in the Foster Building, which housed the university's Institute for Sustainable Energy (ISE). The Foster Building, an office building in Willimantic, was donated to the foundation in December 2000. The Vice President for Finance and Administration retired effective February 1, 2012. In April 2012, the university's new Vice President for Finance and Administration executed the above rental payment to the foundation.

According to university management, there was no written lease established for this agreement. Instead, the university and the foundation came to an informal agreement that appeared to be based on the ISE business plan, which specified a monthly rental payment of \$7,302 for 6,520 square feet of space (the ISE used 4,968 square feet). Under the agreement, the university would rent foundation office space to accommodate ISE on a month-to-month basis. According to the former Vice President for Finance and Administration, this arrangement continued from December 2001 through August 2007.

During those years, the foundation made numerous requests for the university to pay the rent due, including a July 20, 2005 letter to the university demanding full payment of back rent, creation of a formal mechanism for payments going forward, and the imposition of collection or legal action if immediate payment was not received. In the end, however, the foundation allowed the university to defer all rental payments to the foundation until the university's financial condition improved. In the January 2012 memorandum referred to above, the Vice President for Finance and Administration stated that the university's financial condition had improved. Accordingly, the vice president indicated that the university was in a position to resolve the agreed-upon amount of back rent due to the foundation, which totaled \$289,328 (52 months at \$5,564 per month, excluding 17 rent-free months).

Although the university had no lease for this arrangement, we were provided with relevant correspondence between the university and foundation. This correspondence, from June and July 2005, indicated that the university owed the foundation overdue rent that totaled \$313,986 (\$7,302 monthly rent) for 43 months' rent at that time. This is in contrast to the \$289,328 rental payment (\$5,564 monthly rent) the university made to the foundation for 52 months' rent.

It should be noted that in April 2001, the Board of Trustees for the Connecticut State University System approved the rental of office space for ISE. However, among other conditions, board approval stipulated the following:

- Lease proposals for space within the Willimantic area should be obtained by the Department of Public Works (DPW).
- DPW should advertise and negotiate the lease.

- Lease finalization should be contingent on the expected receipt of adequate funding.

Our audit disclosed that the university's rental agreement with the foundation did not comply with the board's stipulations, as follows:

- Although documentation indicated that DPW sought proposals for the university's lease of office space, the month-to-month rental arrangement with the foundation was initiated by the university. It was not a proposal that was submitted to DPW. It should also be noted that between 2001 and 2003, DPW attempted to establish, but could not agree on, a lease-purchase agreement to obtain the Foster Building for the university.
- The rental agreement was negotiated directly between the university and the foundation. DPW was not involved in the negotiation process.
- Lease finalization should have been contingent upon available funding. It is clear that available funding was not in place for this rental agreement. The university needed to defer the payment of rent to the foundation until April 2012, more than four years after vacating the foundation's office space.

Because the university did not establish a written lease for this rental agreement, the rental amount and other terms of the agreement were not sufficiently documented and remained unclear. Therefore, the amount of the university's payment to the foundation was not adequately supported. Furthermore, as noted above, documents that we reviewed were not consistent with respect to the amount of rent due. In addition, the rental agreement was not in compliance with the terms of the board of trustee resolution approving the lease of office space for ISE. Also, with no lease established, this informal rental agreement appears to have circumvented the requirements of Section 4b-26(b) of the General Statutes. This section provides the Office of the Attorney General the responsibility for "determining the legal sufficiency of all contracts and leases, both as to substance and to form, including, but not limited to, the obligations of all landlords to meet the terms of leases."

It should, however, be noted that the events that triggered this unusual payment occurred years ago, primarily during 2001 through 2007. Our current audit of the university disclosed no other similar payments. Moreover, the university's Vice President for Finance and Administration stated that he is not aware of any other similar rental arrangements either during the audited fiscal years or subsequently.

In addition, the university informed us that in July 2012, several months after the former Vice President for Finance and Administration retired, he offered to sell his personal art collection to the foundation. The foundation purchased three pieces of art at a total cost of \$2,400.

RECOMMENDATIONS

Our prior audit report on the university contained 20 recommendations for improving operations, 14 of which are being repeated or restated with modification in our current audit report. Our current audit report presents 15 recommendations, including one new recommendation.

Status of Prior Audit Recommendations:

- ***Eastern Connecticut State University 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.*** We noted improvement during the current audit. The recommendation is not being repeated.
- ***Eastern Connecticut State University 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.*** No exceptions regarding state service time records were noted during our current audit. The recommendation is not being repeated.
- ***Eastern Connecticut State 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.*** Our current audit disclosed that further improvement is needed in this area. The recommendation is being repeated. (See Recommendation 1.)
- ***Eastern Connecticut State University should ensure that unused employee leave time balances for which payouts have already been made are properly reduced in the Core-CT system.*** Improvement was noted during our current audit. The recommendation is not being repeated.
- ***Eastern Connecticut State University 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.*** Our current audit disclosed additional workers' compensation wage calculation differences. We also noted that, during the audited years, the university had not followed up on the incorrect payments noted in our prior audit. Therefore, the recommendation is being repeated. (See Recommendation 2.)
- ***Eastern Connecticut State University 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. Our current audit disclosed no improvement in this area. Moreover, we noted an instance in which proper consent was not obtained prior to ordering a background check report. The recommendation is, therefore, being repeated with modification. (See Recommendation 3.)

- *Eastern Connecticut State University should more diligently identify those employees whose sick leave use requires substantiation by a medical certificate and obtain such certificates when required.* Improvement was noted. The recommendation is not being repeated.
- *Eastern Connecticut State University should take steps to ensure that purchases are initiated only after an approved purchase order is in place and should execute personal services agreements in a timely manner. Furthermore, the university should re-evaluate its controls to prevent duplicate payments for purchases made.* While our current audit did not disclose any duplicate payments, we noted other exceptions in the purchasing area. The recommendation is being repeated with modification. (See Recommendation 5.)
- *Eastern Connecticut State University should improve its controls over travel expenditures by following the Connecticut State University System, and its own, travel policies.* During our current audit, we noted no significant improvement regarding travel expenditures. Therefore, the recommendation is being repeated. (See Recommendation 6.)
- *Eastern Connecticut State University should improve controls over purchasing card transactions by complying with its established purchasing card policies and procedures.* Our current audit disclosed that weaknesses in purchasing card usage persisted. The recommendation is being repeated with modification. (See Recommendation 8.)
- *Eastern Connecticut State University 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.* In our current audit, we continued to note exceptions in the timeliness of recording and depositing of funds. The recommendation is being repeated. (See Recommendation 9.)
- *Eastern Connecticut State University 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.* Our current audit disclosed that weaknesses in controls over Athletics Department ticket

sales continued during the audited years. The recommendation is being repeated with modification. (See Recommendation 10.)

- ***Eastern Connecticut State University 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.*** We did not note significant improvement in this area during our current audit. The recommendation is being repeated in revised form. (See Recommendation 11.)
- ***Eastern Connecticut State University 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.*** During our current audit, we saw no significant improvement in this area. The recommendation is being repeated. (See Recommendation 14.)
- ***Eastern Connecticut State University 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.*** Our current audit disclosed some improvement in the registering and reporting of revenue-generating student events. However, late deposits of student event revenues persisted. Therefore, the recommendation is being restated, into a broader recommendation on the timeliness of bank deposits in general. (See Recommendation 9.)
- ***Eastern Connecticut State University 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.*** We saw the need for further improvement in this area during our current audit. The recommendation is being repeated with modification. (See Recommendation 12.)
- ***Eastern Connecticut State 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, improve its software inventory recordkeeping 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. We did not note significant improvement in this area during our current audit. The recommendation is being repeated with some revision. (See Recommendation 13.)

- *Eastern Connecticut State University should promptly resolve any outstanding items noted when reconciling Operating Fund available fund balances and bank accounts.* We noted improvement in this area during our current audit. The recommendation is not being repeated.
- *Eastern Connecticut State University 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.* The recommendation was not implemented during the current audited period. Therefore, the recommendation is being repeated. (See Recommendation 15.)
- *Eastern Connecticut State University should prepare accurate Schedules of Expenditures of Federal Awards.* We noted improvement in this area during our current audit. The recommendation is not being repeated.

Current Audit Recommendations:

1. **Eastern Connecticut State 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 is free of any conflicts of interest or conflicts in schedules.**

Comment:

We noted instances in which dual employment certifications were signed by the university or primary agency after the dual employment period had begun. In one instance, the university failed to sign a dual employment certification for a dually employed individual.

2. **Eastern Connecticut State University should follow the Department of Administrative Services' requirements for calculating total wages for employees who file workers' compensation claims. Furthermore, the university should identify those employees whose average weekly wages were incorrectly calculated for workers' compensation purposes and compensate those employees who were underpaid.**

Comment:

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

3. **Eastern Connecticut State University 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. The university should also take steps to ensure that it complies with the Fair Credit Reporting Act with respect to obtaining an employee's, or a prospective employee's, signed, written consent prior to procuring the employee's background check report.**

Comment:

The university neither retained employee background check reports on campus nor employed an appropriate records retention firm to store those records. In one instance, the university did not obtain proper consent before ordering a background check report on a prospective employee.

- 4. Eastern Connecticut State University should implement paid sick leave benefits for student employees in accordance with the requirements of Public Act 11-52.**

Comment:

During the audited period, the university did not implement a system to provide paid sick leave benefits to student workers.

- 5. Eastern Connecticut State University should improve internal control over purchasing. In particular, the university should take steps to ensure that purchases are charged to the correct accounts. Moreover, personal services agreements should be executed properly before corresponding services are provided.**

Comment:

In one instance, a personal services agreement for \$10,000 was not executed in a timely manner. It further appears that this personal services agreement was not properly approved by the Office of the Attorney General. In addition, some purchases were coded to incorrect accounts.

- 6. Eastern Connecticut State University should improve its controls over travel expenditures by completing and adhering to properly prepared travel authorization documents and following the Connecticut State University System travel policies.**

Comment:

In some instances, the university failed to complete individual travel authorization forms approving particular athletic team trips. Instead, blanket travel authorization forms for an entire academic year were used, approving broad categories of athletic team travel in advance. Some Athletics Department travel advances were issued in amounts that exceeded the approved authorizations.

- 7. Eastern Connecticut State University should improve controls over personal services expenditures by ensuring that, when necessary, written personal services agreements are established and retained. These agreements should be fully executed in a timely manner and related expenditures should be supported sufficiently.**

Comment:

Some purchases of services lacked written personal services agreements. Other agreements were either not completed or not retained.

- 8. Eastern Connecticut State University should improve controls over purchasing card transactions by complying with its established purchasing card policies and procedures.**

Comment:

Some purchasing card transactions were not in compliance with university purchasing card policies.

- 9. Eastern Connecticut State University 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 confirm and journalize its bank deposit information within the Core-CT system promptly as required by the Office of the State Treasurer.**

Comment:

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

- 10. Eastern Connecticut State University should improve controls over Athletics Department revenue-generating events. In particular, the university should take steps to ensure that ticket sales revenue accountability reports comparing amounts of expected revenue with amounts submitted for bank deposit are completed properly. Furthermore, the university should improve training for students and staff who handle sporting event ticket sales to reduce the number of discrepancies between records of expected ticket sales revenues and actual amounts turned in to the Bursar's Office for deposit.**

Comment:

We noted discrepancies between Athletics Department reports of expected amounts of event ticket sales revenues and amounts submitted to the Bursar's Office for deposit. We also noted a few instances in which Athletics Department receipts were not deposited in a timely manner.

- 11. Eastern Connecticut State University should improve controls over delinquent student accounts by following its own and the Connecticut State University System’s collection policies and procedures. In particular, the university should refer past due accounts to collection agencies in a timely manner and send out past due collection notices promptly. The university should also ensure that holds placed on past due student payment plan accounts are enforced to prevent delinquent students from registering for additional courses.**

Comment:

Our audit disclosed instances in which past due student accounts were not referred to collection agencies promptly. Also, the university had not implemented a system to pursue collection of delinquent accounts for daycare services provided by its Child and Family Development Research Center.

- 12. Eastern Connecticut State University should improve controls over student activity trustee account expenditures by following the requirements of the State Comptroller’s Accounting Procedures Manual for Trustee Accounts, Connecticut State University System purchasing policies, and its own student activities purchasing policies. The university should ensure that the approval of student activity account purchases is timely and properly documented.**

Comment:

In some instances, expenditures were incurred and charged to the student activities trustee account without obtaining the required approval signatures or sufficiently documented approval in minutes of student organization meetings.

- 13. Eastern Connecticut State University should take steps to improve compliance with the policies and procedures set forth in the Connecticut State University System Procedures for the Disposal of Surplus Property. The university should ensure that it obtains and retains proper documentation of the approval of property disposals, certifications of the purging or destruction of disposed computer or server hard drives, and certifications indicating that donees received donated property. Lost, stolen, or damaged equipment items should be reported promptly to the appropriate state agencies. Software inventory records should be up to date, include all of the information required by the State Property Control Manual, and be supported by evidence of annual physical inventories.**

Comment:

In some 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 organizations took possession of the donated items. Some computers or servers were disposed of without documentation on file certifying that hard drives were purged or destroyed.

Software inventory records were not up to date, lacked some of the required data elements, and lacked documentation supporting that physical inventories were taken. 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.

- 14. Eastern Connecticut State University should regularly review information system access privileges granted to employees to determine whether access is appropriate. The university should promptly remove access privileges upon an employee's separation from university employment. 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 two employees had incompatible access privileges (from an internal control standpoint) to the Core-CT human resources management system during the audited years. In some instances, the university did not terminate information system access promptly upon an employee's separation from university employment.

- 15. Eastern Connecticut State University should revise its email policy to comply with the State of Connecticut's Acceptable Use of State Systems Policy, which prohibits the distribution of union information via the state 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.

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, 2012 and 2013. 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, 2012 and 2013, 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 5 – weaknesses in controls over the purchasing process; Recommendation 13 – weaknesses in controls over equipment, especially computer disposals; 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 5 – weaknesses in controls over the purchasing process; Recommendation 13 – weaknesses in controls over equipment, especially computer disposals; 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