STATE OF CONNECTICUT

AUDITORS' REPORT
BOARD OF TRUSTEES FOR THE
CONNECTICUT STATE UNIVERSITY
EASTERN CONNECTICUT STATE UNIVERSITY
FOR THE FISCAL YEARS ENDED JUNE 30, 1998 AND 1999

AUDITORS OF PUBLIC ACCOUNTS
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July 16, 2001

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We have examined the financial records of Eastern Connecticut State University (University) for the fiscal years ended June 30, 1998 and 1999.

Financial statement presentation and auditing are being done 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 is one of four institutions that collectively form the Connecticut State University, and is responsible to the Board of Trustees for the Connecticut State University, a constituent unit of the State system of higher education. The University is located in Willimantic, Connecticut.

The University operates primarily under the provisions contained in Sections 10a-87 through 10a-101 of the General Statutes. Dr. David G. Carter, Sr. served as President of Eastern Connecticut State University during the audited period.

Recent Legislation:

The following notable legislative changes took effect during or around the audited period:

Public Act 97-293, effective on July 8, 1997, for the endowed chair position and July 1, 1997, for the other provisions. Section 5, codified as Section 10a-99a of the General Statutes, requires the Board of Trustees of the Connecticut State University (CSU) System to establish a permanent Endowment Fund to encourage donations from the private sector. The net earnings on the endowment principal are dedicated and made available to a State university or the Connecticut State University System as a whole, for endowed professorships, scholarships and programmatic enhancements. Section 1, codified as Section 10a-8b of the General Statutes, creates a Higher Education State Matching Grant Fund, administered by the Department of Higher Education, to match one half of the private funds raised for those endowment funds and Sections 2, 3, 5 and 7 establish annual maximum State grant commitments for each of the constituent units of higher education for the fiscal years through fiscal year 2008-2009. Section 15, codified as Section 10a-20a of the General Statutes, increases the maximum State match for endowed chairs at CSU from five hundred thousand to not more than seven hundred fifty thousand dollars, Sections 10 and 17, codified as Sections 10a-89d and 10a-99 Subsection (b), of the General Statutes, respectively, give CSU more authority over its capital planning and construction and operating expenditures, Section 13, codified as Section 4b-52, Subsection (a)(2), of the General Statutes, raises the maximum cost of construction projects for which contracts can be entered into without the Department of Public Works Commissioner's approval from fifty to one hundred thousand dollars or less, and Section 14, codified as Section 1-210, Subsection (b)(17)(b), of the General Statutes, exempts educational records which are not subject to disclosure under the Family Educational Rights and Privacy Act from Freedom of Information Act disclosure requirements.

Public Act 98-252, Section 61, codified as Section 10a-89e of the General Statutes, requires the Connecticut State University Board of Trustees to (1) consolidate purchasing for all universities in the system in its central office; (2) speed up the purchasing process through policy adjustments and enabling technology; and (3) redesign and train purchasing personnel to emphasize customer service, vendor management and system contracts, effective July 1, 1998.

Public Act 98-255, Section 5, repealed Act 97-293, Section 5, Subsection (a), which is codified as Section 10a-99a of the General Statutes, as described above, and gave CSU more flexibility in managing its endowment fund by eliminating the requirement that it be held in trust with a bank and trust company. This section was effective July 1, 1998.

Enrollment Statistics:

Enrollment statistics compiled by the University's Office of Planning and Institutional Research showed the following enrollments for full-time and part-time students during the two audited years:

	Fall 1997	Spring 1998	Fall 1998	Spring 1999
Full-time undergraduate	3,088	2,813	3,151	2,879
Full-time graduate	14	19	20	18
Total full-time	3,102	2,832	3,171	2,897
Part-time undergraduate	1,247	1,224	1,255	1,291
Part-time graduate	283	272	298	266
Total part-time	1,530	1,496	1,553	1,557
Total Enrollment	**4,632**	**4,328**	**4,724**	**4,454**

As reflected above, enrollment remained relatively stable during the audited period, though there was a typical drop in enrollment, particularly among full-time undergraduates, when comparing fall to spring semesters.

RÉSUMÉ OF OPERATIONS:

During the 1997-1998 fiscal year, operations of the University were supported mainly by an appropriation from the State's General Fund for personal services and by tuition and student fees credited to the University's Operating Fund.

During the 1998-1999 fiscal year, a General Fund appropriation was not made to the University directly. Rather, a General Fund appropriation for the entire Connecticut State University, primarily for personal services and related fringe benefits, was made available to the System's Central Office, where allocations of this amount were calculated, and transfers of these funds were made periodically to the campuses' Operating Funds.

This report also covers the operations of the University's four fiduciary funds: the Student Government Activity Fund, the Student Organization Activity Fund, the Institutional General Welfare Fund and the Institutional Activity Fund.

General Fund:

General Fund receipts totaled $3,870 during the fiscal year ended June 30, 1998. This amount represented refunds of expenditures.

During the 1997-1998 fiscal year, General Fund expenditures consisted of personal service costs, as noted above. Such expenditures totaled $17,034,445 during this fiscal year, as compared to $15,766,344 for the fiscal year ended June 30, 1997. This increase totaled $1,268,101 (8 percent) and was largely the result of salary increases attributed to collective bargaining agreements.

Operating Fund:

Receipts of the Operating Fund, as reflected on the records of the State Comptroller, during the audited period and the preceding fiscal year are shown below.

	1996-1997	1997-1998	1998-1999
Miscellaneous educational fees	$18,525,008	$19,286,406	$21,369,233
Federal aid-miscellaneous	1,546,301	1,506,781	2,320,154
Miscellaneous private donations	386,058	354,276	428,148
Sale of property	-	4,370	500
Refunds of expenditures	206,063	139,674	149,095
Other grants and transfers-restricted	-	-	23,361,068
Total receipts	**$20,663,430**	**$21,291,507**	**$47,628,198**

As shown above, receipts for Operating Fund accounts totaled $21,291,507 and $47,628,198 for the fiscal years ended June 30, 1998 and 1999, respectively, compared with $20,663,430 for the fiscal year ended June 30, 1997. The large increase of $26,336,691 in the 1998-1999 fiscal year was primarily due to the change in the funding method for personal services and related fringe benefits, a large portion of which was previously included in the General Fund.

The following summary shows annual tuition charges for full-time students set by the Board of Trustees for the Connecticut State University during the audited period and the preceding fiscal year.

	1996-1997	1997-1998	1998-1999
Undergraduate:			
In-State	$ 2,012	$ 2,062	$ 2,062
Out-of-State	6,510	6,674	6,674
Graduate:			
In-State	2,504	2,568	2,568
Out-of-State	6,980	7,156	7,156

Besides full-time tuition, Operating Fund receipts included student payments for continuing education course programs and summer session courses. In addition, the Operating Fund was used to account for income derived from auxiliary activities and business operations, such as dormitories and dining facilities. Receipts generated by the General Fee, which is set annually by the Board of Trustees for the Connecticut State University, were also credited to the Operating Fund. Also, the State University fee, fixed by the Board of Trustees under authority granted in Section 10a-99 of the General Statutes, was assessed on all full-time students during the audited period and accounted for within the Operating Fund. Furthermore, the Information Technology fee was assessed on all full-time students and included in Operating Fund receipts.

The General Fee assessed on all full-time students each semester was $359 during the 1997-1998 fiscal year and increased to $380 during the 1998-1999 fiscal year. On the other hand, the State University fee each semester was $297 for in-State students and $730 for out-of-State students during the 1997-1998 fiscal year and increased to $308 for in-State students and $756 for out-of-State students during the 1998-1999 fiscal year. The Information Technology fee assessed each semester on all full-time students was $60 during the audited period.

Expenditures of the Operating Fund, as recorded by the State Comptroller, during the audited period and the preceding fiscal year are shown below.

	1996-1997	**1997-1998**	**1998-1999**
Personal services	$8,355,731	$8,436,750	$27,454,677
Contractual services	6,259,606	6,647,114	7,070,452
Commodities	1,145,409	1,132,387	1,527,030
Revenue refunds	569,030	686,370	722,664
Sundry charges	1,217,466	2,712,706	8,027,725
Equipment	1,111,375	935,272	1,120,211
Total Expenditures	$18,658,617	$20,550,599	$45,922,759

Expenditures for Operating Fund accounts totaled $20,550,599 and $45,922,759 for the two audited years, respectively, and were primarily for personal services and employee fringe benefits, various University operating costs and equipment. As previously mentioned with regards to receipts, the large increase of $25,372,160 in the 1998-99 fiscal year was primarily the result of a change in the recognition of personal services and related fringe benefits not previously included in this fund.

Grants – Tax-Exempt Proceeds Fund:

The University accounted for certain grants, other than Federal, in the Inter-agency/Intra-agency Grants - Tax-Exempt Proceeds Fund. This fund was used to record receipts and disbursements related to grant transfers financed by State of Connecticut tax-exempt bonds in accordance with Sections 3-24a through 3-24h of the General Statutes.

Receipts of the fund totaled $3,682,599 and $3,129,854 during the fiscal years ended June 30, 1998 and 1999, respectively, and consisted primarily of transfers of funds from the Department of Public Works. Grant expenditures totaled $1,798,241 and $4,949,795 during the respective audited years. The major portion of expenditures during the audited period was coded to general repairs and capital equipment. The significant increase in the 1998-1999 fiscal year represented purchases of capital equipment.

State Capital Projects:

Capital project fund expenditures during the fiscal years ended June 30, 1998 and 1999, totaled $17,163,800 and $10,727,047 respectively, and included transfers from the Department of Public Works that were charged to the University's capital project funds and credited to the

Inter-agency/Intra-agency Grants - Tax Exempt Proceeds Fund.

Expenditures were primarily for the construction of new buildings and facilities on campus and for the renovation and improvement of existing structures. The decrease of $6,436,753 (38 percent) in the 1998-1999 fiscal year was attributable mainly to completion of a new library building.

Fiduciary Funds:

During the audited period, the University was responsible for the operation of three Activity Funds and one Welfare Fund. The descriptions of each fund and its corresponding balances, as prepared by the University, are as follows:

Student Government Activity Fund:

Established and operated under the provisions of Sections 4-52 through 4-55 of the General Statutes, the Student Government Activity Fund is used for the benefit of the student body and contains accounts whose funds are largely under the control of the University's Student Government Association (SGA).

Revenues totaled $380,707 and $382,008, respectively. Revenues consisted primarily of student activity fees.

Expenditures totaled $360,175 and $373,077, respectively. Expenditures charged to this fund supported the student organizations and their related activities. These were coded primarily to contractual services.

Student Organization Activity Fund:

The Student Organization Activity Fund operated under the provisions of Sections 4–52 through 4–55 of the General Statutes. This Fund was established to account for various activity groups not directly involved with the SGA such as graduating class accounts and housing councils. Management of this fund is conducted by student groups.

Revenues totaled $102,825 and $98,915, respectively. Revenues consisted primarily of monies collected from vending machine commissions, as well as monies collected from dormitory and class dues.

Expenditures totaled $95,484 and $104,813, respectively. Expenditures consisted primarily of disbursements made to cover the costs of student organizations and related activities.

Institutional Activity Fund:

The Institutional Activity Fund operated under the provisions of Sections 4–52 through 4–55 of the General Statutes. This Fund was established to account for activities that benefit students or employees of the institution. The Director of Fiscal Affairs provides management for this fund.

Revenues totaled $180,698 and $186,944, respectively. The primary source of revenue of this fund is monies collected from its participants. The largest participant in this fund was the Women's Field Hockey Athletic Booster Club. Other revenue sources included monies generated from fund-raising events.

Expenditures totaled $153,203 and $210,257, respectively. The expenditures were primarily coded to contractual services and commodities.

Institutional General Welfare Fund:

The Institutional General Welfare Fund operated under the provisions of Sections 4-56 and 4-58 of the General Statutes. The fund was established to record the financial activities of any gifts, donations, or bequests, including scholarships made to benefit students of the University.

Revenues totaled $28,904 and $30,331, respectively. The major source of revenues included vending machine commissions.

Expenditures totaled $34,963 and $38,441, respectively. Expenditures were mostly made up of scholarships granted.

Eastern Connecticut State University Foundation, Inc.:

The Eastern Connecticut State University Foundation, Inc (Foundation) is a private nonstock corporation established to secure contributions, bequests and donations from private sources for the purposes of support, promotion and improvement of the educational activities of Eastern Connecticut State University.

Sections 4-37e through 4-37j of the General Statutes set requirements for organizations such as the Foundation. The requirements include and deal with the annual filing of an updated list of board members with the State agency for which the foundation was set up, financial record keeping and reporting in accordance with generally accepted accounting principles, financial statement and audit report criteria, written agreements concerning use of facilities and resources, compensation of State officers or employees and the State agency's responsibilities with respect to 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, 1998 and 1999, in accordance with Section 4-37f, subsection (8) of the General Statutes. We were provided with two audit reports on Foundation operations, one for each of the audited years. Both reports showed no material inadequacies in Foundation records and indicated compliance, in all material respects with Sections 4-37e through 4-37i of the General Statutes.

CONDITION OF RECORDS

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

Failure to Implement Automated Leave/Attendance System:

Criteria: An automated leave and attendance system would be a more efficient system than a manual system requiring many thousands of entries over the course of a year. It would be more effective as well, reducing the risk of inaccuracies in employee time and attendance information that could occur by reducing the possibility of human error.

Condition: The University has not automated this system; leave and attendance records continue to be processed manually for over 450 employees.

Effect: There is an increased risk that errors will result in inaccurate employee leave and attendance information, due to the high volume of manual transactions being processed.

Cause: Several automated leave systems have been considered over the recent years. For various reasons, however, an automated system has not been implemented.

Recommendation: The University should consider acquiring or developing an automated employee leave and attendance system. (See Recommendation 1.)

Agency Response: "Since the Audit period, the University has fully implemented a spreadsheet-based time and attendance system. The University planned to incorporate an automated process as part of BANNER HR system implementation. The University is currently exploring whether an automated system should be part of BANNER or if it should purchase a separate system with integration capabilities. A cost-benefit analysis will be conducted before moving ahead on the purchase of an automated system."

Compensatory Time:

Criteria: Management is responsible for establishing effective internal controls to ensure that compensatory time record keeping is in compliance with laws, regulations, and collective bargaining agreements.

The State University Organization of Administrative Faculty (SUOAF) AFSCME bargaining agreement, Article 16.2, states "Compensatory time for extended hours of work on a workday or work on a legal holiday, a

Saturday or a Sunday may be accrued only upon the approval of the first appropriate manager outside of the bargaining unit." The article further states, "No member shall accrue more than ten (10) days of compensatory time. The Chief Personnel Officer on each campus may authorize additional short-term accruals of fifteen (15) days, for a total of twenty-five (25) days, in special emergencies."

Conditions: Our review of the University's compensatory time records revealed the following:

The University did not comply fully with the provisions of Article 16.2 of the SUOAF AFSCME bargaining agreement. We noted six out of 14 employees in this bargaining unit that were allowed to accrue compensatory time without the approval of the first appropriate manager outside of the bargaining unit. In addition, we noted six employees whose compensatory time accrual balances exceeded allowable limits. Of those six instances, two balances exceeded the ten-day maximum and four exceeded the 25-day maximum.

The Payroll Department's record keeping and monitoring of compensatory time needs improvement. There were instances where compensatory time was calculated incorrectly on the employees' time sheets. There were also numerous instances where time earned or used was posted incorrectly to the compensatory time records.

In addition, the University's compensatory time record keeping system is a manual process.

Effect: The University did not fully comply with provisions of the SUOAF-AFSCME bargaining agreement contract dealing with compensatory time. Internal controls over compensatory time are weakened.

Cause: Apparently, procedures were not in place to ensure compliance with requirements in this area.

Recommendation: The University should take the necessary steps to ensure that compensatory time records are accurate and in accordance with applicable collective bargaining agreements, personnel policies and statutes. (See Recommendation 2.)

Agency Response: "The University accepts the finding and has instituted steps to improve management of compensatory time recording. The Human Resources Department has clarified rules pertaining to the accumulation and usage of compensatory time. On a University-wide basis, supervisors have been advised of the appropriate compensatory time policy."

Internal Control over Student Payroll:

Background: Our testing of payments to student employees has revealed instances of noncompliance with University policy regarding student employment. The examination disclosed the following:

Criteria: University policy prohibits scheduling work hours for student employees that conflict with their class schedules. Such conflicts could negatively impact both performance and academic achievement.

Condition: Our review of 25 student employees revealed that ten showed conflicts between their work and class schedules.

Effect: These conditions lessen the assurance that a student is not working during their scheduled class times.

Cause: With respect to the cases cited, established control procedures in the area of supervisory review and approval were not adequately carried out.

Recommendation: The University should take steps to improve internal control over student employment in the area of conflicts with class schedules. (See Recommendation 3.)

Agency Response: "The University accepts this finding and has communicated to all staff the prohibition of students working during scheduled class times. Procedures for documenting exceptions (example: work during a cancelled class) have been communicated to all supervisors."

Purchasing Compliance and Control Issues:

Criteria: Proper internal controls over purchasing require that a transaction be authorized prior to receipt of goods or services. Internal controls also require certification of receipt of goods or services prior to payment.

Section 10a-151b of the General Statutes governs the purchase of equipment, supplies, and contractual services, and execution of personal service agreements by constituent units of higher education. Section 10a-151b mandates a formal competitive bidding process whenever the amount of the expenditure is estimated to exceed $25,000. The formal process requires that competitive bids shall be solicited by public notice inserted at least once in not fewer than three daily newspapers published in the State, and at least five calendar days before the final date of submitting bids.

Section 4a-59 of the General Statutes requires all contracts to be approved as to form by the Attorney General. (State agencies use a threshold of

$3,000 or more for obtaining Attorney General approval of contracts.) In addition, good business practice requires that contractors not be authorized to begin operations prior to execution of a contract.

Conditions: Our testing of 50 expenditure items during the audited period revealed the following:

We noted ten separate instances where documentation supporting an expenditure could not be located. The type of missing information includes justification of a sole source purchase and/or emergency repair, purchase requisitions, purchase orders, and vendor invoices.

We noted three instances where the University did not publicly advertise the competitive bid process for purchases exceeding $25,000 in accordance with the provisions set forth in the General Statutes. In two instances, expenditures totaling $60,000 and $112,000 accounted for the purchase of computer equipment and refuse service, respectively. In the third instance, a request for proposal to provide mail services and related support to the campus for a three-year period was distributed to a list of potential vendors. The contract for the services was awarded to the vendor who submitted a bid of $85,000. However, the University evidently realized that this bid exceeded the $25,000 threshold and altered the terms of the agreement, limiting the length of the contract to one fiscal year at a cost not to exceed $24,500.

There were three personal service agreements missing the Attorney General's approval.

We noted eight instances where there was no signature certifying that services/commodities were received prior to payment.

There were six purchase requisitions that were not approved by the person responsible for the account charged.

In addition, we noted three expenditure transactions involving the purchase of capitalized assets that were not tagged or subsequently added to the University's inventory system.

Effect: The University did not maintain adequate controls over the procurement process. In addition, Sections 4a-59 and 10a-151b of the General Statutes were not fully complied with.

Cause: With respect to the cases cited, established control procedures in the area of procurement were not adequately carried out.

Recommendation: The University should take steps to improve internal controls over the procurement process. (See Recommendation 4.)

Agency Response: "The University initiated tighter controls during the final year of the audit period. The implementation of the BANNER financial system during the period created workload and staffing challenges that further exacerbated internal control issues. The University will continue to enhance process components while improving dissemination of information to the University community. The BANNER System provides an electronic format for document retention and retrieval, which solves the issues involving bid and purchasing documentation. The University will further enhance document retention by the planned purchase of a document imaging system, currently in bid review. The staff of Fiscal Affairs have developed a training program to provide departments with on-line access to financial data and expenditure information. Training of departmental staff has begun and will be later expanded to include on-line acquisition."

Travel Expenditures:

Criteria: Accurate and appropriate expenditures result from an adequate system of internal control. The Connecticut State University System's Travel Policy and Procedures Manual provides guidance in this area.

Conditions: Our review of a sample of twenty-five travel-related expenditures revealed the following:

We found three instances where the incorrect meal per diem was applied to calculate the employees' meal allowance. In addition, one employee received a meal per diem for a portion of the meals included in the cost of the conference registration.

We found seven instances where the travel authorization was either approved after the travel had been completed or was missing one or more of the necessary approvals.

In another instance, there was no written justification documenting why the hotel cost exceeded the amount listed in the conference brochure.

We found four instances where the employee did not submit a completed travel reimbursement form with the required documentation to the Travel Office within fifteen business days after completion of the trip. The number of days late ranged from 33 to 44 days.

Additionally, one employee's travel reimbursement was overstated.

Effect: The University did not comply with its established policies and procedures, which weakens internal control.

Cause: Internal control policies were not being followed.

Recommendation: The University should comply with its established policies and procedures and improve internal control over travel-related expenditures. (See Recommendation 5.)

Agency Response: "The University agrees with the audit findings. The implementation of the CSU Travel Policy during FY 2000 provides written procedures to all staff."

Personal Service Agreements:

Background: During our last examination, we noted several internal control weaknesses in the area of expenditures, specifically involving personal service agreements. Accordingly, our review of expenditures included the testing of contractual payments made pursuant to personal service agreements. Our current examination disclosed the following.

Criteria: Sound internal control procedures require personal service agreements to be signed by appropriate University officials prior to the contract term.

The University's Acquisition Manual sets forth criteria and policy regarding purchasing procedures. The policy states that agreements in excess of $3,000 must be accompanied by written evidence that the vendor is the least cost qualified vendor or a sole source situation exists.

Section 1-84, Subsection (i) of the General Statutes states that "No public official or state employee or member of his immediate family or a business with which he is associated shall enter into any contract with the state, valued at one hundred dollars or more, other than a contract of employment as a state employee or pursuant to a court appointment, unless the contract has been awarded through an open and public process, including prior public offer and subsequent public disclosure of all proposals considered and the contract awarded."

Conditions: Our testing of 26 personal service agreement contracts during the audited period revealed the following:

We noted eleven instances where the personal service agreement was approved by one of the necessary parties either after corresponding services had begun or after services had been completed. In one instance, the University never approved the agreement.

Three of the personal service agreements were not accompanied with written evidence that the vendor was the least cost qualified vendor or a sole source situation existed. It appears that two of the agreements were not sole source situations.

In one instance, the University processed a student employee's payment for services performed as an independent contractor. However, as the University dealt with this individual as an independent contractor, it was obligated to follow an award process that met the standards set forth in Section 1-84. We found no evidence that the open and public process mandated by Section 1-84 was followed.

Effect: Internal controls over personal service agreements were weakened.

Cause: Internal control policies were not being followed.

Recommendation: The University should improve internal control over personal service agreements. (See Recommendation 6.)

Agency Response: "The University will be implementing the new PSA procedures being developed by the CSU System Office. The University completed a more in-depth review of the PSA system and has modified procedures and developed a number of legislative proposals to improve the effectiveness of the PSA process. Improved training and orientation of staff will commence with the start of the 2002 Academic Year."

Activity Funds - Expenditures

Criteria: The State of Connecticut's Accounting Procedures Manual for Activity Funds and Welfare Funds sets forth requirements relating to the expenditures/disbursements process and Class Accounts. The Manual requires that competitive bids should be obtained for major purchases. The Manual further states that if a class accounts "remains inactive for a period of one year after the purposes for which the account was set up have been satisfied the account should be closed and the balance transferred to the Welfare Fund."

In addition, the Student Activities Accounting Intake Office's (SAAIO) Business Procedures Manual provides further guidance in this area. This Manual states "Purchase order requests for a commodity costing over $600 must be accompanied by a completed form entitled *Request for Quotation for a Commodity Purchase* costing over $600… and require you to submit three quotes for the service or items." In regards to the receipt of merchandise, the Manual states "The vendor's invoice must be signed acknowledging the acceptance of goods."

Condition: Our testing of 25 Activity Funds expenditures during the audited period revealed the following:

- In fifteen cases, there was missing written documentation certifying that services/commodities were received.
- In seven cases, there was no evidence that competitive negotiations were followed.
- In another instance, there was no documentation on file authorizing the expenditure.

Furthermore, we noted four class accounts that were inactive, with balances that should have been transferred to the Welfare Fund.

Effect: The University is not in compliance with established procedures.

Cause: With respect to the cases cited, established control procedures in the area of expenditures were not adequately carried out.

Recommendation: Control over the University's Activity Funds expenditures should be improved by following established control procedures designed to ensure compliance with the requirements in this area. (See Recommendation 7.)

Agency Response: "The University agrees with the finding and has taken steps to improve internal control. The large turnover from year to year in the leadership of student organizations presents significant challenges in creating appropriate accounting controls. To address this problem, the Student Government Association is hiring a part-time office manager to improve compliance with University procedures. In addition, the Student Government Association has agreed to permit Fiscal Affairs to conduct mandatory training sessions for officers of student clubs. The training sessions will be offered during September of 2001. University staff is also assisting the Student Government Association in the re-design of club budget and financial reporting forms."

Equipment Inventory:

Criteria: Accurate inventory records are an integral part of internal control. Reconciliation of the amount expended for equipment to the change in the inventory record balance is an important facet of the control structure. The State of Connecticut's Property Control Manual provides guidance in this area.

Conditions: Our current audit examination of the University's property control system revealed the following:

An annual physical inventory of equipment had not been taken for the fiscal year ended June 30, 1999. Furthermore, there was no documentation supporting the June 30, 1998, physical inventory.

From a sample of 25 equipment items purchased during the audited period, we found five items in locations differing from what inventory records stated. Three of the items were found in different rooms in the same building and the other two in different buildings.

For 23 of 50 equipment items selected from the inventory records, we found inaccuracies and other control weaknesses. Exceptions noted included the following: in seven cases, equipment items could not be located and in 16 instances, incorrect equipment locations were recorded on the inventory control record.

From a sample of 25 equipment items identified by a random inspection of the premises, we found seven instances where incorrect equipment locations were recorded on the inventory control record. In addition, one item could not be located on the inventory control record.

In addition, the University is not following established policies regarding the disposition of surplus property.

Certain figures on the annual Fixed Assets/Property Inventory Report (CO-59) either contained errors or could not be readily traced to supporting documentation.

The University does not regularly reconcile the amount expended for equipment to the change in the inventory record balance.

Effect: The conditions described above weaken internal control over equipment.

Cause: Internal control policies were not being followed.

Recommendation: Control over the University's equipment inventory should be improved by following procedures designed to ensure compliance with the State of Connecticut's Property Control Manual. (See Recommendation 8.)

Agency Response: "The University agrees with the finding and has conducted a complete review of the entire inventory process. Revised procedures and process have been developed with a full physical inventory currently being conducted. The University has also created a Surplus Disposition Policy, which has been distributed to the full University community."

Fiduciary Fund Equipment Inventory:

Criteria: The State of Connecticut's Accounting Procedures Manual for Activity Funds and Welfare Funds sets forth requirements relating to equipment inventory, including the need for accurate records and reconciliation.

Conditions: Our current audit examination of the University's Fiduciary Fund

Inventory system revealed the following:

An annual physical inventory of equipment had not been taken during the audited period.

From a sample of 24 equipment items selected from the inventory records, we found the following:

- In fifteen cases, equipment items could not be located. We were informed that five of the fifteen items were surplused, salvaged and/or removed. However, the appropriate paperwork supporting the removals was not on file.
- In four cases, equipment items were missing the appropriate identification tags.
- In another case, the incorrect equipment location was recorded on the inventory control record.

The University did not report the amount of Local Fund assets on hand, on the annual Fixed Assets/Property Inventory Report (CO-59) during the audited period.

The University does not regularly reconcile the amount expended for equipment to the change in the inventory record balance.

In addition, the equipment balance on the Local Fund financial statements does not agree with the inventory system.

Effect: The conditions described above weaken internal control over equipment.

Cause: Internal control policies were not being followed.

Recommendation: Control over the University's Fiduciary Fund equipment inventory should be improved by following procedures designed to ensure compliance with the Accounting Procedures Manual for Activity Funds and Welfare Funds. (See Recommendation 9.)

Agency Response: "The University concurs with the finding. A full physical inventory was conducted during January of 2001."

Receipts – Timeliness of Reporting:

Background: Our review of the processing of receipts included the examination of monies received at the Cashier's Office. Our examination disclosed the following.

Criteria: Section 4-32 of the General Statutes provides that each State institution receiving revenue for the State, shall, within 24 hours of its receipt, account for and, if the total of the sums received amounts to five hundred dollars or more, deposit the amounts in bank accounts approved by the State Treasurer.

To "account for" means to inform the State Treasurer, through the medium of a CO-39, of all receipts received.

Condition: We tested the timeliness of 25 receipts received at the Cashier's Office. We noted 23 instances where monies received were not reported to the State Treasurer within 24 hours of its receipt. The reporting delay ranged from two to three days.

There were two waivers granted by the Treasurer's Office during the audited period. The first waiver was for three-business-days from April 6, 1998 to April 30, 1998. The second waiver was for one-business-day from August 7, 1998 to September 15, 1998. All instances cited above take these waivers into consideration.

As provided for under Section 2-90 of the General Statutes, we reported these conditions to the Governor and other State officials in a letter dated January 7, 2001.

Effect: The University violated provisions of Section 4-32 of the General Statutes by not accounting for receipts in a timely manner.

Cause: With respect to the cases cited, established control procedures in the area of reporting receipts to the State Treasurer were not adequately carried out.

Recommendation: The University should comply with Section 4-32 of the General Statutes by ensuring that all receipts received are accounted for in a timely manner. (See Recommendation 10.)

Agency Response: "The University concurs with the finding. The lag in the CO-39 process was discussed and affirmed with the State Treasurer's Office to facilitate the check clearing in the University's concentration account of deposit. The University did fail to maintain the proper formal record of the arrangement. Eastern and the Treasurer's Office are now in full compliance with C.G.S. 4-32 and are no longer operating under a waiver provision."

Accounting Control over Receipts

Criteria: Sound internal control procedures call for the maintenance of records of monies received, including documentation of receipt date.

Section 4-32 of the General Statutes provides that each State institution receiving revenue for the State, shall, within 24 hours of its receipt, account for and, if the total of the sums received amounts to five hundred dollars or more, deposit the amounts in bank accounts approved by the State Treasurer.

Condition: Our examination of monies received at locations other than the Cashier's Office revealed that the majority of these locations had no record of the original receipt date. In these cases, we could not determine whether the prompt deposit requirements of the General Statutes were met. However, based upon our review of copies of checks retained by several departments, we determined that deposit delays were evident. The deposits ranged from one to 91 business days late.

As provided for under Section 2-90 of the General Statutes, we reported these conditions to the Governor and other State officials in a letter dated January 7, 2001.

Effect: At these locations there were weaknesses of internal control over receipts. In addition, we could not determine with certainty how long monies were held pending deposit. This condition also increased the risk of loss or theft of funds.

Cause: Internal control policies were not being followed.

Recommendation: Receipts should be recorded at all locations where received in order to improve internal control and to ensure compliance with the prompt deposit requirements of Section 4-32 of the General Statutes. (See Recommendation 11.)

Agency Response: "The University agrees with the finding. The University provides notification and reminders to offending groups. The University will explore other process modifications to reduce the instances of tardy deposits."

Information Systems Access Privileges:

Background: Our review of University information systems included the examination of access privileges of two systems, namely the VAX, the University's mainframe, and the Financial Record System (FRS). The examination disclosed the following:

Criteria: In order to ensure system integrity, all computer access should be disabled immediately upon the separation of an employee. Eastern Connecticut State University's "Policy on Computer Use" restricts the availability and use of computer resources to actively enrolled students and current employees of the University.

Condition: Our review of VAX accounts encompassed all employees with privileged access rights. Employees with privileged access have the ability to perform functions beyond that of a normal user in areas such as system maintenance and security. After evaluating this list, we found that eleven out of 39 accounts still active were that of employees who had previously separated from the Connecticut State University System.

A review of employees with access to FRS revealed similar results. In this instance, twelve out of 83 employees retained access privileges subsequent to their separation from the University.

Effect: Internal control over the University's automated data processing systems was weakened.

Cause: It appears that those responsible for terminating separated employees' computer accounts are not being notified of separations on a timely basis.

Recommendation: The University should ensure that computer access is disabled immediately upon an employee's separation from the agency. (See Recommendation 12.)

Agency Response: "The University has revised the notification process to ensure timely employment information is transmitted between Human Resources, Fiscal Affairs and the Data Center. Our standard practice is to disable active accounts for any ECSU employee who is separated from the university, upon formal notification from Human Resources. This includes access to CSUSIS, PPS and FRS and Banner for those employees who have been given privileges to access these applications.

There is no formal notification procedure in place to inform us when a System Office employee is separated. Further enhancements with the System Office will be necessary to reduce delays in privilege modifications."

Software Inventory:

Criteria: The State of Connecticut Property Control Manual states that "a software inventory must be established by all agencies to track and control all of their software media, licenses or end user license agreements, certificates of authenticity, documentation and related items." The Manual further states that "each agency will produce a software inventory report on, at minimum, an annual basis… A physical inventory of the software library, or libraries, will be undertaken by all agencies at the end of each fiscal year and compared to the annual software inventory report. This report will be retained by the agency for audit purposes."

Condition: The University does not maintain a software inventory that tracks and controls all of its software media, licenses or end user license agreements, certificates of authenticity, and other related items. Furthermore, the University does not conduct a physical inventory of software on an annual basis.

Effect: The University is not in compliance with software inventory requirements contained in the State of Connecticut's Property Control Manual.

Cause: The University does not currently have a policy requiring individual departments purchasing software to notify a designated responsible person of such purchase. Therefore, it is difficult to maintain a centralized software inventory.

Recommendation: Control over the University's software should be improved by establishing procedures designed to ensure compliance with the State of Connecticut's Property Control Manual. (See Recommendation 13.)

Agency Response: "The University agrees with the finding that a complete inventory of all software is not maintained. Currently, the University maintains an inventory of system-wide software. In practice, the majority of software used on campus is purchased by the IS department. The Department maintains an inventory and a library for its software purchases. Upgrades are tracked through these operations including faculty and staff signs off on proper use of software distributions. It should be noted that our licensing agreement with one of our major vendors permits faculty and staff the use of the software on their personal computer equipment (Microsoft Campus Agreement). IS staff are required to verify proper licensing before working on software that is not part of the IS departments inventory or library. IS staff are also asked to enforce compliance with 'shareware' and 'freeware' usage requirements.

Finally, the procedures specified in the State Property Control Manual are suited to an office environment where the use of software is very limited and standardized. The University encourages faculty to explore new software in teaching and research. Moreover, as these materials are incorporated into courses and educational materials other contractual employment agreements governing the use of such materials come into play. For example, it is unlikely that our software library could contain the only distribution of a program being used by a faculty member in their research.

The University will study the matter. The review will include the careful consideration of the appropriate melding of academic goals with appropriate property control."

Financial Data Reported to the State Comptroller:

Criteria: State agencies should provide accurate financial data to the State Comptroller to ensure that the Comptroller's records are accurate.

Condition: Cash transfers from the University's Operating Fund bank account to its direct disbursement account are classified, generically, as direct disbursement expenditures when the cash is transferred. Subsequently, when payments are made out of the direct disbursement account, the University advises the State Comptroller of the specific expenditure classifications applicable to the payments made. The State Comptroller's records are adjusted accordingly.

During the audited period, the University did not transmit the required information for all direct disbursements made. Accordingly, a portion of the direct disbursement expenditures was not properly classified. They remained under the generic direct disbursement expenditure classification.

Effect: University direct disbursement expenditures were not accurately classified in the State Comptroller's records. This could potentially affect decisions made in reliance on the information shown in those records.

Cause: The program used to extract the required expenditure classification detail from the University's accounting records did not address all direct disbursement transactions.

Recommendation: The University should periodically review reports of expenditures provided by the State Comptroller to ensure that all direct disbursement expenditures have been properly classified in the State's accounting system. (See Recommendation 14.)

Agency Response: “Since the audit period, the University has revised operating procedures and is in compliance.”

Other Audit Examination:

In recent years the Board of Trustees of the Connecticut State University 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.

The areas pertaining to Eastern Connecticut State University as set forth in the *Report to Management* relating to the 1999-2000 fiscal year, the most recent report published, are presented below.

- Cash: Management should establish formal policies and procedures where checks that remained uncashed after a certain period of time are transferred into a holding account and monitored over time. All cash accounts should be reconciled on a monthly basis in a timely fashion.

- Payroll: The manual attendance system process should be replaced with a computerized system.

- Property Management: The University should reconcile its fixed asset system to the general ledger on a monthly basis to ensure that the general ledger has an accurate fixed asset amount. In addition, it should reconcile the general ledger with the detail of the fixed assets inventory.

- Students' Billing: A person in the business office should be assigned to reconcile student receivables on a quarterly basis.

- General Accounting: The University should consider revising its procurement and payables policies and procedures to ensure that it obtain efficiencies in operations and to reduce the risks associated with manual processes. A complete reassessment of the purchased goods and services authorization process should be conducted. In addition, the University should also carefully consider the cost/benefit of each step in the purchase transaction process relative to the materiality of the expenditures.

- Information Systems: The University should consistently apply specified security parameters for all NT users to strengthen security and minimize the risk of unauthorized access via the NT network. The University should evaluate the risks associated with the current computer room facility and develop an action plan to mitigate each risk, as appropriate. Management should develop a formal Information Technology Strategic Plan. Policies and procedures should be developed that will help ensure the security administrator is notified when an employee transfers form one department to another or leaves the University. In addition, policies and procedures should be developed that require each department manager to periodically review users' access rights to the department's applications. Management should review security violations reports to identify and investigate unauthorized access attempts. Management should consider enhancing the monitoring and tracking or incoming help desk calls by establishing procedures for performing call pattern and trend analyses. Furthermore, management should consider strengthening the Personnel/Payroll System (PPS) security settings.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The University should improve internal control over personal service agreements in the area of timeliness of approvals. This recommendation was not implemented and is being repeated. (See Recommendation 6.)

- Bids should be solicited under the formal competitive bidding process mandated by Section 10a-151b of the General Statutes whenever the amount of the expenditure is estimated to exceed $25,000. This recommendation was not implemented and is being repeated with modification. (See Recommendation 4.)

- Control over the University's equipment inventory should be improved. This recommendation was not implemented and is being repeated. (See Recommendation 8.)

- The University should ensure that computer access is disabled immediately upon an employee's separation from the agency. This recommendation was not implemented and is being repeated. (See Recommendation 12.)

Current Audit Recommendations:

1. **The University should consider acquiring or developing an automated employee leave and attendance system.**

   Comment:

   An automated leave and attendance system would be a more efficient system than a manual system requiring many thousands of entries over the course of a year. It would be more effective as well, reducing the risk of inaccuracies in employee time and attendance information that could occur by reducing the possibility of human error.

2. **The University should take the necessary steps to ensure that compensatory time records are accurate and in accordance with applicable collective bargaining agreements, personnel policies and statutes.**

   Comment:

   The University did not comply fully with the provisions of Article 16.2 of the SUOAF AFSCME bargaining agreement. We noted six out of 14 employees in this bargaining unit that were allowed to accrue compensatory time without the approval of the first appropriate manager outside of the bargaining unit. Also, we noted six employees whose compensatory time accrual balances were allowed to exceed the maximum. The Payroll Department's record keeping and monitoring of compensatory time needs improvement.

In addition, the University's compensatory time record keeping system is a manual process.

3. **The University should take steps to improve internal control over student employment in the area of conflicts with class schedules.**

   Comment:

   Our review of 25 student employees revealed that ten showed conflicts between their work and class schedules.

4. **The University should take steps to improve internal controls over the procurement process.**

   Comment:

   Our testing of 50 expenditure items during the audited period revealed the following: We noted ten separate instances where documentation supporting an expenditure could not be located. We noted three instances where the University did not publicly advertise the competitive bid process for purchases exceeding $25,000 in accordance with the provisions set forth in the General Statutes. There were three personal service agreements missing the Attorney General's approval. We noted eight instances where there was no signature certifying that services/commodities were received prior to payment. There were six purchase requisitions that were not approved by the person responsible for the account charged. In addition, we noted three expenditure transactions involving the purchase of capitalized assets that were not tagged or subsequently added to the University's inventory system.

5. **The University should comply with its established policies and procedures and improve internal control over travel-related expenditures.**

   Comment:

   Our review of a sample of twenty-five travel-related expenditures revealed the following: We found three instances where the incorrect meal per diem was applied to calculate the employees' meal allowance. In addition, one employee received a meal per diem for a portion of the meals included in the cost of the conference registration. We found seven instances where the travel authorization was either approved after the travel had been completed or was missing one or more of the necessary approvals. In another instance, there was no written justification documenting why the hotel cost exceeded the amount listed in the conference brochure. We found four instances where the employee did not submit a completed travel reimbursement form with the required documentation to the Travel Office within fifteen business days after completion of the trip. The number of days late ranged from 33 to 44 days. Additionally, one employee's travel reimbursement was overstated.

6. The University should improve internal control over personal service agreements.

Comment:

Our testing of 26 personal service agreement contracts during the audited period revealed the following: We noted eleven instances where the personal service agreement was approved by one of the necessary parties either after corresponding services had begun or after services had been completed. In one instance, the University never approved the agreement. Three of the personal service agreements were not accompanied with written evidence that the vendor was the least cost qualified vendor or a sole source situation existed. It appears that two of the agreements were not sole source situations.

In another instance, the University processed a student employee's payment for services performed as an independent contractor. However, as the University dealt with this individual as an independent contractor, it was obligated to follow an award process that met the standards set forth in Section 1-84. We found no evidence that the open and public process mandated by Section 1-84 was followed.

7. Control over the University's Activity Funds expenditures should be improved by following established control procedures designed to ensure compliance with the requirements in this area.

Comment:

Our testing of 25 Activity Funds expenditures during the audited period revealed the following: In fifteen cases, there was missing written documentation certifying that services/commodities were received. In seven cases, there was no evidence that competitive negotiations were followed. In another instance, there was no documentation on file authorizing the expenditure. Furthermore, we noted four class accounts that were inactive, with balances that should have been transferred to the Welfare Fund.

8. Control over the University's equipment inventory should be improved by following procedures designed to ensure compliance with the State of Connecticut's Property Control Manual.

Comment:

Our current audit examination of the University's property control system revealed the following: An annual physical inventory of equipment had not been taken for the fiscal year ended June 30, 1999. Furthermore, there was no documentation supporting the June 30, 1998, physical inventory. We found 29 items in locations differing from what inventory records stated. We could not locate seven equipment items. In addition, the University is not following established policies regarding the disposition of surplus property. Certain figures on the annual Fixed Assets/Property Inventory Report (CO-59) either contained errors or could not be readily traced to supporting documentation. The University does not regularly reconcile the amount expended for equipment to the change in the inventory record balance.

9. **Control over the University's Fiduciary Fund equipment inventory should be improved by following procedures designed to ensure compliance with the Accounting Procedures Manual for Activity Funds and Welfare Funds.**

Comment:

Our current audit examination of the University's Fiduciary Fund Inventory system revealed the following: An annual physical inventory of equipment had not been taken during the audited period. The University did not report the amount of Local Fund assets on hand, on the annual Fixed Assets/Property Inventory Report (CO-59) during the audited period. In addition, the equipment balance on the Local Fund financial statements does not agree with the inventory system.

Furthermore, from a sample of 24 equipment items selected from the inventory records, we found the following: In fifteen cases, equipment items could not be located. In four cases, equipment items were missing the appropriate identification tags. In another case, the incorrect equipment location was recorded on the inventory control record.

10. **The University should comply with Section 4-32 of the General Statutes by ensuring that all receipts received are accounted for in a timely manner.**

Comment:

We tested the timeliness of 25 receipts received at the Cashier's Office. We noted 23 instances where monies received were not reported to the State Treasurer within 24 hours of its receipt. The reporting delay ranged from two to three days.

11. **Receipts should be recorded at all locations where received in order to improve internal control and to ensure compliance with the prompt deposit requirements of Section 4-32 of the General Statutes**.

Comment:

Our examination of monies received at locations other than the Cashier's Office revealed that the majority of these locations had no record of the original receipt date. In these cases, we could not determine whether the prompt deposit requirements of the General Statutes were met. However, based upon our review of copies of checks retained by several departments, we determined that deposit delays were evident. The deposits ranged from one to 91 business days late.

12. **The University should ensure that computer access is disabled immediately upon an employee's separation from the agency.**

Comment:

We found that a significant number of separated employees were listed as having user access privileges to the University's information systems. This weakened internal control over the University's information systems.

13. Control over the University's software should be improved by establishing procedures designed to ensure compliance with the State of Connecticut's Property Control Manual.

Comment:

The University does not maintain a software inventory that tracks and controls all of its software media, licenses or end user license agreements, certificates of authenticity, and other related items. Furthermore, the University does not conduct a physical inventory of software on an annual basis.

14. The University should periodically review reports of expenditures provided by the State Comptroller to ensure that all direct disbursement expenditures have been properly classified in the State's accounting system.

Comment:

During the audited period, the University did not transmit the required information for all direct disbursements made. Accordingly, a portion of the direct disbursement expenditures was not properly classified. They remained under the generic direct disbursement expenditure classification.

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, 1998 and 1999. This audit was primarily limited to performing tests of the University's compliance with certain provisions of laws, regulations, contracts and grants, 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 grants applicable to the University are complied with, (2) the financial transactions of the University are properly recorded, processed, summarized and reported on consistent with management's authorization, 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, 1998 and 1999, 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 generally accepted auditing standards and the standards applicable to financial-related 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 grants and to obtain a sufficient understanding of the internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Compliance:

Compliance with the requirements of laws, regulations, contracts and grants applicable to Eastern Connecticut State University is the responsibility of the Eastern Connecticut State University's management.

As part of obtaining reasonable assurance about whether the University complied with laws, regulations, contracts, and grants, 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 for the fiscal years ended June 30, 1998 and 1999, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.* However, we noted certain immaterial or less than significant instances of noncompliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

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

The management of Eastern Connecticut State University is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants applicable to the University. In planning and performing our audit, we considered the University's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the University's financial operations in order to determine our auditing procedures for the purpose of evaluating Eastern Connecticut State University's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives.

However, we noted certain matters involving the internal control over the University's financial operations, safeguarding of assets, and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over the University's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the University's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grants. We believe the following findings represent reportable conditions: inadequate controls over the procurement process, travel-related expenditures and personal service agreements, inadequate controls over Activity Funds expenditures, inadequate control over receipts with respect to locations other than the Cashier's Office, lack of adequate controls over equipment inventories and the fact that all computer access is not always disabled upon an employee's separation.

A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants or the requirements to safeguard assets that would be material in relation to the University's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Agency being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over the University's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. However, of the reportable conditions described above, we believe the following reportable conditions to be material or significant weaknesses: lack of adequate controls over equipment and the fact that all computer access is not always disabled upon an employee's separation.

We also noted other matters involving internal control over the University's financial operations and over compliance which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

This report is intended for the information of 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.

Walter J. Felgate
Associate Auditor

Approved:

Kevin P. Johnston Auditor of Public Accounts	Robert G. Jaekle Auditor of Public Accounts