STATE OF CONNECTICUT

AUDITORS' REPORT
BOARD OF TRUSTEES FOR THE CONNECTICUT STATE UNIVERSITY
EASTERN CONNECTICUT STATE UNIVERSITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009

AUDITORS OF PUBLIC ACCOUNTS
KEVIN P. JOHNSTON ❖ ROBERT G. JAEKLE

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February 16, 2011

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FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009

We have examined the financial records of Eastern Connecticut State University (hereafter referred to as “the University”) for the fiscal years ended June 30, 2008 and 2009.

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, Connecticut, is one 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. The University is administered by the Board of Trustees for the Connecticut State University System through its System Office in Hartford, Connecticut. CSUS, a constituent unit of the State of Connecticut’s system of higher education, operates principally under the provisions contained in Sections 10a-87 through 10a-101 of the General Statutes.

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

Recent Legislation:

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

- Public Act No. 08-71 – Effective July 1, 2008, Section 2 of this Act requires the Connecticut State University System to waive tuition for any State resident who is a dependent child or surviving spouse of a State resident killed in action while serving on active duty in the United States Armed Forces on or after September 11, 2001.

- Public Act No. 09-159 – Effective July 1, 2009, Section 5 of this Act allows the Connecticut State University System to recover Federal educational assistance payments under the 2008 Post-9/11 Veterans Educational Assistance Act by limiting the waiver for eligible veterans who apply for these benefits. It requires that the universities waive only the tuition charges that exceed the amount of Federal benefits granted for tuition and establishes a formula for calculating the Federal benefit amount. The Act also provides that veterans whose benefits have been denied or withdrawn under the 2008 Post-9/11 Veterans Educational Assistance Act may still be eligible for tuition waivers under the existing laws codified in the General Statutes.

Enrollment Statistics:

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

	Fall 2007	**Spring 2008**	**Fall 2008**	**Spring 2009**
Full-time undergraduate	3,975	3,713	4,123	3,952
Full-time graduate	68	58	66	82
Total full-time	4,043	3,771	4,189	4,034
Part-time undergraduate	851	913	969	817
Part-time graduate	243	237	269	250
Total part-time	1,094	1,150	1,238	1,067
Total Enrollment	**5,137**	**4,921**	**5,427**	**5,101**

The average of Fall and Spring semesters' total enrollment was 5,029 and 5,264 during the 2007-2008 and 2008-2009 fiscal years, respectively, compared to an average of 5,042 during the 2006-2007 fiscal year. The increase in these figures during the 2008-2009 fiscal year, which amounted to almost 4.5 percent, reflects the State's deteriorating economy during the audited years. Generally, when the State's economy weakens, enrollment increases as people seek to improve or develop new job skills through higher education.

RÉSUMÉ OF OPERATIONS:

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

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

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

	2007 – 2008			**2008 – 2009**		
Student Status:	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
Undergraduate	$ 3,346	$ 10,831	$ 5,020	$ 3,514	$ 11,373	$ 5,271
Graduate	4,169	11,614	6,253	4,377	12,195	6,566

In accordance with Section 10a-67 of the General Statutes, the Board of Trustees for the Connecticut State University System sets 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 that of in-State tuition.

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

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

	2007 – 2008			**2008 – 2009**		
Fee Description:	In-State	Out-of-State	Regional	In-State	Out-of-State	Regional
General	$ 2,374	$ 2,374	$ 2,374	$ 2,603	$ 2,603	$ 2,603
State University	849	2,084	849	879	2,157	879
Information Technology	232	232	232	250	250	250

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:	**2007 – 2008**	**2008 – 2009**
Housing	$ 4,677	$ 4,955
Food Service	3,728	3,952

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:

	2006 – 2007	**2007 - 2008**	**2008 - 2009**
Tuition and fees (net of scholarship allowances)	$ 24,056,800	$ 22,456,012	$ 25,975,510
Federal grants and contracts	3,192,038	3,199,963	4,386,079
State and local grants and contracts	1,434,503	1,890,031	2,176,344
Non-Governmental grants and contracts	390,717	289,609	432,860
Indirect cost recoveries	111,989	97,350	257,489
Auxiliary revenues	19,117,171	19,545,860	21,843,671
Other sources	18,324,592	9,793,768	8,759,027
Total operating revenues	$ 66,627,810	$ 57,272,593	$ 63,830,980

Operating revenues totaled $57,272,593 and $63,830,980 during the fiscal years ended June 30, 2008 and 2009, respectively, compared to $66,627,810 during the fiscal year ended June 30, 2007. These figures reflect a $9,355,217 decrease (roughly 14 percent) in operating revenue and a $6,558,387 increase (roughly 11 percent) in operating revenue, respectively, during the audited years.

The decrease in operating revenues during the fiscal year ended June 30, 2008, can be primarily attributed to a decrease in Connecticut Health and Education Facilities Authority (CHEFA) funding received for capital projects. Such funds are included in the "other sources" category above. In addition, tuition and fees revenues decreased from $24,056,800 during the fiscal year ended June 30, 2007, to $22,456,012 during the fiscal year ended June 30, 2008. This decrease primarily resulted from transfer adjustments performed by the CSU System Office during the fiscal years ended June 30, 2007 and 2008. These adjustments had the effect of inflating tuition revenue during the fiscal year ended June 30, 2007, and thus, in contrast, presenting the appearance of a decrease in tuition revenue during the fiscal year ended June 30, 2008. The increase in operating revenues during the fiscal year ended June 30, 2009, resulted, in part, from a growth in tuition and fees revenue that was driven by an increase in tuition and fees rates and an increase in student enrollment.

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:

	2006 – 2007	**2007 - 2008**	**2008 - 2009**
Personal service and fringe benefits	$ 62,244,947	$ 66,255,519	$ 70,954,560
Professional services and fees	3,467,114	3,382,511	3,611,834
Educational services and support	8,456,902	9,496,135	10,588,345
Travel expenses	999,869	1,088,232	760,240
Operation of facilities	10,705,934	11,884,238	15,852,432
Other operating supplies and expenses	3,588,673	3,898,064	4,198,630
Depreciation expense	8,176,205	8,891,533	11,342,481
Amortization expense	127,760	78,741	53,170
Total operating expenses	$ 97,767,404	$ 104,974,973	$ 117,361,692

Operating expenses totaled $104,974,973 and $117,361,692 during the fiscal years ended June 30, 2008 and 2009, respectively, compared to $97,767,404 during the fiscal year ended June 30, 2007. These totals represented increases of $7,207,569 (roughly 7 percent) and $12,386,719 (almost 12 percent), respectively, during the audited years.

The increase in expenditures during the fiscal year ended June 30, 2008, was largely the result of salary increases stipulated in collective bargaining agreements. During the fiscal year ended June 30, 2009, the University's new Science Building was completed, which drove up operation of facilities and depreciation costs, leading to an increase in total operating expenses during the fiscal year. Scheduled collective bargaining agreement pay raises also contributed to the increase in operating expenses during the fiscal year ended June 30, 2009.

Nonoperating Revenues:

Nonoperating revenues are those revenues that are not from the sale or exchange of goods or services that relate 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 financial plant facilities revenues. The State financial plant facilities category represents the recognition of revenue from capital projects completed at the University by the Department of Public Works.

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

	2006 - 2007	**2007 - 2008**	**2008 - 2009**
State appropriations	$ 37,645,429	$ 40,040,568	$ 41,022,565
Gifts	52,396	191,246	81,869
Investment income	454,691	386,008	142,429
Other nonoperating revenues	428,330	420,840	452,462
State financed plant facilities	2,096,383	-	48,300,000
Total nonoperating revenues	$ 40,677,229	$ 41,038,662	$ 89,999,325

Nonoperating revenues totaled $41,038,666 and $89,999,325 for the fiscal years ended June 30, 2008 and 2009, respectively, compared to $40,677,229 during the fiscal year ended June 30, 2007. These totals represent increases of $361,433 (roughly one percent) and $48,960,663 (roughly 119 percent), respectively, during the audited years.

The increase in nonoperating revenues during the fiscal year ended June 30, 2008, can be primarily attributed to an increase in State appropriations received by the University, which was largely offset by a decrease in funding for plant facilities. The sharp increase in nonoperating revenue during the fiscal year ended June 30, 2009, was mostly due to the $48,300,000 increase in State financed plant facilities revenue associated with the completion of the University's new Science Building. State appropriations also increased during the fiscal year ended June 30, 2009, which added to the overall increase in nonoperating revenues during the fiscal year.

In addition to the operating and nonoperating revenues presented above, the University's financial statements disclosed revenues classified as "State appropriations restricted for capital purposes" totaling $8,804,230 and $4,162,057 for the fiscal years ended June 30, 2008 and 2009, respectively.

Eastern Connecticut State University Foundation, Inc.:

The Eastern Connecticut State University Foundation, Inc. (the Foundation) 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 such State organizations. The requirements address the annual filing of an updated list of board members with the State agency for which the foundation was established, financial record keeping and reporting in accordance with generally accepted accounting principles, financial statement and audit report criteria, written agreements concerning the use of facilities and resources, compensation of State officers or employees, and the State agency's responsibilities with respect to affiliated foundations.

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, 2008 and 2009, 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 $5,404,272 and $858,742 during the fiscal years ended June 30, 2008 and 2009, respectively. Net assets were reported at $14,866,363 and $13,970,360 as of June 30, 2008 and 2009, respectively.

CONDITION OF RECORDS

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

Employee Time Sheets and Hiring Part-time Faculty Members:

Criteria: It is a good business practice to ensure that employee time sheets supporting time worked are signed by both employees and their supervisors when the corresponding pay period has been completed. Employee signatures on time sheets provide a first hand record of time worked, while supervisor signatures provide verification and support for time reported by employees. If employees are not available to sign time sheets when due, such time sheets should be marked "employee unavailable" on the signature line and should subsequently be signed by such employees upon their return.

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

Condition: We noted various weaknesses in controls over employee time sheet preparation, including the following:

- Four instances in which employees signed their time sheets prior to the end of the pay period; such employees recorded time earned for the remainder of the pay period subsequent to their signature dates;

- Three instances in which supervisors signed employee time sheets prior to the end of the pay period; corresponding employees recorded time earned after their supervisor's signature date;

- Two instances in which time sheets were not signed by an employee.

Further, we noted weaknesses in controls over the hiring of part-time faculty members, as follows:

- Two instances where a "Part-time Faculty Assignment Authorization" form was signed by University management one week after the employee's scheduled start date;

- One instance where a "Part-time Faculty Assignment Authorization" form was neither signed by a Dean, a Vice President nor the Human Resources Department. Further, a certification of the employee's credentials was signed by the employee herself rather than the employee's supervisor.

Effect: In some instances, internal controls over payroll payments were weakened. When employee time sheets were signed before the end of the corresponding pay period, assurance was lessened that employees worked the entire pay period for which they were being paid. Also, late approval or lack of documented approval for the hiring of part-time faculty members raises doubts about whether payroll payments made to such employees were authorized.

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

Also, the University informed us that, at times, (especially at the end of a semester) student workers are unavailable to sign their time sheets. One of the above instances involved a student worker time sheet for a pay period near the end of the semester.

Recommendation: The University should improve internal controls over payroll and human resources operations by ensuring that employee time sheets are signed only after related work has been performed. In addition, the University should ensure that documentation of the approval for hiring part-time faculty members is obtained prior to the dates when such employees begin working. (See Recommendation 1.)

Agency Response: "The University concurs with this finding and has notified the employees that time sheets are not to be signed before the end of a payroll period. Additionally, the Payroll Office will monitor that all time sheets are approved by both employee and supervisor each pay period. Human Resources will work with departments to ensure that part-time faculty authorizations are signed and received in a timely manner."

Payments for Accrued Sick Leave at Retirement:

Criteria: State employee collective bargaining agreements and the Connecticut State University System's personnel policies both establish criteria for payments to employees for accrued sick leave at retirement.

The State University Organization of Administrative Faculty (SUOAF-AFSCME) collective bargaining agreement, Article 24, section 24.2.2, provides that, "Each January 1st, full-time administrative faculty shall be credited with a full work year's anticipated sick leave accrual…A member who has been credited with a full work year's sick leave days and whose services with the Connecticut State University system are terminated prior to the end of the contract year for whatever reasons…shall have deducted from his terminal salary any unearned sick leave days beyond which he would have received at the accrual rate of 1 ¼ days per month."

The Connecticut State University American Association of University Professors (CSU-AAUP) collective bargaining agreement, Article 13, section 13.2, provides that, "Each full-time member shall be credited at the commencement of the work year with a full year's anticipated sick leave accrual. Members who have been credited with a full year's sick leave days and whose services with Connecticut State University are terminated prior to the end of the contract year for whatever reasons…shall have deducted from their terminal salary the value of sick leave used beyond that which would have been received on a prorated basis, unless in cases of catastrophic or extended illness this provision is waived by the President."

The CSU-AAUP collective bargaining agreement, Article 10.1, provides that "the work year for all full-time members of the bargaining unit…shall be that period which begins on the fourth (4^{th}) Monday in August and terminates on the last day in May."

Condition: Our review of leave time payments due to ten employees whose employment at the University ended during the audited years disclosed that the University paid three employees incorrect amounts for accrued sick leave at retirement. Two of these employees, one a member of the CSU-AAUP union and the other a member of the SUOAF-AFSCME union, were overpaid in gross pay, in September 2007, in the amounts of $1,029 and $413, respectively. The third employee, a member of the CSU-AAUP union, was underpaid $4,587 in gross pay in August 2008.

Effect: In some instances, the University did not comply with the provisions of the SUOAF-AFSCME and CSU-AAUP collective bargaining agreements with respect to payments to employees for accrued sick leave at retirement. This lack of compliance resulted in incorrect payments to employees.

Cause: In two instances noted, the University failed to comply with collective bargaining agreements by not reducing the amount of upfront sick leave credited to the employee's balance at the start of the year for the portion of the work year that the employee did not complete. In one instance noted, the University incorrectly charged sick leave to a ten-month employee's sick leave balance during the employee's scheduled summer, winter, and spring breaks. As a result, the University based payments for accrued sick leave at retirement on incorrect sick leave balances, which, in turn, resulted in incorrect payments for accrued sick leave at retirement.

Recommendation: The University should take steps to ensure that payments to employees for accrued sick leave at retirement are made as specified in applicable collective bargaining agreements. Further, the University should attempt to recover the overpayments made to the two employees noted above and compensate the other employee cited above for the amount that was underpaid for sick leave at retirement. (See Recommendation 2.)

Agency Response: "The University concurs with this finding. It has instituted a procedure where all accrued sick leave balances for those retiring employees are reviewed by the Payroll Office supervisor. The University is also in the process of recovering overpayments made and issuing additional compensation for the underpaid sick leave for the one employee."

Dual Employment:

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

Condition: Our examination of ten dual employment situations disclosed three exceptions.

We noted two instances where dual employment certifications were signed by the University after the dual employment periods had begun. In one of these instances, an employee's dual employment certification was dated February 29, 2008, some five weeks after the employee began his secondary position at the University. By this date, the University had already made three of eight payments to the employee for Part-time Lecturer services provided. In the second of these instances, the University signed a dual employment certification on September 18, 2007, two weeks after the employee began working in his secondary position at the University, and after the University had already made the first payroll payment to this employee.

In addition, we noted an instance where the University hired an employee who was already employed at another State agency without completing the required dual employment certification. The University paid this employee a total of $2,522 in gross pay for this secondary, part-time position.

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 reduced assurance that no conflicts existed between primary and secondary positions for dually employed individuals.

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

Recommendation: The University should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by promptly documenting, through signed certifications, that no conflicts exist in instances where an employee holds multiple State positions. (See Recommendation 3.)

Agency Response: "The University concurs with this finding. Human Resources, beginning with the Fall 2010 semester, will implement additional procedures to ensure prospective new appointees submit their responses to the University's form on dual employment on a timely basis prior to initial employment."

Athletics Department Travel Expenditures:

Criteria: The Connecticut State University System's *Travel Policies and Procedures* manual requires that the Athletics Director or her designee identify before each trip "all University employees and team members who will constitute the team travel party on that trip. This list must be approved by the Director of Athletics prior to the trip."

Condition: During our examination of 25 University travel expenditures during the audited period, we noted three instances where Athletics team travel rosters were not signed by the Director of Athletics. These instances related to Athletics team trips in November 2007, March 2008, and March 2009.

In addition, our review of related supporting documentation disclosed that for each of these trips, there were travelers (one on the first trip, two on the second, and two on the third) who made the trip but were not listed on the respective travel rosters. After further inquiry, it appears reasonable that these individuals traveled, as they were reportedly a part-time coach, a student team manager, a student statistician, and two student athletes.

Furthermore, with respect to the above team trip in March 2009, though a certain student athlete was listed on the travel roster, the athlete's coach informed us that this individual did not make the trip.

Effect: In some instances, Athletics team travel expenditures were not adequately supported by travel rosters. Further, when travel rosters are not consistent with the individuals who actually travel, doubts may be raised as to who was actually approved to travel.

Cause: We were told that the Athletics Department, at times, neglects to update team travel rosters. Also, the University informed us that because of the Director of Athletics' travel schedule, she is not always available to sign team travel rosters.

Recommendation: The University should improve controls over Athletics Department travel expenditures by ensuring that team travel rosters are up-to-date, accurate, and signed by the Director of Athletics or her designee as certification of the identity of the travelers who were authorized to make the trip. (See Recommendation 4.)

Agency Response: "The University concurs with this finding. Athletics has already instituted more effective procedures to ensure that travel rosters are accurate, up-to-date, and properly signed off for confirmation."

Timeliness of Bank Deposits:

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

Condition: We tested 30 of the University's receipts for timeliness of bank deposits and noted nine instances, totaling $478,904, where funds received were deposited into the bank late, according to the standard established by Section 4-32 of the General Statutes. Deposit delays ranged from one to three business days and were arrayed as follows:

- Six receipts totaling $436,849 were deposited one business day late;
- Two receipts totaling $42,017 were deposited two business days late;
- One receipt totaling $38 was deposited 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 received to an increased risk of theft or loss.

Cause: It appears that misinterpretation of the Section 4-32 prompt deposit requirement contributed to the deposit delays noted.

Recommendation: The University should improve the timeliness of its bank deposits by adhering to the prompt deposit requirements of Section 4-32 of the General Statutes. (See Recommendation 5.)

Agency Response: "The University had understood that its procedures were in complete compliance with Section 4-32; however the Auditor has concluded a different interpretation of Section 4-32, prompting this finding. To reach concurrence with the auditor's finding, the University has instituted a new procedure to ensure that, in the future, each business day's receipts are deposited within the time frame designated by Section 4-32."

Athletics Department Controls over Revenue:

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

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

Condition: Our examination of Athletics Department controls over revenue generating sports events disclosed areas requiring attention as follows:

- Five instances where receipts, totaling $5,149 in aggregate, were deposited into the bank late according to the requirements set by Section 4-32 of the General Statutes. Deposit delays ranged from one to 47 business days after the required deposit date. These deposit delays resulted largely from Athletics Department delays in submitting the funds to the Bursar's Office.
- One instance in which Athletics Department documentation of ticket sales receipts indicated ticket sales amounting to $215 less than the amount that was submitted to the Bursar's Office for deposit.
- One instance in which Athletics Department documentation of ticket sales receipts indicated ticket sales amounting to $414 more than the amount that was submitted to the Bursar's Office for deposit.
- Two instances, regarding receipts totaling $862 in aggregate, in which there was no available documentation supporting the number of tickets sold and thus a lack of accountability over the corresponding revenue generating events.

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

Regarding the discrepancies between records of ticket sales and amounts submitted to the Bursar's Office for deposit, such differences cast uncertainty on the actual amount of revenue generated from sporting event ticket sales. The same holds true for the instance noted in which no supporting documents for the number of ticket sales was on file.

Cause: It appears that bank deposit delays were largely the result of Athletics Department delays in submitting receipts to the Bursar's Office. It is unclear why there were discrepancies between records of tickets sold and the amount of funds submitted to the Bursar's Office for deposit and why, in some instances, records of tickets sold were not retained.

Recommendation: The University should improve controls over Athletics Department revenue generating events by ensuring that the Athletics Department submits funds to the Bursar's Office in a timely manner. Further, the University should reconcile records of athletic event tickets sold with amounts submitted to the Bursar's Office, document such reconciliations, and investigate any discrepancies noted. (See Recommendation 6.)

Agency Response: "The University concurs with this finding. The Athletics Department is in the process of instituting additional procedures to ensure that deposits are sent timely to the Bursar's office for deposit. It expects the process to be fully implemented for the start of the Fall 2010 semester. A reconciliation of athletic event ticket sales will be required with each deposit."

Revenue Generating Contracts:

Criteria: It is a good business practice to ensure that contracts are signed before the terms of the contract are carried out. In addition, the parties to a contract should monitor the terms of the contract to determine whether the terms are actually being carried out in accordance with the language of the contract.

It is also a good business practice for State agencies to send revenue generating contracts to the Office of the Attorney General for review and signature before such contracts are executed.

Condition: Effective in July 2008, the University entered into a revenue generating contract with a food service vendor in which the contractor was to pay the University commissions based on sales. Both the contractor and the University signed this contract more than four months after the contract start date, while the Office of the Attorney General signed the contract more than six months after the start date. In the meantime, University records indicate that the contractor recorded net sales on campus totaling $946,597 and paid commissions on those sales to the University totaling $70,995, both before the contract was signed by the Office of the Attorney General. Further, University accounting records indicate that the University paid the contractor $60,274 for certain administration and management fees specified in the contract before the contract was signed by the Office of the Attorney General.

In addition, according to the contract, the contractor was required to pay the University monthly commissions no later than 30 days after the period to which the commissions applied. We noted four instances where the contractor paid the University commissions in an untimely manner. University records indicate that the University received such commissions, totaling $44,071 in aggregate, between nine and 27 days after the date specified in the contract. In addition, the contract provides for a late payment fee for such commissions. The University did not request, and the contractor did not pay, the late payment fees due to the University.

Effect: The lack of timely execution of written contracts erodes assurance that the parties to the contract clearly agree on the terms of the contract. In addition, the failure to monitor revenue generating contracts could lead to late payments of associated revenues. With respect to the food service contract cited above, we calculated that the University had forgone interest payments totaling $263, based on the late payment fees specified in the contract.

Cause: The University cited the complexity of the food services contract as a contributing factor to its untimely execution and emphasized that the need to honor student meal plan contracts took precedence over the need to obtain timely signatures.

It appears that the University's failure to pursue the timely collection of commission revenue in conjunction with the resulting late payment fees due contributed to the untimely payment of food service commissions to the University.

Recommendation: The University should improve controls over revenue generating agreements by ensuring that such contracts are signed before related services are provided, by submitting them to the Office of the Attorney General in a timely manner for review and approval, and by monitoring and enforcing the terms of such agreements to ensure prompt payment of commissions and late payment fees due. (See Recommendation 7.)

Agency Response: "The University concurs with this finding. It will strive to provide adequate review time for the Attorney General's Office whenever it anticipates contract terms of a complicated nature which may involve extensive negotiation with a contractor within the procurement procedures. The University is in the process of collecting the referenced late payment fee."

Payment Plans for the Collection of Delinquent Student Accounts:

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

Criteria: It is a good business practice to ensure that signed promissory notes are obtained before placing former or current students in payment plans in order to collect past due accounts.

Condition: We examined the records of 15 former and current students whom the University placed in payment plans during the audited period to collect past due amounts due the University and noted the following:

- Six instances, totaling $34,134, where promissory notes detailing the terms of the payment arrangements were prepared but were not signed by students or former students;
- Two instances, totaling $13,568, in which no promissory note was on file;
- One instance in which a signed promissory note was set up for an amount that was $1,431 less than the amount that the student actually owed the University according to student account records. (We were told that an adjustment of the student's account shortly before the promissory note was processed caused this discrepancy. Nevertheless, the University did not obtain a revised promissory note from the student.)

Effect: Internal control over payment plans set up with former and current students was weakened, subjecting the University to an increased risk that amounts owed to the University would not be paid in full.

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

Recommendation: The University should improve controls over payment plans established to collect delinquent student accounts by obtaining from debtors signed promissory notes, in the correct amounts, before allowing such individuals to enter into payment plan arrangements. (See Recommendation 8.)

Agency Response: "The University partially agrees with this finding. We believe establishing an extended relationship with the debtor is more advantageous than utilizing a promissory note in the collection process. If a payment schedule does not remain current the University still has the option of sending the account to a collection agency and/or revenue intercept process. Collections on the delinquent accounts with repayment schedules are subject to the University's normal collection process if repayment schedules are not adhered to."

Auditors' Concluding Comments:

The University itself has established, among other things, the use of promissory notes to document payment arrangements between the University and those with delinquent student accounts. We are recommending, for improved internal control, that the University follow its own procedures.

Fee Waivers:

Criteria: Section 10a-99, subsection (d), of the Connecticut General Statutes provides, among other things, that the Connecticut State University System shall waive tuition fees for certain veterans who served during specified times of war. Further, during the audited period, the Connecticut State University Board of Trustees' resolutions #98-10 and #08-45 addressed waivers of tuition and fees for certain classes of students, such as veterans.

Condition: We examined waivers of tuition and fees granted to 15 students during the audited period and noted two instances where the University incorrectly waived 50 percent of the $50 online course registration fees charged to two veterans. While waivers of veterans' tuition fees are authorized by the CSUS Board of Trustees' policies, waivers of veterans' online course registration fees are not.

After further inquiry, the University informed us that, as a result of a misinterpretation of CSUS Board policy, all veterans who registered for online courses at the University during the audited period were, on a routine basis, erroneously granted 50 percent waivers of online course registration fees.

Effect: The University did not fully comply with the CSUS Board of Trustees' policies with respect to certain fee waivers granted to veterans.

Cause: The University misinterpreted the CSUS Board of Trustees' policies with respect to certain fee waivers granted to veterans.

Conclusion: After we brought this matter to the University's attention, University management informed us that, effective the Fall 2010 term, the University discontinued the practice of routinely granting veterans waivers for online course registration fees.

Agency Response: "The University concurs. Following a review with the System Office, it discovered it had been misinterpreting the Board Resolution concerning Veterans Waivers when including the online course registration fee. The University has corrected the process and is now compliant with applicable Board Resolutions."

Information System Access Controls:

Background: In regards to information systems, the Connecticut State University System (CSUS) primarily uses an electronic information system, known as Banner, to maintain its accounting and student academic records. CSUS is considered a limited scope agency when it comes to Connecticut State government's centralized financial and administrative information system, Core-CT, which CSUS uses primarily to process payroll and human resources data.

Criteria: Access to information systems should be limited to only appropriate employees who need such access. Further, such access should be limited by requiring documented approval from an authorized employee to grant access to the system.

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

Condition: Our review of controls over the University's information technology systems disclosed the following:

- One employee from a sample of 15 employees tested was granted access to the University's Banner information system without having the proper signature on his initial Banner Account Request Form. While the University provided approved Banner account <u>renewal</u> forms for this employee, the initial approved Banner Account Request Form, establishing the parameters of this employee's Banner access, was not available. Only an unsigned form was on hand.

- 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. In other words, such employees had write access to both the Core-CT human resources and payroll systems, which enabled them to both add people to the payroll and process payroll payments to them.

- One Information Technology Department employee was granted write access to the human resources information system in Core-CT but did not appear to need such access nor did such access seem appropriate for this employee.

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

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

It is unknown why proper approval documentation was lacking with respect to the employee above who was granted Banner system access.

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

Recommendation: The University should regularly review information system access privileges granted to employees to determine if such access is appropriate. Further, the University should ensure that it documents approval granted for information system access, and should remove access privileges from those employees who have unnecessary access to such systems. (See Recommendation 9.)

Agency Response: "The University partially agrees with this finding. We had received approval from Core-CT Security for two employees to have access to both the Human Resources and Payroll systems. The employee who was lacking approval as part of the 1999 implementation team did have his access reviewed and approved in subsequent years. The Information Technology employee has now been denied access for any program testing."

Auditors' Concluding Comments:

In the "Condition" above, we are pointing out potential weaknesses in the University's internal controls with respect to information system access. Whether or not Core-CT Security approved the dual access to Payroll and Human Resources systems granted to the employees noted, does not preclude the University from periodically reviewing the need for this access, which is what we are recommending. Also, as noted above, for one employee in our sample, the University could not provide us the initial approved (signed) Banner Account Request Form detailing the parameters of the access granted. The other Banner access renewal documentation that the University provided us for this employee was based on the initial access form, which was not approved. The concept of renewed approval should presuppose that the initial request was approved.

Student Activity Trustee Account Control Over Revenue:

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

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

The University's *Student Activities Business Office Procedures Manual* provides that, "Cash should be deposited within 24 hours or on the next business day that the Cashier's Office is open."

Condition: We tested a sample of 14 student organization revenue generating events, totaling $23,758, during the audited period and noted bank deposit delays associated with four of these events amounting to $5,385. Such funds were deposited into the bank between two and nine business days late, based on the criteria established by Section 4-32 of the General Statutes.

In five of the 14 events examined, the respective student organization failed to deliver receipts collected to the Business Office in a timely manner. Funds were delivered to the Business Office between one and nine business days late, based on the criteria set by the University's *Student Activities Business Office Procedures Manual*.

Effect: In some instances, the University neither complied with the prompt deposit requirements of Section 4-32 of the General Statutes nor with similar requirements detailed in the University's *Student Activities Business Office Procedures Manual*. In addition, student organization funds were exposed to an increased risk of loss or theft.

Cause: Controls in place were not always operating as designed. In particular, late student organization deposits were the result of such organizations not delivering receipts to the Business Office within the time frame established by the University's *Student Activities Business Office Procedures Manual*.

Recommendation: The University should re-emphasize that student organizations should deliver funds generated from student events to the Business Office in a timely manner. (See Recommendation 10.)

Agency Response: "The University concurs with this finding. A process has recently been instituted wherein daily receipt reports are printed and monitored in both the Cashier's Office and the student organization office. Additionally, all clubs and Student Activities Office are reminded in their yearly training sessions and again when each event is registered that delivering receipts to the Cashier's Office in a timely manner is required."

Student Activity Trustee Account Expenditures:

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

The University's *Student Activities Business Office Procedures Manual* states that "all expenditure requests require the signature of the club or organization's Treasurer and Advisor."

Condition: We tested a sample of 19 student trustee account purchases and noted three instances, totaling $33,228, in which a student organization treasurer did not sign an expenditure request document for disbursements made. We did, however, note that each of these purchases was generally approved in the minutes of applicable student organization meetings; though the associated disbursement was not mentioned in the minutes.

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

Regarding one of the instances cited above, a payment charged to the Campus Activities Board (CAB), the University informed us that it routinely does not require the CAB to sign Student Activities payment vouchers since it does not consider CAB to be a student organization. It appears to us that all payments charged to the student activity account should require student body approval for added assurance that such charges are for the benefit of students.

Effect: Assurance was lessened that payments made met the approval of student organizations.

Recommendation: The University should ensure that expenditures charged to the student activity trustee account are properly approved in accordance with the University's *Student Activities Business Office Procedures Manual* or other sound internal control procedures. (See Recommendation 11.)

Agency Response: "The University partially agrees with this finding. It has notified appropriate staff members of the signatory requirements and will monitor for continuous compliance. However, the University maintains that the Campus Activities Board is not a student activity or club, as it is staffed with student workers who are employees of the University and supervised by the Assistant to the Director of Student Activities and her supervisor, the Director of Student Activities. All Campus Activities Board acquisitions under $2,500 are approved by the Director of Student Activities; purchases of $2,500 or above are approved by the Dean of Students and/or Vice President for Student Affairs."

Auditors' Concluding Comments:

We are not disputing whether or not the Campus Activities Board (CAB) should be classified as a club. According to the Student Government Association Constitution and Bylaws, "40% of student activity fee money" is allocated to CAB. For improved internal control, to better ensure that student activity account funds are being used to benefit students, a student representative should sign off on Student Activities payment vouchers when CAB charges are made to the student activities trustee account. Not doing so would exempt a significant share of student activity account purchases from a key element of the University's control system.

Property Control:

Criteria: The State of Connecticut's *Property Control Manual*, under authority of Section 4-36 of the General Statutes, sets forth criteria and policies over assets owned or leased by a State agency. Requirements include, among other things, that capital equipment costing $1,000 or more and certain other controllable items be tagged with a State identification number and recorded in property control records. The *Manual* also requires that stores and supplies inventory valued at $1,000 or more be reported on an agency's annual property inventory report to the State Comptroller.

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

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

Condition: Our test of a sample of 25 equipment items that were designated as disposed of disclosed that the disposal method for 20 of these items was not properly recorded in the University's inventory control records. Fifteen of these items were recorded as recycled while supporting documentation indicated that the items were actually donated. The remaining five items were recorded as "write-offs"; however, the items should have been recorded as "lost" as they were listed in a University loss report. These five items, all computer hardware items, were unaccounted for during the University's physical inventory in June 2008 and were subsequently reported as being lost at the University's computer disposal evaluation site.

Further, we noted weaknesses in the University's method of documenting certain items approved for disposal. The Donation/Transfer of Surplus Property form consists of a cover sheet that is signed by an authorized management employee, indicating his approval of the donation of University property included on an attached list. However, because the language on the cover letters we examined did not specify the number of items being donated or their value, we could not be certain if the listed items attached were the items actually presented to management for their approval. In addition, we noted 279 instances where tag numbers of donated items listed were duplicated on multiple Donation/Transfer disposal lists. In short, we could not rely on the University's supporting documentation authorizing the donation or transfer equipment.

The University failed to report the value of stores and supplies on its annual property inventory reports submitted to the Office of the State Comptroller for the fiscal years ended June 30, 2008 and 2009. University records indicated that the value of stores and supplies totaled at least $7,663 and $3,787 as of June 30, 2008 and 2009, respectively.

In addition, we examined 35 loss reports filed during the audited period and noted seven instances where the loss or theft of property was not reported to the Office of the State Comptroller and the Auditors of Public Accounts in a timely manner. Such reports were completed from eight to 50 business days after the date of the loss.

We also noted one instance where a capitalized property item valued at $1,000 or more was not tagged with a University ID number. The item, a piece of exercise equipment, had a cost of $2,895.

In one instance noted, we identified a capital equipment item with a cost of $1,924 located in a different location than the location listed in the University's inventory control records.

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

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

In regards to the delayed submission of a loss report to the appropriate State agencies, in some instances, it appears that the Campus Police delayed submitting loss reports to the Office of the Associate Vice President of Finance and Administration. In at least another instance, the University waited to obtain cost estimates before completing a loss report.

Recommendation: The University should improve internal controls over equipment by following the policies and procedures established by the State of Connecticut's *Property Control Manual* and the Connecticut State University System's *Capital Asset Valuation Manual*. In particular, the University should strengthen controls over equipment disposals, and should ensure that all capital/controllable equipment is tagged with State identification numbers and that lost, stolen, or damaged equipment items are immediately reported to the appropriate State agencies.
(See Recommendation 12.)

Agency Response: "The University concurs with this finding. The University is in the process of standardizing Banner coding to more clearly reflect the disposition of the assets. Currently the University is utilizing tamper proof equipment tags and the exercise equipment identified with a missing tag has been addressed. The University will strive to improve the reporting of lost, stolen or damages to equipment in a timely manner. Subsequent to the completion of the field audit work, the University discovered in the instances where donated items appeared on multiple [disposal authorization] lists, the lists were improperly prepared. The report error was determined to be the result of overlapping date selections, not a data base error."

Reconciliation of Operating Fund Balance Records:

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

Condition: The University's reconciliations of Operating Fund balances for the months of June 2008 and June 2009 indicated unresolved payroll differences between the University's Banner system accounting records and Core-CT system records. These differences totaled $13,047 and $1,267, respectively, and included amounts that had been outstanding for a period ranging from more than two months to more than ten months after they were first noted.

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

Cause: It is unknown why the above condition occurred.

Recommendation: The University should promptly resolve any outstanding reconciling items noted when reconciling Operating Fund available fund balances. (See Recommendation 13.)

Agency Response: "The University concurs with this finding. In one instance, reconciliation of the discrepancy involved interagency research on the pay of one former employee who transferred out of the University to another State agency, thus delaying the confirmation of action required. Steps have been initiated to reconcile items of this type in a timelier manner in the future."

Other Audit Examination:

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

A summary of the recommendations pertaining to Eastern Connecticut State University in the *Report to Management* for the 2008-2009 fiscal year are presented below:

Information technology:

- Implement a process for adjuncts and contractors to ensure that network accounts are either disabled or removed in a timely manner.
- Implement a tool to track system changes and approvals, among other things. Ensure that end user testing and approval to migrate a change into production are standardized.
- Invest in completing the ECSU network infrastructure to ensure access and continuity of services.
- Repair the primary air conditioner and install a generator and an uninterruptible power supply (UPS) that could sustain network equipment during prolonged power failure.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- ***The University should ensure that payments made to employees upon termination for accrued leave time are accurate and in accordance with established criteria.*** Our current audit disclosed that additional improvement is needed in this area, especially in regards to payments for accrued sick leave at retirement. The recommendation is being repeated with modification. (See Recommendation 2.)

- ***The University should improve internal controls and comply with the Connecticut State University System's Residence Policy.*** Improvement was noted during our current audit. Therefore, the recommendation is not being repeated.

- ***The University should improve internal controls over the procurement process and comply with the procedures promulgated in the Connecticut State University System's Procurement Manual.*** Improvement was noted in this area; the recommendation is not being repeated.

- ***The University should comply with established policies and procedures and improve internal control over travel-related expenditures.*** Our current audit disclosed that further improvement is needed in this area, particularly in regards to Athletics Department team travel. Therefore, the recommendation is being repeated with modification. (See Recommendation 4.)

- ***The University should formalize its policies and procedures and improve internal control over receipts to ensure compliance with the prompt deposit requirements of Section 4-32 of the General Statutes. The University should consider implementing a control procedure that requires each department collecting funds to use a standard receipts journal to document the receipt date.*** We noted improvement during our current audit with respect to receipt documentation used by University departments during the audited period. However, further improvement is needed with respect to the prompt bank deposit of funds received. The recommendation is being repeated with some revision. (See Recommendation 5.)

- ***The University should follow its established policies for the collection of student accounts receivable. A review of all delinquent accounts should be performed to ensure that the individual balances are accurate and in the appropriate stage of collection. The University should consider developing a policy to address those situations where collection efforts may be limited, when pertinent identification, such as Social Security number, is not on file.*** During our current audit, we saw improvement in policies and procedures developed regarding the collection of delinquent student accounts. Nevertheless, we noted weaknesses in administering delinquent account payment plans for outstanding balances owed the University by former and, in some instances, current students. The recommendation will be restated, this time focusing on improving controls over payment plans set up to collect delinquent accounts from both former and current students. (See Recommendation 8.)

- ***The University should comply with the Connecticut State University System's Capital Valuation and Asset Management Manual and improve control over equipment and supplies inventory.*** Our current audit disclosed that further improvement is needed in this area, particularly in regards to improving controls over equipment disposals. The recommendation is being repeated with modification. (See Recommendation 12.)

- ***The University should comply with established policies and procedures and improve internal control over agency administered projects.*** We noted no significant exceptions with respect to agency administered capital projects during the current audit period. The recommendation is not being repeated.

- ***The University should improve internal control over its information system. The University should disable all computer access to Core-CT promptly upon an individual's termination of employment and/or when such access is no longer required.*** During our current audit, we noted improvement with respect to the prompt disabling of information system access upon an employee's termination. However, among other things, we noted a few instances where employees had more information system access than was necessary or desirable for good internal controls. Therefore, we are restating the recommendation to reflect the conditions noted during the current audit. (See Recommendation 9.)

- ***The University should comply with the software inventory requirements contained in the State of Connecticut's Property Control Manual.*** Improvement was noted in this area during our current audit. The recommendation is not being repeated.

- ***The University should comply with its established Local Fund policies and procedures and improve internal control over the receipt process.*** Our current audit disclosed delays in submitting student organization receipts to the Bursar's Office for deposit. The recommendation is being repeated in revised form. (See Recommendation 10.)

- ***The University should comply with its established Local Fund policies and procedures and improve internal control over class accounts.*** We noted improvement in this area during our current audit. The recommendation is not being repeated.

Current Audit Recommendations:

1. **The University should improve internal controls over payroll and human resources operations by ensuring that employee time sheets are signed only after related work has been performed. In addition, the University should ensure that documentation of the approval for hiring part-time faculty members is obtained prior to the dates when such employees begin working.**

   Comment:

   We noted several instances where employees and supervisors signed time sheets certifying time worked before related work was performed. Further, in some instances, part-time faculty employment authorization paperwork was signed by management after the employees were scheduled to begin working.

2. **The University should take steps to ensure that payments to employees for accrued sick leave at retirement are made as specified in applicable collective bargaining agreements. Further, the University should attempt to recover the overpayments made to the two employees noted above and compensate the other employee cited above for the amount that was underpaid for sick leave at retirement.**

   Comment:

   We noted two overpayments and one underpayment made to employees during the audited period for accrued sick leave at retirement.

3. **The University should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by promptly documenting, through signed certifications, that no conflicts exist in instances where an employee holds multiple State positions.**

   Comment:

   We noted two instances where dual employment certifications were signed by the University after the dual employment situations had begun. In one instance noted, the University hired an employee who was already employed at another State agency without completing the required dual employment certification.

4. **The University should improve controls over Athletics Department travel expenditures by ensuring that team travel rosters are up-to-date, accurate, and signed by the Director of Athletics or her designee as certification of the identity of the travelers who were authorized to make the trip.**

   Comment:

   In some instances, Athletics team travel rosters were not signed by the Director of Athletics or her designee in order to identify the individuals who were authorized to travel. Further, some team travel rosters were not accurate with respect to the identity of actual travelers.

5. **The University should improve the timeliness of its bank deposits by adhering to the prompt deposit requirements of Section 4-32 of the General Statutes.**

   Comment:

   We noted instances where funds received were deposited into the bank late, in violation of the standard established by Section 4-32 of the General Statutes.

6. **The University should improve controls over Athletics Department revenue generating events by ensuring that the Athletics Department submits funds to the Bursar's Office in a timely manner. Further, the University should reconcile records of athletic event tickets sold with amounts submitted to the Bursar's Office, document such reconciliations, and investigate any discrepancies noted.**

   Comment:

   In some instances, the Athletics Department delayed submitting receipts collected to the Bursar's Office. Also, Athletics Department documentation of ticket sales, at times, did not agree with amounts turned in to the Bursar's Office for deposit. For one athletic event noted, there was no Athletics Department supporting documentation on hand indicating the number of tickets sold.

7. **The University should improve controls over revenue generating agreements by ensuring that such contracts are signed before related services are provided, by submitting them to the Office of the Attorney General in a timely manner for review and approval, and by monitoring and enforcing the terms of such agreements to ensure prompt payment of commissions and late payment fees due.**

   Comment:

   One of the University's key revenue generating agreements, an agreement with a food service vendor, was signed by the parties to the contract more than four months after the contract term commenced in July 2008. Further, the Office of the Attorney General reviewed and signed this contract more than six months after the contract start date. In addition, in some instances, the contractor did not pay commissions to the University in a timely manner as defined by the contract, nor did the University enforce payment of the late payment fees stipulated in the contract.

8. **The University should improve controls over payment plans established to collect delinquent student accounts by obtaining from debtors signed promissory notes, in the correct amounts, before allowing such individuals to enter into payment plan arrangements.**

Comment:

Debtors placed in payment plans, at times, did not sign promissory notes. In two instances noted, there was no promissory note on file. In one instance noted, though a promissory note was set up for a student in a payment plan, the note understated the actual amount due the University.

9. **The University should regularly review information system access privileges granted to employees to determine if such access is appropriate. Further, the University should ensure that it documents approval granted for information system access, and should remove access privileges from those employees who have unnecessary access to such systems.**

Comment:

We noted that several employees had either incompatible (from an internal control standpoint) or unnecessary access to the Core-CT human resources management system (HRMS) during the audit period. One employee was granted access to the Banner information system but no signed (approved) Banner Account Request form was on hand to establish the initial parameters of the employee's account access.

10. **The University should re-emphasize that student organizations should deliver funds generated from student events to the Business Office in a timely manner.**

Comment:

Student organizations, at times, failed to deliver receipts collected from student events to the Business Office in a timely manner.

11. The University should ensure that expenditures charged to the student activity trustee account are properly approved in accordance with the University's *Student Activities Business Office Procedures Manual* or other sound internal control procedures.

Comment:

In some instances, expenditures were charged to the student activities trustee account without obtaining a student organization treasurer signature on expenditure request documents.

12. The University should improve internal controls over equipment by following the policies and procedures established by the State of Connecticut's *Property Control Manual* and the Connecticut State University System's *Capital Asset Valuation Manual*. In particular, the University should strengthen controls over equipment disposals, and should ensure that all capital/controllable equipment is tagged with State identification numbers and that lost, stolen, or damaged equipment items are immediately reported to the appropriate State agencies.

Comment:

Approvals for equipment items disposed of via donation were, at times, insufficiently documented. Incorrect methods of disposal were recorded in some inventory control records. Lists of equipment items approved for donation were unreliable as they included numerous instances where equipment ID tag numbers were incorrectly duplicated on multiple lists. Some computer hardware items designated for disposal were unaccounted for at the University's computer disposal evaluation site. Some loss reports for lost or stolen University assets were not completed in a timely manner and, in turn, were not submitted to the State Comptroller and the Auditors of Public Accounts in a timely manner.

13. The University should promptly resolve any outstanding reconciling items noted when reconciling Operating Fund available fund balances.

Comment:

We noted reconciling payroll items listed on the University's monthly reconciliation of its Operating Fund available balance that had not been resolved promptly. The age of outstanding items noted ranged from more than two months to more than ten months.

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, 2008 and 2009. 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 the Eastern Connecticut State University for the fiscal years ended June 30, 2008 and 2009, 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 the 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:

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 providing assurance on the effectiveness of the University's internal control over those control objectives.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance requirements was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial operations, safeguarding of assets, and compliance with requirements that we consider to be a significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to properly initiate, authorize, record, process, or report financial data reliably, consistent with management's direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the University's internal control. We consider the following deficiency, described in detail in the accompanying "Condition of Records" and "Recommendations" sections of this report, to be a significant deficiency in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 12 – insufficient controls over equipment.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with certain provisions of laws, regulations, contracts, and grant agreements or the requirements to safeguard assets that would be material in relation to the Agency's financial operations, noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions, and/or material financial misstatements by the Agency will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over the University's financial operations, safeguarding of assets, and compliance with requirements, was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which we reported to the University's management in the accompanying "Condition of Records" and "Recommendations" sections of this report

The University's responses to the findings identified in our audit are described in the accompanying "Condition of Records" section of this report. We did not audit the University's responses and, accordingly, we express no opinion on them.

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:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

December 22, 2010
State Capitol
Hartford, Connecticut