

March 27, 2013

Executive Committee of the Board of Trustees of
Westfield State University
577 Western Avenue
Westfield, MA 01086

Dear Mr. Flynn:

We have enclosed six draft copies of our Independent Accountants Report on Applying Agreed-Upon Procedures for Westfield State University.

Very truly yours,

David A. DiIulio

DAD/ec
Enclosure

DRAFT

WESTFIELD STATE UNIVERSITY

AGREED-UPON PROCEDURES REPORT

DRAFT

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Trustees of
Westfield State University and the Board of Directors of the
Westfield State Foundation, Inc.
Westfield, MA

We have performed the procedures enumerated below, which were agreed to by Westfield State University (the "University"), and Westfield State Foundation, Inc. (the "Foundation") solely to assist the Board of Trustees/Directors of each organization (The Boards") to evaluate credit card expenditures incurred by various individuals within each organization. Management of the respective Organizations is responsible for abiding by the University's and Foundation's policies and procedures relating to the use of the Organization's credit cards. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and observations are as follows:

Procedures:

The procedures listed below pertain to credit card charges incurred by individuals of Westfield State University and Westfield State Foundation, Inc.

Determine if credit card expenditures were allowable and in accordance with applicable Commonwealth (state) laws, regulations, and bulletins, and University and Foundation policies and procedures in effect at the date said expenditures were incurred.

Determine if credit card expenditures were deemed to be "reasonable and not excessive" in both amount and business purpose under the circumstances.

Determine if credit card expenditures are appropriately identified and recorded as pertaining to University, Foundation, or as a personal expenditure of the individual in whose name the expenditure was made. Determination of proper reimbursement to the University or Foundation, as appropriate, by said individual should be made for those expenditures identified as being of a personal nature.

Determine whether expenditures that appeared on credit card statements and for which the University reimbursed the Foundation were charges that were properly assignable to and payable by, the University and; whether the "authorizations to pay" the amounts the University actually paid to the Foundation for said charges were supported by appropriate documentation.

Determine whether anyone other than the named card holder had the authority to use the cardholder's card; specifically was anyone other than the named card holder responsible for any of the charges that appeared on the credit card statements.

Determine whether certain University expenditure documents, as provided to an unnamed third party pursuant to a recent "public records request":

- were proper and in accordance with applicable Commonwealth(state) laws; regulations, and bulletins and University policies and procedures in effect at the date the said expenditures were incurred;*
- evidenced any sign of possible alteration;*
- were personal in nature and unrelated to the work of the University and if so, were such expenditures properly reimbursed by any individual incurring such expenditures;*
- provided further the audit report shall provide a detail statement of the amount that must be reimbursed by said employee(s) so as to correct such finding, if at all;*

Provide the Boards such advice as O'Connor and Drew, P.C. determines appropriate concerning any controls with respect to the use of the University or Foundation credit cards that should be put into place, but that have not yet been adopted by each of the Boards.

Provide the Boards such other advice as O'Connor and Drew, P.C. may determine appropriate, concerning financial controls or recommendations that it finds lacking or in need of improvement.

Background:

During the summer of 2011, the Director of Budget and Internal Audit allegedly was anonymously given a package containing financial records related to the University and the Foundation. No actions were taken on the data until summer 2012 when it was brought to the attention of the interim Vice President of Administration and Finance (Michelle Maggio). At Ms. Maggio's request, the package was provided to her, who, in considering the sensitivity of the materials in the package, requested that Jack Flynn (Chair of the Board of Trustees of the University) be present when the contents were opened and reviewed, which occurred on or about August 3, 2012. We cannot confirm whether the package was sealed and whether the documents contained had been tampered with previous to it being opened in the presence of the aforementioned individuals. The party (s) responsible for the contents of the package provided no guidance as the purpose of the package or their intent behind gathering and submitting the data. Due to the questions concerning how this material was received, and the possibility of "whistleblower" related claims occurring in the future, the University determined to undertake appropriate due diligence procedures.

The package that was opened by Ms. Maggio and Mr. Flynn contained the following information:

- Westfield State Foundation, Inc. check register for the period July 1, 2009 through June 30, 2010;

- Bank of America credit card statements for the following individuals and respective time periods:

-Dr. Dobelle	(May 22, 2009 through October 21, 2010)
-Mr. Ziomek	(May 22, 2009 through October 24, 2010)
-Mr. Lemanski	(April 8, 2010 through August 17, 2010)
-Mr. Bean	(January 15, 2010 through November 19, 2010)

- Credit card reconciliation form segregating amounts paid by the University, Foundation and the President for the periods July 21, 2010 through August 20, 2010 and August 19, 2010 through September 21, 2010;

- Documentation supporting amounts representing personal amounts reimbursed by the President along with a copy of a personal check payable to the Foundation dated October 27, 2010 in the amount of \$2,261.66.

- Documentation relating to the Gary Mule Deer Initiative, including summary schedules, summary of the agreement, the Fully Executed Contract between the President and the Colonial Theater, and a copy of the Foundation check to the Colonial Theater in the amount of \$500, representing the deposit in connection with the program.

- Summary schedule of each Foundation credit card for each of the named above for the period July 1, 2009 through January 4, 2011. The schedule also contains a breakdown of amounts reimbursed by the individual cardholder, the University, and by others;
- A copy of brochures relating to the Masters Festival of the Arts and the Speaker Series;
- A copy of a journal entry on the University's books related to Foundation expenses;
- Email from John Wesolowski, (Internal Audit of the University) to Jerry Hayes (Vice President of Administration and Finance of the University) discussing discretionary spending by the Foundation;
- Area University commencements advertised within boston.com that contained information related to Westfield State University;
- Biographical information from Wikipedia for John A. DiBiaggio;
- Reimbursement for Business Meals Form, labeled "Foundation Reimbursement to Dr. Dobelle, Alcohol;
- Statement from Bank of America indicating the Foundation credit card balance is past due.

The University engaged Nick Wojtowicz (former Vice President of Administration and Finance), along with O'Connor and Drew, P.C. to analyze the data contained within the package. An initial agreed upon procedures engagement was performed utilizing certain procedures that were developed by management of the University. On or about December 7, 2012, a draft agreed upon procedures report was presented to the Executive Committee of the University. Although the report contained certain concerns and also consisted of several recommendations, the scope of the engagement was limited to only records of the University. O'Connor and Drew, P.C. was engaged only by the University and only relative to the documentation contained within the package as it related to the University. As a result, further substantiation/analysis of the documents beyond those that were in the package that pertained to the Foundation was not possible. Our sole contact during the initial analysis was Lisa Freeman, Associate Vice President/CFO, of the University who did not have access to Foundation records.

Due to the limitations of the initial engagement, the Executive Committee of the Board of Trustees of the University consulted with the Foundation Board to seek their agreement for participation in a more expansive investigation. The Board of the Foundation concurred, providing complete access to its books and records to O'Connor and Drew, P.C. On December 18, 2012, a joint engagement letter between the University and the Foundation was signed giving full and unrestricted access to all records of both Organizations relative to this engagement. The terms of the expanded agreement permitted, which it previously did not, O'Connor and Drew, P.C. to speak with and question any University employee, regardless of title, in a position to assist in the completion of the procedures stipulated within the engagement. The procedures agreed to by both parties are itemized above under the caption titled "Procedures" and include those procedures listed in the original engagement as well as additional supplemental procedures.

The engagement also allowed O'Connor and Drew, P.C. to introduce other audit procedures to the information as they thought necessary under the circumstances.

Review of University Policies and Procedures Manual

Based on the procedures requested by the University Board of Trustees, it was necessary to review various University policies and procedures that were related to this engagement in order to gain an understanding of those policies that were applicable to the engagement and to determine whether those policies had been followed. We obtained the following information from University personnel:

- Financial and Administrative Policies and Procedures Manual FY 2006;
- Westfield State College Policy Manual, updated April 2009;
- Westfield State University Policy Manual, updated December 2010;
- Various updated individual policies-
 - Travel policy, April 2012;
 - Corporate Credit Card Use (Purchase & Travel), April 2012, October 2012;
 - Reimbursement of University Related Expenses and Petty Cash Funds, April, 2012 and October, 2012;
 - Procurement Policy, April, 2011.

We reviewed the above policies in conjunction with the procedures requested by the Board of Trustees of the University. We extracted those components of the various policies that pertained to this engagement which contradicted some of our observations noted during our review of University documents. Please note the following:

Financial and Administrative Policies and Procedures Manual FY 2006

-Defines appropriate and inappropriate expenditures. The policy defines appropriate employee/student travel to be the least expensive mode possible. It also defines that business meals, including food and beverage expenses, must be reasonable and appropriate under the circumstances. As noted above, this policy has been in existence since 2006.

-The policy itemizes inappropriate expenditures which include the following:

- excessive or extravagant costs;
- personal entertainment;
- expenses incurred in connection with personal business;
- expenses of a personal nature, unreasonable or excessive expenses, and those not specifically related to the conduct of University business.

-The manual also addresses proper use of University credit cards. Each credit card holder must sign a statement of compliance prior to receiving their respective card. All credit card charges must be University related. **No personal charges are allowed.** All credit card charges must be supported by proper and complete documentation. All violations relating to the use of the University credit cards will be reported to the President. All violations not immediately

corrected or resolved will result in the cancelation of the related credit card. All credit card charges will be reported to the Board of Trustees bi-annually.

Corporate Credit Card Use (Purchase and Travel)

This particular policy of the University has been updated several times since publishing the 2009 manual. However, the policy has remained the same since 2009 in regards to personal charges. The earliest policy reviewed (2009) indicates that University credit cards are to be used only for authorized expenditures which include lodging, meals, car rentals and other University related costs. **Personal charges and cash advances are not permitted on the card.** The 2009 policy continues to state that any unauthorized charges made on the corporate credit card that are deemed to be personal or considered to be cash advances shall cause the card to be revoked.

The 2009 policy was amended in April, 2012 to include that the use of personal charges will result in the **immediate and permanent revocation of the credit card.** It was also amended to cite that charges shall conform to the University's Travel Policy, Procurement Policy, and Reimbursement of University Related Expenses and Petty Cash Funds Policy. The April, 2012 policy was further amended to require the submission of original receipts accordance with the Reimbursement of University Related Expenses and Petty Cash Funds Policy. This requires that original, itemized receipts identifying the vendor, item(s) purchased, date, detailed cost and the purpose of the charge.

The April 2012 policy was amended in October, 2012 to reflect more stringent disciplinary actions in the event of non-compliance which could lead to suspension and/or termination from the University. The October, 2012 policy also expands language to conform to Massachusetts laws, regulations, and bulletins as well as applicable collective bargaining agreements.

See **Exhibit N** for a series of University policies in place since 2006 regarding personal expenses contained on the University credit cards.

Reimbursement of University Related Expenses and Petty Cash Funds

Similar to the Credit Card Use Policy, this particular policy has been amended a number of times. However, the policy regarding original, itemized receipts has remained consistent. The University policy has always been that only itemized receipts are to be accepted and a credit card receipt listing only the cost would not be accepted. The policy also states that off campus department meetings involving meals will not be reimbursed. The business meals component of the policy was amended in April, 2012 and again in October, 2012. The policy now states that on and off campus department meetings, retirement gatherings or similar expenses involving food and beverages will not be reimbursed. Furthermore, employee meals or any related entertainment expenses with consultants, vendors, or suppliers will not be reimbursed.

Travel Policy

The University's travel policy was amended in April 2012. The following was extracted from the updated policy:

Policy Guidelines

- in determining the use of travel funds, consideration should be made as to the extent to which participation in the travel will primarily benefit the University;
- the University will not reimburse any expenses for persons accompanying an employee on a trip.

Hotel Accommodations

- Travelers should stay at low or moderate cost non-luxury hotels or take advantage of special conference rates;
- Travelers should request the hotel's special rate, such as government or university rate;
- Hotel amenities are not payable or reimbursable expenses. Arrange with the hotel in advance for a separate personal bill for these expenses to be paid by the traveler separately;
- charges caused by failure to cancel guaranteed reservations are not reimbursable;
- Internet access charges will only be reimbursed with approval and justification by the applicable department head.

Airfare

- Travelers are encouraged to take advantage of reduced rates by making reservations early;
- Care must be taken to avoid changes or cancellations of airline travel.

UNIVERSITY

In order to satisfy the procedures listed above, please note the following:

-All books and records were made available for review, and, all individuals involved were cooperative and readily provided requested information.

-We obtained the Freedom of Information Request schedule compiled by Michelle Maggio, the former Interim Vice President of Finance for the calendar year ended December 31, 2011.

-We obtained support for checks reimbursing the Foundation for University expenses and reviewed the detail associated with the respective payments.

-We obtained the credit card statements for the periods ended June 30, 2009 through the last credit card statement available (February, 2013) for various individuals within the President's Office. We also reviewed the support/documentation for charges incurred on the credit cards for reasonableness.

-We obtained a schedule of travel encumbrances for the years ended June 30, 2009 through 2012 for Dr. Dobelle and Ms. Salvidio.

-We obtained travel reimbursement forms from January, 2008 through October, 2012 for the President's Office.

GENERAL OBSERVATIONS

-The former Interim Vice President of Finance compiled the Freedom of Information schedule. The Freedom of Information request was made for all travel and entertainment expenses incurred by the President. As a result, the report not only summarized expenses incurred directly on Dr. Dobelle's credit card, but, also expenses incurred on his behalf using other credit cards (primarily Ms. Salvidio). This schedule was compiled in the fall of 2012, and indicated an aggregate travel costs incurred by the President's office of \$50,470. Once the schedule was completed, it was reviewed by the President's Office. Subsequent to the President's review of the schedule, an additional reimbursement was made by Dr. Dobelle approximating \$2,600 for charges occurring as much as a year ago which had not yet been reimbursed. The reimbursements included costs related to a trip to London. This schedule, and a copy of the reimbursement check and various supporting details is attached as Exhibit A.

-As indicated in our draft report dated December, 2012, there is an abundance of University credit cards. Management should determine the need for the current number of authorized credit cards. As of March 13, 2013, there were 38 credit cards authorized with limits ranging from \$1,000 to \$85,000. The President's Office maintains three cards; Dr. Dobelle's for \$25,000,

Waleska Lugo De Jesus' for \$2,500 and Susan Queen's for \$10,000. In addition, there is a general University credit card with a limit of \$85,000 that is the master umbrella of all the individual cards. Although there have been additional policies and procedures instituted by the University controlling credit card use, policies could be strengthened further by reducing the number of cards available, and, enforcing daily, monthly and annual spending limits on each credit card. The use of credit cards allows for bypassing the internal controls over purchasing and procurement and their use should be minimized as much as possible. We have provided a schedule of University credit cards as **Exhibit B**.

-One of the procedures listed above addressed the determination of whether the credit cards were used by individuals other than those named on the particular card. Other than Dr. Dobelle, there were relatively few instances where other individuals other than the named cardholder used a credit card. From December, 2010 through November, 2011, Dr. Dobelle's University credit card had minimal activity. During that respective time period, which coincided with the termination of the Foundation credit card (November, 2010), the majority of his credit card transactions were on Ms. Salvidio's credit card. Dr. Dobelle began using his University credit card on a consistent basis during November, 2011.

-There was excessive personal use of the University credit cards. As far as we could determine, anything noted as personal in nature was reimbursed to the University. From the period June, 2008 through February, 2013, Dr. Dobelle reimbursed the University back approximately \$68,000 for personal use of the University credit card. We have included a schedule (**Exhibit C**) itemizing these reimbursements. Although the University was reimbursed for those expenses indicated as personal by Dr. Dobelle, the University policy and procedure manual expressly forbids the use of University credit cards for personal use. The scope of the engagement did not consider validating whether expenses were properly deemed as business or personal, and, it was aimed more towards self-validation of those expenses. This emphasizes the importance of the University policy and procedure manual that only business expenses should be incurred on the University credit cards.

-University credit cards were used by Dr. Dobelle as well as other individuals within the President's Office. Although in each instance the University was reimbursed for the respective charges, this was a clear violation of University policy in regards to the use of credit cards. We noted reimbursements back to the Institution from Ms. Salvidio, Ms. Young and Ms. Queen.

-We discovered a significant amount of travel costs incurred by the University. Many of the trips involved several University employees. It is difficult to assess the benefits of these trips after the fact. However, it is clear the University needs to institute increased controls over travel establishing parameters, to ensure that the purpose of the travel will provide immediate and direct benefits to the University. With over 90% of the University's student body coming from the New England area, out of state and international travel should be thoroughly substantiated to avoid any potential criticism. Post action reports describing the benefits to the University and the cost of the travel should be required of all participants. State institutions are in the "public eye" and travel is usually at the forefront of scrutinization. Documenting the purpose of the respective travel, how it benefited the institution and summarizing the end results would help to defray potential criticism. Enhancing the results with a cost benefit analysis would also be assist to determine whether similar travel should be undertaken in the future.

-Due to substantial use of the University credit cards for University and non-University purposes, additional time and effort must be expended by University personnel to identify whether the charges are of a personal nature or properly assessed to the University. After the statements are analyzed by the President's Office, an additional review is performed by the accounting department. It is not unusual for the credit card transaction summaries to be changed based on additional facts and circumstances. In addition, a lot of time is spent by University personnel in preparing travel reimbursement forms. It is not unusual for travel forms to have cross outs, and numerous other changes. It appears that many of these travel forms are prepared in conjunction with the receipt of the credit card statements. Notations exist on travel reimbursement forms indicating "checked against credit card statements". All this analysis, although required due to the significant amount of credit card transactions, is an unnecessary use of the University's personnel and resources.

-The most subjective component of this engagement was the determination of what transactions are deemed "reasonable and not excessive". The definition of "reasonable and not excessive" can vary depending on the particular environment in which the charge was incurred. Cost principles for public educational institutions follow the principles of Circular A-21 which defines "reasonable costs" as follows:

-A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. Major considerations involved in the determination of the reasonableness of cost are : (a) whether or not the cost is of a type generally recognized as necessary for the operation of the institution or the performance of the sponsored agreement; (b) the restraints or requirements imposed by such factors as arm's length bargaining, Federal and State laws and regulations, and sponsored agreement terms and conditions; (c) whether or not the individuals concerned acted with due prudence in the circumstances, considering their responsibilities to the Institution, its employees, its students, the Federal Government, and the public at large; and, (d) the extent which the actions taken with respect to the incurrence of the cost are consistent with established institutional policies and practices applicable to the work of the institution generally, including sponsored agreements.

Additional complexity is added to indecisiveness of the "reasonable cost" principles is by the fact that, as a public institution, Westfield State University is in the public eye. A major concern in any public entity is to avoid perception issues relating to individuals taking advantage of their position of trust. Perception issues generally lead to further scrutiny and possible negative publicity. As a public entity, the University also is subject to Freedom of Information requests which could also result in negative publicity if the reasonable cost principles are not followed.

Based on our analysis, and, disclosed in more detail below under "specific observations", the University needs to reinforce adherence to the reasonable cost principles by its employees, particularly in the area of travel costs. We noted a number of instances where flights were booked on very short notice, resulting in excessive airfares. It is also not unusual for flights booked in advance to be changed, incurring additional costs to the University. Each of these instances is not in accordance with the University's airfare travel policy. We found that hotel

charges were generally not at low moderate cost non luxury hotels in accordance with the University's policies. Any one of these occurrences could potentially create a perception in the public eye that University personnel have no regard for costs which could be harmful to its reputation relating to prospective students as well as garnering increased future state appropriations. Again, to reiterate from an earlier observation, documenting the cost benefit of such travel could be helpful in substantiating costs that may be above "reasonable and not excessive".

-One item we noticed during our analysis that has been rectified recently was the approval function over Request to Travel Forms. The request to travel form generally required two signatures, the traveler, as well as the individual approving the travel. We noted a number of times that Dr. Dobelle would sign as the traveler, and, approval would be by Ms. Salvadio (Exhibit D) who reports to Dr. Dobelle. In such a position it is highly unlikely the approver would question the purpose or the expenses incurred. There were other instances where Ms. Salvadio's signature was present on the request to travel form both as the traveler as well and the authorizing party. All travel by the President should be approved in advance by the Vice President of Finance and Administration and/or the Chair of the Board of Trustees. It would be unusual for travel by the President on behalf of the University to be of an emergency nature not permitting prior approval. Implementation of such a policy would result in increased oversight and protect the University from potential scrutiny over travel expenses.

-We also noted several instances where a travel number (E000 #) was assigned to a trip, even though a substantial portion of the travel expenses were classified as personal. If the majority of a trip is to be classified as personal, a travel number should not be assigned. If business expenses were incurred during a personal trip, a travel reimbursement form should be submitted with those expenses including the required support and itemization, rather than utilizing the University credit card and following up with a personal check for reimbursement to the Institution for the personal expenses incurred (Exhibit D).

-Enhanced controls over travel reimbursements and dinners incurred on the University credit cards must also be implemented. We noted a number of instances where per diem meals were reimbursed to Dr. Dobelle on dates that charges for meals were also on the University credit card (Exhibit E).

- Stronger controls are also necessary over the use of earned time versus personal time. We noted instances where out of state hotel stays were deemed to be personal, but, accumulated personal time was not relieved, and actual time was earned. If the out of state travel was determined to be non-University related; vacation and/or leave time should accordingly.

-It is not unusual for internet/personal computer charges to be included on hotel bills. The daily computer charges can range anywhere between \$10 and \$25 per day. The University specifically addresses internet charges within its hotel accommodations policy and that they are only reimbursable with the approval and justification of the department head and area Vice President. In this day and age of mobile devices such as laptops, phones and tablet devices, internet access charges should be minimized and other means should be utilized.

SPECIFIC OBSERVATIONS

-We performed a review of reimbursements from the University to the Foundation for use of the Foundation credit card. Each month the Foundation credit cards were analyzed and segregated as Foundation, University or personal expenses. From the period September 17, 2009 through September 16, 2010 there were 11 checks written from the University amounting to approximately \$38,000 reimbursing the Foundation for University expenses. We noted the following items which could be construed as not in line with "reasonable and not excessive" and do not appear to comply with the University's policies:

- Expenses for dinners incurred without itemized receipts;

- Parking charges incurred for \$390 on July 27, 2009;

- November 25-27, 2009, charges were incurred at the Hilton Vienna Plaza under E0004599. However, \$1,783.35 of the \$2,236.20 hotel bill was classified as personal and reimbursed subsequently by Dr. Dobelle.

- The authorization to pay form requires two signatures; the Department Head/Chair Signature and the Vice President or President signature. In all cases, Ms. Salvidio signed each authorization to pay, at times as one of the authorized signatories, and, at other times as both for reimbursements to the Foundation (Exhibit F).

-The following observations relate to expenses incurred on University credit cards for the years ending June 30, 2009 through the current period. As noted earlier, we are disclosing those instances where the charges could be considered beyond "reasonable and not excessive". For many of the charges described below it does not appear the University acted with a "due prudent" attitude. We are also disclosing instances in which there was a violation of University policies.

FISCAL YEAR ENDED JUNE 30, 2009

-On January 16, there was a charge on the University credit card used by Ms. Queen, related to a buffet breakfast at the Hyatt Regency in Washington, DC on the day of the inauguration of President Obama for \$7,500. A second charge of \$1,597.20 occurred on January 29, 2009. In addition, the University issued a check to the Hyatt Regency for \$10,972 bringing the total buffet/room rental charges to \$20,069. It appears from the contract that the maximum number of guests would have been 300; average cost of \$67 per person for the breakfast. The University also rented a bus transporting 308 individuals to the inauguration. The cost of the transportation was \$14,100 and students were charged \$30 for the trip. The total net cost to the University after the student subsidy was approximately \$25,000. The contract with the Hyatt Regency was signed and authorized by Ms. Salvidio. Although the students had a once in a lifetime opportunity to witness a presidential inauguration, the cost of the trip was above and beyond "reasonable and not excessive". A cost analysis should have been performed in the planning stages of the event to structure the net costs at or near "break even". Students should have been charged more than \$30, or more due diligence should have been performed in regards to the cost of breakfast, or, a combination of both scenarios.

-A reimbursement was received by accounting on February 5th, 2013 in the amount of \$167.14 pertaining to expenses incurred during fiscal 2009. The only reference to the documentation was travel # E0004121 and it appears it related to a parking charge incurred by Dr. Dobelle. This particular charge was incurred on a Foundation credit card and was subsequently reimbursed by the University. We have included this reimbursement as an exhibit to this report.

-Total travel encumbrances for Dr. Dobelle for the year amounted to \$71,212, of which \$56,775 was spent. There is a schedule detailing the respective encumbrances as **Exhibit G** to this report.

FISCAL YEAR ENDED JUNE 30, 2010

-During October, 2009 two flights were changed at \$150 per ticket to stay in San Francisco for an additional day. The original flight was booked for October 9th, 2009 through October 20, 2009. Each flight was changed so that the departure date would be October 21st. The original tickets were purchased August 25, 2009, which was cost effective for the University. However, the ticket change was processed on October 6th, three days before the initial departure. The tickets were in the name of Ms. Salvidio and Ms. Marotta and charged on Ms. Salvidio's University credit card.

-There was a charge contained on Michael Konig's credit card in the amount of \$6,900 related to a one week program at the Harvard Kennedy School during May, 2010 related to the "Art and Practice of Leadership Development". The charge was approved by Ms. Salvidio. Mr. Konig is

no longer employed at the University. We suggest a process be implemented in which an employee receiving educational benefits such as this is required to continue employment at the University for a specified period of time, otherwise a graduated scale of reimbursement would be necessary.

-Total travel encumbrances for Dr. Dobelle for the year ended June 30, 2011 amounted to approximately \$65,000 of which \$44,242 was spent (Exhibit G).

FISCAL YEAR ENDED JUNE 30, 2011

-A flight to Washington D.C. was booked on September 27, 2010 for round trip travel on October 3-October 5th, 2010 at a cost of \$885. If the flight had been booked earlier the cost would have been substantially less. Alternatively, other means of travel should have been considered to avoid the high cost of the flight.

-Dr. Dobelle reimbursed the University \$1,094.30 in September, 2012 for personal charges incurred on Ms. Salvidio's credit card in the month of March, 2011. This reimbursement related to a hotel stay in Miami Beach for the period Friday, March 18 through Monday, March 21, 2011. Since the hotel bill was paid for personally, there is a reasonable expectation that this time period should have been construed as personal time as well (Friday and Monday). However, no vacation/leave time was taken during those two days, and, per diem amounts were claimed on the travel reimbursement forms. The hotel bill along with the travel reimbursement form is included within Exhibit A.

-Flight to Washington DC was booked on October 18th, 2010 for October 19th-21st, 2010. The flight departed at 4:45pm on the 19th, and, returned at 8:05am on the 21st. The cost associated with the flight was \$1,357. When adding the cost of the hotel for two nights, and, the out of pocket associated with the trip, the cumulative cost for one day in DC amounted to \$2,213.

-Flights were booked for Ms. Salvidio and Dr. Dobelle on January 11, 2011. The original flight was booked for January 26th, returning on January 31, 2011 (Wednesday-Monday). The original total flight cost was \$559. However, a subsequent decision was made to change the flights to leave on Tuesday, the 25th instead. The cost of the two tickets changed from an original price of \$559 to a total of \$1,852, an increase of \$1,293.

There were a number of instances where flight costs for Dr. Dobelle's wife and son were contained on a University credit card. Often times the credit card used was not Dr. Dobelle's University card, but, Ms. Salvidio's. See Exhibit H. Although in all cases, the respective charges were subsequently reimbursed by Dr. Dobelle, the charges should not have been incurred on a University credit card. In effect, the use of a University credit card in this manner, particularly when reimbursement does not occur for months later, constitutes an interest free loan.

-Request to travel form, E0005803, listed Dr. and Mrs. Dobelle's as the travelers. The form was signed by Dr. Dobelle, and, approved by Ms. Salvidio (Exhibit H). Request to travel forms should only include employees of the University.

-The request for travel form, E0005803 related to charges incurred on February 20th, and, March 2-4, 2011. However, the form was signed and approved on March 7th and March 8th. Requests for travel should be made prior to the actual travel dates in order to be properly authorized and approved (Exhibit H).

-The travel request form, E0005803 consisted of a trip from Hartford to Fort Lauderdale, February 20 through March 5 (which according to personnel records was charged to Dr. Dobelle's vacation time) and included a round trip ticket on March 2 through March 4 from Fort Lauderdale to New York. The University incurred several flight change charges amounting to approximately \$300 related to each of these flights. Additionally, the flight changes amounted to only several hours between flights. The round trip flight to/from New York/Fort Lauderdale amounted to \$492. The purpose of E0005803 was to attend the Clinton Global Initiative Strategic Planning Retreat, which took place on March 3, 2011. The University needs to consider in the future whether these types of trips are economically feasible as well as if they are in the best interests of the University.

-Parking charges at Sheraton Bradley Airport on March 11, 2011 in the amount of \$330.

-During the year fiscal 2011, there were a number of trips to San Francisco and/or the state of California. We noted expenses incurred during the months of October, January, and May. Several, if not all, of these trips relate to the University's J Term Program. Generally, an initial research site visit occurs to develop the course curriculum. This is followed up by the actual J Term course. The University subsidizes all costs associated with the site visit. These costs, paid for by the International Program Office, can be substantial. During January, 2011 approximately \$10,000 of such costs were incurred by Dr. Dobelle, Ms. Salvidio and Ms. Marotta in connection with a six day stay in San Francisco. During May, 2011 it appears that five individuals traveled to San Francisco for a site visit to establish the course development for the J Term program (Dr. Dobelle, Ms. Salvidio, Ms. Marotta, Mr. Pickron and Ms. Swaidan). Although each individual's travel itinerary was somewhat staggered, the majority of people stayed over Memorial Day weekend. The cost of the hotels, exclusive of airfare and incidentals, was approximately \$7,400. This cost was absorbed by the International Program Office and not recovered through student fees or program related revenues. The University should evaluate the success and benefits of the J Term Program to properly budget the cost of course development and the extent to which it is prepared to subsidize the program.

-Travel encumbrance #E0006004 was approved for a trip to London on June 24-June 25, 2011 which consisted of overnight hotel stays for two days (Friday and Saturday). This trip was booked only four days in advance of the actual travel, and was authorized by Dr. Dobelle and Ms. Salvidio (Exhibit D). The costs for this travel were initially processed and absorbed by the University as business expenses, as they were associated with an approved travel encumbrance. Subsequent to the Freedom of Information request for presidential travel Dr. Dobelle reevaluated the underlying purpose of this travel and reimbursed the University, more than a year after the expenses were incurred, for the cost of the hotel, but not the related airfare. Personal travel should not be included on an approved travel encumbrance number. In addition, if the hotel stay was personal, it would be reasonable to assume that vacation/leave time should also have been taken for that time as well. Additionally, earned time was not reduced on June 24th even though it should have been regarded as personal time.

-Since the flight to London was departing from Boston, Dr. Dobelle stayed in Boston the night before (June 23) at the Hyatt Harborside. The cost of the hotel stay was \$488. We did not see the flight itinerary to determine if a stay the night before the flight in Boston was necessary. Regardless, the cost of the hotel was "above reasonable and not-excessive".

-The trip to London was expanded to include a visit to Vienna in which the majority of expenses incurred were classified as personal. A check was submitted in September, 2011 to reimburse the University \$1,282.85. Again, the University's credit card in the name of Ms. Salvidio had been used. Since the majority of the expenses for this particular trip were personal, a personal credit card should have been used rather than the University card.

-Total travel encumbrances for Dr. Dobelle for the year ended June 30, 2011 amounted to \$51,635 of which \$36,093 was spent (Exhibit G).

FOR THE YEAR ENDED JUNE 30, 2012

- We noted that Dr. Dobelle began using his University credit card on a regular basis beginning in November, 2011.

-Even though the University was ultimately reimbursed, Ms. Salvidio used the University credit card to pay for her daughter's airline ticket to Orlando for the period January 25, 2012 through January 29, 2012.

-Again, the cost of a number of flights was increased as a result of changing originally scheduled travel. Changes in the flights have a multiple effect on increased costs; the cost of the flight increases as well as an additional change fee incurred. We noted a number of situations where flights were changed resulting in unnecessary additional fees to the University.

-We noted a reimbursement from Ms. Young in the amount of \$77.91 for an executive valet charge that was on Ms. Salvidio's University credit card. The charge was on December 28, 2011 but was not reimbursed by Ms. Young until May 9, 2012.

-There was a note handwritten on a journal entry form referencing the handling of hotel reward points. The note stated "Dr. Dobelle's name the hotel receipt because he gets the reward points on hotel rooms, the rooms are reserved in his name". During our review of University policies, we did not observe any policies in regard to hotel points or flight miles. The University should address this issue and create an appropriate policy respecting the needs of both the specific individual and the State's taxpayers who ultimately bear the cost.

-Although we did not see the flight itinerary for an October 2 flight to Washington DC, because the flight was booked only a week in advance the cost to the University was \$921. Additionally, on September 30th, the flight time was changed, incurring a change fee of \$150. This flight was part of travel # E0006205 which was approved for approximately \$6,000.

-Ms. Young's University credit card for the period November 18, 2011 through December 15, 2011 consisted of various charges amounting to \$139.34 of which \$134.30 were personal and reimbursed to the University the following month. Although clearly a small dollar amount, only approved business expenses should be charged to the University credit cards and we reiterate that the University's credit cards should never be used for personal purposes.

-Flights to Washington DC booked for Ms. Marotta and Ms. Salvidio a week in advance in November, 2011 each cost \$933.

-During January, 2012 the University held its "J Term" program in San Francisco. As indicated earlier, the University needs to analyze the cost benefit of this particular program. At a minimum, future costs of such programs should be scrutinized. The hotel bill for Dr. Dobelle during the week January 11, 2012 through January 17, 2012 (Wednesday through Tuesday) amounted to approximately \$3,400 (net of personal reimbursements) at the Grand Hyatt San Francisco. The hotel charge for the first two nights of the week was \$553 per night.

-We noted an advance purchase charge receipt for a one night stay at Hilton Daytona Resort. The sale date was November 10, 2011 for a December 16, 2011 night stay. The cost of the one night stay was \$446. Although the University was diligent in booking the night stay in advance, it should have been more prudent in looking for a more affordable facility.

-We noted a number of flights related to Ms. Dobelle and Mr. Harry Dobelle that were charged on either Ms. Salvidio's or Dr. Dobelle's University credit card (**Exhibit H**). In each instance, the charges were reimbursed to the University via a personal check from Dr. Dobelle.

-Cost of flights could be reduced substantially with advance planning. A flight was booked online on November 14, 2011 (Monday) for a November 18 (Friday) departure to New Orleans returning Monday, November 21, 2011 at a cost of \$775.

-Total travel encumbrances for Dr. Dobelle for the year ended June 30, 2012 amounted to \$46,168 of which \$44,963 was expended (**Exhibit G**).

FOR THE YEAR ENDING JUNE 30, 2013

-A hotel expense was charged to Dr. Dobelle's University credit card for one night at the Hilton Times Square on September 18, 2012 at a cost of \$543. This is beyond "reasonable and not

excessive" and not in accordance with University hotel accommodation standards. The invoice is attached as (Exhibit I).

-Although the updated policies reflect a board review of Presidential travel, consideration should be made to extend this review to other members of the University. In November, 2012, international travel to Florence, Italy was requested by Mr. Lemanski and approved by Dr. Dobelle. Mr. Lemanski used Dr. Dobelle's credit card to book the trip at a cost of \$1,237 (E0007265).

-During July, 2012, Dr. Dobelle traveled to Washington D.C. for the period July 3rd-July 8th, a 6 night stay over the July 4th holiday week resulting in a hotel charge of \$1,785. In addition to the hotel bill, a travel reimbursement form was also completed aggregating \$292 for the trip. The reimbursement form included cab fares incurred during the stay in DC. However, the hotel bill included \$246 for valet parking, which would indicate that a vehicle was available for transportation.

-During July, 2012 Dr. Dobelle traveled to San Francisco for two weeks, July 15th through July 29. Five days of the two week period were classified as business, and, two of those days were traveling days to and from Boston. The itemized Grand Hyatt hotel bill indicated that the charges incurred on July 18th and 19th were to be classified as personal, and, reimbursed to the University from Dr. Dobelle. However, vacation/personal time was not taken on either of those days and the time was classified as "earned time". E0006884 which encompassed the trip to San Francisco was approved in April, 2012, but, was subsequently revised. The approval for the revised E000# was dated subsequent to the date on which the transactions occurred.

-The University incurred a flight change charge of \$139 attributed to Dr. Dobelle's travel from Bradley airport to Dallas on January 15th, 2013. The flight was changed from an original departure time of 12:40 to 5:45 the same day. There was an additional \$60 checked baggage fee associated with the trip.

-The University also incurred a flight change charge for a trip to Orlando on January 28th, 2013. The original flight was scheduled to depart from Boston at a cost of \$237. The flight was changed to leave Bradley on the 29th, incurring an additional \$330. There was also a \$60 charge incurred on the flight for additional leg room.

-The University incurred a flight charge for Ms. Lugo-DeJesus for a trip to Puerto Rico on January 16-19, 2013. The trip was booked on January 14, and, the cost of the flight was \$1,231. The Request to Travel Form indicated that the purpose related to a two day board meeting of the HETS/Hispanic Educational Technology Services Board of Trustees consortium to discuss a possible collaboration between the University Nursing program and schools/hospitals in Puerto Rico. Mr. Rafael Bones, Human Resource Director, also attended this trip. Advance planning could have reduced the cost of the airfare to Puerto Rico.

-The University revised its meal policy as disclosed earlier in this report during October, 2012. Since the adoption of the revised meal policy, there have been two business meals in question. On November 15, 2012 there was a Pre-NEASC Accreditation meeting with strictly University personnel present for \$100.53 and on March 3, 2013 there was a dinner for the "review and future of DGCE" between Dr. Dobelle and Ms. Tobin in the amount of \$41.08.

Conclusions-University

The Executive Committee of the Board of Trustees, the President and Vice President for Administration and Finance considered the implications of the package received and determined that due diligence procedures were necessary. Unfortunately, the individual(s) that submitted the package to the University were silent as to their overall objective or issues and concerns with the enclosed materials. As a result, without any specific direction from the individual(s), management determined the procedures to apply to the information independent of outside guidance or expectations.

We analyzed the President's credit card statements through the most current statement, which was dated February 17th, 2013. Although we have noted instances in which the cards were not used in accordance with University policy, it is important to note that the more recent activity for which the cards have been used. There has been a significant reduction in the number of transactions and dollar amounts on the credit cards during the past three months. Please note the following credit card bills over the past three months:

November 17 th -December 17 th , 2012	\$3,860.66
December 18, 2012-January 17 th , 2013	2,810.47
January 18 th - February 17, 2013	<u>1,488.97</u>
	\$8,160.10

Additionally, the charges noted above also do not pertain totally to Dr. Dobelle. There was a flight charged by Mr. Lemanski to Florence, Italy approximating \$1,230 during the month of November. In addition, there was a flight charged by Ms. Lugo De Jesus during January for \$1,230. When these two charges are removed from Dr. Dobelle's credit card, there was a net of \$5,700 incurred during the past three months. It appears that the enhanced controls over travel expenditures have been effective in limiting expenses incurred. In addition, we noted no personal expenditures during this same period.

Various travel amounts charged during the past three months on Dr. Dobelle's credit card are as follows:

<u>Sale Date</u>	<u>Vendor</u>	<u>Destination</u>	<u>Departure Date</u>	<u>Cost</u>
December 3	Amtrak	Philadelphia	December 3	\$155

January 3	American	Dallas	January 15	320
January 3	Jet Blue	Orlando	January 28	238
January 10	Jet Blue	Orlando	January 29	330
January 15	American		January 15	** 60
January 15	American		January 15	*139
January 18	American		January 18	** 60
February 13	Jet Blue	Fort Lauderdale	March 4	408

* denotes bag charges or seat upgrades

** denotes cost of flight change

Although it appears that credit card disbursements for the past three months have significantly been curtailed, previous disbursements could be construed as beyond "reasonable and not excessive". The majority of these disbursements related to travel, particularly the quantity of trips and the related costs associated with airfare and hotel stays. As noted in the University's policies and procedures, all travel should benefit the University. Travelers should stay at low or moderate cost non-luxury hotels. Travelers should take advantage of reduced rates and avoid changes/cancellations of airline travel. Based on the above observations, hotel accommodations are generally at high end locations. Flight reservations are often changed increasing the cost of the respective travel arrangements. Flights at times are booked with very little lead time which also increases the cost of the travel. There needs to be more regard for costs incurred on travel and the concept of "prudence" should be enforced.

Although the University has strengthened controls over travel expenses, the policies could be further enhanced. The overall travel policy dictates general guidelines and emphasizes that trips must have an overall benefit to the University. There needs to be more oversight at the board level over presidential travel to ensure the guidelines are followed. Trips should be reviewed by the board in advance for approval and an explanation of the benefits the University will derive. This review process should not only include the purpose of the trip, but, also the overall costs to the University. This analysis should also include the absolute dates required to be off campus to avoid "stretching" of time away from campus. In addition, the number of individuals necessary to participate in the travel should also be scrutinized in order to reduce the overall costs. Travel costs should be carefully reviewed to establish their genuine need and underlying benefits to the University. Alternatives to actual travel such as conference calls and visual conferencing should be evaluated for their benefits and costs savings. In addition to the hard costs of travel and related lodging cost that would be saved, the parties involved would be available on campus more often. Costs on prior trips could have been reduced by reducing the length of the trip and limiting the number of participants. A post trip summary should also be prepared and presented to the Board to determine if future trips of a similar nature should be taken. Final costs associated with the trip should be part of this post trip summary.

We did not see any University policy in regards to accumulated flight miles and hotel points. There has been a significant amount of travel paid by the University over the past several years. As a result of the abundance of travel, there is also a significant amount of flight miles and hotel points accumulated. The University should consider having miles/points accrue the University as a means of reducing the future cost of travel. In addition, if possible, miles and hotel points

accumulated to date by travelers of the University should be applied to future trips on behalf of the University. The University has incurred the expense associated with these perks and accordingly as a taxpayer supported institutions should reap the benefits through cost savings.

Management should determine if there is a need for the current number of credit cards authorized. As of May 15, 2012, there were approximately 40 credit cards with limits from \$1,000 to \$85,000. The President's Office maintains three cards as described earlier with an aggregate credit capacity of \$50,000. The University's total credit card limit is \$85,000. The University should consider using one corporate credit card which would incorporate all transactions of the University and utilize procurement as much as possible in the purchasing of travel and lodging to minimize the number of transactions. In addition to dollar limits, there should be daily and annual limits on spending on the cards. The University needs to adhere to its policies in regards to the personal use of the credit cards and not permit use for other than University purposes.

Once the University establishes the appropriate number of credit cards to be authorized, the policies and procedures implemented **must** be followed. Each credit card transaction must be supported with proper and complete documentation. Receipts should include the name of the company/business or individuals, date, amount of the transaction, and a description of the benefit to the University. At the end of each month, the cardholder should summarize the credit card activity along with original receipts and submit to the appropriate manager for review and approval. The report should be signed by the individual and signed by a manager as evidence of approval. Personal expenses should not be allowed. The stipulated consequences described within the policies and procedures manual must be enforced for any infringements.

If credit card abuse continues, the University should consider implementing a system wherein employees first incur the cost and request reimbursement. This would provide the opportunity to properly review the expenses, and, it is likely that University employees would be more prudent in making expense decisions with the knowledge that reimbursement is subject to approval and potential questioning.

A significant concern at the genesis of this engagement was the determination if personal expenses had been incurred by employees of the University, and, whether those expenses had been properly reimbursed. In all cases where credit card charges were identified as personal in nature by an employee, the University was reimbursed. However, the potential exists that expenses could have gone through the system since they had not been construed as personal. There have been several reimbursements made by the President since September, 2012 that related to expenses from previous years. Those particular expenses which were not subjected to review by another party were processed as business expenses of the University. If a dinner receipt contained notations indicating a business purpose, there would be no reason to question the expense. However, several of the reimbursements made by the President contained similar descriptions indicating a business purpose. Therefore, at times, it can be difficult to ascertain the true purpose of certain expenses.

No internal control system over credit card disbursements and travel is perfect. However, the goal is to minimize the potential for abuse and flaws within the system. The University already

effected significant changes to policies and procedures in this area. As recent as October 2012, the University revised policies and procedures in the following procedures:

- Travel;
- Administering of Petty Cash Funds;
- Corporate credit card use (purchase and travel);
- Reimbursement of University Related Expenses and Petty Cash Funds;
- Reserve Fund Transfers

By employing these new policies, the President and Board of Trustees will have a more robust system of checks and balances to circumvent any potential weaknesses in the control environment.

FOUNDATION

In order to satisfy the procedures listed above relating to the Foundation, please note the following:

-All books and records were made available for us to review and all individuals involved cooperated and all information was readily supplied to us. We selected the following vendors for all years under review:

- Westfield State College/University;
- Dr. Dobelle;
- Mr. Ziomek;
- Mr. Bowman;
- Mr. Bean;
- Mr. Lemanski;
- Business Card.

-We also quantified the amounts reimbursed to the Foundation by Dr. Dobelle and Westfield University for the fiscal years ended June 30, 2009 through 2012. We subsequently traced all reimbursements to the Foundation bank statements to ensure that the amounts reimbursed cleared the banking institution.

-We reviewed each credit card statement for each of the individuals listed above noting various items which appeared to be over and above "reasonable" in both amount and business purpose under the circumstances.

-The supporting documentation of expenses incurred by the University using the Foundation credit cards was not contained within the Foundation records. As a result, we had to obtain the

University check numbers for those reimbursements and verify the support with the University's accounting office.

-We performed these procedures for the fiscal years ended June 30, 2009 through the current period. Our notes and comments follow according to each fiscal year.

GENERAL OBSERVATIONS

-A significant question revolves around the general mission of the Foundation and the determination of which entity should be responsible for certain expenses. We noted the following types of expenses incurred and paid for by the Foundation:

- Sports travel;
- Homecoming Events;
- Numerous dinners (interns, alumni, incoming students, parents);
- Alumni events;
- Golf Sponsorships;
- Concerts (Bowzer).

-Each month the credit cards are analyzed by an outside accounting service hired by the Foundation (Appleton Corporation). There were generally four categories in the analysis; amounts to be reimbursed by the University, amounts to be reimbursed by Dr. Dobelle and others and amounts to be expensed by the Foundation. In certain instances a credit card charge would be split between several categories.

-There was significant personal use of the credit cards, primarily by Dr. Dobelle. In all cases where an expense was identified as personal, appropriate reimbursement was made to the Foundation by Dr. Dobelle. However, even given the fact that the Foundation was reimbursed, the personal use of the credit card should not have been permitted. We have attached a spreadsheet of Dr. Dobelle's credit card statement dollar amounts. For the period July 1, 2008 through December, 2010 (the date which the credit card activity stopped), charges accumulated to \$180,209 (Exhibit J). A subsequent summary also contains the amounts that were paid back to the Foundation from Dr. Dobelle totaling \$34,854 (Exhibit K).

-These spreadsheets quantify the dollar amounts allegedly spent on behalf of the University and the amounts which had to be reimbursed by the individual cardholders. Controls must be in place to avoid any "perception" issues that may arise from the use of the Foundation credit cards as well as inadvertent errors in the classification of charges as personal or business. Several conclusions can be made based on the above schedule as well as a cursory review of the individual transactions on the various credit cards. These conclusions are based upon "perception" issues as we were unable to verify receipts against individual transactions on the various credit cards. Please note the following:

-The Foundation credit cards were used frequently, and, the dollar magnitude could be viewed as significant;

-In those instances where the expenses related to the University, a University credit card should have been used;

-There should not be any personal expenses charged to either a Foundation or University credit card even if those expenses are subsequently be reimbursed by the cardholder.

-As indicated in the previous bullet, in all cases where there was a designation that charge was for personal purposes, it was subsequently reimbursed by Dr. Dobelle. However, the question arises as to items which were not designated as personal and ultimately paid for by either the College or Foundation. It was difficult to ascertain except in certain obvious cases whether an item was personal or related to University or Foundation business. We did discover an instance in which the Foundation paid for the airfare for Dr. Dobelle's wife in the amount of \$844 for a trip to Montana in June, 2010. We were not able to locate evidence that this was repaid to the Foundation during our fieldwork procedures (January, 2013). However, once it was discovered and communicated to Dr. Dobelle, a check was issued for \$844 on February 6, 2013 reimbursing the Foundation for the expense. We have attached the disbursement and related ticket information as **Exhibit L** to this report.

-There was an additional reimbursement from Dr. Dobelle on October 1, 2012 in the amount of \$1,512.19 (**Exhibit M**). This reimbursement related to charges incurred on Dr. Dobelle's Foundation credit card for the period of August 26, 2009 through July 23, 2010. Many of these charges exceeded three years old and should have been reimbursed to the Foundation in a more timely manner. None of these charges were previously noted as personal expenses, thereby giving no reason that reimbursement was necessary. Other than the Limo Service that denotes reference to Mr. and Mrs. Dobelle for \$337.75, the other receipts provided no indication that they were of a personal nature. One of the reimbursements contained no detail and a "Missing Receipt Form" was submitted to the University, signed by Dr. Dobelle and approved by Ms. Salvidio for the \$437.45 dinner at Balboa Café in San Francisco. According to University policies and procedure, this particular form is not to be used for any expenses exceeding \$25. In addition, a travel reimbursement form was submitted by Dr. Dobelle for dinner that evening. The reimbursement check provided by Dr. Dobelle paid the Foundation back for several other dinners. Each of these receipts had notations on them giving them the appearance that they were business related. Names of individuals were noted on the receipts. Since there were numerous dinners paid for by the Foundation during the period of the credit card use, and most dinners contained similar documentation, there is the potential that the cost of additional dinners have been miscategorized.

- The quantity of transactions contained on the credit cards were numerous, which given the circumstances of this engagement, indicates a bypass of internal controls since transactions are not authorized and approved within a normal disbursement cycle. Credit card transactions have already occurred and the Foundation's only recourse in disputing a charge is whether the charge did not relate to the Organization.

-Many dinner receipts were not itemized, and purposes of the respective dinner was very general-at times noting only the names of the attendees, without any notations as to the business purpose;

-Many dinner meetings took place at high end restaurants which would be beyond "reasonably priced";

-Please note that the use of credit cards stopped during November, 2010, and as a result, as illustrated below, the amounts of spending significantly curtailed during fiscal year ended June 30, 2011. The majority of expenses itemized below give an indication that there were no controls over spending during the specific time period. Access to the credit cards weakened the control environment even further, as all expenses were in essence, authorized to be spent. We understand that a Memorandum of Understanding between the Foundation and University has been developed and agreed upon. However, it is now the Foundation's responsibility to determine what types of expenses will be allowed going forward. Many of the expenses listed below may indicate Foundation business, and, the potential for donations. However, there did not appear to be any follow up as to what events worked, the donations raised as a result of the effort. This "cost-benefit" analysis should be considered for any significant event of the Foundation and/or University when donations are the hopeful outcome.

-Please also note that this is not an all-inclusive listing of those expenses paid by the Foundation and/or the University for which questions arose. There were a number of other expenses with a lower dollar threshold which have not been disclosed. In the interest of providing a "big picture" analysis of monies that were spent, we have itemized only significant amounts/issues.

SPECIFIC OBSERVATIONS

FISCAL YEAR ENDED JUNE 30, 2009

-Cost of dinners which could be construed being above "reasonable and necessary":

-Blantyre, August 2008, lunch for 4, total bill amounted to \$350 (Dr. Dobelle)

-Charlie Palmer Steak House in DC for \$1,142 (Mr. Ziomek)

-Bistro Zinc, \$453

-Donations to the Cancer House of Hope of which the Foundation's executive director, Mr. Ziomek was the chair of the Board (\$600) (conflict of interest);

-Ocean Edge clam bake- July, 2008 for \$4,500;

-Payment to FEDEX for shipment in anticipation of Asia trip-\$2,117;

-Wire transfers for approximately \$6,000 for China trip-no substantiation;

- Wire transfers of approximately \$8,000 to Vietnam, no substantiation;
- Charges to "Oriental Hotel" amounting to approximately \$12,000-no receipts;
- Significant dollar amounts for the ASIA trip did not contain documentation;
- Tickets for BSO \$3,064;
- Donation to Northeastern University to the Dukakis Tribute Fund \$1,000;
- Sheraton Bradley; May, 2009. Cloud Nine Lounge \$44.96, Room Movie \$35;
- Temporary Traffic signal at the commuter lot \$20,000;
- Internal controls not followed according to policies; expenses exceeding \$1,000 required two signatures, at least 5 instances, within the scope of our work, where only one signature was obtained.

FISCAL YEAR ENDED JUNE 30, 2010

- Cost of dinners which could be considered as above "reasonable and necessary":
 - Dauntless Club, Old Lyme, CT \$404;
 - Abe and Louie's, \$955, indicates "fundraising", receipt dated November 13th, and Dr. Dobelle also submitted a travel reimbursement form and was reimbursed the per diem rate. This reimbursement form and the credit card charge are attached as an exhibit to this report;
 - Rouge \$585;
 - Rouge \$621;
 - Rouge \$525;
 - Red Lion Inn \$629;
 - Wheatleigh, \$389;
 - Balboa Café, San Francisco, \$570 (no receipt), ultimately reimbursed by Dr. Dobelle three years later as noted above, also included as an exhibit to this report;
 - Palm Restaurant, Philadelphia, no receipt, \$301;
 - Opa, Opa Dinner, \$729, noted as a Student Government Dinner;
 - Bistro DuCoin \$464.40 DC, "Dinner with Alumni";
 - TWD Tent Club, Lenox, \$419;

-Dinners at Red Lion Inn and Rouge in November, 2009; Dr. Dobelle's portion was classified as "personal" and was reimbursed. Inconsistent methodology; if the dinners were business related, why would a portion be considered as personal?

-Foundation paid "alumni event" for \$636, no invoice, Mr. Ziomek's card;

-Donation to National Yiddish Book Center, note indicating "Foundation has to pay for Donations";

-Membership, Hancock Shaker Village, \$125, no receipt;

-Hilton Hotels, \$1,615, no indication of why a Foundation expense;

-Lynmar Winery, Sebastopol, CA \$570 (no receipt);

-Reimbursement for Travel, Barcelona-"per Dr. Dobelle's request", \$864;

-Request for the Foundation to pay \$1,000 to the "Art Gallery Fund" but, \$2,000 was paid;

-Paid College \$1,060 for "Florida Alumni Trip". The payment request includes hotel computing services and a transportation fee for \$891.

-BSO Pops, "tickets for residential life staff", \$800;

-Two tickets for Boston Symphony at Tanglewood, \$198;

-BSO Tanglewood, in name of College, paid by the Foundation, \$6,935.50;

-Arlo Guthrie tickets \$975;

-Donation to "Friends of the Clark" in Dr. Dobelle's name. Paid \$70 personally for the years ended 2005 and 2006. Foundation paid \$500 on September 3, 2009, and remained in Dr. Dobelle's name;

-Renewal for the priority club for intercontinental hotels, \$100;

-Tickets to Berkshire Theater Festival, \$410;

-Limo to New Jersey (Ms. Salvidio) \$886;

-Payment to Dr. Dobelle for James Taylor tickets for \$525, tickets in the name of Harry;

-Fort Lauderdale hotel bill for Mr. Lemanski, hotel bill for \$1,403 includes beach club fees and bar bills.

FISCAL YEAR ENDED JUNE 30, 2011

- Cost of cigars for golf tournament \$390;
- Cost of dinners which could be construed being above "reasonable and necessary":
 - Rouge \$629 (Saturday night prior to Tanglewood);
 - Rouge \$608 (Friday night);
 - Red Lion Inn \$657;
 - Rouge, \$600 although, a portion of bill was classified as personal;
- Ruth's Steak House, Boston, \$1,100, Mr. Ziomek's card, no business purpose was documented;
- School Street Dining, "alumni expense", \$720 Mr. Ziomek's card;
- Rouge \$818;
- A number of travel trips charged to the Foundation credit card;
- Museum facsimiles, \$369;
- Airfare for Dobelle's wife for a trip to Montana for \$844 as cited above. The amount was designated as "ACE Board", and expensed by the Foundation. We have attached a copy of the documentation as an exhibit to this report.
- Tickets to Tanglewood for \$199.

FISCAL YEAR ENDED JUNE 30, 2012

- Relocation expenses of \$5,000 for Mr. Bowman. No documentation of subsequent receipts substantiating the amount.
- Tanglewood tent club for 2012 season \$650.

FISCAL YEAR ENDING JUNE 30, 2013

- 20 hours of cleaning services during reunion weekend \$450.

CONCLUSION:

Although it was difficult to ascertain the purpose of expenses incurred on the Foundation credit cards at times, there is always the "perception" issue and the ability of the public to scrutinize those expenses. Westfield State University is a public institution and the Foundation operates as

a 501 © 3 organization. Since each entity is considered a public entity, requests for expense related and other information would be subject to compliance with Freedom of Information Requests. The University and Foundation, as well as the President and Board of Trustees of each organization must ensure that controls are in place to prevent any "perception" issues that may arise out of expenses which could be considered questionable.

The Foundation recognized the potential abuse over the credit cards and decided to terminate all cards in November, 2010. It appears that since the credit cards were cancelled, the Foundation's expenses have decreased, especially related to travel and entertainment. The Foundation has instituted tougher controls and has recently voted on a Memorandum of Understanding, along with the University, dictating each entity's responsibilities. The Foundation should also consider enhancing its internal documents to include what types of expenses would be covered under its own umbrella. As illustrated above, there were numerous golf tournaments, entertainment expenses and similar expenditures that should be scrutinized for their propriety.

A major concern of all public institutions is the avoidance of perception issues relating to individuals taking advantage of their position of trust. Perception issues generally lead to further scrutiny and possibly negative publicity that could have a detrimental effect on fundraising efforts and would work against the overall goal of the Foundation. Potential donors would think twice about donating to an organization that does not have its own expense structure in line, or is spending lavishly on entertainment, hotels and travel.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Board of Trustees/Directors of the Westfield State University and the Westfield State Foundation, Inc. and is not intended to and should not be used by anyone other than these specified parties.

**Certified Public Accountants
Braintree, Massachusetts**

March 12, 2013

EXHIBITS