

# STATE OF CONNECTICUT

**AUDITORS' REPORT  
BOARD OF TRUSTEES FOR  
COMMUNITY-TECHNICAL COLLEGES  
CAPITAL COMMUNITY COLLEGE  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2002**

**AUDITORS OF PUBLIC ACCOUNTS  
KEVIN P. JOHNSTON ♦ ROBERT G. JAEKLE**

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September 27, 2004

**AUDITORS' REPORT  
BOARD OF TRUSTEES OF COMMUNITY-TECHNICAL COLLEGES  
CAPITAL COMMUNITY COLLEGE  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2002**

We have examined the financial records of Capital Community College (College) for the fiscal years ended June 30, 2001 and 2002.

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

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

**COMMENTS**

**FOREWORD:**

Capital Community College, located in Hartford, Connecticut, is one of 12 two-year institutions of higher education which collectively form the Connecticut Community College System. The Board of Trustees of Community-Technical Colleges and its System Office, located in Hartford, Connecticut, administer the 12 institutions.

The College operates primarily under the provisions contained in Sections 10a-71 through 10a-80 of the General Statutes.

Dr. Ira H. Rubenzahl served as President of the College during the audited period. He resigned his position as of July 22, 2004. Booker DeVaughn, former President of Three Rivers Community College, is serving as interim President of the College as of July 23, 2004.

**Recent Legislation:**

The following notable legislation took effect during or near the audited period:

Special Act 99-10 – Section 11 of this Act appropriated, for the 2000-2001 fiscal year, \$2,199,964 of State General Fund money to the Community-Technical Colleges to be used to help support a tuition freeze. This Section became effective July 1, 1999.

Public Act 00-170 – Section 6 of this Act exempts college textbooks from the sales tax as of July 1, 2000. The exemption applies only to textbooks sold to students enrolled in higher education institutions. Qualifying textbooks must be required or recommended for a college or university course.

Public Act 01-141 – Section 1 of this Act extends by five years the period the Department of Higher Education shall deposit into the endowment fund for the Community-Technical College System grants to match a portion of endowment fund eligible gifts received. The Act sets the new period as the fiscal years ended June 30, 2000, to June 30, 2014.

Section 2 of this Act increased the annual limits of such grants for the fiscal years ended June 30, 2004 and 2005, from \$4,000,000 to \$5,000,000 and from \$4,500,000 to \$5,000,000, respectively. It also set the annual matching grant limit at \$5,000,000 for the fiscal years ended June 30, 2006, to June 30, 2014.

These Sections of the Act took effect July 1, 2001.

Special Act 01-1 (enacted by the November 15, 2001, Special Session of the General Assembly) – Section 1 of this Act appropriated, for the 2001-2002 fiscal year, \$2,236,923 of State General Fund money to the Community-Technical Colleges to be used to help support a tuition freeze. This Act was approved on November 20, 2001.

Public Act 02-107 – Section 1 of this Act changes from “activity fund” to “trustee account” the designation for funds used by State educational institutions (or welfare or medical agencies) for the benefit of employees, students, or clients of such institutions or agencies. Section 5 of the Act changes from “general welfare fund” to “account” the designation for accounts used for gifts, donations, or bequests made to the students or clients of any State educational, medical or welfare agency as a group, and for any corresponding unclaimed funds, and the interest on such funds.

This Act became effective July 1, 2002.

Public Act 02-126 – Section 6 of this Act provides that the Board of Trustees of Community-Technical Colleges shall waive the payment of tuition at any of the community-technical colleges for any State resident who is a dependent child or surviving spouse of a specified terrorist victim who was a Connecticut resident. This Section became effective June 7, 2002.

Public Act 02-140 – Section 2 of this Act allows constituent units of higher education, in the purchasing process, to accept electronic bids, proposals, or competitive quotations within a safe and secure electronic environment. The Act also bars such constituent units from

refusing to consider bids, proposals, or quotations because they were not submitted electronically. This Section of the Act became effective July 1, 2002.

**Enrollment Statistics:**

College enrollment statistics showed the following enrollment of full-time and part-time students during the two audited years:

	<u>Fall 2000</u>	<u>Spring 2001</u>	<u>Fall 2001</u>	<u>Spring 2002</u>
Full-time students	454	426	492	493
Part-time students	<u>2,604</u>	<u>2,550</u>	<u>2,529</u>	<u>2,597</u>
Total enrollment	<u>3,058</u>	<u>2,976</u>	<u>3,021</u>	<u>3,090</u>

The average of Fall and Spring semesters' enrollment totaled 3,017 and 3,055 during the 2000-2001 and 2001-2002 fiscal years, respectively. The slight increase in these figures amounted to one percent. During the audited years, the State experienced an economic slowdown. Generally, when the economy deteriorates, community college enrollment increases as people seek to improve or develop new job skills or to pursue lower cost higher education.

**RÉSUMÉ OF OPERATIONS:**

During the audited period, operations of the College were primarily supported by appropriations from the State's General Fund and by tuition and fees credited to the Regional Community-Technical Colleges' Operating Fund.

This report also covers the operations of the College's two fiduciary funds, the Student Activity Fund and the Institutional General Welfare Fund.

**General Fund:**

General Fund receipts totaled \$4,324 and \$3,632 for the 2000-2001 and 2001-2002 fiscal years, respectively. Receipts were made up of refunds of expenditures of budgeted accounts.

During the audited period, General Fund expenditures consisted entirely of personal services costs. Expenditures totaled \$9,757,465 and \$9,459,749 for the fiscal years ended June 30, 2001 and 2002, respectively, compared to \$9,299,309 for the fiscal year ended June 30, 2000. These figures represented an increase of \$458,156 (5 percent) and a decrease of \$297,716 (3 percent), respectively, during the audited years.

The slight increase in fiscal year 2000-2001 was the result of collective bargaining pay increases.

The slight decrease during fiscal year 2001-2002 was the result of a smaller appropriation to the College for personal services expenditures. Consequently, during the 2001-2002 fiscal year, the College's Operating Fund absorbed a larger share of personal services expenditures compared to the previous year.

**State Capital Projects:**

Capital projects funds expenditures during the 2000-2001 and 2001-2002 fiscal years totaled \$13,858,728 and \$5,866,595, respectively. These expenditures were made to cover the costs of renovation work to the new campus building as well as new equipment purchases during the audited period.

**Operating Fund:**

The College's operating revenues and expenditures (excluding personal services expenditures charged to the General Fund) are accounted for within the Operating Fund. Receipts of the Operating Fund consisted primarily of student tuition and fees received.

Receipts recorded by the State Comptroller during the audited period and the preceding fiscal year are shown below.

	<b>Fiscal Year</b> <b><u>1999-2000</u></b>	<b>Fiscal Year</b> <b><u>2000-2001</u></b>	<b>Fiscal Year</b> <b><u>2001-2002</u></b>
Total Receipts	<u>\$12,087,684</u>	<u>\$ 7,967,017</u>	<u>\$ 8,560,930</u>

Operating Fund receipts fell by \$ 4,120,667 (34 percent) during the 2000-2001 fiscal year, compared to the 1999-2000 fiscal year, mostly as a result of a change in the method used by the Community College system to report student financial aid-related tuition and fee revenues to the State Comptroller. During the 1998-1999 fiscal year and into the 1999-2000 fiscal year, the Community Colleges reported to the State Comptroller all student financial aid revenues recorded in their general ledgers, including both actual cash receipts received from Federal, State and private financial aid sources and internal, non-cash transactions of tuition and fee revenues recorded in their general ledgers. This method had the effect of duplicating some receipts recorded on the State Comptroller's books. Effective during the 1999-2000 fiscal year, the Community Colleges, after consulting with the State Comptroller's Office, discontinued reporting to the State Comptroller the above internal, non-cash transactions of tuition and fee revenues recorded in the Colleges' general ledgers. Therefore, during the 2000-2001 fiscal year, no such duplicate receipts were reported to the State Comptroller, which contributed to the decrease in Operating Fund receipts recorded by the State Comptroller in the 2000-2001 fiscal year.

Operating Fund receipts increased slightly during fiscal year 2001-2002. The increase from fiscal year 2000-2001 to 2001-2002 totaled \$593,913 (three percent). This increase was due to a slight increase in enrollment.

Operating Fund receipts consisted in large part of student tuition payments received. Tuition charges are fixed by the Board of Trustees. The following summary shows annual tuition charges for full-time students during the audited fiscal years and the previous fiscal year.

	<u>In-State</u>	<u>Out-of-State</u>	<u>N.E. Regional Program</u>
1999-2000	\$ 1,608	\$ 5,232	\$ 2,412
2000-2001	1,680	5,232	2,520
2001-2002	1,680	5,232	2,520

In order to meet rising costs, in May 2000, the Board of Trustees of Community-Technical Colleges approved an increase in tuition for all but out-of-State students during the 2000-2001 academic year. Tuition charges remained unchanged for fiscal year 2001-2002.

In accordance with Section 10a-67 of the General Statutes, the Board of Trustees of Community-Technical Colleges sets tuition amounts for nonresident students enrolled in the Community College system through the New England Regional Student Program at an amount 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.

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

	<b><u>Fiscal Year 1999-2000</u></b>	<b><u>Fiscal Year 2000-2001</u></b>	<b><u>Fiscal Year 2001-2002</u></b>
Personal Services	\$3,078,247	\$3,059,330	\$3,884,487
Contractual Services	1,956,276	2,361,802	2,735,492
Commodities	501,290	540,204	1,020,109
Revenue Refunds	1,845,107	1,860,050	2,202,117
Sundry Charges	4,805,199	404,547	748,213
Equipment and other	<u>321,869</u>	<u>172,056</u>	<u>664,460</u>
Total Expenditures	<u>\$12,507,988</u>	<u>\$ 8,397,988</u>	<u>\$11,254,878</u>

Expenditures were made up of costs associated with personal services, student financial assistance (included in the Revenue Refunds and Sundry Charges categories) and other College operating costs. Recorded Operating Fund expenditures decreased by \$4,110,000 (33 percent) and increased by \$2,856,890 (34 percent) during the 2000-2001 and 2001-2002 fiscal years, respectively, compared to the previous fiscal years.

The apparent decline in Fund expenditures during the 2000-2001 fiscal year was mostly caused by a change in the method used by the Community College system to report student financial aid-related tuition and fee expenditures to the State Comptroller. During the 1998-1999 fiscal year and during part of the 1999-2000 fiscal year, the Community Colleges reported to the

State Comptroller all student financial aid expenditures recorded in their general ledgers, including both actual cash disbursements and non-cash, book entries of expenditures recognized (classified as Sundry Charges on the State Comptroller's records). This method had the effect of duplicating some expenditures recorded on the State Comptroller's books. Effective during the 1999-2000 fiscal year, the Community College system, after consulting with the State Comptroller's Office, discontinued reporting to the State Comptroller the above non-cash transactions of student financial aid expenditures recorded in the Colleges' general ledgers. Therefore, during the 2000-2001 fiscal year, no such duplicate expenditures were reported to the State Comptroller, which contributed to the decrease in Operating Fund expenditures recorded by the State Comptroller in the 2000-2001 fiscal year, particularly in the category of Sundry Charges.

Rising personal services costs contributed to part of the increase in Operating Fund expenditures during the 2001-2002 fiscal year. In this year, the College increased the number of part time lecturers on the payroll.

Also during the audited period, the College moved its campus into the downtown area. Capital expenditures for equipment contributed to much of the increase in expenditures during the 2001-2002 fiscal year.

#### **Grants – Tax-Exempt Proceeds Fund:**

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

Fund receipts totaled \$35,000 during the 2000-2001 fiscal year and \$50,000 during fiscal year 2001-2002.

Fund expenditures totaled \$26,555 during fiscal year 2000-2001. Expenditures primarily consisted of costs to maintain and improve campus facilities. There were no expenditures from this fund during the 2001-2002 fiscal year.

#### **Fiduciary Funds:**

After approval from the Office of the State Comptroller, the Board of Trustees of Community-Technical Colleges directed all of the 12 Connecticut Community Colleges to incorporate their Student Activity Fund and Institutional Welfare Fund accounts into their respective Operating Fund accounts, effective during the 2001-2002 fiscal year. Furthermore, effective during the 2001-2002 fiscal year, the Community Colleges no longer prepared separate financial statements for Student Activity and Institutional Welfare funds. Instead, the Board of Trustees produced financial statements for the Operating Fund as a whole. As such, the Student Activity and Institutional Welfare receipts and disbursements numbers included in this report were based on College financial statements for the 2000-2001 fiscal year and College accounting records for the 2001-2002 fiscal year.

**Student Activity Fund:**

The Student Activity Fund, as established under Sections 4-52 through 4-55 of the General Statutes, was used for the benefit of students. Section 4-54 of the General Statutes provided for the student control of activity funds under specific conditions. During the audited period, the student government managed the Student Activity Fund subject to the supervision of the College administration.

Receipts totaled \$144,124 and \$120,383 for the fiscal years 2000-2001 and 2001-2002, respectively. Receipts consisted of Student Activity fees assessed on students as well as income generated from various student organization activities.

Disbursements totaled \$128,710 and \$101,522 during the 2000-2001 and 2001-2002 fiscal years, respectively. Disbursements were mostly for expenses of student organizations and related activities.

**Institutional General Welfare Fund:**

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

Receipts totaled \$20,220 and \$991 during the 2000-2001 and 2001-2002 fiscal years, respectively. These receipts were for restricted scholarships and interest income. During fiscal year 2001-2002, the Institutional Welfare Fund Checking Account was closed and the monies transferred to a State Treasurer's bank account, credited to the College's Operating Fund. The receipts recorded for fiscal year 2001-2002 consisted of interest income only.

Disbursements totaled \$22,941 during fiscal year 2000-2001. There were no disbursements from the Institutional Welfare Fund during fiscal year 2001-2002. Disbursements were made up of scholarship payments in the 2000-2001 fiscal year. Disbursements decreased by 100% during the 2001-2002 fiscal year, compared to the previous year. The decline can be attributed to the discontinued use of these funds as a clearing account for scholarship transactions.

**Capital Community College Foundation, Inc.:**

Capital Community College Foundation, Inc. (the Foundation), founded on May 24, 1985, is a private corporation established to secure contributions from private sources for the purposes of support, promotion and improvement of the educational activities of Capital Community College.

Sections 4-37e through 4-37j of the General Statutes set requirements for organizations such as the Foundation. The requirements include and deal with the annual filing of an updated list of board members with the State agency for which the foundation was set up, financial record keeping and reporting in accordance with generally accepted accounting principles, financial statement and audit report criteria, written agreements concerning use of facilities and resources,

compensation of State officers or employees and the State agency's responsibilities with respect to foundations.

Audits of the books and accounts of the Foundation were performed by an independent certified public accounting firm for the fiscal years ended June 30, 2001 and 2002 in accordance with Section 4-37f, subsection (8), of the General Statutes. An unqualified opinion was expressed on the Foundation's financial statements. In addition, the Foundation's auditors indicated compliance with Sections 4-37e through 4-37i of the General Statutes except that the financial statements for the fiscal year ended June 30, 2002, were prepared on a basis other than that of generally accepted accounting principles (GAAP). See the "Condition of Records" section of this report for further details on this weakness.

## CONDITION OF RECORDS

Our review of the financial records of Capital Community College revealed certain areas requiring attention, as discussed in this section of the report.

### **Payroll:**

*Background:* At times, colleges within the Connecticut Community College System hire employees on a temporary basis to fill positions of a professional nature. The Community Colleges call these employees Educational Assistants. Educational Assistants are required to sign written agreements specifying the terms of employment, such as rate of pay and duration of employment.

*Criteria:* Section 31-71b of the General Statutes provides that “each employer, by himself, his agent or representative, shall pay weekly all moneys due each employee on a regular pay day, designated in advance by the employer, in cash, by negotiable checks or, upon an employee’s written request, by credit to such employee’s account in any bank which has agreed with the employer to accept such wage deposits.”

*Condition:* Pursuant to Section 4-61dd of the General Statutes (the Whistleblower Act), we investigated a complaint claiming that a College employee was neither paid for a period of time worked nor the amount due for accrued vacation leave upon resignation.

College officials told us that the College was holding the paychecks corresponding with the above amounts because the employee refused to sign the related Educational Assistant agreement. The checks were held for about a month.

It should be noted that the complainant in the matter also submitted a complaint to the Department of Labor (DOL). DOL corresponded with the College requesting that payment of the wages be submitted to them in a timely fashion unless contested. The College remitted such funds to DOL. DOL then turned over these monies to the complainant.

This matter was reported to the Governor in a memorandum from the Auditors of Public Accounts dated March 10, 2003.

*Effect:* The College did not pay wages to one of its employees in a timely manner, as required by Section 31-71b of the General Statutes.

*Cause:* The College’s procedures for paying Educational Assistants required that both the employee and College officials sign a contract prior to the beginning of the working period. We were informed by College

Officials that the employee in the case cited above did not sign such a contract at any time during the contract period. As a result, the College did not release the corresponding wages.

*Recommendation:* The College should pay wages to all of its employees in a timely manner, as required by Section 31-71b of the General Statutes. (See Recommendation 1.)

*Agency Response:* “The College agrees with the auditor’s recommendation. Although the assessment is correct, we respectfully point out that the condition identified was an isolated circumstance and is not representative of any ongoing practice at the College. This problem arose because of a former employee’s refusal to sign his employment contract. In order to avoid a future circumstance, the Human Resources Department will instruct the supervisors and managers, as agents of the College, not to permit actual employment until all such issues are resolved and the documents representing such accord are completely executed in advance of actual employment.”

### **Property Control:**

*Criteria:* An adequate internal control system regarding the disposal of equipment requires a separation of duties between employees having custody of equipment being disposed of and employees approving such disposal. Furthermore, this authorization should be documented before the equipment disposal.

The Community-Technical College System Office has a written fixed asset policy regarding all matters pertaining to property control. Section 13.2.1 provides that the College President and/or his/her designee may authorize disposals of surplus property, including those items that are obsolete or damaged.

Capital Community College’s internal control procedure for scrapping items is to process each item through the State Surplus Property System on-line. A State Surplus Property Unit scrap ticket, which serves as the authorization for the disposal, is then printed from the system.

*Condition:* During our routine audit of property control, we selected a sample of twenty-five items from the current inventory listing for physical inspection. Seven of those items were scrapped/disposed of. Disposal of one of the seven scrapped items was documented by a State Surplus Property Unit scrap ticket. We were told that one item with a cost of \$6,983 was transferred to another agency, but supporting documentation was unavailable at the time of our audit in October 2003. The authorization for disposal of the other five items,

with an aggregate cost of \$45,270, was not documented. We were told that some of these five items were disassembled, while others were left behind when moving to the new campus.

*Effect:* Noncompliance with College internal controls was noted, increasing the risk of theft or fraud.

*Cause:* College officials informed us that due to a change in personnel, the process of acquiring State Surplus Property Unit scrap tickets for all scrapped items was not completed.

*Recommendation:* The College should strengthen its internal control over its equipment by ensuring that it properly documents the approval for the disposal of any of its equipment. (See Recommendation 2.)

*Agency Response:* The College acknowledges the findings mentioned previously and believes that current systems put in place subsequent to the audited years will strengthen its internal controls and recordkeeping thus satisfying the State Auditors recommendations. The Community College System has initiated a Fixed Asset Module within the BANNER Financial System and Purchasing Module beginning with the Fiscal Year 2004. This system will track fixed asset qualified items from the initial stages of purchasing through the delivery and tagging process once those items are received. The College is confident that there will be no such occurrences at its new downtown location.

In specifically addressing those items in question, the College believes that the loss of key staff to retirement, an employee layoff and the monumental task of re-locating to its new downtown campus deteriorated the documentation process. However, the College has investigated as thoroughly as now possible and finds that the transferred item (lawn tractor w/accessories) now resides at A.I. Prince RVTS. The paperwork itself could not be located due to the retirement of a college staff person and the belief that it was discarded after his departure. One of the items dismantled (Close Circuit TV Security Camera System) occurred after the College had left the premises at 61 Woodland Street and without College staff being made aware of that circumstance. This was apparently done by the management company now providing security and physical plant coverage for present occupants. The balance of the other items were identified as scrapped on College internal records but were not forwarded to State Surplus for an official scrap ticket and review. Again, the staff person responsible for performing this task was laid off from the College in January 2003 and this task was not completed as it should have been.

**Capital Community College Foundation, Inc.:**

*Criteria:* Section 4-37(f), subsection 7 of the General Statutes requires that the executive authority of each state agency for which a foundation is established shall ensure that its foundation shall use generally accepted accounting principles in its financial record-keeping and reporting.

*Condition:* Pursuant to Section 4-37(f), subsection 8 of the General Statutes, an audit of the Capital Community College Foundation, Inc.(Foundation) was performed by an independent accounting firm. As part of our routine audit, we obtained copies of the audit reports issued by the firm during the audited period. The reports disclosed that the Foundation's financial statements for the fiscal years ended June 30, 2001 and 2002, were prepared on a basis other than generally accepted accounting principles (GAAP).

*Effect:* The Foundation did not comply with section 4-37(f), subsection 7 of the General Statutes.

*Cause:* The Foundation did not use generally accepted accounting principles in its financial record-keeping and reporting, but rather reported on a cash basis.

*Recommendation:* The College should ensure that the Foundation uses generally accepted accounting principles in its financial record-keeping and reporting.. (See Recommendation 3.)

*Agency Response:* "The College will ensure that the Foundation uses generally accepted accounting principles in its financial record keeping in accordance with Section 4-37 . For the years in question, essentially the only difference between the cash basis report and a GAAP-basis report was that no receivables were recorded for state and federal matching grant funds for endowment."

## RECOMMENDATIONS

### *Status of Prior Audit Recommendations:*

- During the previous audited period, the College received and administered Federal grants to which payroll expenditures were charged. The College had in place a time and effort reporting system, as required by Office of Management and Budget Circular A-21. The College did not require time and effort reports from all employees performing work on Federal grants, however. We recommended that the College should implement a time and effort reporting system documenting payroll costs for all employees associated with its Federal grant programs, as required by the Office of Management and Budget Circular A-21. During our current audit, we noted that such a system had been implemented. The recommendation will not be repeated.
- During the previous audit, we reviewed ten personal service agreement contracts during the audited period and found that six were approved by College officials either after corresponding services had begun or after services had been completed. We recommended that the College should improve its controls in connection with personal service agreements by ensuring that appropriate officials approve all such agreements in a timely manner. During the current audit, timely approval of personal service agreements improved substantially. The recommendation will not be repeated.
- In our last audit, we reviewed accounts receivable reported on financial statements each fiscal year under audit, we noted that subsidiary detail existed, but was not totaled and reconciled to the control accounts. In addition, aging reports were not available. We recommended that the College should implement controls to reconcile subsidiary detail to accounts receivable control accounts and prepare and review aging reports. We noted that the College has implemented such controls during our current audit examination. The recommendation will not be repeated.

### *Current Audit Recommendations:*

- 1. The College should pay wages to all of its employees in a timely manner, as required by Section 31-71b of the General Statutes.**

#### Comments:

Pursuant to Section 4-61dd of the General Statutes (the Whistleblower Act), we investigated a complaint claiming that a College employee was neither paid for a period of time worked nor the amount due for accrued vacation leave upon resignation.

College officials told us that the College was holding the paychecks corresponding with the above amounts because the employee refused to sign the related Educational Assistant agreement.

It should be noted that the complainant in the matter also submitted a complaint to the Department of Labor (DOL). DOL corresponded with the College requesting that payment of the wages be submitted to them in a timely fashion unless contested. The College remitted such funds to DOL. DOL then turned over these monies to the complainant.

- 2. The College should strengthen its internal control over its equipment by ensuring that it properly documents the approval for the disposal of any of its equipment.**

Comments:

During our routine audit of property control, we selected a sample of twenty-five items from the current inventory listing for physical inspection. Seven of those items were scrapped/disposed of. Disposal of one of the seven scrapped items was documented by a State Surplus Property Unit scrap ticket. One item with a cost of \$6,983 was transferred to another agency, but documentation was unavailable at the time of our audit in October 2003. The authorization for disposal of the other five items, with an aggregate cost of \$45,270, was not documented. We were told that some of these five items were disassembled, while others were left behind when moving to the new campus.

- 3. The College should ensure that the Foundation uses generally accepted accounting principles in its financial record-keeping and reporting.**

Comments:

Pursuant to Section 4-37(f), subsection 8 of the General Statutes, an audit of the Capital Community College Foundation, Inc.(Foundation) was performed by an independent accounting firm. As part of our routine audit, we obtained copies of the audit reports issued by the firm during the audited period. The reports disclosed that the Foundation's financial statements for the fiscal years ended June 30, 2001 and 2002, were prepared on a basis other than generally accepted accounting principles (GAAP).

## INDEPENDENT AUDITOR'S CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of Capital Community College for the fiscal years ended June 30, 2001 and 2002. This audit was primarily limited to performing tests of the College's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the College's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the College are complied with, (2) the financial transactions of the College are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the College are safeguarded against loss or unauthorized use. The financial statement audits of Capital Community College for the fiscal years ended June 30, 2001 and 2002, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

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

### **Compliance:**

Compliance with the requirements of laws, regulations, contracts and grants applicable to Capital Community College is the responsibility of Capital Community College's management.

As part of obtaining reasonable assurance about whether the College complied with laws, regulations, contracts, and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the College's financial operations for the fiscal years ended June 30, 2001 and 2002, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying "Condition of Records" and "Recommendations" sections of this report. This finding is: The College withheld wages due to one of its employees, contrary to the requirements of Section 31-71b of the General Statutes.

We also noted one immaterial or less than significant instance of noncompliance, which is described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

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

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

Our consideration of the internal control over the College's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be material or significant weaknesses. A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants or failure to safeguard assets that would be material in relation to the College's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the entity being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over the College's financial operations that we consider to be material or significant weaknesses.

However, we noted a matter involving the internal control over the College's financial operations, safeguarding of assets, and/or compliance, which is described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

**CONCLUSION**

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of Capital Community College during the course of our examination.

Terri L. Brust  
Auditor II

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts