

# STATE OF CONNECTICUT



***AUDITORS' REPORT  
BOARD OF TRUSTEES OF COMMUNITY-TECHNICAL COLLEGES  
CONNECTICUT COMMUNITY COLLEGE SYSTEM  
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2005***

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

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June 12, 2007

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We have examined the financial records of the Board of Trustees of Community-Technical Colleges, Connecticut Community College System (hereafter referred to as “the System”), for the fiscal years ended June 30, 2004 and 2005.

Financial statement presentation and auditing are performed on a Statewide Single Audit basis to include all State agencies. This audit has been limited to assessing the System’s compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating the System’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.

**AUDIT METHODOLOGY:**

In an effort to improve the efficiency of auditing the Community College System, the Office of the Auditors of Public Accounts has decided to perform streamlined audit site visits at a sample of colleges within the System on a biennial basis rather than auditing every college within the System biennially as was the case in the past. Over time, however, using our new methodology, we will perform site visits at all twelve of the colleges that comprise the System. Our new audit approach also involves the preparation of a single audit report covering the entire Community College System. In prior years, we prepared separate reports on each college and on the Community Colleges’ System Office. This report, covering the fiscal years ended June 30, 2004 and 2005, represents the results of our first audit of the Community College System as a single entity using our new audit approach. This audit included an examination of the financial records from a sample of four Community Colleges (Asnuntuck Community College, Capital Community College, Manchester Community College, and Middlesex Community College) as well as the financial records of the System Office.

**COMMENTS**

**FOREWORD:**

The Board of Trustees of Community-Technical Colleges operates primarily under the provisions of Chapter 185b, Part I, Sections 10a-71 through 10a-80a, of the General Statutes. Pursuant to Section 10a-72 of the General Statutes, the Board of Trustees, through its central office (known as the “System Office”) located in Hartford, oversees the following 12 two-year colleges:

<b>Community College</b>	<b>Location</b>
Asnuntuck	Enfield
Capital	Hartford
Gateway	New Haven
Housatonic	Bridgeport
Manchester	Manchester
Middlesex	Middletown
Naugatuck Valley	Waterbury
Northwestern Connecticut	Winsted
Norwalk	Norwalk
Quinebaug Valley	Danielson
Three Rivers	Norwich
Tunxis	Farmington

Section 10a-71 of the General Statutes currently provides that the Board of Trustees of Community-Technical Colleges consists of 18 members, 16 appointed by the Governor and two elected by students. The Board, among other things, makes rules and establishes policies for the governance, development and maintenance of the educational programs and services of the community colleges. Board members receive no compensation for their services, but are entitled to reimbursement for expenses.

The Board of Trustees of Community-Technical Colleges included the following members as of June 30, 2005:

Louise S. Berry, Chair	William McGurk
Dr. Murali Atluru	Raymond Rivard
David Blackwell, Esq.	Hector Rodriguez
Rev. David L. Cannon	Marie M. Spivey
Hugh Cox	Kelly Straniti
Maj. General (Ret.) David Gay	Mary Lou Strom
Stephanie Labanowski	Andrew Summerville
Jules Lang, Esq.	Leslie White (elected by students)
Diana McCarthy-Bercury (elected by students)	Virginia D. Zavoy

Ari Disraelly, Andi Jackson-Ali, William R. Johnson, and Lawrence J. Zollo also served on the Board during the audited period.

Among the duties of the Board of Trustees is the appointment of a chief executive officer of the Community College System. Marc S. Herzog served as Chancellor of the Connecticut Community College System during the audited period.

**Recent Legislation:**

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

Public Act 03-33 – Effective May 12, 2003, Section 1 of this Act requires the Board of Trustees of Community-Technical Colleges to allow its students to re-enroll, at no charge, in courses not completed because of a call to active duty in the armed forces. This benefit applies to student members of the armed forces for a period of four years after being released from duty and only applies to courses for which tuition had previously been paid and was not fully refunded.

Public Act 03-69 – Effective July 1, 2003, this Act provides that General Fund appropriations shall be transferred from the Comptroller and deposited into the Regional Community-Technical Colleges' Operating Fund. Also, upon request of the Board of Trustees of Community-Technical Colleges, appropriations for fringe benefits and workers' compensation shall be transferred from the Comptroller and deposited into the Regional Community-Technical Colleges' Operating Fund. The State Treasurer and the Secretary of the Office of Policy and Management must approve such transfers. The Act further requires that the Board establish an equitable policy for allocating such fringe benefit appropriations.

Public Act 04-3 – Effective March 11, 2004, redirects the proceeds from the sale of State Bond Commission bonds, not to exceed \$7,115,000, towards the consolidation of Gateway Community College's two campuses into a single location.

Public Act 05-3, June Special Session – Effective July 1, 2005, Section 64 of this Act limited the time period of the State's 50 percent match to endowment fund eligible gifts under the State's higher education endowment fund matching program to the fiscal year ended June 30, 2006, rather than the fiscal year ending June 30, 2014, as was previously the case. It also reduced the State match to 25 percent for each of the fiscal years ending June 30, 2007, through June 30, 2014. Further, it stipulated that commitments by donors to make endowment fund eligible gifts for two or more years that were made for the period prior to December 31, 2004, but scheduled to end before December 31, 2012, shall continue to be matched at the fifty percent rate.

Effective June 30, 2005, Section 68 of this Act: (1) prohibits the appropriation of funds to the Department of Higher Education for grants to sponsor the State's higher education endowment fund matching program until the State's Budget Reserve Fund equals ten percent of the net General Fund appropriations for the current fiscal year; (2) reduces the amount of the grants proportionately if the amount available is less than the amount required for the grants; and (3) limits the amount of funds available to be appropriated for such grants during the year to a maximum of \$25,000,000.

**Enrollment Statistics:**

The Community College System reported the following enrollment figures for the two audited years:

	<u>Fall 2003</u>	<u>Spring 2004</u>	<u>Fall 2004</u>	<u>Spring 2005</u>
Full-time students	14,469	13,159	15,798	13,737
Part-time students	<u>30,691</u>	<u>30,176</u>	<u>29,945</u>	<u>30,283</u>
Total enrollment	<u>45,160</u>	<u>43,335</u>	<u>45,743</u>	<u>44,020</u>

The average of Fall and Spring semesters' total enrollment was 44,248 and 44,882 during the 2003-2004 and 2004-2005 fiscal years, respectively, compared to an average of 44,042 during the 2002-2003 fiscal year. These increases, amounting to roughly 0.47 percent and 1.43 percent during the respective audited years, were consistent with the condition of the State economy during the audited years. Generally, when the economy weakens, community college enrollment increases as people seek to improve or develop new job skills and pursue lower cost higher education.

**RÉSUMÉ OF OPERATIONS:**

During the audited period, operations of the Community College System 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.

Operating Fund receipts consisted in large part of student tuition payments received. Tuition charges are fixed by the Board of Trustees. The following summary presents 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>
2002-2003*	\$ 1,818	\$ 5,454	\$ 2,727
2003-2004	2,028	6,084	3,042
2004-2005	2,112	6,336	3,168

\*Fall 2002 semester tuition was \$882 for In-State students, \$2,646 for Out-of-State students, and \$1,323 for New England Regional Program students. Spring 2003 semester tuition increased to \$936 for In-State students, \$2,808 for Out-of-State students, and \$1,404 for New England Regional Program students.

In December 2001, the Board approved an increase in tuition for all students during the 2002-2003 academic year. In December 2002, to address a budget deficit for the 2002-2003 fiscal year, the Board approved an additional increase in tuition for all students for the Spring 2003 term. In

March 2003, the Board approved an increase for all students during the 2003-2004 and 2004-2005 fiscal years.

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 equal to one and one-half that of in-State tuition.

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

**Operating Revenues:**

Operating revenue results from the sale or exchange of goods and services that relate to the System's educational and public service activities. Major sources of operating revenue include tuition and fees, Federal grants, State grants, and sales generated from college-owned bookstores. (Norwalk, Naugatuck Valley, Quinebaug Valley, and Tunxis community colleges operate their own bookstores. The other colleges in the System contract with vendors to operate their bookstores.)

Operating revenue (in thousands of dollars) as presented in the System's financial statements for the audited period follows:

	<b>Fiscal Year <u>2003-2004</u></b>	<b>Fiscal Year <u>2004-2005</u></b>
Student tuition and fees (net of scholarship allowances)	\$ 64,756	\$ 68,285
Federal grants and contracts	29,106	29,520
State and local grants and contracts	7,839	8,462
Private grants and contracts	935	1,045
Sales and services of educational departments	380	398
College owned bookstores, net	5,020	5,258
Other operating revenues	<u>2,144</u>	<u>2,657</u>
Total operating revenues	<u>\$110,180</u>	<u>\$115,625</u>

Operating revenue totaled \$110,180,000 and \$115,625,000 during the 2003-2004 and 2004-2005 fiscal years, respectively. The 2004-2005 fiscal year saw an operating revenue increase of \$5,445,000, or 4.9 percent, compared to the 2003-2004 fiscal year. This increase was a result, in part, from growth in tuition revenue driven by an increase in tuition rates and increases in student enrollment.

**Operating Expenses:**

Operating expenses generally result from payments made for goods or services needed to achieve the System's mission of instruction and public service. Operating expenses do not include capital additions or deductions.

Operating expenses (in thousands of dollars) as presented in the System's financial statements for the audited period follow:

	<b>Fiscal Year</b> <b><u>2003-2004</u></b>	<b>Fiscal Year</b> <b><u>2004-2005</u></b>
Instruction	\$101,416	\$118,307
Public service	757	867
Academic support	41,478	47,658
Library	7,507	8,129
Student services	35,011	38,257
Scholarship aid, net	15,143	15,273
Institutional support	48,460	50,216
Physical plant	32,461	32,858
Depreciation	<u>13,701</u>	<u>13,847</u>
Total operating expenses	<u>\$295,934</u>	<u>\$325,412</u>

Operating expenses rose \$29,478,000 in the 2004-2005 fiscal year, compared with the 2003-2004 fiscal year, a nearly ten percent increase. This increase was fueled by the refilling of positions that remained vacant after the State's 2003 Early Retirement Incentive Program. Increases in the number of adjunct faculty members hired as well as increases in fringe benefit costs also contributed to the growth in operating expenses.

**Nonoperating Revenues:**

Nonoperating revenues are those revenues that are not from the sale or exchange of goods or services that relate to the System's primary functions of instruction, academic support, and student services. Nonoperating revenues include items such as the State's General Fund appropriation, private gifts and donations (from private corporations, foundations, and individuals), and investment income from cash balances invested in the State Treasurer's Short Term Investment Fund.

The System's financial statements presented the following nonoperating revenues (in thousands of dollars) for the audited years:

	<b>Fiscal Year</b> <b><u>2003-2004</u></b>	<b>Fiscal Year</b> <b><u>2004-2005</u></b>
State appropriations - General Fund	\$167,039	\$190,677
State appropriation - bond funds	41,345	42,918
Private gifts	988	1,198
Interest income	619	1,403
Other nonoperating revenues, net	<u>25,881</u>	<u>20</u>
Total nonoperating revenues	<u>\$235,872</u>	<u>\$236,216</u>

Total nonoperating revenues remained stable during the audited years. Nevertheless, the amount reported in the category above titled “other nonoperating revenues, net” appears to have declined sharply in the 2004-2005 fiscal year, compared to the previous year. This \$25,861,000 difference was primarily the result of a one-time event: the acquisition of the Sears building by Housatonic Community College in the 2003-2004 fiscal year. The State Department of Public Works transferred ownership of this building to the Community College System as part of the planned expansion of Housatonic Community College.

**Community College Foundations:**

Foundations, private, non-profit Connecticut corporations established for the purposes of soliciting and receiving donations supporting the educational needs of the colleges, are affiliated with all 12 of the colleges in the System.

Sections 4-37e through 4-37k of the General Statutes define and set requirements for such State organizations. 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 the use of facilities and resources, compensation of State officers or employees, and the State agency's responsibilities with respect to foundations.

## CONDITION OF RECORDS

Our review of the financial records and operations of the Connecticut Community College System disclosed certain areas requiring attention, as discussed in this section of the report.

### **Employee Attendance and Leave Records:**

*Criteria:* State employee bargaining unit contracts and Connecticut Community College System personnel policies for unclassified employees in the Community College System both establish criteria for employee leave time accruals in the Connecticut Community College System.

Rehired retirees are not entitled to employee benefits, including but not limited to sick, vacation, and personal leave time.

Sound internal control requires the preparation of time sheets or equivalent documents, signed by the employee's supervisor, to support time worked during a particular pay period. These records provide some assurance that an employee actually worked during the time period for which he or she was paid.

*Condition:* Asnuntuck CC: Part-time lecturers were not required to submit time sheets supporting time worked.

Capital CC: The College informed us that it did not require part-time lecturers to submit, and such employees did not submit, time sheets or equivalent documentation to the Payroll Office to support time worked and payroll payments made to these employees. Instead, the College used a negative reporting method whereby the College's Academic Dean's Office informed the Payroll Office of any instances in which a part-time lecturer didn't complete his or her teaching duties.

One ten-month teaching faculty member was accruing monthly vacation leave time in the State's Core-CT information system. However, such employees are not entitled to such accruals, according to their collective bargaining agreement. Instead, the union contract provides that such employees "shall receive such vacations as are officially listed in the academic calendar of the college." We did, however, note that College attendance records indicated that none of these unearned monthly vacation leave accruals were used by the employee.

Three employees who retired during the audit period were being credited in Core-CT attendance and leave records with sick, vacation, and personal leave after their respective retirement dates. However, retirees are not entitled to such employee benefits. Further, the sick

leave balance for one of these employees was not reduced to zero when the employee retired.

Middlesex CC: Attendance and leave records for three part-time College employees appeared to show incorrect sick and vacation leave balances as of June 30, 2005. The State's Core-CT information system team informed us that there was an information system malfunction that resulted in Core-CT leave time record accrual inaccuracies for part-time State employees since the State's Core-CT employee attendance and leave record system was implemented in October 2003. However, this Core-CT system-wide problem was corrected in May 2005 going forward. The Core-CT team also informed us that it was each State agency's responsibility to retroactively correct part-time employee leave time balance errors that occurred as a result of this Core-CT system problem. It seems that the College had not made these corrections through the time of our examination in March 2006.

One part-time employee's attendance and leave record showed that the employee was credited with 21 hours personal leave time in the 2003 calendar year. However, the employee's bargaining unit contract provides that such part-time employees should have been credited with 10.5 hours of personal leave time. The employee subsequently used 20 hours of personal leave in the 2003 calendar year, which is 9.5 hours in excess of the number of hours she had available according to her union contract.

Three employees who retired during the audit period were being credited in Core-CT attendance and leave records with sick, vacation, and personal leave after their respective retirement dates. However, retirees are not entitled to such employee benefits. We did note that attendance records indicated that none of this leave time was used by these employees.

*Effect:*

Lack of time sheet submission for part-time lecturers decreased assurance that such employees actually worked during the time period for which they were paid.

Since attendance and leave records of certain retirees reflected leave time balances that should have been eliminated and discontinued upon retirement, this practice could contribute to errors in the amount of compensated absences liabilities reported on the College's financial statements.

*Cause:*

At Asnuntuck CC and Capital CC, it appears that the Colleges considered their controls over part-time lecturers adequate. Further, the Community Colleges' System Office doesn't appear to have a written policy that requires part-time lecturers to complete and submit properly approved time sheets for courses taught.

At Capital CC, with regard to attendance and leave record exceptions noted, the Core-CT attendance and leave recordkeeping system was still somewhat new to College employees assigned to use it during the audit period. This may have contributed to the College's failure to discontinue monthly leave time accruals for some retired employees in the State's Core-CT information system.

At Middlesex CC, it appears that the College was not aware of the inaccuracies in part-time employee attendance and leave records. It further appears that the College did not take the proper steps to discontinue the monthly leave time accruals for some retired employees in the State's Core-CT information system.

*Recommendation:* The Community College System should consider implementing a policy that requires all part-time lecturers to submit appropriately approved time sheets or equivalent documentation to their respective Payroll Departments as a means of supporting time worked. In addition, both Capital Community College and Middlesex Community College should ensure that leave time accruals for retirees are properly zeroed out and terminated in the Core-CT information system. Further, Middlesex Community College should review its records of leave time balances for part-time employees and make adjustments, if necessary, to ensure that these balances agree with applicable bargaining unit contracts and/or Community College System personnel policies. (See Recommendation 1.)

*Agency Response:* *CCC System Office:* "The Community Colleges recognize the importance of ensuring that employees have met the work obligation for which they are being paid. However, adjunct faculty are not paid based on an annual salary or an hourly rate, but are hired on a term-by-term basis for a flat amount to cover a particular course obligation. Traditional "hourly" time sheets are not necessarily the most effective way to document the completion of that work obligation. Asnuntuck and Capital appear to have developed effective alternative means for ensuring that the work obligation has been met. We do agree that internal policy should be developed in this area to outline acceptable methods of time and attendance reporting for adjunct faculty and will review and discuss the current business processes in place to determine what general policy or procedural changes might be indicated.

The Community Colleges also recognize the importance of accurate accrual balances for accrued leave time, and have spent considerable effort since the implementation of the new Core-CT HRMS system to learn the new system, train end-users and seek modifications that will facilitate accurate processing. It was initially not known that terminating an employee in Core-CT does not also stop time and labor

accruals from occurring. In addition, once an employee is no longer active, those balances cannot be corrected. The Core-CT team has minimized this issue by removing terminated employees from the calculation of the GAAP ACA liability as well as from other Core-CT reports. The Community Colleges continue to develop and provide tools and training to assist end-users in correctly processing and auditing these balances.”

*Asnuntuck CC:* “The College has never required part-time lecturers to submit time sheets. To the best of our knowledge, it has never been raised as an audit concern. The part-time lecturer contract calls for them to teach a class over 15 weeks at specified times on specified days. The Office of Academic Affairs has the responsibility to verify that the class is held in accordance with the contract.”

*Capital CC:* “The basis for compensation for part-time lecturers at the College is determined by credit/course and not by hourly wage. The contractual commitment from lecturers includes that instruction is provided at pre-determined times and the obligation requires that the teaching schedule is maintained without alteration. Time reports have not been required.

Although lecturers are not required to provide time reports at each payroll period, pay adjustments are made for absences. The operating procedure includes: 1) the filing of a formal absence report from the lecturer’s supervisor (Department Chair); 2) a request for a negative pay adjustment from the academic division; 3) a payroll adjustment made by the Human Resources Department. The College believes that the standing procedure is an effective control that effectively assists in managing the contractual obligation of part-time lecturers.

The College concurs with the auditor’s recommendation regarding the removal of leave time accruals for retired employees. As the auditor noted, the College implemented the Core-CT attendance and leave record keeping system during the period of audit. The College appears to have overlooked a step in the process on those records, as listed and stated by the auditors, during the implementation of Core-CT and system transitioning. The College, prior to this audit, has refined the procedure for removing accruals for retired employees and believes the current procedure ensures such issues are addressed.”

*Middlesex CC:* “Throughout the implementation period, straight through the present time, there have been several discrepancies with Core-CT processing. Since implementation, the college has completed separate, targeted audits as well as clean up activities for full time staff. The college will perform an audit of all part time staff time accruals and make corrective entries on the employee’s record.

The college will ensure that all leave accruals for retirees are terminated.”

*Auditors’ Concluding  
Comments:*

With respect to the System Office, we realize that part-time lecturers’ pay is based on the completion of teaching obligations for the particular courses or courses for which they have agreed to teach. However, it is the System’s policy to pay such employees through a series of several equal payments, most of which occur before services are completed. It is, therefore, advisable to implement a control system that would provide timely assurance that services were provided for payroll payments made.

With respect to Asnuntuck, the College should keep in mind that audits are performed on a sample, test check basis. Accordingly, if certain weaknesses were not raised in past audits, there is no guarantee that they won’t be raised in future audits.

With respect to Capital, we understand that part-time lecturers are not “hourly wage” employees. Nevertheless, it appears to us that part-time lecturers at Capital should be subject to the same controls as all other classes of employees at the College. This would include requiring the submission of positive documentation to the Payroll Section indicating that work has been performed. After all, under the current system, the Payroll Department must process payments to part-time lecturers, operating on the assumption that part-time lecturers have provided the services specified in their respective contracts. We believe that the current system provides less prior assurance, compared to the system we recommend, that work has been performed before corresponding payroll payments are made.

**Approval of Certain Employment Contracts—Manchester CC:**

*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:* It is a good business practice to ensure that employment contracts are approved before services are provided to help ensure that parties involved are in agreement with contract terms.

*Condition:* At Manchester Community College, we examined nine Educational Assistant employment contracts, ranging from approximately \$500 to

\$10,000, and found exceptions in every case with respect to contract signatures, as follows:

- Two Educational Assistant contracts were never signed by the employee.
- Four contracts were signed late, but within the contract period by both the College President and the employee.
- Three contracts were signed after the contract had expired. Two of these three contracts were signed by both the College President and the employee after the contract period. The third contract was signed by the College President after the contract had expired and the contract was not dated by the employee.

We subsequently scanned an additional 50 such contracts, noting that the same lack of proper execution appeared to be present.

*Effect:* There was less assurance that the parties involved agreed with the terms of the respective employment contracts. In some cases, controls were weakened since payroll expenses were incurred without prior administrative approval.

*Cause:* It appears that controls in place were not adequate to prevent the late approval of Educational Assistant employment contracts.

*Recommendation:* Manchester Community College should implement improved control procedures to better ensure that Educational Assistant employment contracts are properly drawn and executed prior to the commencement of employment. (See Recommendation 2.)

*Agency Response: CCC System Office:* “The Community Colleges recognize the importance of ensuring that employment contracts are in place and signed in advance of work being performed and will reinforce this with all colleges and system office and review and discuss the current business processes in place to determine whether any general policy or procedural changes might be indicated.”

*Manchester CC:* “The College is currently implementing new procedures to ensure that part-time educational assistant contracts are properly drawn and executed prior to the commencement of work. It should be noted that all compensation paid to part-time educational assistants was supported by approved weekly timesheets and budgetary controls.”

## **Dual Employment:**

*Criteria:* Section 5-208a of the General Statutes requires, in cases where a State employee holds multiple job assignments at different State agencies or

within the same State agency, certification that the duties performed and hours worked are not in conflict with the employee's primary responsibilities to the agency and certification that there is no conflict of interest between or among the positions.

*Condition:* Asnuntuck CC: We found five instances in the audited period where the College's dual employment forms lacked the required signatures certifying that no conflicts existed between the positions held.

Middlesex CC: We noted four instances in the audited years where the College's dual employment certification form lacked the required signature certifying that no conflicts existed between or among the positions. In addition, we noted one instance where a College employee held more than one State position but the College's dual employment certification form was signed several days after the employee had already begun performing her secondary job.

*Effect:* Assurance was lessened that employees holding multiple State positions had no conflicting duties or schedules among or between the positions.

*Cause:* Procedures in place were not sufficient to ensure compliance with dual employment requirements.

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

*Agency Response:* CCC System Office: "The Community Colleges recognize the importance of ensuring that no conflicts exist when employees hold two positions and will reinforce this with all Colleges and the System Office and review and discuss the current business processes in place to determine whether any general policy or procedural changes might be indicated."

Asnuntuck CC: "The College understands this recommendation and has already put procedures in place to ensure the proper completion of dual employment certifications."

Middlesex CC: "The College was audited by DAS for dual employment compliance on two occasions. Both of these audits revealed that the College was in compliance and that we have improved in this area. Processes have been put in place to ensure that there are no dual employment conflicts."

**Payment for Unused Sick Leave at Retirement—Middlesex CC:**

- Criteria:* The American Federation of State, County, and Municipal Employees' Administrative Clerical Bargaining Unit, consistent with Chapter 66 of the Connecticut General Statutes, provides that member employees shall be paid one-fourth of his/her daily salary for each day of sick leave accrued to his/her credit as of his/her last day on the active payroll up to a maximum of sixty days pay.
- Condition:* Middlesex Community College did not pay one of its Administrative Clerical Bargaining Unit employees for 21.6 hours of unused sick leave accumulated upon her retirement during the audited period.
- Effect:* The College did not fully comply with sick leave provisions of the Administrative Clerical Bargaining Unit, resulting in a \$109 underpayment of gross pay to one of its employees.
- Cause:* We were informed that in this instance there was a lack of communication between the employee and the Payroll Department. The Payroll Department was under the impression that the employee was going to use all of her sick leave before she retired. This, however, was not the case.
- Recommendation:* Middlesex Community College should pay all of its employees for unused sick leave upon retirement, as required by collective bargaining agreements and the General Statutes. Further, our audit disclosed that the College did not pay an employee the amount due for her unused sick leave at retirement; the College should retroactively pay this employee the amount due for this leave balance. (See Recommendation 4.)
- Agency Response:* *CCC System Office:* "The Community Colleges have an internal support system in place to provide training and assistance to college and system office end-users with respect to human resource and payroll policies and the proper use of the Core-CT HRMS system, as well as appropriate employee and position audits to help identify any errors that may occur. This particular circumstance appears to have been an isolated error that has been corrected."
- Middlesex CC:* "Payment will be made to the retired employee as soon as possible."

**Human Resources and Payroll Department Separation of Duties—Manchester CC:**

- Criteria:* Proper internal controls over the Human Resources and Payroll functions require that these two departments be organizationally independent of each other.

- Condition:* Evidence obtained during our reviews of these areas documents that the Payroll Department is subordinate to the Human Resources Department. This evidence includes the following:
- The organization chart provided to us by College management places the Payroll Department under the supervision of the Human Resources Department.
  - The Director of Human Resources has administrative authority over the Payroll Department for such functions as purchasing approval and authorization of biweekly time and attendance reports.
  - Attestation by College management that the Payroll Department is subordinate to the Human Resources Department.
- Effect:* The strength of internal controls is compromised by the lack of operational independence of these two functions. Conceivably, such a situation could, in effect, lead to the same employee controlling the authorization of and the execution of payroll transactions, two incompatible functions when it comes to internal controls.
- Cause:* The Human Resources and Payroll functions are not independent of each other.
- Recommendation:* Manchester Community College should change the organizational oversight responsibility related to the Payroll Department to ensure that it is independent of the Human Resources Department. (See Recommendation 5.)
- Agency Response:* *CCC System Office:* “The Community Colleges recognize the importance of separation of duties and responsibilities with respect to the various stages of human resource and payroll processing. However, while organizational separation may be ideal, it is not necessarily the only way to accomplish this. When the State was implementing its new Core-CT HRMS system, the Core implementation team advocated for closer organizational ties between these functions. As with any integrated and automated information system, actions in one module are often dependent upon, or impacted by, actions in another module, and good understanding and communication is required to ensure smooth processing.
- This must be balanced with an assurance of separation of duties and internal control. The Community Colleges attempt to achieve this separation (regardless of organizational structure) through the role access that is controlled by the State Core team, however the initial lack of a “payroll viewer” (inquiry-only) role in Core, and limited human resource and payroll staffing, may require that some employees be assigned multiple roles in order to have access to

information necessary to their functions or to provide back-up for critical activities. Ultimately each college must find the organization that works best given its staffing and other considerations, and must implement compensating controls where organizational or role separation is not possible or practical.

We are now undertaking a post-implementation review of all HRMS role access to ensure separation of roles where possible, to advocate with the State Core team for improved “inquiry” roles as needed and also for more readily available information on role assignments to facilitate on-going security management, and to identify policy issues and appropriate compensating controls where necessary. In the meantime, compensating controls include college review of existing reports that identify position actions, employee job actions, and payroll details.

*Manchester CC:* “We believe that adequate controls exist under the current organization structure. The Director of Human Resources reports directly to the Dean of Administration. However, the College will refer this recommendation to the System Office for a response on behalf of Community-Technical Colleges.”

### **Personal Service Agreements:**

*Criteria:* It is a good business practice to ensure that all purchases are properly approved before the purchase is executed.

The Community Colleges’ purchasing policy requires that amendments to written personal service agreements be in writing, “and authorized in accordance with the comparable requirements for new personal service agreements.”

Both the State Comptroller’s *State Accounting Manual* and the Community Colleges’ own purchasing policy require Attorney General approval for certain purchases from a personal services contractor that exceed \$3,000.

*Condition:* Asnuntuck CC: We found three of the College’s personal service agreements, each exceeding \$3,000, that lacked the approval of the Office of the Attorney General. Further, each of these agreements was signed by College officials after respective contract start dates.

Middlesex CC: We noted three instances where the College entered into a personal service agreement, but the corresponding written personal service agreement was neither signed by College officials nor by the contractor before some services had already been provided.

In addition, we found an instance in which the College paid an independent contractor \$4,980 more than the amount specified in the corresponding written personal service agreement without executing an amended written personal service agreement and without the State Attorney General's Office approval. The College did, however, have an approved purchase requisition and purchase order in place before this additional amount was paid.

*Effect:*

In some cases internal control over purchasing was weakened.

Asnuntuck did not comply with the Community Colleges' own purchasing policy, which requires Attorney General approval for certain purchases from a personal services contractor that exceed \$3,000.

In the case of Middlesex, the College did not comply with the Community College System policy that requires amendments to personal service agreements be in writing and authorized according to comparable requirements for new personal service agreements.

*Cause:*

It appears that, in some cases, college employees initiated purchases without going through the proper channels.

*Recommendation:*

Asnuntuck Community College and Middlesex Community College should take steps to improve internal control over personal service agreement purchases by ensuring that all such purchases are properly approved before services are purchased and by complying with the Community College System's purchasing policies. (See Recommendation 6.)

*Agency Response:*

*CCC System Office:* "The Community Colleges recognize the importance of proper contract authorization in advance of purchases being entered into, and has been working with the Attorney General's Office for the past two years to put procedures and templates in place to facilitate the approval process so that it does not unduly impact our ability to purchase goods and services in a timely manner in order to meet college operational and student educational needs. These efforts will continue and this is an on-going topic of discussion within the CCC System."

*Asnuntuck CC:* "The College understands this recommendation and has reinforced to all parties the need to follow established internal controls."

*Middlesex CC:* "The College System as a whole has been working through a contract compliance initiative for our personal service agreements. Since FY04 and FY05 there has been a turnover of

purchasing staff as well as a vacancy period in this area, which caused a breakdown of services being provided by the Business Office. The College has improved on their turn around ratio of time for processing purchase requisitions, which has caused a tremendous positive attitude change amongst staff external to the Business Office. This attitude change has increased the comfort level of our colleagues to ensure that the purchasing procedures work and therefore they are complying with the policies. We have seen great improvements in this area since FY06.”

**P-Card Purchasing:**

*Background:* During the 2003-2004 fiscal year, the Community College System implemented a credit card purchasing (P-Card) system for relatively small purchases totaling less than \$1,000 each.

*Criteria:* The Connecticut Community College System’s *Purchasing Card Policy and Procedure Manual* establishes procedures for and details acceptable types of purchases when using purchasing cards in the Community College System.

*Condition:* Middlesex CC: We noted several instances where College P-Cards were used to make purchases that were not allowed according to the Community College System’s *Purchasing Card Policy and Procedure Manual*. Such purchases included gifts and clothing.

System Office: We examined the documentation associated with 11 monthly purchasing card invoice statements for the audited years and noted several instances of noncompliance with the Connecticut Community College System’s *Purchasing Card Policy and Procedure Manual*, as follows:

- One instance where a purchasing card was used to pay a monthly cellular phone charge totaling \$527. The *Purchasing Card Policy and Procedure Manual* expressly prohibits the use of purchasing cards for cellular phone charges.
- One instance where a purchasing card was used for a purchase in excess of \$1,000. The *Purchasing Card Policy and Procedure Manual* expressly prohibits the use of purchasing cards for purchases in excess of \$1,000. The System Office took the position that this purchase was actually made up of three separate purchases of the same type of item (conference registration fees). It appears to us that using this logic is equivalent to splitting the purchase to circumvent the \$1,000 purchase limit.
- Four instances where purchasing card log sheets were not signed by the Business Office and/or Department Head to

certify compliance with purchasing card policies. We did, however, note that in each of these cases, a Business Office employee signed the master purchasing card invoice, thereby indicating purchases were approved for payment.

*Effect:* In some instances, Middlesex and the System Office did not comply with the Connecticut Community College System's *Purchasing Card Policy and Procedure Manual*.

*Cause:* Since the P-Card program was newly implemented during the audited period, some of the exceptions noted may have resulted from the learning curve that is associated with all new systems.

*Recommendation:* Middlesex Community College and the System Office should improve their compliance with the Community Colleges' *Purchasing Card Policy and Procedure Manual* or the Community College System should consider revising its purchasing card policy to reflect appropriate actual practices. (See Recommendation 7.)

*Agency Response:* *CCC System Office:* "The Community Colleges recognize the importance of appropriate internal controls and monitoring of the P-Card program. Some initial policies may need to be clarified to allow for certain types of transactions. Promotional or marketing items are not truly "gifts" and would not appear to be a disallowed item under the intent of the policy. In addition, separate conference air travel by different attendees who wish to travel together should be allowed as an "exception" transaction as this is really separate transactions that were combined to facilitate travel seating, and the intent of the \$1,000 cap on transaction cost was to ensure that capital items are not purchased via the P-Card program. In order to exercise this exception, the CCC P-Card administrator must contact the credit card vendor for temporary authority or the transaction will not be accepted, which limits any opportunity for abuse in this area. These policy clarifications will be made. In addition, the System Office P-Card administrator will continue to perform periodic internal audits of the program system-wide to identify weaknesses that may need to be addressed.

The individual [at the System Office] who made a disallowed purchase has been reminded of the policy, and the office has taken steps to ensure that appropriate review of monthly logs occurs. The purchase over \$1,000 was viewed as an authorized exception as explained in the *CCC System* response above, however the practice has been discontinued until written policy can be clarified."

*Middlesex CC:* "As stated above, the audited period of P-card purchases was really for the period of start-up forward. The items purchased as clothing and gifts were not able to be better explained.

The “gifts” that were purchased were more of a promotional item that was given during a particular program. The College will examine this policy with the system office for a solution.”

**Student Activity Trustee Account Purchasing:**

*Background:* To ease access to public transportation, Capital Community College assesses a student activity fee on certain credit students to defray the cost of bus passes that it provides to these students. These passes are valid for an unlimited number of trips on all Connecticut Transit local buses during the semester.

*Criteria:* It is a good business practice to ensure that all purchases are properly approved before the purchase is executed.

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

*Condition:* Capital CC: We noted an instance during the audited period in which the College made a purchase for student bus passes amounting to \$20,829, half of which was charged to the student activity account and half to the College’s unrestricted Operating Fund account. However, the College informed us that for such payments, the College does not obtain signatures from student government officers as support for approval of these payments; nor do College student government members document approval for such payments in the minutes of student government meetings. Instead, we were told that, in the past, both the student government and the Board of Trustees of Community-Technical Colleges approved a student fee to cover the costs of these bus passes. Therefore, no further student approval is sought for expenditure of these funds.

Though not required by Community College System policy, documentation indicating student government approval of such expenditures would provide added assurance that purchases charged to the student activity account meet the approval of the current student body and are consistent with the purpose of the student activity trustee account.

Middlesex CC: In the audited period, we noted three instances in which the College made purchases charged to the student activity trustee account before purchase requisitions and purchase orders were approved. In addition, our testing disclosed five student activity account expenditures during the audited period for which the College could not provide us minutes of student government meetings indicating the student government’s approval of these payments. Though not required by Community College System policy, such

documentation would provide added assurance that purchases charged to the student activity account are consistent with the purpose of this trustee account. We did, however, note that none of the student activity account expenditures that we tested appeared to have been inconsistent with the purpose of the account (i.e., for the benefit of students).

*Effect:* At Capital, without payment vouchers approved by the student government or other equivalent support, there was less assurance that payments charged to the student activity account were approved by and for the benefit of the student body.

At Middlesex, purchases charged to the student activity account without prior approved purchase requisitions and purchase orders decreased assurance that such purchases met the approval of employees with purchasing authority prior to the purchases.

Further, at Middlesex, without student government meeting minutes supporting the payments tested, there was less assurance that these student activity account payments were approved by and for the benefit of the student body.

*Cause:* At Capital, the College considered approval of an increased student activity fee for student bus passes (approval by the Board of Trustees as well as approval by prior student government members) as sufficient support for these payments.

At Middlesex, it appears that, in some cases, employees initiated purchases without going through the proper procedures. In addition, the College informed us that, generally, student activity account expenditures are supported by minutes of student government meetings. However, in the cases tested, some of which occurred during the summer, either minutes were not retained or did not exist (there are no Student Senate meetings during the summer).

*Recommendation:* Both Capital Community College and Middlesex Community College should take steps to improve internal control over student activity account purchases by ensuring that all such purchases are properly approved by the student government before goods or services are purchased. (See Recommendation 8.)

*Agency Response:* *CCC System Office:* “Community College purchasing and accounts payable policy does, in fact, apply to all purchases, including those made from the Student Activity Fund which is now housed within each college’s Operating Fund. CCC policy requires that the college identify individuals with “requisition authority” to request that goods and services be ordered, “commitment authority” to process such orders, documentation of receipt of goods or services, proper

matching of the order, receiving information and vendor invoice, and “expenditure authority” to approve those payments. Often either the requisition or receiving function is performed by the end-user, in this case an authorized student official, however for practical reasons the student government may agree that college officials can perform these roles on their behalf provided that sufficient and agreed-upon information is provided to the student government on a regular basis. We will review and discuss the current business processes in place to determine whether any general policy or procedural changes might be indicated.”

*Capital CC:* “The College did not believe it necessary to have the on-going approval of the Student Senate for UPASS expenditures, since such approval is implicit in the approved Board of Trustee resolution. The College does concur that information regarding UPASS expenditures to students is fitting and will provide UPASS cost projections to the student government so this body will be informed and incorporate the expenses into the student activity fund yearly budget.”

*Middlesex CC:* “Regarding the expenditures charged to the student activity account, the College disagrees with the audit finding in this area. The student senate as well as the Coordinator for the Student Activities has requested that they be issued a college purchasing card. The college management agreed to issue the Coordinator a card, which specifically grants commitment authority up to \$1,000 to that coordinator. This authority form was provided. Internally the senate does its best to approve all expenditures within the minutes of their meetings, especially during the academic year. Summer expenditures are difficult to have student input or documentation for since the senate does not meet during the summer. Of the samples that were examined within this audit it was determined that the Coordinator approved the purchases. The expenses that were incurred were for routine items used by the Senate. The College agrees to have the Director of Finance meet with the student senate to determine a better solution for authorizing purchases from the Student Activity Fund.”

*Auditors’ Concluding*

*Comments:*

With respect to Middlesex Community College’s response, the College mentions that the student government in conjunction with College management gave the Coordinator for Student Activities the authority to make purchasing card purchases on the students’ behalf. We must, however, point out that none of the above transactions were purchasing card transactions. We don’t agree with the College’s assertion that since the student government gave the Coordinator for Student Activities some authority to make purchases on its behalf, it is implicit that that the Coordinator can, in general, make purchases on the students’ behalf. Further, we re-emphasize that the Coordinator

approved some of the above transactions after the fact, which is indicative of a control weakness.

**Business Arrangement with a State Employee—System Office:**

*Background:* The Connecticut Charts-A-Course program (Charts-A-Course), funded in part by grants from the Department of Social Services, provides a system of career development for individuals pursuing work in early childhood care and education. Though Charts-A-Course offices are located in New Haven, the Community College’s System Office in Hartford oversees the program.

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

The Community Colleges’ purchasing policy requires a written personal service agreement, signed by both parties, for certain purchases from a personal services contractor.

Both the State Comptroller’s *State Accounting Manual* and the Community Colleges’ own purchasing policy require Attorney General approval for certain purchases from a personal services contractor that exceed \$3,000.

It is a good business practice to prepare and approve purchase requisitions and purchase orders before related goods or services have been received.

*Condition:* We noted that the Connecticut Charts-A-Course program entered into an agreement with a State employee working at Gateway Community College to perform catering services for a program banquet, in June 2004. In return, the System Office agreed to pay the contractor \$3,135. However, neither the Charts-A-Course program nor the System Office publicly advertised for bids. Instead, we were told, Charts A-Course only obtained price quotes for these services. In July 2004, the System Office processed a corresponding payment to the contractor, amounting to \$3,135 for services provided.

In addition, no written personal service agreement was completed for this arrangement, which exceeded the \$3,000 threshold that

necessitates approval from the Attorney General's Office. Therefore, no such Attorney General approval was obtained.

Further, we noted that both the corresponding purchase requisition and purchase order were prepared and, therefore, approved by appropriate System Office employees after services were rendered.

We reported the above condition to the Office of State Ethics in a letter dated March 9, 2006.

*Effect:* Such cases cast doubt on the propriety of such transactions. This instance also represents a case where the System Office didn't comply with its own purchasing policy, which requires the preparation of a written personal service agreement when contracting for certain personal services, as well as approval from the Attorney General's Office when entering into personal service agreements exceeding \$3,000. Moreover, since the related purchase requisition and purchase order were approved after services were provided, this purchase circumvented proper administrative approval channels.

*Cause:* It appears that the Charts-A-Course program did not consider the requirements of Section 1-84, subsection (i), of the General Statutes, when entering into this agreement. The System Office informed us that it did not know that the contractor was a State employee until we pointed it out.

*Recommendation:* The System Office should take steps to improve compliance with Section 1-84, subsection (i), of the General Statutes, which provides, among other things, that no State employee or his immediate family member may enter into any contract with the State, amounting to \$100 or more, unless the contract has been awarded through an "open and public process." Additionally, the System Office should ensure that written personal service agreements are completed and proper approval is obtained when purchasing personal services from independent contractors. (See Recommendation 9.)

*Agency Response:* *CCC System Office:* "The Community Colleges recognize the importance of ensuring that appropriate open sourcing and contract approvals are in place prior to engaging a personal services contractor, and in particular when that contractor is also a State employee, have reinforced this with all Colleges and the System Office and will review and discuss the current business processes in place to determine whether any general policy or procedural changes might be indicated.

The System Office agrees with the audit comments and has taken steps to ensure that Charts-a-Course ("CCAC") staff are aware of the requirements. Because the CCAC office and its staff are located

remotely from the main System Office, certain communication and procedures can be more difficult to enforce. However, a comprehensive on-site training session has been held for all CCAC staff and regular monthly on-site meetings are now also held in order to alleviate these issues.”

**Competitive Bidding—System Office:**

*Criteria:* Section 10a-151b of the General Statutes requires the State’s higher education institutions to base purchases, “when possible, on competitive bids or competitive negotiation.” Subsection (b) of this Section provides specific requirements for higher education purchases estimated to exceed \$50,000. Among these requirements is that competitive bids or proposals shall be solicited by public notice at least once in two or more publications, one of which shall be a major daily newspaper published in the State, and shall be posted on the Internet.

*Condition:* During the audited years, the System Office purchased disability insurance as a benefit for certain Community College System employees. The System Office made corresponding payments to an insurance company totaling \$265,658 and \$199,833 during the 2003-2004 and 2004-2005 fiscal years, respectively. However, we were informed that while the System Office bid out these arrangements many years ago, no such bidding was done in recent years, though the System Office was planning to do so.

*Effect:* The System Office did not fully comply with Section 10a-151b of the General Statutes. Among other things, this reduced the likelihood that the System Office obtained the best price for these purchases.

*Cause:* The System Office had other priorities during the audited years.

*Recommendation:* The System Office should ensure that it solicits bids before making purchases exceeding \$50,000 in amount, as required by Section 10a-151b of the General Statutes. (See Recommendation 10.)

*Agency Response:* *CCC System Office:* “The Community Colleges recognize the importance of competitive bidding to ensure that not only the best price, but also the best product (goods or services) and terms and conditions are received. While we agree that it is a best practice to re-bid contracts on a periodic basis, there is no statutory or policy requirement to re-bid on an annual basis. Certain contracts may be written on a long-term basis because the related administrative or service requirements are enhanced.

The System Office agrees that it is a best practice to re-bid contracts periodically and plans to do so with the disability insurance contract.

However, in this case the system has benefited over time from better contract servicing due to the complexity of administering this contract, than might otherwise be the case if attempting to change vendors frequently. Nevertheless, we agree that it is time to once again test the market for this service.”

**Purchasing and Accounts Payable Operations—Manchester CC:**

*Criteria:* The “Community-Technical Colleges’ Agency Purchasing Policies” provide procedures to implement Connecticut General Statutes regarding the purchase of supplies, materials, equipment and contractual services.

Chapter 5.3 of those policies provides that, “Where the purchase does not involve a PSA [personal service agreement], the purchase order serves as the legal order. No such award or purchase is valid without a completed, properly authorized purchase order (PO) being issued to the vendor to document the products and/or services, costs, and other terms and conditions of the agreement.”

Also, when a vendor discount is offered it is a good business practice to make the related payment within the available discount period to maximize the College’s resources.

*Condition:* Our examination of 20 of Manchester Community College’s expenditure transactions disclosed the following:

- One instance was found where the vendor invoice exceeded the quantity and amount authorized by the original PO. The original purchase authorization was for 1,000 units totaling \$530. The vendor delivered 1,070 units with total charges of \$602. While an amended purchase order was developed, it was never posted to the College’s budgetary control system records.
- One expenditure payment for \$295 made on September 15, 2003, was not supported by a vendor invoice. The payment was made nearly a year after the service was provided and well after the ten-day discount period expired. According to the original purchase requisition, the “Early Pay Discount” amount was \$266.
- One invoice tested in the amount of \$3,811 had an invoice date prior to the PO date and the purchase requisition had no approval date. It, therefore, appears that the purchase was initiated prior to the PO approval.

*Effect:* The College was not in compliance with established policies and procedures regarding expenditures, resulting in weakened internal control. In addition, delays in making payments to vendors could

result in lost discounts as well as the increased likelihood that such vendors would decline future business dealings with the College.

*Cause:* Established control procedures in the area of procurement were not adequately implemented.

*Recommendation:* Manchester Community College should take steps to ensure compliance with established purchasing policies and procedures. (See Recommendation 11.)

*Agency Response: CCC System Office:* “The Community Colleges recognize the importance of good procurement controls and have a comprehensive policy and excellent practices in place. Procurement and contracting practices are reviewed and discussed regularly within the System in an effort both to remind all college and system office staff of the requirements and to enhance and improve business practices. The particular circumstances appear to be relatively minor technical issues of non-compliance, and do not suggest a larger concern. We will review and discuss the current business processes in place to determine whether any general policy or procedural changes might be indicated.”

*Manchester CC:* “The College will continue to review existing policies, procedures, and controls to ensure compliance with established purchasing policies and procedures.

The following comments refer to the *Condition* section of this recommendation:

- The original PO, dated 8/5/2003, was for 1,000 pens for new student orientation. The approval of the invoice was completed by the authorized College employee after determining the additional change in cost of \$72 was appropriate.
- A review of the supporting documentation indicated that payment was made based on an official advertising payment rate schedule sent to the College by the Tolland County Chamber of Commerce. The College matched this rate schedule to the PO and receiving report. The Chamber used this document as the official invoice for these advertising services.

The College has implemented new procedures to purchase newspaper advertising space.”

**Lack of Supporting Documentation for Contractual Services—Manchester CC:**

*Criteria:* Prudent internal control procedures provide that State agency records should be retained at least until audited. Further, the State Library's Public Records Administrator's records retention schedule requires that accounts payable records be retained, at least, for three years, or until audited, whichever comes later.

*Condition:* The College used a Statewide Contract established by the Department of Administrative Services as the basis for its purchase of monthly rentals for three separate copying machines. The monthly rental fees were based on various factors included in the contract, taking into account the type of machine, the length of the rental period, and the number of copies made, among other things. However, there was insufficient supporting documentation on hand to determine whether the rates charged by the vendor were calculated in accordance with the terms in the Statewide Contract. The College did not retain the actual supporting documentation, such as evidence of the number of copies made, needed to verify that the monthly rental rates were correctly calculated and paid in a manner consistent with the contract terms.

*Effect:* The College could not provide documentation to support the monthly rental rate paid.

*Cause:* There was a lack of communication/understanding between the College and the Department of Administrative Services as to which agency should have retained the supporting documentation.

*Conclusion:* Manchester Community College has agreed to implement the necessary procedures to ensure that sufficient supporting documentation is retained when it makes purchases from Statewide Contracts, effective July 1, 2006.

*Agency Response: CCC System:* "The Community Colleges agree that sufficient documentation regarding the receipt of goods and services should be maintained to support invoice payments. This circumstance appears to be a unique and isolated incident."

*Manchester CC:* "The College does follow procedures to ensure that sufficient supporting documentation is retained when it makes purchases from Statewide Contracts. The audit recommendation refers to the determination of a monthly rental cost for three copiers. The purchase orders for these rental agreements were issued in 2000, 2001, and 2002. Although the original catalogues containing the manufacturer's list price could not be located for this recent audit review, it is the College's practice to confirm the accuracy of vendor rental prices prior to issuance of a purchase order. In follow up to this recommendation, the College will discuss record retention policies with the Department of Administrative Services."

**Property Control:**

*Criteria:* The State of Connecticut's *Property Control Manual*, under authority of Section 4-36 of the General Statutes, sets forth criteria and policies over assets owned or leased by a State agency. Requirements include, among other things, that capital equipment and certain other controllable items be recorded in property control records.

The Connecticut Community Colleges' *Fixed Asset Inventory and Accounting Policy* sets the standards for property control within the Connecticut Community College System.

*Condition:* Asnuntuck CC: Our test of 32 equipment items disclosed the following:

- One equipment item had been included in the inventory control record system (the Banner Fixed Asset System) but was not assigned an ID number tag.
- Three ID tag numbers had been incorrectly entered into the inventory control records.
- One equipment item with a cost of \$1,559 could not be located.

Manchester CC:

- One of the 25 equipment items tested was traded in with an upgrade purchase in April 2006. As of June 2006, the trade-in item's total cost of \$5,885 was still being carried in the College's inventory records.
- Five of the 25 items tested were not physically in the location indicated in the College's inventory records but were instead found in other locations. Four of these five items were computers or computer related equipment with a total cost of \$11,396. We performed an additional random inspection test and noted that three of the ten items inspected on the premises were incorrectly listed in the College's inventory records with respect to location. All three items were computers or computer related equipment with a combined cost of \$5,701.
- One of the 25 equipment items tested was recorded in College inventory control records, but the records lacked the item's identification tag number and serial number. The item had a total cost of \$2,187.

Middlesex CC: We tested 22 equipment items purchased during the audited years and noted the following weaknesses at the time of our examination in February 2006, primarily related to equipment purchased during the fiscal year ended June 30, 2005:

- For two equipment item purchases during the fiscal year ended June 30, 2004, no locations were recorded in Banner information system inventory control records.
- For ten equipment items purchased during the fiscal year ended June 30, 2005, locations were not recorded in Banner system inventory control records. Further, none of these ten equipment items were tagged with Community College System bar code identification numbers. Therefore, no such numbers were recorded in College inventory control records. As a result, when we attempted to inspect items purchased during this fiscal year, we could not determine with certainty that the items College staff represented to us as being these items were actually the items in question.
- One purchase in the fiscal year ended June 30, 2005, consisting of two separate equipment items, was recorded in College inventory control records as one item. Furthermore, bar code identification numbers and location information were not recorded in Banner system inventory control records for these items.

*Effect:* In the instances above, the colleges neither complied with the Connecticut Community Colleges' fixed asset policy nor the property control requirements set by the State Comptroller. This subjected college equipment to increased risk of loss or theft.

*Cause:* At Asnuntuck CC, it appears that existing procedures and controls were not sufficient to prevent the above conditions from occurring.

At Manchester CC, the movement of equipment by faculty and staff members without notifying the fixed assets inventory liaison contributed to inventory weaknesses.

At Middlesex CC, we were informed that the College employee who traditionally handled property control record keeping discontinued his employment at the College. This could have been a contributing factor to the condition noted above.

*Recommendation:* Asnuntuck Community College, Manchester Community College, and Middlesex Community College should improve internal control over equipment by following the State Comptroller's property control requirements as well as those established by the Connecticut Community Colleges' fixed asset policy. Middlesex Community College, in particular, should ensure that, when required, all new equipment items purchased are properly tagged with bar code identification numbers and are properly and completely entered into inventory control records. (See Recommendation 12.)

*Agency Response: CCC System Office:* “The Community Colleges recognize the importance of maintaining control over property and equipment. To facilitate this activity, a system-wide fixed asset policy, procedures and integrated information system was implemented several years ago. On-going training and end-user support is available to assist and refresh users in the correct application of policy and uses of the system. In addition, annual physical property inventory is taken at all colleges and the System Office by an external third party, who provides information files indicating any discrepancies for review and resolution by each College and the System Office. The integration of fixed asset bar code scanners remains a desirable goal to further improve in this area; however, to date resources have not been available to pursue this goal. This remains a complex and resource-intensive activity which sometimes receives lower priority due to resource constraints; however, we continue to emphasize its importance with all Colleges and the System Office.”

*Asnuntuck CC:* “The College agrees with this finding. The College will review its existing procedures and make the necessary changes to improve controls over equipment and inventory records.”

*Manchester CC:* “The College will continue to review and, if needed, improve inventory procedures to ensure that all faculty and staff members understand internal and external property control procedures. The Business Office is working closely with the Information Technology staff to strengthen internal controls over technology equipment. The College also has recommended the System Office procure and implement a fixed asset bar code system to more effectively and efficiently manage property control records on the Banner fixed asset module.”

*Middlesex CC:* “As stated during the interview portion of this audit, the Business Office has had tremendous turnover of staff. Two new staff members have recently been trained on the procedures for asset management in Banner as well as the property control requirements of the Comptroller. Efforts will be concentrated on this area once the physical inventory is taken in July of this year [2006].”

**Drawdowns of Federal Receivables—Middlesex CC:**

*Criteria:* Proper cash management procedures require that reimbursements due from the Federal government be requested in a timely manner.

The Code of Federal Regulations (34CFR 668.162(b)(3)) requires that institutions that request Federal student financial assistance funds must disburse these funds “as soon as administratively feasible but no later than three business days following the date the institution received those funds.” In other words, institutions should not,

generally, request such Federal funds earlier than three business days before the institution disburses corresponding funds.

*Condition:* Our testing of the College's drawdown requests of Federal receivables during the audited years disclosed instances where drawdowns were done significantly later than the dates when corresponding expenditures were posted to College accounting records (the Banner information system). In one case, Pell grant expenditures totaling \$14,062 were posted to College accounting records in July 2004, but were drawn down more than three months later, in November 2004. In another case, Federal Work Study program expenditures totaling \$9,817 were posted to College accounting records in December 2004, but were drawn more than two months later, in March 2005.

We also noted an instance in March 2005 where it appears that the College overdrew Federal Work Study program funds totaling \$7,112. That is, contrary to Federal regulations, such funds were drawn more than three days before the College actually disbursed corresponding expenditures. This overdrew was fully disbursed ten work days after the corresponding College drawdown.

*Effect:* In the cases where the College delayed drawdowns of Federal monies due, the College suffered a loss of return on investment on these funds. It also resulted in an opportunity cost, the cost associated with the unavailability these funds for other purposes. In the case where the College prematurely drew down Federal Work Study funds, the College did not comply with Federal cash management regulations.

*Cause:* The employee who performed these drawdowns transferred to another State agency in December 2005. It is unknown why the above condition occurred.

*Recommendation:* Middlesex Community College should draw down Federal receivables in a timely manner. (See Recommendation 13.)

*Agency Response:* *CCC System Office:* "The Community Colleges recognize the importance of ensuring that Federal receivables are drawn down at the appropriate time and will reinforce this with all Colleges and the System Office and review and discuss the current business processes in place to determine whether any general policy or procedural changes might be indicated."

*Middlesex CC:* "Again, employee turnover has been a problem during the audited period. The College agrees that Federal drawdown processes need to be done in a timelier manner and procedures will be revised to ensure that this occurs."

**Accounts Receivable Write-offs:**

*Criteria:* Prudent internal control procedures provide that State agency records should be retained at least until audited. Further, the State Library's Public Records Administrator's records retention schedule requires that records of accounts receivable written off be retained, at least, for three years, or until audited, whichever comes later.

Section 3-7 of the General Statutes provides that any State agency may write off uncollectible accounts receivable in the amount of \$1,000 or less upon the authorization of the head of the agency.

*Condition:* Capital CC: We examined a sample of ten delinquent student accounts receivable that the College wrote off during the audited period. Our testing disclosed one instance in which the College wrote off \$840 in tuition due without obtaining the College President's written approval. In addition, we found two instances, each over \$1,000, in which the College obtained the College President's approval for student accounts written off but did not obtain the required approval from the Secretary of the Office of Policy and Management. Apart from our sample, we also noted several other such cases lacking Office of Policy and Management approval.

Middlesex CC: We examined a sample of ten delinquent student accounts receivable, all under \$1,000, which the College wrote off during the audited period. We were told that while the College obtained the College President's approval for these write-offs, no such records could be located.

*Effect:* At Capital, the College did not fully comply with Section 3-7 of the General Statutes.

At Middlesex, the College lacked an audit trail of evidence to confirm that the College President's approval was obtained for the delinquent student accounts written off. Also, the College did not conform to the records retention requirements set by the State Library Public Records Administrator.

*Cause:* At Capital, the College may have overlooked obtaining proper approval for write-offs of accounts receivable in some cases.

At Middlesex, employee turnover in the College Business Office may have contributed to the misplacement of these College records.

*Recommendation:* Capital Community College and Middlesex Community College should obtain and retain supporting documentation for proper approval of the write-off of delinquent student accounts, as required by Section

3-7 of the General Statutes and the State Library Public Records Administrator. (See Recommendation 14.)

*Agency Response: CCC System Office:* “The Community Colleges recognize the importance of proper authorization for write-off of accounts receivable and will continue to provide training and reinforce proper procedures with all Colleges and the System Office.”

*Capital CC:* “The College agrees that it did not get Office of Policy and Management approval for accounts that exceeded \$1,000 on one of the write-off reports. Subsequent write-offs are being processed in accordance with Section 3-7 of the General Statutes.”

*Middlesex CC:* “It is agreed and understood that the documentation for this write off should have been maintained. Perhaps with a lower level of employee turnover there will be less opportunity for misplaced documentation.”

**Information Technology System Access—Asnuntuck CC:**

*Criteria:* Sound internal control over information technology system security requires that an employee’s access to the system be disabled promptly upon termination of employment.

*Condition:* During the audited period, it was the practice of the College’s Information Technology Department to request termination of network and/or Banner information system access from the College’s Central Office upon an employee’s separation from the College. However, there was no formal procedure for requesting or notifying the Information Technology Department when termination in the system was needed.

*Effect:* Internal control over the College’s information system is weakened when an employee’s access is not discontinued promptly upon termination.

*Cause:* There was no formal procedure for notifying the Information Technology Department when an individual terminates employment.

*Recommendation:* Asnuntuck Community College should implement procedures to ensure that all information technology system access is disabled promptly upon an individual’s termination of employment from the College. (See Recommendation 15.)

*Agency Response: CCC System Office:* “The Community Colleges recognize the importance of ensuring that information system access is disabled promptly when an individual terminates employment and will continue to reinforce existing procedures with all Colleges and the System

Office. As an additional precaution, automated procedures were put in place some time ago to disable the password and expire and lock any account that has remained unused for a specified period of time.”

*Asnuntuck CC:* “The College understands this finding. A formalized procedure has already been developed to immediately notify the Director of Information Technology upon the resignation, termination or retirement of an employee.”

**Information Technology Disaster Recovery—System Office:**

*Background:* The System Office Data Center administers centralized databases for the entire Connecticut Community College System. The Colleges’ administrative software system, Banner, is housed on a server located at the Data Center. The Banner system is used to record financial and student academic data for the entire Community College System.

*Criteria:* A disaster recovery plan that addresses the resumption of business operations should a disaster occur is an important planning tool for information technology security.

*Condition:* We were told that the System Office Data Center performs procedures to reduce the risk of lost data and interruption of services in the event of a disaster. These procedures include scheduled data back-up and off-site storage of back-up tapes.

In addition, the System Office contracted with a firm that completed a Business Impact Analysis that identified the impact of a loss of IT operations at the Community College System.

Further, the System Office has analyzed whether to build or contract out an off-site “hot site” to provide IT services in the event of a disaster. The System Office has decided to contract out these services.

However, we were told that the System Office still needs to develop a written plan identifying in detail the steps that need to be taken and the specific employees who must take these steps should a disaster occur.

*Effect:* The lack of a formal information technology disaster recovery plan could impair the resumption of Community College System operations if a disaster were to occur.

*Cause:* While the System Office has taken significant steps towards the development of formal disaster recovery plan, it appears that development of a sound, well thought out disaster recovery plan is a time consuming process.

*Recommendation:* The System Office should continue its efforts to develop a formal, written information technology disaster recovery plan for the Community College System. (See Recommendation 16.)

*Agency Response:* *CCC System Office:* “The Community Colleges recognize the importance of disaster recovery planning for critical information systems both in the System Data Center and at individual colleges. This is a multi-year and potentially very costly process that will continue to proceed as decisions are made and resources identified.”

**Risk Assessment:**

*Criteria:* A risk assessment is an integral part of an internal control plan. Sound business practice dictates that the System should perform (or have performed) a risk assessment. Risk assessment is the identification and analysis of relevant risks to the achievement of an organization’s objectives, for the purpose of determining how those risks should be managed. Risk assessment implies an initial determination of key operating objectives, then a systematic identification of factors that could prevent such objectives from being attained.

*Condition:* Our review found that no risk assessment was performed by the System for the period under review. While an independent public accounting firm did perform financial audits of the System during the audited years, such audits are primarily concerned with providing reasonable assurance about whether financial statements are presented fairly in accordance with generally accepted accounting principles. The accounting firm’s performance of a financial audit is not an acceptable substitution for a comprehensive, documented risk assessment.

*Effect:* The System is exposed to a higher risk that it will not achieve its operational objectives. Risks that could have been anticipated and avoided by periodic assessments may result in operational ineffectiveness, additional costs and liabilities, and exposure to fraud.

*Cause:* The necessary resources were not allocated by the System to ensure that a risk assessment process was performed during the audited period.

*Recommendation:* The Community College System should perform its own, or have performed, system-wide, periodic risk assessments to better manage those risks that may have a significant impact on operational objectives. (See Recommendation 17.)

*Agency Response:* *CCC System Office:* “The Community Colleges recognize the importance of identifying and assessing risks to the operation in order to take steps to prevent or reduce risk. In its broadest sense, risk

assessment is an extraordinarily large, complex, time-consuming and resource-intensive process that is difficult to accomplish in an environment of scarce resources. However, the Community Colleges have taken steps to address certain major areas of risk, particularly in the area of reliance on information technology and protection of confidential data contained in information systems. These and other issues will continue to be identified and receive attention over a multi-year period as resources permit.”

## **RECOMMENDATIONS**

### *Status of Prior Audit Recommendations:*

As noted in a prior section of this report, our new audit approach for the Connecticut Community College System involves treating the System as a single entity and performing audit site visits at a sample of colleges within the System. (Eventually, over several audit periods, we will perform audit site visits at all 12 of the System's colleges). In our new audit methodology, the results of our audit are disclosed in one audit report covering the entire System. In contrast, separate reports on the Colleges and the System Office were issued in prior years. The following summarizes the findings presented in those reports for the institutions examined in this audit and the current status of those prior findings.

### The System Office:

- *The System Office should seek formal, documented approval, from either the Board of Trustees of Community-Technical Colleges or the Chancellor, for its established longevity pay rates for System Office executive employees. The System Office should also comply with Federal Office of Management and Budget Circular A-21 by completing time and effort reports, on the required schedule, to support payroll charges to its Federal programs.* In our current audit, we noted that the Chancellor approved, in writing, the longevity pay rates for System Office executive employees. Further, we found improved compliance with the time and effort reporting requirements for payroll charges to Federal programs. We are, therefore, not repeating the recommendation.
- *The System Office should ensure that it properly documents the approval for the disposal of any of its equipment. Further, the System Office should report the value of Community College System works of art in the annual property inventory reports that it submits to the State Comptroller.* Our current audit disclosed that the System Office implemented a system for documenting approval for the disposal of equipment. We also noted that the System Office reported the value of Community College System works of art in its annual property inventory reports submitted to the State Comptroller for the audited years. The recommendation is, therefore, not being repeated.
- *The System Office should improve internal control over its cash receipts by promptly recording their receipt in its cash receipts accounting records.* We noted improvement in this area. The recommendation is not being repeated.
- *The System Office should develop a formal, written information technology disaster recovery plan.* The System Office has taken significant steps toward the development of a written information technology disaster recovery plan. However, during the audited period, such a plan had not yet been developed. Therefore, we are repeating this recommendation in a modified form, recognizing the efforts that have been made in this area. (See Recommendation 16.)

- *The System Office should take further steps to improve Community College System compliance with Section 1-84, subsection (i), of the General Statutes, which provides, among other things, that no State employee may enter into any contract with the State, amounting to \$100 or more, unless the contract has been awarded through an “open and public process.” We noted improvement in this area during our current audit. The recommendation is not being repeated.*

Asnuntuck Community College:

- *The College should reorganize the reporting structure to ensure independence between the Human Resources and Payroll Departments. Further, a segregation of duties or formal compensating controls should be established between the payroll and personnel functions. With the implementation of the Core-CT information system during the audit period, the payroll functions have been separated. The recommendation is not being repeated.*
- *The College should improve internal control related to the payroll function. The implementation of the Core-CT information system has helped resolve these issues; the recommendation is not being repeated.*
- *The College should develop and implement a time and effort reporting system for documenting payroll costs charged to Federal grant programs. During our current audit, we noted that the College has implemented a time and effort system for Federal programs. The recommendation is not being repeated.*
- *The College should deposit receipts in accordance with Section 4-32 of the General Statutes. We tested bank deposits for the fiscal years ended June 30, 2004, and 2005, and noted no late deposits for the audit period. The recommendation is not being repeated.*
- *Procedures should be developed to ensure compliance with the requirements regarding private foundations affiliated with State agencies. The College foundation has complied with these requirements. The recommendation is not being repeated.*
- *The College should implement procedures to ensure that internal control over Business and Industry Services contract course receivables is adequate. The College has improved internal control over receivables. We noted that contractual courses need to be approved by the Office of the Attorney General and a log is now kept for all contractual courses. This recommendation is not being repeated.*
- *The College should improve internal controls over the purchasing process. Our testing disclosed that control over the purchasing process still needs improvement. Therefore, this recommendation is being repeated. (See Recommendation 6.)*
- *The College should improve internal control over fixed assets in order to ensure accurate reporting and safeguarding. We noted weaknesses in control over College equipment during the audited period. This recommendation is being repeated. (See Recommendation 12.)*

- *The College should comply with Section 1-84, subsection (i), of the Connecticut General Statutes which states that “No public official or state employee or member of his immediate family or a business with which he is associated shall enter into any contract with the state, valued at one hundred dollars or more, other than a contract of employment as a state employee pursuant to a court appointment, unless the contract has been awarded through an open and public process, including prior public offer and subsequent public disclosure of all proposals considered and the contract awarded. The College now uses an Employment Status Certification to help identify those who would be subject to Section 1-84. The recommendation is not being repeated.*
- *All Banner and internal access should be disabled promptly upon an individual’s termination of employment. Our current audit disclosed that the College has no formal policy for terminating information system access of separated employees. The recommendation is, therefore, being repeated. (See Recommendation 15.)*

Capital Community College:

- *The College should pay wages to all of its employees in a timely manner, as required by Section 31-71b of the General Statutes. In our current audit, we did not note any cases in which the College delayed paying wages to an employee. The recommendation is not being repeated.*
- *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. Improvement was noted during the current audit. The recommendation is, therefore, not being repeated.*
- *The College should ensure that the Foundation uses generally accepted accounting principles in its financial record keeping and reporting. The recommendation was implemented; it is not being repeated.*

Manchester Community College:

- *The College should develop and implement a time and effort reporting system for documenting payroll costs charged to Federal grant programs. In our current audit, we noted improvement in this area. The recommendation is not being repeated.*
- *The College should change the organizational oversight responsibility related to the Payroll Department to ensure that it is independent of the Human Resources Department. The recommendation was not implemented during the current audit period; it is being repeated. (See Recommendation 5.)*
- *The College should improve controls related to the purchase requisition process. Improvement was noted during the current audit period. The recommendation is not being repeated.*

- *The College should comply with the requirements of Section 4-37g, subsection (b), of the Connecticut General Statutes, which requires that a copy of the Foundation audit report be transmitted to the Office of the Auditors of Public Accounts. The recommendation was implemented; it is not being repeated.*

Middlesex Community College:

- *The College should improve controls over the purchasing process. In our current audit, we noted no missing purchase requisitions, purchase orders, or vendor invoices to support purchases tested, as was the case in our prior audit. However, our review disclosed other areas needing improvement in College purchasing operations. The recommendation is, therefore, being repeated with modification. (See Recommendations 6, 7, and 8.)*
- *The College should ensure that payments made to employees upon termination from State service are accurate. In addition, the College should recover the overpayment of \$9,992 made to one employee upon his termination from State service. Our current audit disclosed that the College did recover the payroll overpayment made to the above employee upon his retirement. We did, however, note another incorrect payment made to another employee upon her retirement. As a result, the recommendation is being repeated but modified to reflect the conditions noted in our current audit. (See Recommendation 4.)*
- *The College should implement a time and effort reporting system for documenting payroll costs charged to Federal grant programs. We noted improvement in this area. The recommendation is not being repeated.*
- *The College should require that employees complete a dual employment form or other signed certification indicating whether or not the employee has other State employment. The recommendation was not sufficiently implemented during the current audit period. It is, therefore, being repeated. (See Recommendation 3.)*
- *The College should ensure that all contracts are properly initiated, accepted, and signed prior to the commencement of employment. We noted improvement in this area. The recommendation is not being repeated.*
- *The College should drawdown Federal receivables in a timely manner. Our current audit did not disclose significant improvement in this area. The recommendation is being repeated. (See Recommendation 13.)*
- *Procedures should be developed to assure compliance with the requirements regarding private foundations affiliated with State agencies. Improvement was noted in this area. The recommendation is not being repeated.*
- *The College should improve internal controls over its equipment in order to ensure accurate reporting and safeguarding of assets. We noted improvement in the College's annual inventory reporting to the State Comptroller since the Community Colleges' System Office took over responsibility for this area for the entire system. However, our*

current audit disclosed that further improvement in College controls over equipment is necessary. The recommendation is being repeated. (See Recommendation 12.)

*Current Audit Recommendations:*

- 1. The Community College System should consider implementing a policy that requires all part-time lecturers to submit appropriately approved timesheets or equivalent documentation to their respective Payroll Departments as a means of supporting time worked. In addition, both Capital Community College and Middlesex Community College should ensure that leave time accruals for retirees are properly zeroed out and terminated in the Core-CT information system. Further, Middlesex Community College should review its records of leave time balances for part-time employees and make adjustments, if necessary, to ensure that these balances agree with applicable bargaining unit contracts and/or Community College System personnel policies.**

Comment:

The Community College System lacks a policy that requires part-time lecturers to submit supporting documentation to respective Payroll Departments as evidence that that these employees are fulfilling their teaching obligations and earning their pay. Middlesex Community College and Capital Community College did not always zero out leave time balances for terminated employees in Core-CT information system records. In some instances, Middlesex Community College's records of leave time balances for part-time employees were incorrect.

- 2. Manchester Community College should implement improved control procedures to better ensure that Educational Assistant employment contracts are properly drawn and executed prior to the commencement of employment.**

Comment:

In every case tested, Educational Assistant employment contracts were either signed late (after the contract period had begun) by the employee and/or the College President or were not signed at all.

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

Comment:

We found instances at both Asnuntuck Community College and Middlesex Community College where dual employment forms lacked the required signatures certifying that no conflicts exist between the positions held.

4. **Middlesex Community College should pay all of its employees for unused sick leave upon retirement, as required by collective bargaining agreements and the General Statutes. Further, our audit disclosed that the College did not pay an employee the amount due for her unused sick leave at retirement; the College should retroactively pay this employee the amount due for this leave balance.**

Comment:

Middlesex Community College did not pay one of its employees for 21.6 hours of unused sick leave accumulated upon her retirement in the audited period.

5. **Manchester Community College should change the organizational oversight responsibility related to the Payroll Department to ensure that it is independent of the Human Resources Department.**

Comment:

Good internal controls require a separation of duties between employees who authorize transactions (e.g., the Human Resources Department) and employees who execute transactions (e.g., the Payroll Department). The Manchester Community College Payroll Department is subordinate to the College's Human Resources Department.

6. **Asnuntuck Community College and Middlesex Community College should take steps to improve internal control over personal service agreement purchases by ensuring that all such purchases are properly approved before services are purchased and by complying with the Community College System's purchasing policies.**

Comment:

At Asnuntuck Community College, we found several instances where College personal service agreements required but lacked the approval of the Office of the Attorney General. Further, each of these agreements was signed by College officials after respective contract start dates. At Middlesex Community College, we noted three instances where personal service agreements were neither signed by College officials nor by the contractor until after some services had already been provided. Middlesex Community College also paid an independent contractor \$4,980 more than the amount specified in the corresponding written personal service agreement without executing an amended written personal service agreement and without the State Attorney General's Office approval.

7. **Middlesex Community College and the System Office should improve their compliance with the Community Colleges' *Purchasing Card Policy and Procedure Manual* or the Community College System should consider revising its purchasing card policy to reflect appropriate actual practices.**

Comment:

At both Middlesex Community College and the System Office, we noted several instances of noncompliance with written Community College System purchasing card procedures.

8. **Both Capital Community College and Middlesex Community College should take steps to improve internal control over student activity account purchases by ensuring that all such purchases are properly approved by the student government before goods or services are purchased.**

Comment:

Capital Community College routinely did not obtain signatures from student government officers or approval in student government minutes as support for approval of disbursements for student bus passes purchased and charged to the student activity account. Instead, we were told that, in the past, both the student government and the Board of Trustees of Community-Technical Colleges approved a student fee to cover the costs of these bus passes. Therefore, no further student approval is sought for expenditure of these funds. At Middlesex Community College, we noted three instances in which the College made purchases charged to the student activity trustee account before purchase requisitions and purchase orders were approved. In addition, our testing disclosed five student activity account expenditures during the audited period for which the College could not provide us minutes of student government meetings indicating the student government's approval of these payments.

9. **The System Office should take steps to improve its compliance with Section 1-84, subsection (i), of the General Statutes, which provides, among other things, that no State employee or his immediate family member may enter into any contract with the State, amounting to \$100 or more, unless the contract has been awarded through an "open and public process." Additionally, the System Office should ensure that written personal service agreements are completed and proper approval is obtained when purchasing personal services from independent contractors.**

Comment:

We noted that the Connecticut Charts-A-Course program, which was overseen by the System Office, entered into an agreement with a State employee to perform catering services for a program banquet, in June 2004, without publicly advertising for bids. Furthermore, this agreement required the approval of the Office of the Attorney General but no such approval was sought.

- 10. The System Office should ensure that it solicits bids before making purchases exceeding \$50,000 in amount, as required by Section 10a-151b of the General Statutes.**

Comment:

The System Office purchased disability insurance, totaling \$265,658 and \$199,833 during the respective audited years, as a benefit for certain Community College System employees. However, we were informed that while the System Office bid out these arrangements many years ago, no such bidding was done in recent years.

- 11. Manchester Community College should take steps to ensure compliance with established purchasing policies and procedures.**

Comment:

We noted instances where College purchase orders were either approved after the purchase was initiated or amended after the fact. In addition, in one case, the College paid a vendor nearly a year after services were provided.

- 12. Asnuntuck Community College, Manchester Community College, and Middlesex Community College should improve internal control over equipment by following the State Comptroller's property control requirements as well as those established by the Connecticut Community Colleges' fixed asset policy. Middlesex Community College, in particular, should ensure that, when required, all new equipment items purchased are properly tagged with bar code identification numbers and are properly and completely entered into inventory control records.**

Comment:

At Asnuntuck Community College, we found that the College could not locate an equipment item with a cost of \$1,559, and ID tag numbers for several equipment items were not properly entered into the College's inventory control records. At Manchester Community College, some inventory control records were inaccurate or incomplete. At Middlesex Community College, we noted that a number of equipment items purchased during the fiscal year ended June 30, 2005, were not entered in College inventory control records and were not tagged with bar code identification numbers. Several other equipment inventory control records at Middlesex were incomplete, lacking location and bar code identification information.

- 13. Middlesex Community College should draw down Federal receivables in a timely manner.**

Comment:

Our testing disclosed instances where requests for reimbursement of Federal student financial assistance expenditures were delayed, and one case in which the request was made prematurely.

- 14. Capital Community College and Middlesex Community College should obtain and retain supporting documentation for proper approval of the write-off of delinquent student accounts, as required by Section 3-7 of the General Statutes and the State Library Public Records Administrator.**

Comment:

In some instances, Capital Community College did not obtain proper approval when writing off delinquent student accounts. Middlesex Community College could not locate documentation for the approval of the student account write-offs that we examined.

- 15. Asnuntuck Community College should implement procedures to ensure that all information technology system access is disabled promptly upon an individual's termination of employment from the College.**

Comment:

The College had no formal system in place to notify the Information Technology Department to discontinue an employee's access to the information system upon the employee's termination of employment.

- 16. The System Office should continue its efforts to develop a formal, written information technology disaster recovery plan for the Community College System.**

Comment:

While significant progress has been made to reduce the impact of an information technology system disaster, we were told that the System Office still needs to develop a written plan identifying in a detail the steps that need to be taken and the specific employees who must take these steps should a disaster occur.

- 17. The Community College System should perform its own, or have performed, system-wide, periodic risk assessments to better manage those risks that may have a significant impact on operational objectives.**

Comment:

Our review found that no formal, documented risk assessment was performed by the System or an independent public accounting firm for the period under review.

## INDEPENDENT AUDITOR'S CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the Connecticut Community College System for the fiscal years ended June 30, 2004, and 2005. This audit was primarily limited to performing tests of the System's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the System's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the System are complied with, (2) the financial transactions of the System are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the System are safeguarded against loss or unauthorized use. The financial statement audits of the Connecticut Community College System for the fiscal years ended June 30, 2004 and 2005, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Connecticut Community College System 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 the Connecticut Community College System is the responsibility of the System's management.

As part of obtaining reasonable assurance about whether the System 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 System's financial operations for the fiscal years ended June 30, 2004 and 2005, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

The management of the Connecticut Community College System is responsible for establishing and maintaining effective internal controls over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants applicable to the System. In planning and performing our audit, we considered the System's

internal controls over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the System's financial operations in order to determine our auditing procedures for the purpose of evaluating the Connecticut Community College System'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 controls over those control objectives.

However, we noted certain matters involving the internal controls over the System's financial operations, safeguarding of assets, and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal controls over the Agency's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the Agency's ability to properly record, process, summarize, and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grants. We believe the following findings represent reportable conditions:

- Weaknesses in controls over equipment inventory at Asnuntuck Community College, Manchester Community College, and Middlesex Community College and;
- Lack of timely execution (signature approval) for some personal service agreements at Asnuntuck Community College and Middlesex Community College.

A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants or the requirements to safeguard assets that would be material in relation to the Agency's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Agency being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over the System's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. However, we believe that neither of the reportable conditions described above is a material or significant weakness.

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

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

**CONCLUSION**

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

Daniel F. Puklin  
Principal Auditor

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts