

STATE OF CONNECTICUT



*AUDITORS' REPORT
BOARD OF TRUSTEES OF COMMUNITY-TECHNICAL COLLEGES
CONNECTICUT COMMUNITY COLLEGE SYSTEM
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2007*

AUDITORS OF PUBLIC ACCOUNTS

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May 7, 2009

AUDITORS' REPORT
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CONNECTICUT COMMUNITY COLLEGE SYSTEM
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2007

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, 2006 and 2007.

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:

Our audit approach for the Connecticut Community College System consists of examining the System as a whole through selecting a sample of the 12 colleges that compose the System for audit site visits each audit cycle. Over time, using this methodology, we will perform audit site visits at all twelve of the colleges. Our audit approach also involves the preparation of a single audit report for the entire Community College System. This report, which covers the fiscal years ended June 30, 2006 and 2007, represents the results of our examination of the financial records from a sample of seven Community Colleges (Gateway Community College, Housatonic Community College, Northwestern Connecticut Community College, Norwalk Community College, Quinebaug Valley Community College, Three Rivers Community College, and Tunxis Community College) as well as the financial records of the System Office. Our examinations of Housatonic Community College and Norwalk Community College focused primarily on the fiscal year ended June 30, 2006, while our examinations of the other five colleges mentioned above and the System Office focused on the fiscal years ended June 30, 2006 and 2007. During the course of our audit, we identified certain systemwide weaknesses in internal control and in compliance with financial-related laws and regulations. In these instances, our corresponding recommendations reflect a systemwide approach to correcting such weaknesses, primarily directed at the

Community Colleges' System Office. However, we also noted that some of the areas requiring attention appear to be College-specific. In these instances, our recommendations are directed primarily towards the management of the applicable Colleges.

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-80b, 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:

| Community College | Location |
|--------------------------|-----------------|
| 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, 2007:

| | |
|------------------------|---------------------------------------|
| Louise S. Berry, Chair | Jules Lang, Esq. |
| Timothy Ackert | William McGurk |
| Dr. Murali Atluru | Jesse McIntyre (elected by students) |
| Hilary Barhydt | J. Ashley Odell (elected by students) |
| David Blackwell, Esq. | Win Opper |
| Rev. David L. Cannon | Marie M. Spivey |
| Hugh Cox | Carol Wallace |
| Carolyn Fabbri | Virginia D. Zawoy |
| Sonya Googins | |

There was one vacancy on the Board as of June 30, 2007. General David Gay, Stephanie L. Labanowski, Diana McCarthy-Bercury, Hector Rodriguez, Kelly L. Straniti, and Mary Lou Strom 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 the audited period:

Public Act 05-3, June Special Session – Effective July 1, 2005, Section 64 of this Act reduces the amount of State matching funds granted for eligible endowment funds raised under the State’s higher education endowment fund matching program from a 50 percent matching rate to a 25 percent rate for endowment gifts received during the 2005 calendar year forward. Further, it stipulates 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 the 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.

Public Act 05-255 – Effective July 13, 2005, Section three of this Act requires that not later than December 31, 2005, and biennially thereafter, the Board of Trustees of the Community-Technical Colleges to develop a plan to increase the number of full-time faculty teaching at the colleges under the Boards’ jurisdiction. Not later than December 31, 2005, and biennially thereafter, the Board of Trustees shall provide the plan, in accordance with the provisions of Section 11-4a of the General Statutes, to the committee of the General Assembly having cognizance of matters relating to higher education and employment advancement.

Public Act 06-34 – Effective July 1, 2006, which replaced Section one, subsection (a), of Section 10a-71 of the General Statutes, requires that on and after July 1, 2010, the Board of Trustees of Community-Technical Colleges shall at all times include at least two members who have, through education or experience, an understanding of relevant accounting principles and practices, and financial statements.

Public Act 06-103 – Effective July 1, 2006, Section two of this Act requires the Board of Trustees of Community-Technical Colleges to develop a policy that provides for the disbursement of financial aid to students who have met all Federal, State, and institutional requirements for financial aid by the first day of the academic term, or permits students to use financial aid that has not yet been disbursed at stores on the campuses of the colleges under

the Board's jurisdiction to purchase, during the first week of the academic term, required textbooks for courses taught at the colleges.

Enrollment Statistics:

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

| | <u>Fall 2005</u> | <u>Spring 2006</u> | <u>Fall 2006</u> | <u>Spring 2007</u> |
|--------------------|------------------|--------------------|------------------|--------------------|
| Full-time students | 16,385 | 14,327 | 16,827 | 14,706 |
| Part-time students | <u>29,842</u> | <u>29,949</u> | <u>29,662</u> | <u>30,560</u> |
| Total enrollment | <u>46,227</u> | <u>44,276</u> | <u>46,489</u> | <u>45,266</u> |

The average of Fall and Spring semesters' total enrollment was 45,252 and 45,878 during the 2005-2006 and 2006-2007 fiscal years, respectively, compared to an average of 44,882 during the 2004-2005 fiscal year. These increases, amounting to roughly 0.8 percent and 1.4 percent during the respective audited years, were consistent with the condition of the State economy during the audited years. Generally, when the economy is weak, 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> |
|------------|-----------------|---------------------|------------------------------|
| 2004-2005 | \$ 2,112 | \$ 6,336 | \$ 3,168 |
| 2005-2006* | 2,232 | 6,696 | 3,348 |
| 2006-2007 | 2,352 | 7,056 | 3,528 |

*Effective for the Fall 2005 semester, a flat \$100 charge per semester applies when total registered credits exceed 17 for the semester.

In November 2004, the Board approved increases in tuition for all students during the 2005-2006 and 2006-2007 academic 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:

| | Fiscal Year <u>2005-2006</u> | Fiscal Year <u>2006-2007</u> |
|--|---|---|
| Student tuition and fees (net of scholarship allowances) | \$ 72,772 | \$ 77,926 |
| Federal grants and contracts | 31,391 | 31,998 |
| State and local grants and contracts | 9,435 | 10,543 |
| Private grants and contracts | 990 | 1,666 |
| Sales and services of educational departments | 369 | 478 |
| College owned bookstores, net | 5,368 | 5,393 |
| Other operating revenues | <u>3,384</u> | <u>2,274</u> |
| Total operating revenues | <u>\$123,709</u> | <u>\$130,278</u> |

Operating revenue totaled \$123,709,000 and \$130,278,000 during the 2005-2006 and 2006-2007 fiscal years, respectively. The 2006-2007 fiscal year saw an operating revenue increase of \$6,569,000, or 5.3 percent, compared to the 2005-2006 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.

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

| | Fiscal Year <u>2005-2006</u> | Fiscal Year <u>2006-2007</u> |
|--------------------------|---|---|
| Instruction | \$124,556 | \$133,069 |
| Public service | 1,003 | 761 |
| Academic support | 51,978 | 56,327 |
| Library | 8,555 | 9,253 |
| Student services | 39,786 | 40,852 |
| Scholarship aid, net | 15,437 | 15,322 |
| Institutional support | 53,292 | 57,063 |
| Physical plant | 34,081 | 36,469 |
| Depreciation | <u>14,504</u> | <u>14,432</u> |
| Total operating expenses | <u>\$343,192</u> | <u>\$363,548</u> |

Operating expenses increased \$20,356,000, or 5.9 percent, during the 2006-2007 fiscal year, compared with the 2005-2006 fiscal year. This increase was largely the result of salary increases stipulated in collective bargaining agreements and management pay increases granted by the Board. An increase in the number of System employees also contributed to the increase in 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:

| | Fiscal Year <u>2005-2006</u> | Fiscal Year <u>2006-2007</u> |
|--|---|---|
| State appropriations – General Fund | \$203,663 | \$219,048 |
| State appropriation - bond funds | 66,552 | 134,611 |
| Private gifts | 1,842 | 2,594 |
| Interest income | 2,866 | 4,354 |
| Cumulative effect of changes in accounting | - | 4,752 |
| Other nonoperating revenues, net | <u>20</u> | <u>19</u> |
| Total nonoperating revenues | <u>\$274,943</u> | <u>\$365,378</u> |

Total nonoperating revenues rose \$90,448,000 (32.9 percent) during the 2006-2007 fiscal year, compared to the previous year. The increase was largely the result of increases in State appropriations received, especially bond fund appropriations, during the 2006-2007 fiscal year. Also, during the 2006-2007 fiscal year, the System recorded a one-time adjustment for the effect of a change in accounting method totaling \$4,752,000. In the 2006-2007 fiscal year, the System began recording summer term revenues according to when the summer course was actually run and would prorate revenue generated from courses that began in one fiscal year and ended in another. In contrast, during the 2005-2006 fiscal year and earlier, the System recognized all summer term revenue generated from a particular course during the year when the course was predominantly run regardless of when the course was actually completed. Accordingly, this one-time adjustment in the 2006-2007 fiscal year represents the portion of summer 2006 term revenues not previously reported in the 2005-2006 fiscal year under the old method, which would have been reported under the new methodology.

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 address 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 affiliated foundations.

Our audit found exceptions with respect to Norwalk Community College Foundation's compliance with certain foundation-related statutes, which are presented in the "Condition of Records" and "Recommendations" sections of this report.

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.

Part-time Lecturer and Educational Assistant Employment Contracts and Evidence of Services Provided:

Background: At times, colleges within the Connecticut Community College System hire employees on a temporary basis to fill positions of a professional nature. Such employees are known as Educational Assistants within the Community College System. 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 the parties involved are in agreement with the contract terms.

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 provided services during the time period for which he or she was paid.

Condition: Gateway CC: We noted 23 instances during the audited period in which contracts for Part-time Lecturers were signed by either the employee or the College after corresponding services had begun. Signature approval delays ranged from 3 days to 38 days for employees and from 4 days to 38 days for the College.

Further, we noted eight instances during the audited period in which Part-time Lecturers did not submit biweekly timecards to the Payroll Department supporting time worked.

We also noted one instance in which a Part-time Lecturer who was also a full-time faculty member received payments, totaling \$2,484, for Fall 2006 semester overload assignment pay. (Generally, the workload for a full-time faculty member consists of the equivalent of teaching 15 credit hours per semester; work in excess of this is considered an overload assignment.) However, the College could not provide us with sufficient documentation to support that this employee actually performed work equivalent to more than 15 credit hours.

Quinebaug Valley CC: Part-time Lecturers were not required to submit time sheets or equivalent documentation supporting teaching assignments completed during the audited period.

Three Rivers CC: Part-time Lecturers were not required to submit time sheets or equivalent documentation supporting teaching assignments completed during the audited period. In addition, we examined nine Part-time Lecturer written appointment agreements and found that all nine were signed by the College administration after the appointment date when services were to commence.

Tunxis CC: We reviewed ten Educational Assistant contracts during the audited period and found that eight contracts were signed after the period of appointment had begun. The time lag between the start of the contract and authorization ranged from one day to over 13 weeks.

Effect: With respect to late approval of employment contracts, 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.

Lack of time sheet submission for Part-time Lecturers decreased assurance that such employees actually provided services during the time period for which they were paid.

Cause: It appears that controls in place were not adequate to prevent the late approval of Part-time Lecturer and Educational Assistant employment contracts. Likewise, there was a weakness in controls necessary to obtain time sheets certifying services provided by Part-time Lecturers.

Recommendation: The Community College System should implement improved control procedures to better ensure that Part-time Lecturer and Educational Assistant employment contracts are properly drawn and executed prior to the commencement of employment. Further, the Community College System should consider implementing a policy that requires all Part-time Lecturers to submit signed time sheets to their supervisors for their signature and transmittal to their respective Payroll Departments as a means of supporting services performed. Alternatively, the Community Colleges should implement a system that requires, for each term, independent documented certification that Part-time Lecturers completed the course work for which they were appointed. (See Recommendation 1.)

Agency Response: CCC System Office: “CCC agrees that whenever possible employment contracts should be executed prior to the commencement of employment, and will internally discuss and reinforce the existing

policies which call for this. CCC also recognizes that occasionally there are unusual circumstances which require moving forward in order to meet obligations to students or to continue operations, and will seek to limit those occasions as much as possible. CCC will also develop and implement additional system-wide policy guidelines for documenting the completion of part-time lecturer work assignments at least once per semester in lieu of utilizing traditional time sheets, which may not accurately reflect the contractual teaching obligation.”

Gateway CC: “The College recognizes the importance of ensuring that part-time lecture employment contracts are signed in a timely manner. However, during the start of the semester, last minute instructional contract cancellations and the scheduling of additional course sections required to meet fluid enrollment demands and to fulfill obligations to enrolled students sometimes necessitate that a lecturer conduct an already scheduled class session(s) prior to the formal execution of an employment contract. In the future, the College will document exceptions in order to ensure compliance in this area.

The College does require part-time lecturers to submit a timesheet. However, since they have some discretion, operating under the direction of a Department Chair, Division Director, or the Academic Dean, to alter their teaching schedule from time to time and still fully meet their obligation to teach a class over 15 weeks their timesheet is not the primary determinant of whether they will be paid.

The Academic Dean’s office maintains detailed records of full-time faculty partial overload (POVL) assignments to support such payments to faculty.”

Quinebaug Valley CC: “The College will review the recommendations made with the Connecticut Community Colleges’ System Office to determine methods other campuses within the Connecticut Community Colleges’ system are using to certify services were provided for payroll payments made to Part-time Lecturers.”

Three Rivers CC: “Three Rivers Community College agrees with this finding. However, we would like to note that there has been no Community College requirement for Part-Time Lecturers (PTL’s) to submit time cards because they do not accrue or use any compensated leave time. The Academic Division is alerted when faculty need to arrange for coverage for their classes. Grades have historically been the documentation utilized for certifying that each assignment has been completed. The College is working in collaboration with the System Office’s Audit Advisory Committee to determine the appropriate compensating control for this group of employees. The

College plans to implement the recommendation of the Community College Audit Advisory Committee.”

Tunxis CC: “The College reiterates the cause: there is often a limited amount of time to find contractors to fill vacant Educational Assistant positions; and there is a lack of urgency in submitting on the part of the Educational Assistants in submitting a completed agreement. Human Resources and Payroll staff will continue to emphasize the importance of timely submission of documents.”

Accrued Sick Leave Payments upon Retirement—Housatonic CC:

- Criteria:* The collective bargaining agreement between the Board of Trustees of Community-Technical Colleges and the Congress of Connecticut Community Colleges, 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. In addition, the Connecticut Community College System’s Employee Relations Memorandum 2001-14 provides that the daily rate of pay for ten-month employees be calculated by dividing the employee’s annual salary by 217 days.
- Condition:* We noted an instance in which Housatonic Community College underpaid a ten-month employee for the balance of unused sick leave upon her retirement. The underpayment amounted to \$1,315 in gross pay. Further, we were informed that the College, using the same incorrect calculation method, most likely underpaid other ten-month employees for balances of unused sick leave at retirement.
- Effect:* In some cases, Housatonic Community College did not comply with the Connecticut Community College System’s policy for calculating per diem salary rates for ten-month employees. As a result, at least one employee was underpaid for the balance of her unused sick leave at retirement.
- Cause:* It appears that Housatonic Community College calculated per diem salary rates for ten-month employees using the twelve-month employee method but should have used the ten-month employee method.
- Recommendation:* Housatonic Community College should ensure that payments made to ten-month employees for unused sick leave at retirement are calculated correctly. The College should also identify and compensate all ten-month employees who were underpaid as a result of such miscalculations. (See Recommendation 2.)

Agency Response: CCC System Office: “All colleges and system office understand the importance of accurate retirement payout calculations. CCC maintains a series of end-user instructions on correct handling of leave plans, calculation of balances and payout amounts. This information will be reviewed with HR/payroll end users as necessary. It appears that these were isolated instances.”

Housatonic CC: “Since fiscal year 2007, the responsibility for the calculation of lump sum payouts was transferred to the Business Office. Since that point, a comprehensive analysis of all employees who had retired in fiscal year 2006 was conducted. At this point in time, all retired employees have been paid properly. Lastly, the college (Business Office) has instituted a check and balance procedure to insure that this type of issue does not arise again.”

Human Resources and Payroll Functions Separation of Duties—Gateway CC:

Criteria: Proper internal controls over the Human Resources and Payroll functions require an appropriate segregation of duties. The same employee should not be assigned the responsibilities of authorizing and processing transactions to reduce the opportunities for any one individual to both initiate and conceal errors or fraud.

Condition: Our review of the Human Resources and Payroll functions at Gateway Community College disclosed weaknesses in separation of duties during the audited period. One employee was processing certain of her own payroll transactions within the State’s Core-CT information system. Further, the College did not have adequate compensating controls in place to offset this weakness.

In addition, we noted that this employee:

- Failed to submit timecards to her supervisor on numerous occasions (the College could only provide one of the 14 timecards that we requested for this employee), and entered her own leave time and overtime data into the Core-CT Human Resources and Payroll records.
- Entered unauthorized overtime, for which she was paid, into Core-CT payroll records. Payroll records indicated that this employee was paid overtime payments totaling \$4,389 and \$2,193 in gross pay during the fiscal years ended June 30, 2006 and 2007. During our audit, the College informed us that it could not determine if the employee had actually worked the overtime for which she was paid.
- Claimed to have worked regular and overtime hours at home for which she was paid but was not authorized to do so.
- Failed to enter her own leave time used during the 2005 calendar year into the Core-CT Human Resources Management System,

resulting in overstated unused leave time balances. A lack of adequate documentation substantiating time worked prevented the College from determining the amount of leave time that the employee actually used, and prevented the calculation of accurate leave time balances for this employee.

Effect: The strength of internal controls is compromised by the lack of operational independence of human resources and payroll functions. Conceivably, such a situation could, and in this case did, lead to the same employee controlling both the authorization and execution of payroll transactions, two incompatible functions when it comes to internal controls. Unauthorized payroll payments could have been made and records of leave time balances were overstated.

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

Recommendation: Gateway Community College should take steps to strengthen internal control over its Human Resources and Payroll functions by ensuring that no employee has the ability to either process his or her own payroll transactions or record his or her own time and attendance data without compensating controls in place. In particular, the College, or the System Office on its behalf, should implement a system requiring an employee independent of the Payroll Department to monitor and provide documented approval of payroll payments made to, and attendance and leave records for, employees who have the ability to make changes to their own payroll payments and attendance and leave records. Further, the College should attempt to recover any unauthorized payroll payments that resulted from the conditions cited above. (See Recommendation 3.)

Agency Response: *CCC System Office:* “All colleges and the system office recognize the importance of maintaining appropriate internal controls over the HR/payroll process. The ability to impact one’s own time and labor record in the Core-CT system was identified by us during a separate internal review of HR/payroll controls, was raised as a concern by us to the State earlier this year, and has since been addressed by the Core-CT team. As a result, this capability has been removed and the type of incident described above is no longer possible at the CCC’s or any State agency. This particular incident appears to be an unusual and isolated occurrence.”

Gateway CC: “The College concurs with the auditor’s recommendation and has taken steps to strengthen internal controls over Human Resource and Payroll functions to ensure that no employee has the ability to either process his or her own payroll transactions or record his or her own time and attendance data. Recently, the System Office issued, and the College currently

complies with, a directive prohibiting this once permissible practice. The College has instituted a local policy which requires that any employee who has the responsibility for processing payroll transactions or recording time and attendance data as part of his or her job duties, have his or her own payroll transactions or time and attendance data entered into the Core-CT Payroll records by an employee independent of the Payroll Department.

With regard to the employee who entered her own leave time and overtime data into Core-CT records, the College has reviewed these records and will recover from this employee payroll payments made to her in excess of those that should have been authorized.”

Dual Employment—Gateway CC:

Criteria: Section 5-208a of the General Statutes requires, 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: Our audit disclosed 13 instances at Gateway Community College in which dual employment certification forms documented conflicts between the work schedules of employees holding multiple State positions. That is, we noted instances where work schedules between primary and secondary positions overlapped.

In addition, we noted 51 instances where the dual employment certification form lacked the required College signature, certifying that no conflicts existed between or among the positions. In one of these instances, the employee’s signature was also lacking.

Effect: Assurance was lessened that employees holding multiple State positions had no conflicting duties or schedules among or between the positions held. In some instances, conflicting dual employment schedules call into question whether or not employees actually worked in both positions during the overlapping hours for which they were paid.

Cause: The procedures in place were not sufficient to ensure compliance with dual employment requirements.

Recommendation: Gateway 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. Further, the College should investigate the instances cited

above where there were indications of conflicting schedules between employee primary and secondary positions to determine if employees were improperly paid for overlapping hours between positions. (See Recommendation 4.)

Agency Response: *CCC System Office:* “All colleges and the system office understand the importance of the dual employment requirements. Gateway’s procedural changes indicated below offer a good suggestion for improving compliance with this requirement.”

Gateway CC: “The College will ensure that all dual employment request forms, including those for faculty, are properly documented, through signed certifications, to ensure that no conflicts exist in instances where an employee holds multiple State positions.

The College has investigated the instances cited above where there were indications of conflicting schedules between employee primary and secondary positions and determined that no employee was improperly paid for overlapping hours between positions. With respect to dual employment forms completed by full-time faculty members, it was determined that the employees had inappropriately completed their primary position schedules. Full-time faculty members do not have a regularly scheduled workday of consecutive hours. When a full-time faculty member teaches an additional course for additional compensation that course is integrated into their already assigned work load as a full overload (FOVL). To avoid future issues of this nature, the College will ensure that a schedule of classes and office hours is attached to the Adjunct Faculty Notice of Appointment for all full-time faculty members holding multiple job assignments. With respect to the full-time staff member holding multiple job assignments, the staff member was found to have obtained a preauthorized change in her normal work schedule, but failed to clearly indicate that on the dual employment form. In the future, the College will ensure that where a change in an employee’s normal work schedule has been authorized to accommodate additional employment, a statement of the authorization will be attached to the Notice of Appointment.”

Federal Time and Effort Reporting—Norwalk CC:

Criteria: The Federal Office of Management and Budget Circular A-21 establishes principles for determining costs applicable to grants, contracts, and other agreements between the Federal Government and educational institutions. Under this Circular, the method of distributing payroll charges must recognize the principle of after the fact confirmation or determination so that costs distributed represent

actual costs. In order to accomplish this, institutional records must adequately document that payroll expenses posted to an account were incurred in the course of carrying out the program accounted for in the account.

Circular A-21 requires documented confirmation that personal services charges to a Federal program represent a reasonable estimate of the work performed by the employee for the benefit of the program during the period. An acceptable method of documentation includes the use of statements signed by the employee, principal investigator, or the responsible official(s), using suitable means of verification that the work was performed. For professorial and professional staff, the statements must be prepared each academic term, but no less frequently than every six months.

Condition: For the fiscal year ended June 30, 2006, we reviewed five Federal grants to which the College charged personal services expenditures. For three of the five grants reviewed, we noted noncompliance with the above Federal time and effort reporting requirements. For two of these five grants, the College's Certification of Time and Effort Report contained inaccurate information. For the third grant, there was no Certification of Time and Effort Report completed.

In particular, we found that the first grant's report omitted the names of 11 employees with personal services charges totaling \$15,868, but incorrectly included five employees who had no payroll costs associated with this grant. The second grant's report omitted the name of one employee who had incurred payroll charges of \$480 and also included five employees who had no payroll costs associated with the grant. A Certification of Time and Effort Report was not completed or filed for the third grant although there were personal services charges totaling \$3,000 for one employee who had worked on the grant.

In addition, we noted the certification reports for four of the five grants tested were only filed once a year instead of every six months as required by Circular A-21.

Effect: The College was not in compliance with Federal Office of Management and Budget Circular A-21 requirements concerning the documentation of payroll costs charged to Federal programs.

Cause: The College did not have adequate procedures in place to identify which employees had payroll costs charged to Federal Programs.

Recommendation: Norwalk Community College should improve its time and effort reporting system for documenting payroll costs charged to Federal programs to ensure compliance with the requirements of Federal

Office of Management and Budget Circular A-21. (See Recommendation 5.)

Agency Response: CCC System Office: “The CCC System has had a documented procedure in place since October 2004 to facilitate compliance with this reporting requirement and will ensure that Norwalk staff are familiar with its proper use.”

Norwalk CC: “The College will review and implement the Federal Office of Management and Budget Circular A-21, to assure proper reporting of Federal Time and Effort Records. Also, the CCC System Office has provided an extensive automated process that NCC will implement immediately.”

Medical Certificates—Three Rivers CC:

Criteria: Both the collective bargaining agreement between the Congress of Connecticut Community Colleges Union and the Board of Trustees of Community-Technical Colleges and the *Personnel Policies for Management Employees in the Community College System* require a medical certificate to substantiate an employee’s use of sick leave for more than five consecutive working days.

Condition: We noted that two employees during the audited period each used more than five consecutive sick days without submitting a medical certificate to the College. One of these employees was a member of management, while the other employee was affiliated with the Congress of Connecticut Community Colleges’ union.

Effect: There was a lack of compliance with a collective bargaining unit agreement and with the Community College System’s personnel policies for management employees. Such instances could raise doubts about the necessity of sick leave used.

Cause: The instances cited could have been an oversight on the College’s part.

Recommendation: Three Rivers Community College should obtain medical certificates from employees when required by union contract or by the Community College System’s personnel policies. (See Recommendation 6.)

Agency Response: CCC System Office: “All colleges and the system office understand the importance of the medical certificate requirement.”

Three Rivers CC: “Three Rivers concurs with this finding. The College has initiated a process to document the requests for medical

certificates for all employees that are absent more than 5 consecutive days. Two requests will be made to secure this documentation. The employee's immediate supervisor will be copied on this correspondence."

Purchase Order Approval and Bidding:

Criteria: It is a good business practice to ensure that purchases are properly approved before goods or services are ordered in order to have assurance that funds are available for the purchase.

Section 10a-151b of the General Statutes requires the State's higher education institutions to base purchases, "when possible, on competitive bids or competitive negotiations." 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 Connecticut. The Section further requires solicitation of bids via posting on the Internet.

The Community Colleges' *Agency Purchasing Policies* states that, "All authorizations [for purchase requisition or purchase commitment authority] shall be maintained in the college's purchasing files and shall remain in force until such time as they are rescinded in writing by the Chancellor or President, provided, however, that the college must ensure all authorizations are updated in a timely fashion following termination of an employee..."

The Policies further require, with certain exceptions, that "...all purchases of fifty thousand (\$50,000) or less shall be made in the open market or under state contract, but shall, when possible, be based on at least three competitive quotations, which may include written quotes, telephone/oral quotes, catalog pricing, and facsimile quotes. All non-written quotes shall be documented in writing."

The Policies also state that, "If the using department and purchasing departments determine that the purchase should be made on a 'sole source' (only one vendor can supply the required product or service), or 'Sole Product' (only one brand or model can supply required needs), basis, the reasons must be based on clearly identified criteria documented in the purchasing file. The individual with commitment authority for the purchase must determine that the reasons are appropriate prior to approving such a purchase. Sole source procurement is not permissible unless a requirement is available from only a single supplier."

Condition:

Gateway CC: Our review disclosed four instances, totaling \$6,523, during the fiscal years ended June 30, 2006 and 2007, in which the College received goods or services prior to the completion and authorization of both a purchase requisition and purchase order. Approval of purchase requisitions occurred from one to 30 days after goods or services were received, while corresponding purchase orders were approved from seven to 33 days after goods or services were received.

Norwalk CC: We noted that the College processed payments to three vendors during the audited period without properly obtaining bids or having current written contracts in place for the services rendered.

The first instance involved snow plowing, sanding and snow removal services. Based on the contract proposal documentation, the College solicited bids for these services in August 1998 and a contract was awarded for the period of November 1, 1998, through April 30, 2001. The College was not able to provide us with a copy of the original signed contract or any written documentation supporting that this contract had been extended. The College continued to utilize this vendor during the 2001-2002 fiscal year through the 2005-2006 fiscal year without soliciting new bids or competitive negotiation. The total amount paid to this vendor during this time was \$379,310.

The second exception involved custodial/janitorial services. According to the corresponding contract proposal, the College solicited bids for such services in June 2002. The contract commenced on July 1, 2002, and ended on June 30, 2005. The College could neither provide us with a copy of the signed contract between the parties nor with documentation indicating any extension of this contract. Further, the College continued to make payments to this vendor after the contract period ended. The total amount paid to this vendor during the fiscal year ended June 30, 2006, was \$850,040.

In the third instance, we noted that the College solicited bids for campus security services in April 2001. The College then entered into a contract with a vendor for these services whose contract period was July 1, 2001, through June 30, 2004. However, the College continued to make payments to this vendor after the contract end date without any written agreement for a contract extension. The total amount paid to this vendor during the fiscal years ended June 30, 2005 and 2006, amounted to \$308,441 and \$274,932, respectively.

Quinebaug Valley CC: We tested a sample of 25 purchases charged to the College's Operating Fund and noted three instances in which goods or services were ordered and received prior to the approval of related purchase requisitions and purchase orders. In one of these

instances, no receiving report was on hand certifying that goods or services were received. In addition, we tested a sample of 11 purchases charged to the student activity or welfare trustee accounts and noted two instances where goods and services had been ordered and received prior to the issuance of a purchase order.

Three Rivers CC: We noted the following exceptions in our audit of the College's purchasing operations for the audited period:

- One instance in which a former purchasing officer's purchase and commitment authority had not been rescinded in writing when the employee separated from the College.
- One instance where a "sole source" purchase of office furniture, totaling \$11,155, was made for which there was no required supporting documentation on file to justify the "sole source" rationale for not obtaining price quotes.
- One purchase order was processed for trash removal services, totaling \$15,600, for which there was no supporting documentation on file indicating that competitive price quotations were obtained.
- Three instances of goods and/or services being ordered and received prior to a purchase requisition being approved and a purchase order being issued.
- One instance where there was no vendor invoice/receipt on hand to support a postage purchase.

System Office: We reviewed 20 expenditure transactions during the audited period and found four instances, totaling \$47,919, in which both the purchase requisition and purchase order were completed after goods and/or services were received by the System Office.

Also, 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 the insurance company, totaling \$196,577, during the fiscal year ended June 30, 2006. 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.

In addition, the System Office entered into a contract with a law firm for legal services regarding labor relations matters during the fiscal year ended June 30, 2007. In return, the System Office agreed to pay the firm up to \$400,000 for services provided. However, we were informed that the System Office did not bid out these services as it considered this firm a "sole source" contractor. The System Office took the position that because this firm had extensive historical

knowledge of the Community College System’s bargaining unit contracts, due to the longstanding relationship between the System Office and the law firm, that the firm should be considered a “sole source” vendor. While we recognize the value of a contractor’s experience with the Community College System, it appears to us that, using this logic, the System Office would never consider alternative sources for this service and could be forgoing opportunities to purchase these services at an optimal price.

Effect: At times, purchases were not in compliance with established policies, procedures, and/or laws for purchasing, resulting in weakened internal controls.

Norwalk Community College did not comply with the bidding requirements set forth in Section 10a-151b of the General Statutes. This can decrease the College’s ability to receive the most favorable prices available for required services. Without a written contract in place, successful completion of the contract terms was left open to interpretation.

Cause: It appears that in various instances purchases were made without following established policies and procedures.

At Norwalk Community College, with respect to the first two exceptions noted, the College informed us that an extension clause outlined in the contract proposal was used as justification for making payments to the contractor without soliciting bids. However, the College could not provide us with copies of the signed contracts to support the extension terms.

Recommendation: The Community College System should take steps to ensure that proper authorization is obtained prior to the purchase of any goods or services. In addition, the System should ensure that competitive bids are obtained when necessary in a manner consistent with the requirements of Section 10a-151b of the General Statutes. (See Recommendation 7.)

Agency Response: *CCC System Office:* “All college and system office purchasing staff are very supportive of the importance of following appropriate purchasing procedures. The system holds regular purchasing user group meetings and frequently discusses purchasing requirements at council meetings to review and stay current. Virtually all of the cited instances appear to be a variety of small, occasional lapses or the result of staff turnover or other unique issues. [System Office] Departmental end-users will be reminded to submit the appropriate requisition so that proper authorization and funding is in place and a purchase order created prior to ordering or receiving goods. The System Office also agrees that proper sourcing is a critical component

of the purchasing process to ensure that we receive the best overall price and service. During December 2008 we completed an RFP process for the disability insurance benefit that is offered to certain employees, and expect to review bids and award a new contract shortly. With respect to our legal services contract, however, it continues to be our position that our potential cost and risk is considerably reduced by continuing to use the skilled representation of a firm that has substantial historical experience with our complex labor relations matters. We pay hourly rates to them which are substantially below their normal hourly billing rates. The firm's attorneys are uniquely familiar with the collective bargaining relationships with our professional employee unions, and with the union leaders and representatives. They know many of our college presidents, deans and human resource directors and have developed their trust. Should the level of service under the current sole source arrangement decline to an unsatisfactory level, or the pricing increase to an unreasonable level, we would have no hesitation to re-bid the service. However, this is not currently the case, and it is our strong belief that the learning curve to bring a new firm up to speed would require substantial CCC staff time at a cost to us, and would very likely result in a severe decline in the quality of service and increase in the number of firm hours required to do a similar level of work, and is therefore not in the best interests of the State."

Gateway CC: "The College will continue to remind ordering departments that proper authorization is required prior to the purchase of any goods or services."

Norwalk CC: "The College agrees with the auditors' findings and understands the importance of competitive bidding. At the current time, the College has prepared RFP's and placed them on the DAS portal of the four major contracts that the college requires services from. The College understands that it is important to utilize best practices to re-bid contracts on a periodic basis.

The College has also sent five of the purchasing and accounts payable employees as well as the Dean to several contract compliance and training workshops over the past 2 months and will continue ongoing training."

Quinebaug Valley CC: "Quinebaug Valley Community College makes every effort to comply with the college's established procedures for purchasing as well as the Community College System's Purchasing Card Policy and Procedures Manual. On occasion, purchases are made prior to attaining all required signatures. Since budgets are continually monitored both by the individual departments and the Business Office, the possibility of this having a negative fiscal impact is remote."

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: Gateway CC: We reviewed ten payments for professional services expenditures during the audited period and noted the following exceptions:

- Six instances in which written personal service agreement contracts, totaling \$50,400, were signed either by the College or contractor after the contract term had begun. Such contracts were signed from three days to 112 days after the contract term began. In one of these instances, the personal service agreement was signed by the College one month after the contract period ended.
- Two instances, totaling \$7,325, in which purchase requisitions and purchase orders were approved after services were provided. In one of these instances, the purchase requisition and purchase order were approved 12 days and 18 days, respectively, after services were provided. While we were told that one of these instances, totaling \$7,125, represented a recurring expenditure, timely approval of such expenditures is still necessary to ensure that funds are available before making such purchases.
- One instance in which the College paid for contractual services under a personal service agreement; however, the total cost of the services performed exceeded the \$10,000 maximum cost allowed by the personal service agreement. While an amendment was made to the personal service agreement to cover the excess cost, the costs incurred for the services provided to the College had already exceeded the maximum cost allowed by \$2,262 before the amendment was processed.

Quinebaug Valley CC: We noted one personal service agreement, valued at \$3,360, which was executed without the required approval of the State Attorney General's Office.

Further, we noted that the College had entered into a written agreement with an outside organization, Stepping Stones Early Learning Center, for the use of College facilities. However, the agreement, which provided for annual renewals, had expired without renewal, with the Early Learning Center continuing to use College facilities. We also noted that the Early Learning Center did not comply with certain terms of its contract with the College. Specifically, we found that the Early Learning Center did not carry the required worker's compensation insurance policy or the required value of a comprehensive general public liability insurance policy with an aggregate of \$3,000,000/\$1,000,000 per occurrence. Instead, the Early Learning Center carried, as of April 2008, no worker's compensation insurance and liability insurance with limits of \$2,000,000/\$1,000,000 per occurrence.

Tunxis CC: Our test of expenditures at Tunxis Community College consisted of a sample of 20 purchases during the fiscal years ended June 30, 2006 and 2007. Of the two personal service agreements reviewed in this sample, we noted one instance in which services were received over four months before the corresponding purchase requisition or personal service agreement was signed.

We tested an additional ten personal service agreements from a total of 153 personal service agreements entered into during the fiscal year ended June 30, 2007, and noted eight instances in which services were received before the requisition or personal service agreement was signed.

System Office: We noted six instances in which the System Office approved written personal service agreements after contract periods began. System Office signatures were dated from five days to more than six months after the contract periods began.

In addition, we noted one instance in the fiscal year ended June 30, 2007, in which the System Office entered into a memorandum of understanding (MOU) with the Department of Social Services (DSS). In the MOU, the System Office agreed to contract with a certain vendor for educational services. The System Office entered into a personal services agreement, amounting to \$93,380, with the specified vendor; however, the System Office approved the personal services agreement more than three months after the MOU was approved by DSS, which was already more than six months after the personal services agreement contract period began.

Effect:

At times, internal controls over professional services expenditures were weakened. Specifically, regarding late approvals of personal service agreements, purchase requisitions, and purchase orders, assurance was lessened that the terms of these agreements met the

approval of the College administration prior to the performance of such contracts.

Moreover, a written contract for personal services, approved in a timely manner, can clarify standards that the contractor must meet to successfully execute the agreement, helping to ensure that the agreement is properly completed. Absent such clear standards, successful completion of services is left open to interpretation.

In the one instance noted at Quinebaug Valley CC, the College did not comply with the Community College System's purchasing policy, which requires approval from the Attorney General's Office when entering into personal service agreements exceeding \$3,000.

Quinebaug Valley's failure to renew its written contract with an outside organization using campus facilities decreased assurance that the parties to the agreement clearly understood the terms of the agreement. Further, the College's failure to monitor whether or not the terms of the agreement were being properly carried out increased the risk of noncompliance with the contract terms. We found that the outside organization did not carry the amount of liability insurance coverage that was stipulated in its original agreement with the College.

Cause: It appears that, in some cases, college employees initiated purchases without following established policies and procedures.

Quinebaug Valley was not effectively monitoring its agreement with the Early Learning Center.

Recommendation: The Community College System 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 its own purchasing policies. Quinebaug Valley Community College should also ensure that it obtains the approval of the Office of the Attorney General before entering into personal service agreements exceeding \$3,000. In addition, Quinebaug Valley should execute an updated written contract with the Early Learning Center and should effectively monitor this agreement to ensure that its terms are being carried out. (See Recommendation 8.)

Agency Response: *CCC System Office:* "All college and system office purchasing staff are very supportive of the importance of following appropriate purchasing procedures. During the past several years, however, additional and much more stringent State requirements have been implemented regarding the subsequent contracting process for services, including much stricter review by the Attorney General's

office of both “scope of services” language as well as the standard legal terms and conditions contained in a Personal Services Agreement. Numerous additional certification and affidavit requirements have also been put into place. The CCC System has worked very closely with the AG’s Office to develop and implement a contract compliance function that provides information and direct assistance in order to facilitate and ensure compliance with the more stringent standards and expanded requirements. As a result, the overall quality and clarity of community college contracts has improved substantially. In addition, however, the lead times needed to explain the requirements to contractors, to engage in detailed and time-consuming discussion and negotiation to refine contract language and terms, and to complete additional forms and other requirements, has also expanded tremendously, sometimes resulting in these contracts being signed after the actual service has commenced. Both the contractor and CCC’s recognize the potential risk in not having a fully executed contract in place. However, given the substantive contract negotiations which are now occurring, that risk is considerably lower than it might have been in the past and is judged to be lower in certain circumstances than the risks associated with being unable to continue essential services. It is understood that if such contracts are not fully executed prior to the initiation of service, they should be fully executed prior to the end of the contract period. The Attorney General’s Office has indicated its understanding of this need and has been amenable to approving such contracts on an exception basis when absolutely necessary. We will continue to emphasize the importance of fully executing all contracts prior to initiating service and to adjust our procurement/contracting lead times where possible to minimize the need for exceptions.”

Gateway CC: “The College will continue to remind staff that professional service purchases may not be executed prior to the approval of corresponding personal service agreements, purchase requisitions, and purchase orders.”

Quinebaug Valley CC: “Quinebaug Valley Community College concurs with this recommendation.”

Tunxis CC: “The College does maintain adequate controls over the procurement process with respect to personal service agreements. The Business Office has held campus-wide workshops, distributed information in the Dean of Administration’s monthly reports and posted information on PSAs on the college’s intranet.

During the audit period the rules regarding PSAs have been in upheaval. The College takes its direction from the System Office. Contradictory information has been received from the Auditors and the Attorney General, with the Auditors stating that PSAs must be

signed prior to the start of services and the AG stating that the AG's office will sign off on contracts as long as they are submitted prior to the contract's end date. The College hopes the Attorney General and Auditors can implement consistent guidelines.

During the audit period, the PSA process became more complicated with the requirements of various ethical affidavits and CHRO affidavit. The time necessary to process a contract over \$3,000 that needs the approval of the Attorney General can take up to six months or more. The college strives to follow all necessary guidelines, but the cumbersome process, confusing paperwork and vendor frustration with the process makes it extremely difficult to have the contract signed prior to the start date.

The majority of the college's PSAs are either small amounts for speakers speaking at events or generated by the college's division of Workforce Development. As such, it is often very close to the start date before we have confirmation that an event will take place.

The Business Office will continue to take steps to educate staff on the importance of planning, submitting paperwork in advance and working hard to comply with purchasing provisions regarding PSAs."

*Auditor's Concluding
Comments:*

Tunxis Community College says that "...Contradictory information has been received from the Auditors and the Attorney General, with the Auditors stating that PSAs must be signed prior to the start of services and the AG stating that the AG's office will sign off on contracts as long as they are submitted prior to the contract's end date." To clarify this issue, we contacted the Office of the Attorney General, which informed us that while it is acceptable for the Office of the Attorney General to sign off on personal service agreements after the stipulated contract period has begun, no corresponding services should be provided by the contractor until after the Office of the Attorney General approves the contract. Our position on this matter is consistent with the Office of the Attorney General's position.

Purchasing Card Purchasing:

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: Gateway CC: We reviewed ten monthly employee purchasing card master invoice statements during the audited period along with 53 corresponding individual cardholder statements. Our testing of the

purchases recorded on these statements disclosed the following exceptions:

- Eight instances where single purchases were split into multiple purchases, which circumvented the \$1,000 single purchase limit set by the Community College System's *Purchasing Card Policy and Procedure Manual*.
- One instance where a single purchase totaled \$1,344 and thus exceeded the \$1,000 single purchase limit provided by the Community College System's *Purchasing Card Policy and Procedure Manual*.
- Four instances where purchasing cards were used to purchase meals consumed at restaurants, which is expressly prohibited by the Community College System's *Purchasing Card Policy and Procedure Manual*.
- Four instances where a purchasing card holder paid Connecticut sales tax when making a purchasing card purchase. State agencies, including the Community College System, are exempt from paying State of Connecticut sales tax. While the College's tax exempt certificate from the State's Department of Revenue Services (DRS) did not provide a waiver of sales tax for meals and lodging, the College should have applied for an additional certificate from DRS, CERT-123, which could have exempted the College from paying sales tax on qualifying purchases of meals and lodging.
- One instance where a purchasing card log was not signed by the Business Office, indicating Business Office review of purchases made.

Norwalk CC: We reviewed two months of Purchasing Card (P-Card) transactions, which consisted of 67 transactions. Two of the transactions tested, totaling \$437, lacked sufficient documentation. These charges were for lodging costs for five faculty members attending a conference. The College could not locate related travel authorization forms for any of these five employees.

The College split payments for four travel-related purchases, totaling \$6,725, into 10 separate transactions, which bypassed the Community College System's \$1,000 per transaction limit. We also noted that for two of these four transactions, travel authorization forms were not on file.

In addition, we found that in one of the two months reviewed, the College incurred a finance charge of \$62. Upon further review, we

noted that the College incurred a total of \$313 in P-Card finance charges during the 2005-2006 fiscal year.

Quinebaug Valley CC: We tested a sample of ten Purchasing Card expenditures and noted that two purchases were not allowable according to the Community College System's Purchasing Card Policy. In one of these instances, the College purchased theater tickets; in the other, gift certificates.

Three Rivers CC: We noted four instances, totaling \$3,761, during the audited period where a purchasing card was used to make restricted purchases, as follows.

- Two laptop computers (an unallowable controllable equipment purchase);
- One projector (an unallowable controllable equipment purchase);
- Ten theater tickets were purchased for an event (an unallowable entertainment purchase);
- Eight gift cards were purchased as donations to needy families (an unallowable gift/donation purchase).

System Office: We reviewed ten monthly purchasing card master statement invoices during the audited period. Each monthly master statement invoice consisted of various individual statements associated with individual card holders. Our examination of 56 of these individual credit card statements disclosed the following:

- Two instances where a purchasing card was used to make purchases that were not allowed, according to the Community Colleges' *Purchasing Card Policy and Procedure Manual*. Such purchases included gifts, amounting to \$231, for members of the Board of Trustees of Community-Technical Colleges. Further, the cardholder paid Connecticut sales tax for these purchases, which the Community College System is exempt from paying.
- Six instances where single purchases, each totaling more than \$1,000, were split into multiple transactions, which bypassed the \$1,000 single purchase limit set forth by the Community College System's *Purchasing Card Policy and Procedure Manual*.
- One instance where a purchasing card was used for a single 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.

Effect: In some instances, the Community College System did not comply with its own policies with respect to purchasing cards, which compromised internal control over purchasing card purchases.

Norwalk Community College incurred unnecessary finance charge expenses.

Cause: It appears that the Community College System, at times, might have overlooked the various policies set forth in its *Purchasing Card Policy and Procedure Manual*.

Recommendation: The Community College System should improve its compliance with the Community Colleges' *Purchasing Card Policy and Procedure Manual* or should consider revising its purchasing card policy to reflect appropriate actual practices. (See Recommendation 9.)

Agency Response: *CCC System Office:* "The CCC System recognizes the importance of maintaining appropriate controls over P-Card purchases, by providing detailed written policy and procedures, and providing individual training to each cardholder before issuing a card. In certain instances, the state auditors have interpreted the CCC policy regarding appropriate purchases differently from what was intended by us, particularly in the areas cited as gifts, entertainment, and splitting of purchases. Many of the instances cited by the auditors in these areas are legitimate and appropriate use of the P-Card, whose purpose is to improve the efficiency and timeliness of smaller purchases related to college/system business. Service awards, promotional and marketing activities, student activities and events, individual employee travel, are all within the intended use of the P-Cards; however, we will be reviewing and clarifying our CCC policy to ensure that appropriate uses are better understood and that inappropriate uses remain prohibited."

Gateway CC: "The College believed that it was in compliance with the Community College System's interpretation of the threshold levels set forth with in the Connecticut Community College Purchasing Card Policy and Procedures Manual. However, it will request a policy modification in regards to the procurement of hotel accommodations for student related travel. In addition, the College has reviewed all current Purchasing Card policies and procedures with all staff members authorized to use a purchasing card."

Norwalk CC: "The College agrees with the auditors' findings. The College will review the list of current P-Card holders and assure that they understand the appropriate use and practice of the P-Card.

When employees want to travel together, the users have been made aware that the P-card is not to exceed the cap.

The College is in the process of taking measures to ensure that there is a documented travel process in place for the college personnel to follow. The College has also moved this process to a centralized location so as to assure that the appropriate paperwork has been completed before travel has occurred.”

Quinebaug Valley CC: “With regard to the purported unallowable Purchasing Card expenditures, the System Office contends that Student Government Association purchases are allowable under the policy. As such, this issue should be addressed at the System Office and not at the college level.”

Three Rivers CC: “Three Rivers concurs with this audit finding. However, the College would like it to be noted that during the purchasing card reconciliation process, the college identified most of these restricted purchases and took action to ensure that they were handled correctly (e.g. two laptop computers and projector were tagged and added manually to the Banner controllable asset ledger; the gift cards were located and the Business Office requested that the recipients formally acknowledge the receipt of each gift card to insure that they were distributed for the intended purpose). As a result of this audit, the College plans to work with the Community College System Office to broaden the purchasing card policy to include some of the more routine purchases that are currently excluded (e.g. theater/museum tickets should be allowed since they could be classified as education expenses versus entertainment expenses.”

Auditor’s Concluding

Comments:

In the instances we cited, it appears to us that, at times, the colleges and the System Office were not following the Community College System’s P-Card policy as written. Accordingly, our recommendation above presents the option of revising the Community College System’s Purchasing Card policy.

Contracting with State Employees and their Family Members:

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.”

Section 1-84, subsection (c), of the General Statutes, prohibits a State employee from using his position to obtain financial gain for himself, his parent, other immediate family members, or a business with which he is associated.

Condition:

Gateway CC: We noted one instance in which the College entered into an agreement with a State employee to provide a workshop for teaching faculty members at the College. In return, the College processed a \$200 payment to this contractor in October 2005. The College, however, did not publicly advertise for bids and thus failed to meet the open and competitive purchasing requirements of Section 1-84, subsection (i), of the General Statutes, which apply when State agencies do business with State employees or their immediate family members.

In addition, we noted one instance in which the College contracted with a firm for training services, totaling \$1,500, for which the College processed a payment in March 2007. The contractor's spouse was a State employee. The College, however, did not award this contract in an open and competitive manner as required by Section 1-84, subsection (i), of the General Statutes when contracting with State employees or their immediate family members.

Norwalk CC: We found approximately thirty-eight instances, totaling \$16,885, during the 2005-2006 fiscal year in which the College purchased catering services from one of its Culinary Arts Department employees without any written agreement. Further, the College did not publicly advertise for, nor did it have evidence of, price quotes from other vendors before entering into an oral agreement to purchase such services from this employee. These payments were processed through the State's payroll system rather than the College's Accounts Payable Office. Employees should be paid through the payroll (to ensure that payroll taxes are properly withheld), while independent contractors should be paid through the accounts payable system. It appears questionable that the individual who provided these catering services should have been considered an employee rather an independent contractor with respect to the services provided, since the individual provided services of a type not provided by College employees. However, although Norwalk Community College appears to have considered this individual to have been an employee when these catering services were provided, the College coded corresponding payroll payments to this individual, totaling \$13,818, as a Non-reportable reimbursement-Miscellaneous Reimbursement. The use of the Non-reportable reimbursement coding means that State and Federal taxes were not withheld from these payments and that the employee would not have received any corresponding tax forms reporting these amounts for Federal or State income tax purposes. We also noted that this employee received an additional \$3,874 for

catering services, which was paid for in the same manner during the 2004-2005 fiscal year. Moreover, we examined additional outstanding invoices, totaling \$3,467 as of April 2007, for such services rendered from May 2006 through December 2006.

Further, we compared 19 catering event dates to the employee's timesheets and noted that 17 events occurred on the employee's regularly scheduled work days. Further review disclosed that ten of the 17 events took place during the hours for which the employee was being paid on the State's payroll for performing his normal job duties for the College.

We reported the above conditions regarding Norwalk Community College to the Office of State Ethics in a letter dated April 2, 2007.

Quinebaug Valley CC: We reviewed 23 personal service agreements and found three instances where the College awarded contracts to State employees without the use of an open and public bidding process. Two contracts, totaling \$6,720 in aggregate, were awarded to one State employee; another contract totaling \$2,960 was awarded to another State employee.

- Effect:* Such cases cast doubt on the propriety of such transactions.
- Cause:* It appears that Norwalk Community College and Quinebaug Valley Community College did not consider the requirements of Section 1-84, subsection (i), of the General Statutes, when entering into these agreements. Gateway Community College informed us that it did not know that the contractors were State employees or their family members until we pointed it out.
- Recommendation:* Gateway Community College, Norwalk Community College, and Quinebaug Valley Community College 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." Further, in order to comply with the open and competitive contract award requirements of Section 1-84, subsection (i), of the Connecticut General Statutes, the Community College System should establish a screening system to help identify State employees or their immediate family members prior to awarding contracts to such individuals. Additionally, Norwalk Community College should ensure that individuals providing services to the College are properly classified as either employees or independent contractors and paid through the proper process. That is, employees should be paid through the payroll system so that payroll taxes can be properly withheld, while independent

contractors should be paid through the accounts payable system. In addition, Norwalk Community College should take steps to ensure that the work schedules of College employees under separate agreements with the College do not conflict with the times such employees provide services to the College under such agreements. (See Recommendation 10.)

Agency Response: *CCC System Office:* “The CCC System recognizes the importance of complying with the requirements related to open sourcing prior to awarding any contract to a State employee, and we will continue to remind all colleges and system office of this requirement.”

Gateway CC: “In regards to the College contracting with a State employee or a member of a State employee’s immediate family without an open and competitive contract award; the College did not knowingly enter into any such agreement as the employment relationships were never disclosed. However, the College will request that the Board Office review current System policies and procedures in light of the current recommendation.”

Norwalk CC: “The College is in agreement with the auditors’ findings. As an immediate corrective measure, the College has distributed joint Employee Relations Memorandum; “Fiscal Memo FY2006-1 ERM 2005-16 Employment v Indep Contractor” to the entire college community so that everyone has the proper understanding of the bid process for anything over \$100.00 as well as providing the need for appropriate open sourcing and contract approval, prior to engaging in a personal service contract. The College is also looking at their current business process to determine where policy and procedural changes need to occur.”

Quinebaug Valley CC: “Quinebaug Valley Community College concurs with this recommendation.”

Student Activity Trustee Account Purchasing:

Criteria: Good internal controls require proper approval before purchases are made to ensure that sufficient funds are available for the purchase and that the purchase is acceptable to those individuals with purchasing authority. Such controls also require that purchases are adequately supported by store receipts or vendor invoices, and that a separation of duties exists between the functions of purchasing and certification of receipt of goods.

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: Gateway CC: Our examination of payments, totaling \$10,156, charged to the student activity trustee account disclosed the following exceptions:

- 13 purchases were not supported by an Office of College Life check request, indicating student government approval of the purchase;
- Four instances where goods were purchased before an Office of College Life check request was approved;
- Two instances where goods were purchased and received before the corresponding purchase requisition and purchase order were approved;
- One instance where goods were purchased before a corresponding purchase order was approved;
- One instance where a student activity payment voucher was not on file to support a payment made;
- One instance where a store receipt and College documentation certifying receipt of goods was not on hand to support a purchase made;
- One instance where a purchase lacked a segregation of duties as the same employee purchased an item and certified receipt of the item.

Housatonic CC: For five purchases charged to the student trustee account, which totaled \$5,899, the College had no documentation on file indicating that the student government approved the purchase. In two of these five instances, goods or services totaling \$2,350 were ordered before the related purchase requisition was approved.

Three Rivers CC: Our audit disclosed weaknesses in purchases charged to the student activity account during the audited period including the following.

- In seven of ten student activity account purchases tested, there were no payment vouchers prepared, including appropriate student government signatures, indicating student government approval of payments made.
- In two instances, goods and/or services were ordered and received without the issuance of a purchase requisition.
- In three instances, goods and/or services were ordered and received prior to the issuance of a purchase order.

Effect: At Gateway, internal control over student activity account purchasing was impaired, weakening safeguards over student activity account assets, and reducing assurance that goods purchased and charged to the student activity account met the approval of individuals with purchasing authority and the student body itself.

At Housatonic and Three Rivers, 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 Three Rivers, 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 execution of such purchases.

Cause: At Gateway and Three Rivers, the causes are unknown.

At Housatonic, it appears that that the College did not have an effective internal control system in place to provide for documented student approval of student trustee account purchases.

Recommendation: Gateway Community College, Housatonic Community College, and Three Rivers 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. Gateway and Three Rivers should also ensure that approved purchase requisitions and purchase orders are in place before student activity account purchases are executed. (See Recommendation 11.)

Agency Response: *CCC System Office:* “All colleges understand the importance of maintaining appropriate controls over procurement activity in general, not just that associated with student activity accounts. The CCC system purchasing policy requires the same types of approvals, sourcing and other controls for purchases made by the colleges on behalf of their student organizations, as those that apply to other purchases generally. While recognizing that the student activity process is slightly different due to the necessary involvement of student government, all colleges take care to maintain appropriate controls over the use of student funds.”

Gateway CC: “The College agrees with the recommendations and will ensure that future purchases are properly approved and supported as required by the State of Connecticut’s Accounting Procedures Manual for Activity and Welfare Funds.”

Housatonic CC: “Supported by the Administration of the college, the Business Office has initiated extensive/comprehensive procedures to address the concerns of proper authorization for all purchases processed through the college’s Student Activity Fund. Of foremost importance was introducing a procedure that no purchase requisition

be processed until a member of the Student Senate authorizes the expenditure. In addition, specific vendors used by the Student Senate have been notified that only the Purchasing Staff of the Business Office has the authority to place orders and that no order should be shipped until they receive an actual signed purchase order.”

Three Rivers CC: “Three Rivers concurs with some, but not all of these findings. Payment vouchers are utilized for some purchases made by Student Organizations and it was noted that the following voucher was available for the sample selected: Three Rivers Foundation (I0442738).

Although we believe that more vouchers may be available in the Student Activities records kept at the other campus, the College recognizes that it’s possible that not all expenditures were processed with an approved voucher. Currently, the college is in the process of co-locating its two campuses which will facilitate the exchange of information between Purchasing and Student Activities. In addition, the Business Office is working with the Student Activities Director to develop a combination voucher/requisition that will be utilized to fulfill the authorization and purchasing requirements.”

Auditor’s Concluding

Comments:

Three Rivers states that a voucher for a student activity account payment to the Three Rivers’ Foundation was available for one of our sampled student activity account payments. However, Three Rivers provided us with a document that approved the allocation of funds for this payment, not a payment voucher authorizing the expenditure of such funds.

Federal Grant Expenditures—Norwalk CC:

Criteria:

The National Science Foundation Grant (NSF) program (CFDA# 47.076) provides support to the nation’s science, technology, engineering, and mathematics education enterprises. The National Science Foundation’s *Award and Administration Guide* sets forth NSF policies regarding the award and administration of grants and cooperative agreements. In particular, chapter five states that grantees should ensure that costs claimed under NSF grants are necessary, reasonable, allocable, and allowable under the applicable cost principles, NSF policy, and/or the program solicitation.

Norwalk Community College applied for and received funds from this grant pursuant to a proposal submitted, which stated that these funds were to be used to introduce an Associate Degree Program in the Information Technology field, specifically, in Computer Security and Data Assurance. The grant proposal included an outline that described how the funds would be allocated. The expense categories

included salaries and wages, equipment, travel, participant support and other direct and indirect costs. In particular, the travel section of the proposal stated that funds would be used for only the College's Computer and Information Security faculty to attend conferences and workshops.

Condition: During our audit, we noted that travel-related expenses for several employees were charged to the NSF grant. Further investigation disclosed that the NSF grant was charged for conferences, airfare, hotels, daily stipends, meals, parking and other miscellaneous items totaling \$27,221. Although the grant agreement allows for such expenditures, we found that certain costs incurred were questionable.

In particular, we noted that one of three employees who attended a conference in June 2006 was not a faculty member and, as such, did not meet the grant proposal's requirements for using grant funds for travel costs. The total amount charged to the grant for the airfare, hotel, and conference costs for this employee was \$4,249, which included an additional night's stay at a hotel beyond the conference schedule. We found no documentation to adequately support the need to stay the extra night. We also noted that a second of the three employees who attended this same conference also remained for an additional night at the hotel for an additional cost of \$260.

We found another case where a faculty member attended a conference accompanied by his spouse. The total amount charged to the grant for the conference, hotel, airfare, stipend, and other miscellaneous items was \$6,462. Our review disclosed that approximately \$526 of the total reimbursed for meals, parking, and other miscellaneous items was not supported by any receipt documentation. We noted three instances where meal costs were reimbursed for both the employee and his spouse. There were additional meal receipts reimbursed that did not indicate the number of people served; however, it appears that excessive amounts were paid for meals, an indication that the costs reimbursed were for meals for both the employee and his spouse. For example, one dinner receipt reimbursement totaled \$237, which appears to be a questionable cost for one person's meal.

Effect: Some NSF grant expenditures were questionable and/or inappropriate. Ineligible reimbursements from Federal grants could lead to the possible loss of future grants.

Cause: With respect to the non-faculty member attending the conference, we were told that it was planned that the employee would become a faculty member after the conference and additional certification. We noted that as of August 2007, this employee had not become a faculty member.

We were informed that the additional night stay for the two employees was due to a post-conference event that took place. However, the conference brochure did not indicate that such an event occurred and we were not provided with any documentation that supports the existence of a post-conference event.

The cause for the unsupported and excessive meal expenditures is unknown.

Recommendation: Norwalk Community College should ensure that all expenditures charged to Federal grants are valid, supported with appropriate documentation, and consistent with the purposes and terms of the grants. (See Recommendation 12.)

Agency Response: *CCC System Office:* “The CCC System agrees that all grant expenditures must be in accordance with the terms, budget and purpose of the particular grant agreement. All colleges and system office will be reminded of the importance of maintaining appropriate controls in this area, and in ensuring appropriate communication between programmatic and fiscal grant managers to ensure that disconnects do not occur.”

Norwalk CC: “The College agrees with the audit findings. A grant committee has been formed to review and prepare guidelines to follow when using grant funds. Supporting documentation will be retained as part of this process.”

Timeliness of Bank Deposits—Northwestern Connecticut CC and Norwalk CC:

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

Condition: Northwestern Connecticut CC: We tested 25 of the College’s bank deposits and found that 17 were not made within 24 hours of the receipt of funds. These delayed deposits included receipts, totaling \$39,108, that were held from one to three business days past the 24-hour requirement set by Section 4-32 of the General Statutes. Such deposits consisted of receipts amounting to \$35,281 that were deposited one business day late and receipts amounting to \$3,827 that were deposited from two to three business days late.

Norwalk CC: We tested 25 of the College’s bank deposits and found that all 25 were not made within 24 hours of the actual date of the receipt of the funds. These delayed deposits of cash and check receipts, totaling \$466,273, were all deposited one business day late.

The College closes and reconciles its cash register receipts and prepares a deposit the morning after the receipts are actually collected. The deposit is then held until the next day and is then picked up by an armored car service, which transports it to the bank. The bank records the deposit either the day it is picked up by the armored car service or the following day, depending on what time of the day it receives the deposit. This method of recording and depositing receipts had the effect of delaying all College bank deposits by at least one day.

Effect: Northwestern Connecticut Community College and Norwalk Community College did not fully comply with Section 4-32 of the General Statutes, exposing funds to an increased risk of loss or theft.

Cause: Northwestern Connecticut Community College attributed the delayed deposits to the cash registers' receipts batches not being closed, finalized, and bagged for armored car delivery service on a daily basis.

Regarding Norwalk Community College, it appears that the cause is systemic, resulting from the procedure used by the College for preparing and making deposits of its receipts.

Recommendation: Northwestern Connecticut Community College and Norwalk Community College should improve their bank deposit procedures to comply with the prompt deposit requirements of Section 4-32 of the General Statutes. (See Recommendation 13.)

Agency Response: *CCC System Office:* "The colleges and system office recognize the importance of timely deposits and will internally discuss and reinforce the existing policies which call for this. Documented procedures are in place to facilitate timely deposit and will be reviewed with business office staff as necessary."

Northwestern Connecticut CC: "The College will continue to strive to meet the requirements of Section 4-32 of the General Statutes. Emphasis will be placed on closing, finalizing and bagging the deposits for armored car delivery service every day. The College is also in the process of reorganizing the cashiers' office from two locations to one location. This consolidation will help facilitate timely depositing."

Norwalk CC: "The College acknowledges that our cash receipts were being deposited 48 hours after the individual items were receipted, not 24 hours as required by statute. As of September 24, 2007, all deposits are being made 24 hours after they are receipted."

Student Activity Revenue Generating Events—Gateway CC and Housatonic CC:

Criteria: The State of Connecticut's *Accounting Procedures Manual for Activity and Welfare Funds* provides the method to account for income derived from revenue producing student social events. The manual requires, within ten business days after each social event, the preparation of a financial report itemizing the income and expenditures and providing accountability of tickets used.

In addition, the Manual, in accordance with Section 4-32 of the General Statutes, requires that each State institution, receiving cash receipts amounting to \$500 or more belonging to the Student Activity Trustee Account, deposit these monies into the bank within 24 hours of receipt.

Condition: Gateway CC: We examined accountability records for two student activity account revenue generating events held during the audited period, including a trip to a play and a flower sale. As noted in our last audit of the College, we found weaknesses in corresponding accountability reports for such revenue generating events.

For one of these events, held in December 2006, we noted that the corresponding ticket accountability report was not turned into the College's Business Office until three months and eight days after the event had taken place. Further, for both of the events that we examined, there were no records of cash receipt dates. We, therefore, could not determine whether or not the prompt deposit requirements of the General Statutes were being met.

Also, in December 2006, the College reported to the Office of the State Comptroller, the State Police, and the Auditors of Public Accounts the theft of \$355 in cash generated from the sale of student club event ticket sales. According to the College, these monies were not safeguarded in a locked safe before they were stolen from the Office of College Life.

Housatonic CC: We tested a sample of receipts amounting to \$4,110, which were associated with four revenue generating student organization events (e.g., student club trips) during the audited period. Our testing indicated that there were delays in turning over receipts amounting to \$2,880 from two of these events to the College Business Office. The degree of these delays was unclear, as related documentation on hand lacked actual receipt dates. In one instance, it appears that receipts, totaling \$2,105, associated with one of these events were turned over to the Business Office seven business days after the event took place. In another instance, receipts totaling \$775 associated with another of these events were turned over to the

Business Office three days after the event took place. Such delays, in turn, resulted in corresponding bank deposit delays.

We also noted that for three of the above events, the College did not prepare adequate accountability reports to account for revenue received. That is, there was no supporting documentation that identified the ticket numbers available for sale, tickets that were sold, and the balance of unsold tickets.

Effect: Regarding Gateway Community College, income generated from student social events was not always promptly forwarded to the College's Business Office for bank deposit. Further, student event receipts, totaling \$355, were not adequately safeguarded, which contributed to their theft.

Housatonic Community College neither fully complied with the State Comptroller's *Accounting Procedures Manual* for Activity and Welfare Funds nor with Section 4-32 of the General Statutes. This weakened internal control over some Student Activity Fund receipts and increased the likelihood of their loss or theft.

Cause: Controls in place did not prevent the above conditions from occurring. At Housatonic, in most of the cases tested, it was evident that either student organizations or the Student Activities Office delayed turning over event receipts to the College Business Office.

Recommendation: Gateway Community College should improve internal control over revenue producing student events. In particular, Gateway should implement a system to record the dates when student event receipts are collected to help ensure that all revenue generated from such events is promptly turned in to the Business Office for bank deposit. Housatonic Community College should improve the timeliness with which student event receipts are turned over to the Business Office to ensure their prompt deposit into the bank and comply with the requirements of Section 4-32 of the General Statutes. Further, Housatonic should improve the quality of accountability reports prepared for revenue generating student events by following the requirements set forth in the State Comptroller's *Accounting Procedures Manual* for Activity and Welfare Funds. (See Recommendation 14.)

Agency Response: *CCC System Office:* "All colleges understand the importance of maintaining appropriate controls over event revenues."

Gateway CC: "The College agrees with this recommendation and will require that the collection dates related to student event receipts be recorded to document that all revenue generated from such events are promptly turned in to the Business Office for bank deposit."

Housatonic CC: “Since this audit review, the Administration of the college has established stronger controls over revenue and the corresponding deposits for student trips and activities. The accountability report issue was also addressed in these new/additional controls. The Business Office has been assigned the responsibility of reporting to the Administration of the college any discrepancy in adherence to these new controls.”

Accounts Receivable for Workforce Development Office—Tunxis CC:

Background: Tunxis Community College’s Workforce Development Office provides local businesses, nonprofit agencies, and municipalities with customized continuing education and training courses. These contract courses generated \$341,877 and \$358,871 in revenues during the fiscal years ended June 30, 2006 and 2007, respectively.

Criteria: Adequate internal controls over receivables related to contract courses require a signed agreement before services are rendered, adherence to billing procedures set forth in that agreement, and timely and complete billing.

Condition: We selected ten customer accounts for the audited period from the Business and Industry Services Accountability Report, which was generated by the Workforce Development Office. From this sample, we noted six instances in which the client was not billed in a timely manner. Individual organizations were billed between two and eight weeks later than required in corresponding agreements. We also noted three instances where an agreement was not signed by a client business and/or a College representative.

Effect: Receivables were not billed in accordance with contract terms; therefore, payments of receivables were not received in a timely manner.

Cause: Weaknesses in internal controls over billings and receivables for contract courses contributed to the above conditions.

Recommendation: Tunxis Community College should improve internal controls over billings and receivables for contract courses. (See Recommendation 15.)

Agency Response: *CCC System Office:* “All colleges understand the importance of maintaining appropriate controls over billing and receivables for contract courses.”

Tunxis CC: “Accounts receivable is critical to the college’s fiscal health. Timely billing of contracts generated by the Division of Workforce Development is important for healthy revenues. The

cashier's office follows up with all contracts, and funds were received from all contracts cited.

The Dean of Administration and Dean of Workforce Development and Continuing Education meet regularly to discuss common concerns. They and their respective staffs will work to make sure bills are issued timely and signed contracts are on file.”

Accounts Receivable Write-offs—Quinebaug Valley CC:

Criteria: 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. This Section further states that the Secretary of the Office of Policy and Management may authorize the write-off of uncollectible accounts receivable amounting to more than \$1,000. Furthermore, the Board of Trustees of Community-Technical Colleges has established procedures for the collection and write-off of student accounts receivable, which are consistent with Section 3-7 of the General Statutes.

Condition: We noted that the College wrote off ten accounts receivable, totaling \$9,755, during the audited period. The College did not obtain the proper authorization required by Section 3-7 of the General Statutes when writing off these receivables.

Effect: The College did not comply with Section 3-7 of the General Statutes with respect to the authorization required when writing off accounts receivable.

Cause: This was an oversight on the College's part.

Recommendation: Quinebaug Valley Community College should obtain proper authorization before writing off accounts receivable as required by Section 3-7 of the General Statutes. (See Recommendation 16.)

Agency Response: *CCC System Office:* "All colleges understand the importance of following proper procedures when writing off accounts receivable."

Quinebaug Valley CC: "The oversight was corrected prior to the audit. Documentation evidencing that Quinebaug Valley Community College is now complying with Section 3-7 of the General Statutes was given to the auditor at the time of the audit engagement."

Auditor's Concluding

Comments: Quinebaug Valley provided us documentation indicating that certain of its accounts receivable write-offs were properly approved during the 2007-2008 fiscal year. The scope of our current audit covers the 2005-2006 and 2006-2007 fiscal years; therefore, we have not yet confirmed whether or not the College complied with the requirements of Section 3-7 of the General Statutes subsequent to June 30, 2007.

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 with a cost of \$1,000 or more and certain other controllable items be recorded in property control records and tagged with State identification numbers.

The Connecticut Community Colleges' *Fixed Asset Inventory and Accounting Policy* sets the standards for property control within the Connecticut Community College System. This policy calls for the use of the Banner information system to record equipment inventory and requires the use of a location code for each inventory item listed on the system.

According to Section 13.1 of this policy, loss or damage to real and personal property should be handled in accordance with applicable procedures outlined in the State Comptroller's *Property Control Manual*. The *Property Control Manual* requires that, pursuant to Section 4-33a of the General Statutes, the Office of the State Comptroller and the Auditors of Public Accounts must be notified immediately of all losses/damages to State property.

Condition: Norwalk CC: We tested 20 equipment items purchased during the audited period for compliance with the policies and standards above and noted several exceptions. We found that five items, totaling \$36,583, which were purchased in July 2005, were not tagged with College identification numbers. Seven out of the 20 items tested did not have a location code recorded in the Banner Fixed Asset System. In addition, a camcorder was recorded in the Banner Fixed Asset System with a cost of \$5,581, when the actual cost was \$1,700. We determined that the cost that was recorded included the cost of another piece of equipment that was bought at the same time as the camcorder but should have been tagged and recorded separately.

We also noted that two of five laptop computers included in our review were not found in the location recorded in the Banner Fixed Asset System. None of these five laptops had a custodian code recorded in the Banner Fixed Asset System to identify which employee had actual custody of the laptop.

Three Rivers CC: At the time of our audit, in June 2008, we noted three capital equipment items on campus, with a total cost of \$29,196, which lacked College identification tags.

Tunxis CC: From a sample of seven equipment items that we selected during a random inspection of Tunxis Community College's

premises, we noted that a personal computer was not recorded as capitalized equipment within the Banner Fixed Asset System. Further review disclosed that this personal computer was initially capitalized at its individual unit cost of \$1,037. However, in February 2006, the College made an adjustment to reduce the cost of the item to \$720 by writing off the cost of attachments. Using this method, the College reduced the recorded cost of 89 computers purchased totaling \$93,262.

In addition, we noted that a sample of 20 purchases made by Tunxis Community College during the audited period included the payment of vendor invoices totaling \$122,928 for the purchase of 102 desktop computer central processing units (CPUs) with attachments, an additional 55 computer monitors, and miscellaneous accessories, all of which were coded as Information Technology Supplies, and, therefore, not classified as capitalized equipment by the College. However, with a unit cost of nearly \$1,075, it appears that the 102 CPUs and attachments would have required capitalization totaling \$109,610, in accordance with the Community Colleges' capitalization policy.

Additionally, the Connecticut Community Colleges' System Office contracts with an independent firm to conduct annual physical inventories at each of the Community Colleges. In the annual physical inventory performed at Tunxis Community College for the fiscal year ended June 30, 2006, the firm reported a number of items that it was unable to locate. After Tunxis Community College staff attempted and failed to locate the missing items, a Request for Disposal of Surplus Property Form was completed for 25 unaccounted for items. However, the College did not report the missing items to the Office of the State Comptroller and the Auditors of Public Accounts as required by the Property Control Manual.

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. Further, Tunxis Community College understated its capital equipment inventory by \$93,262 and \$109,610, respectively, for both financial reporting and insurance purposes. Also, Tunxis CC did not comply with Community College System and statutory reporting requirements for lost or stolen items.

Cause:

Tunxis Community College personnel informed us that the Connecticut Community Colleges' System Office directed the College to use the above method with respect to determining if the above equipment items should be capitalized and thus recorded in its inventory control records. Tunxis also informed us that the missing

items were identified as equipment that would be considered unused and unserviceable, and therefore, may have been disposed of, or used for spare parts, without proper recording by the College. It is unknown why the other exceptions occurred.

Recommendation: Norwalk Community College, Three Rivers Community College, and Tunxis 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. (See Recommendation 17.)

Agency Response: *CCC System Office:* "The CCC System implemented its fixed asset inventory and accounting policy effective with fiscal year 2002, and has made significant improvements since then over the control of property; nevertheless this remains a difficult and challenging task. However, annual inventory taken by an external firm ensures that all colleges and system office maintain their inventory on a current basis, and identify any discrepancies for follow-up and corrective action. With respect to the capitalization of equipment that is composed of multiple items, the State auditors have misinterpreted section 5.4 of the CCC fixed asset policy, which was approved both by the State Comptroller's Policy Services Division, and whose implementation has been reviewed with the System's external financial statement auditors as appropriate. The college's handling described above appears to be proper and to most accurately reflect asset values in accordance with CCC policy."

Norwalk CC: "The College agrees with the audit findings. The College will also implement the extensive and substantial policies and procedures that the CCC System Office has put in place for our use."

Three Rivers CC: "Three Rivers disagrees with this finding. All fixed assets are promptly tagged with College identification numbers when they are received.

After requesting the information relevant to this finding, Three Rivers determined that two microscopes could not be located at the time of the audit. Given the fact that the college is undergoing construction at both of its two campuses, it's possible that these items were in a cabinet that was not accessible, stored temporarily, or disposed of inadvertently without documentation.

The Identity Engines server was tagged appropriately when the server arrived. However, the original tagged asset was sent back for repair. This unit was subsequently replaced by the vendor and the tag was not returned with the new unit. This asset is currently on its fourth replacement (warranty) and the IT department informed the auditor

that they planned to make sure that it was working properly before applying a new tag.”

Tunxis CC: “The College complies with the Fixed Asset Inventory policy as outlined by the Board of Trustees. The System Office directed the College to reduce the cost of 89 computers.

This finding will be shared with the System Office. Any changes to policy and procedures would come from the System Office and the College would comply accordingly.

The College takes every step possible to maintain accurate Fixed Asset Inventory records. Items are disposed of in accordance with Board Policy.”

Auditor’s Concluding

Comments:

With respect to Three Rivers’ response, it seems that the College misinterpreted our finding. We did inspect the two microscopes cited above; our finding was that they were not tagged with State identification numbers, not that they were missing.

With respect to the System Office’s response, we found that Tunxis Community College purchased various desktop computers, each of whose invoice price exceeded the Community College System’s \$1,000 capitalization threshold, but failed to record such items as capital assets. Instead, the College treated the purchases as if they were purchases of separate computer components despite the fact that the computers were invoiced as single units and not separated into component parts on the invoice. This had the effect of avoiding capitalization and omitting these computers from the College’s Banner system inventory control records. In many instances, the value of the information contained in a computer greatly exceeds the computer’s cost. As such, property control over computers is of paramount importance. When such computers are excluded from property control records, internal control over computers and the information they contain is weakened and the value of the State’s assets is understated for financial reporting purposes.

Use of College Facilities—Norwalk CC:

Criteria:

The Board of Trustees’ *Policy Manual* establishes administrative policies for and provides guidance to the community colleges on various issues that include, among other things, academics, finances, personnel, labor relations, and facilities use. In particular, Section 4.7.5 of the Manual states that “no organization whose primary purpose is other than academic or student-centered shall be domiciled or have permanent location at a college facility without the approval of the Board of Trustees.”

Sound business practices dictate that the College should establish written agreements with any organization that has been granted the use of College facilities. Such an agreement is necessary to define the rights and obligations of each party and help ensure that the parties are in agreement with the terms of the arrangement.

Condition: During the course of our audit, we became aware of two nonprofit organizations using College office space and other College resources. There was no approval granted by the Board of Trustees for these arrangements. We also noted that the mission of these organizations do not appear to meet the definition of “academic or student-centered.”

College management informed us that there was no written agreement in place with these organizations. Rather, the College has informally allowed these entities to operate their organizations on the College campus for at least two years.

In addition to providing office space and maintenance services, the College has also provided these organizations with the use of computers, telephones, copiers, faxes and internet access, all of which were paid for with State funds. These organizations did not pay the College any fees or reimbursements in exchange for this arrangement.

Effect: College facilities and other services were provided to outside organizations without approval from the Board of Trustees. Space necessary for College students and staff may be limited because these organizations are on campus. Also, the College is bearing the costs of overhead expenses for these organizations.

Cause: The cause is unknown.

Recommendation: Norwalk Community College should obtain approval from the Board of Trustees prior to providing outside organizations with permanent use of its facilities. Further, written agreements should be in place that detail the terms of such arrangements and include provisions for contractor payments to the College for any additional costs incurred by the College as a result of such arrangements. (See Recommendation 18.)

Agency Response: *CCC System Office:* “Colleges understand the importance of following proper procedures for the use of College facilities. This appears to be an isolated instance.”

Norwalk CC: “The College understands that we must get the BOT approval and put a facilities use agreement in place before granting outside agencies use of NCC facilities. We also acknowledge the

need to charge these agencies for use of NCC facilities, so that the College does not incur additional costs that are not associated with the mission of the College.”

Affiliated Foundation—Norwalk CC:

Criteria: Section 4-37f, subsection (8), of the Connecticut General Statutes requires, for foundations affiliated with State agencies, an audit report that includes an audit opinion which addresses the conformance of the foundation’s operating procedures with the provisions of Sections 4-37e through 4-37i, inclusive, and also recommends any corrective actions needed to ensure such conformance.

Section 4-37j of the General Statutes requires that foundations develop a written whistleblower policy that addresses the investigation of certain foundation activities, including corruption, unethical practices, violations of state laws and regulations, among others, and provides whistleblower protection for foundation employees.

Condition: The Norwalk Community College Foundation, Inc. audit report for the year ended December 31, 2005, did not include an opinion on the Foundation’s conformance with Sections 4-37e through 4-37i of the General Statutes. Further inquiries disclosed that the Foundation’s auditors had not issued an opinion on the Foundation’s compliance with Sections 4-37e through 4-37i since the Foundation’s audit report for the year ended December 31, 2003.

We also noted that the Foundation had several employees during the audited period and was, therefore, subject to the requirements of Section 4-37j of the General Statutes. That is, an employee whistleblower policy is required. Foundation personnel informed us that no such policy had been established.

Effect: The Foundation neither fully complied with Section 4-37f, subsection (8), of the General Statutes, nor with Section 4-37j of the General Statutes.

Cause: It appears that the Foundation and its auditors were not aware that an opinion on the Foundation’s compliance with Sections 4-37e through 4-37i was required. The cause for the lack of a whistleblower policy is unknown.

Recommendation: Norwalk Community College should take steps to ensure that its affiliated foundation’s audit reports address compliance with Sections 4-37e through 4-37i of the General Statutes and that the Foundation establishes a whistleblower policy for its employees. (See Recommendation 19.)

Agency Response: *CCC System Office:* “Colleges understand the importance of their responsibility under State statute to oversee the Foundation’s compliance with certain requirements.”

Norwalk CC: “The College has informed the NCC Foundation that a “whistleblower policy” must be put in place for all of the staff so as to assure that they are in compliance with Sections 4-37e through 4-37i of the General Statutes.”

College Bookstore Textbook Buybacks—Tunxis CC:

Background: The Tunxis Community College Bookstore, which is run by the College, holds a two-week used textbook buyback period at the end of each semester. The College has the option of either conducting textbook buybacks from students on its own, for which a 25 percent commission is received for wholesale book purchases, or to have a textbook vendor representative conduct the buyback on behalf of the Bookstore, for which the commission is reduced to 20 percent. In order to retain the extra five percent in commissions, the buybacks are normally conducted by Bookstore staff.

Prior to each buyback period, the College Bookstore and the textbook vendor enter into an agreement as to who will conduct the buyback (i.e., the College Bookstore or vendor representative), a commission percentage, the amount of funds requested, and any advertising and other materials requested. Subsequently, the vendor electronically transfers agreed upon monies to the College’s petty cash bank account so that cash can be withdrawn by the Bookstore in a timely manner.

When textbooks are purchased from students, they are categorized as follows:

- Wholesale books: These textbooks are purchased from students and then boxed and shipped back to the vendor. The College purchases such books at wholesaler’s list prices as published in textbook buying guides.
- Retail books: These textbooks are purchased from students and are then retained by the Bookstore for resale. The College purchases such textbooks at 50 percent of the new book value.

A total of \$570,000 was deposited to, and subsequently withdrawn from, the College’s petty cash bank account during the fiscal years ended June 30, 2006 and June 30, 2007, for the purchase of used textbooks.

Criteria: Good internal control procedures over textbook buyback transactions should include adequate physical controls, segregation of duties,

independent checks, and adequate documentation to substantiate transactions.

Good business practices require that contractual agreements be written and that such written contracts be signed by authorized parties to the agreement. Further, Section 4.12.1 of the Board of Trustees of Community-Technical Colleges' *Policy Manual* specifies which Community College employees are authorized signers for entering into contractual agreements. The Policy states that, at the College level, College Presidents and certain other management level employees may enter into contractual agreements.

Condition: We noted weaknesses in the design and operation of procedures and internal controls over Tunxis Community College's textbook buybacks as follows:

- Inadequate physical safeguards were noted over substantial cash withdrawals from the bank. Although accompanied by a contractual campus security guard, the Bookstore Supervisor went to the bank each buyback period to physically withdraw these large amounts of cash. Upon returning to campus, the cash was placed in the Bookstore's safe after a cash count was performed by the Bookstore Supervisor. A total of ten cash withdrawals from the bank were noted during the audited period, each ranging from \$20,000 to \$80,000.
- A lack of segregation of duties existed over the custody and handling of textbook buyback monies. The Bookstore Supervisor was responsible for withdrawing cash from the bank, paying cash to students for textbook buybacks, and counting cash used for textbook buybacks.
- No system of checks and balances was in place to assure proper accountability over buyback cash and buyback textbooks. Although Bookstore staff assisted with counts of buyback textbooks, particularly with retail books that were held for resale, there was no independent, documented reconciliation performed to assure that books on hand at buyback period-end were consistent with records of books purchased for cash.
- No documentation, such as cash register receipts or other equivalent documentation, was on hand to substantiate the actual amount of cash paid out to individual students for textbook buybacks.
- No written, textbook buyback agreements were established between the College and textbook vendors. Instead, the Bookstore Supervisor entered into oral agreements with textbook vendors to buyback used textbooks although, according to the Board of Trustee's Policy Manual, he was not authorized to enter into contractual agreements on behalf of the College.

- Effect:* Deficiencies in the design or operation of internal controls could prevent the timely detection of errors or significant unauthorized, illegal, irregular or unsafe transactions.
- Cause:* The College did not emphasize developing adequate internal control policies and procedures over textbook buybacks.
- Recommendation:* Tunxis Community College should improve the design and operation of internal controls over the Bookstore’s textbook buybacks. (See Recommendation 20.)
- Agency Response:* *CCC System Office:* “Colleges understand the importance of maintaining appropriate internal controls over bookstore buyback activities.”
- Tunxis CC:* “The Tunxis Community College Bookstore is an integral part of the College and an important factor in the College’s financial health. Maintaining strong internal controls and segregation of duties is paramount to continued fiscal stability. The College will take the following steps:
- Contact Dunbar, the college’s contracted [armored car service] vendor, for transport of cash for the textbook buyback;
 - Ensure that contracts initiated by the bookstore follow Board of Trustee’s policies and procedures, and are done in writing with authorized signatures;
 - Disburse cash register receipts to students to substantiate the actual amount of cash paid out;
 - Have Business Office staff verify textbook buyback monies as well as buyback textbooks to strengthen segregation of duties.”

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 “warm site” to provide IT services in the event of a disaster.

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 in the event of a disaster.

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 21.)

Agency Response: *CCC System Office:* “The CCC System recognizes the importance of maintaining its critical information technology operations in the event of an emergency. The current disaster recover approach includes the establishment of a “warm” site at one of the twelve colleges; however specific action to move in this direction requires substantial resources and planning. We are considering the engagement of external consulting resources to assist in developing such a plan, and are exploring participation in a multi-institutional consortium which could provide some continuity of network services and additional data back-up services off-premises. This remains a long-term effort that will ultimately require additional staff, facilities and funding to implement and sustain.”

Risk Assessment:

Criteria: A risk assessment is an integral part of an internal control plan. Sound business practices dictate that a risk assessment should be performed. 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 periodically perform its own, or contract out, system-wide, risk assessments to better manage those risks that may have a significant impact on operational objectives. (See Recommendation 22.)

Agency Response: *CCC System Office:* "The CCC System has focused its risk assessment efforts and resources in several specific areas that have been identified as key risks. A comprehensive information security risk assessment encompassing activities at all twelve colleges and the system office has been underway for more than a year, and has already resulted in policy and organizational responsibility changes to improve the System's risk posture in this area, with additional actions planned. With personnel representing the largest component of our costs, a comprehensive internal risk assessment is nearing completion, to identify key risks in the payroll / human resources business process and to develop and implement additional system-wide controls to reduce the risk associated with inappropriate payroll activity. The System will continue to focus available resources on these and other key risk areas, many of which are highlighted in the annual audit reports of the State auditors and the independent financial statement auditors."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

As noted in a prior section of this report, our 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). The results of our audit are disclosed in one audit report covering the entire System. In contrast, separate reports on the Community Colleges were issued in prior years. The following summarizes the recommendations presented in those reports for the institutions examined in this audit and the current status of those prior recommendations.

The System Office:

- *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 our current audit, we noted a lack of documented support for services provided by Part-time Lecturers at several of the Community Colleges. We are, therefore, repeating the recommendation with some modification. (See Recommendation 1)
- *The System Office should improve its 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.* Our current audit disclosed that the System Office and several colleges within the Community College System, in some instances, failed to comply with the Community College System's purchasing card policies. The recommendation is being repeated. (See Recommendation 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.* We noted improvement with respect to the System Office's compliance with Section 1-84, subsection (i), of the General Statutes, but we also noted exceptions at certain colleges. Further, our current audit disclosed that some personal service agreements were approved after the commencement of the contract period when services were to be provided. The recommendation is being restated to reflect our current audit findings. (See Recommendations 8 and 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.* The System

Office has not made significant improvement in this area. The recommendation is being repeated. (See Recommendation 7.)

- *The System Office should continue its efforts to develop a formal, written information technology disaster recovery plan for the Community College System. We noted no improvement in this area during our current audit. The recommendation is being repeated. (See Recommendation 21.)*
- *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. We saw no indication that such a risk assessment was performed during the current audit period. The recommendation is being repeated. (See Recommendation 22.)*

Gateway Community College:

- *The College should strengthen internal control over its Human Resources and Payroll Department operations by ensuring that all employment contracts for Part-time Lecturers and Educational Assistants are signed in a timely manner and that payroll payments made to Part-time Lecturers are supported by timecards or equivalent documentation. The College should also improve its compliance with the requirements of Section 5-208a of the General Statutes concerning the documentation needed for dual employment situations and should comply with the requirements of Federal Office of Management and Budget Circular A-21 by implementing a time and effort reporting system to better support its payroll charges to Federal programs. In our current audit, we saw improvement in the College's time and effort reporting system for payroll charges to Federal programs. However, other weaknesses in Human Resources and Payroll operations persisted and new weaknesses were noted. The recommendation is, therefore, being repeated with some alterations. (See Recommendations 1, 3, and 4.)*
- *The College should ensure 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 strengthen internal control over purchasing operations by executing contract amendments before new contract terms are implemented, by approving personal service agreements in a timely manner, and by ensuring that warehouse club purchases are supported by receiving reports prepared by employees who perform no purchasing functions. The College should also ensure that it solicits bids via the Internet before making purchases exceeding \$50,000 in amount, as required by Section 10a-151b of the General Statutes. During our current audit, we noted improvement in the separation of duties with respect to warehouse club purchases. We also saw no exceptions in soliciting bids via the Internet when required. However, our current audit disclosed purchases that were made before purchase orders were in place and an instance where a personal service agreement contract amendment was executed after related services had been provided. As a result, the recommendation is being restated to reflect the weaknesses noted in purchasing operations during our current audit. (See Recommendations 7 and 8.)*

- *The College should solicit bids for revenue generating operations, such as its bookstore, before contracting with vendors to run such operations. The Connecticut Community Colleges' System Office, on behalf of Community College System colleges that contract out for bookstore services, went out to bid for bookstore services during the audited period. The recommendation is not being repeated.*
- *The College should improve internal control over revenue producing student events by strengthening accountability over corresponding tickets issued, tickets sold, and unsold tickets, as detailed in the State Comptroller's Accounting Procedures Manual for Activity Funds and Welfare Funds. The College should also ensure that all revenue generated from such events is promptly turned in to the Business Office for deposit. In our current audit, we noted no exceptions regarding accountability over student event tickets. However, with respect to the prompt deposit of monies collected from such events, our audit disclosed that there was no system in place to record the date when student event receipts were received by the Office of College Life. This prevented us from determining the timeliness of corresponding bank deposits. The recommendation is, therefore, being repeated in modified form. (See Recommendation 14.)*
- *The College 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." Our current audit disclosed that further improvement is needed in this and other aspects of professional services purchasing. The recommendation is being repeated with some revision. (See Recommendation 10.)*

Housatonic Community College:

- *The College should take steps to ensure that student event receipts and any related unsold tickets are promptly turned over to the Business Office, as required by the State Comptroller's Accounting Procedures Manual for Activity and Welfare Funds. In our current audit, we noted that delays in turning over student event receipts to the Business Office persisted. We did not, however, note any instances in which unsold student event tickets were not turned in to the Business Office. The recommendation is being repeated in modified form. (See Recommendation 14.)*
- *The College should solicit bids for revenue generating operations, such as its bookstore, before contracting with vendors to run such operations. During the fiscal year ended June 30, 2007, the System Office of the Community College System went out to bid for bookstore services on behalf of the eight colleges that contract out their bookstore operations. Therefore, the recommendation is not being repeated.*
- *To provide better assurance that expenditures charged to the student activity account benefit and are approved by the student body, the College's Student Activity department should provide the Accounts Payable section with payment vouchers approved by a member of the student government, before student activity account payments are made. In*

addition, all student activity account purchases should occur only after the College Purchasing department receives properly approved purchase requisitions and receiving documents. Furthermore, only the Purchasing department should place such orders with vendors. In our current audit, we noted no improvement in obtaining documented approval from the student body for purchases charged to the student trustee account. Further, we found instances where student activities' items were ordered prior to obtaining an approved purchase requisition. The recommendation is, therefore, being repeated. (See Recommendation 11.)

- *The College should improve internal control over its equipment by following the State Comptroller's property control requirements as well as those established by the Connecticut Community College's fixed asset policy. The College should, in particular, improve its documentation supporting the approval for the disposal of its equipment. Our current audit disclosed improvement in this area. The recommendation is not being repeated.*

Northwestern Connecticut Community College:

- *The College should improve internal control over its equipment by following the State Comptroller's property control requirements as well as those established by the Connecticut Community College System's fixed asset policy. The College should, in particular, improve its documentation supporting the approval for the disposal of its equipment. We noted improvement in this area during our current audit. The recommendation is not being repeated.*
- *The College should implement a time and effort reporting system documenting payroll costs for employees associated with its Federal grant programs, as required by the Federal Office of Management and Budget Circular A-21. We noted improvement in this area during our current audit. The recommendation is not being repeated.*
- *The College should improve internal control over expenditures for independent contractor professional services, including those connected with personal service agreements, by obtaining documented approval for these purchases in a timely manner. We noted improvement in this area during our current audit. The recommendation is not being repeated.*
- *The College should improve the timeliness of its bank deposits to meet the prompt deposit requirements established by Section of 4-32 of the General Statutes. The recommendation was not adequately implemented during our current audit; it is, therefore, being repeated. (See Recommendation 13.)*

Norwalk Community College:

- *The College should strengthen its compliance with payroll and human resources requirements by ensuring that correct longevity payroll payments are made, as required in collective bargaining agreements, and by expanding its time and effort reporting system to support payroll charges to all of its Federal programs. The College should also*

strengthen its internal control over its payroll operations by ensuring that all payroll payments made to Part-time Lecturers are supported by time sheets. In our current audit, we noted that longevity payments tested were made correctly and payroll payments to Part-time Lecturers were supported by time sheets. Although the College did expand its time and effort reporting system to support some of its payroll charges for Federal programs, additional improvement is necessary. Therefore, this recommendation is being repeated with respect to time and effort reporting. (See Recommendation 5.)

- *The College should take steps to ensure that its purchases are based on competitive bids or competitive negotiation when required by Section 10a-151b of the General Statutes. Furthermore, the College should improve its internal control over payments to personal service contractors by identifying its pool of repeat EMT instructors and setting up written personal service agreements with these individuals before services are rendered.* During our current review, we noted that personal service agreements were established for most EMT instructors. However, we found that the College extended several contracts without competitive bids or negotiations. Therefore, this recommendation is being repeated with respect to compliance with competitive bidding requirements. (See Recommendation 7.)
- *The College should improve controls over its property by following the property control requirements set forth by the State Comptroller. Further, the College should also ensure that it properly documents the approval for the disposal of any if is equipment.* Our current review disclosed that although the equipment disposal issue has been addressed, further improvement in property control is needed. Therefore, this recommendation is being repeated with modification. (See Recommendation 17.)
- *The College should obtain proper approval from either the College President or his designee or, when required, from the Office of Policy and Management before writing off delinquent student accounts, as required by the Board of Trustees of Community-Technical Colleges pursuant to Section 3-7 of the General Statutes.* The recommendation was implemented; it is not being repeated.

Quinebaug Valley Community College:

- *The College should develop and implement a time and effort reporting system for documenting payroll costs charged to Federal grant programs.* Our current audit found that the College has implemented a time and effort reporting system which appears to meet the requirements of Federal Office of Management and Budget Circular A-21. This recommendation is not being repeated.
- *In order to comply with the provisions of Section 1-84, subsection (i), of the Connecticut General Statutes, the College should establish procedures to ensure that no contracts valued at one hundred dollars or greater are made to a public official, State employee or his or her immediate family unless the contract has been awarded through an open and public process.* In our review of personal service agreements, we found that the College entered into three personal service agreements with two State employees. Each of these contracts was valued at one hundred dollars or more and was not awarded through an open

and public process. We are, therefore, repeating this recommendation. (See Recommendation 10.)

Three Rivers Community College:

- *The College should improve controls related to the procurement process.* Our current audit disclosed that continued improvement in internal control is needed in the College's purchasing operations. Some purchases were made without first obtaining approved purchase requisitions and purchase orders; some lacked adequate supporting documentation, among other things. This recommendation is, therefore, being repeated. (See Recommendation 7.)
- *The College should periodically review and re-bid the contract with the provider of its cafeteria and vending machine operations.* The college re-bid its contract for cafeteria and vending machine services and awarded the contract to a new vendor. The recommendation is not being repeated.
- *Procedures should be developed to ensure compliance with the requirements relating to private foundations affiliated with State agencies.* In our current audit, we found that the College's affiliated foundation was audited by an independent public accounting firm. That audit included the required reports. The recommendation is not being repeated.
- *Purchases for the Student Activities Trustee Accounts should be approved prior to delivery of goods and services.* Our current audit disclosed exceptions similar to the exceptions disclosed in our prior audit. That is, we noted a lack of prior documented approval for some student activity purchases. The recommendation is being repeated. (See Recommendation 11.)

Tunxis Community College:

- *The College should develop and implement a time and effort reporting system for documenting payroll costs charged to Federal grant programs.* It appears that a time and effort reporting system was implemented by the College; therefore, the recommendation is not being repeated.
- *The College should strengthen internal control procedures to ensure that timesheets submitted reflect work actually performed. Further, the College should support the compensation of its employees in a manner consistent with pre-established requirements for the position. Hourly employees should submit timesheets reflecting hours actually worked. Employees whose pay is based on the completion of a project should be paid upon appropriate certification that the project was completed.* It appears that these findings were either resolved or no longer apply; therefore, the recommendation is not being repeated.
- *Notices of Appointment for Part-time Lecturers should be authorized in a timely manner.* Our current audit disclosed exceptions related to Notices of Appointment for Educational

Assistants rather than Part-time Lecturers. This recommendation is, therefore, being repeated in modified form. (See Recommendation 1.)

- *The College should improve internal controls over accounts receivable.* In our current audit, we found weaknesses in billings and receivables for contract courses. The recommendation is being repeated. (See Recommendation 15.)
- *The College should improve internal control over procurement to ensure that approval is received prior to contracting services.* During our current audit, we noted additional instances in which services were received prior to the authorization of a requisition or personal service agreement; therefore, the recommendation is being repeated. (See Recommendation 8.)
- *All Banner System access should be disabled promptly upon an individual's termination of employment.* We noted no instances in the current audit period where Banner access was not properly disabled upon termination of employment; therefore, the recommendation is not being repeated.

Current Audit Recommendations:

- 1. The Community College System should implement improved control procedures to better ensure that Part-time Lecturer and Educational Assistant employment contracts are properly drawn and executed prior to the commencement of employment. Further, the Community College System should consider implementing a policy that requires all Part-time Lecturers to submit signed time sheets to their supervisors for their signature and transmittal to their respective Payroll Departments as a means of supporting services performed. Alternatively, the Community Colleges should implement a system that requires, for each term, independent documented certification that Part-time Lecturers completed the course work for which they were appointed.**

Comment:

We noted numerous instances where Part-time Lecturer or Educational Assistant contracts were approved by college employees after the appointment period began. Part-time Lecturers at certain colleges did not submit and/or were not required to submit time sheets supporting services rendered.

- 2. Housatonic Community College should ensure that payments made to ten-month employees for unused sick leave at retirement are calculated correctly. The College should also identify and compensate all ten-month employees who were underpaid as a result of such miscalculations.**

Comment:

We noted an instance where Housatonic Community College incorrectly calculated the amount due to a ten-month employee for the balance of unused sick leave upon her

retirement. This resulted in an underpayment of \$1,315 in gross pay. Further, we were informed that the College, using the same incorrect calculation method, most likely underpaid other ten-month employees for unused sick leave balances at retirement.

3. **Gateway Community College should take steps to strengthen internal control over its Human Resources and Payroll functions by ensuring that no employee has the ability to either process his or her own payroll transactions or record his or her own time and attendance data without compensating controls in place. In particular, the College, or the System Office on its behalf, should implement a system requiring an employee independent of the Payroll Department to monitor and provide documented approval of payroll payments made to, and attendance and leave records for, employees who have the ability to make changes in their own payroll payments and attendance and leave records. Further, the College should attempt to recover any unauthorized payroll payments that resulted from the conditions cited above.**

Comment:

A College employee, who was charged with processing the College payroll, had the ability to enter and did enter her own overtime payments and attendance and leave data into the Core-CT Human Resources Management System without an adequate system of monitoring in place. As a result, unauthorized payroll payments were made to the employee and the employee's vacation and sick leave balances appear to have been overstated.

4. **Gateway 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. Further, the College should investigate the instances cited above where there were indications of conflicting schedules between employee primary and secondary positions to determine if employees were improperly paid for overlapping hours between positions.**

Comment:

There were numerous instances during the audited period where Gateway Community College dual employment certification forms lacked the required College signature, certifying that no conflicts existed between or among positions. Furthermore, in some instances, College dual employment certification forms indicated conflicts in the schedules of employees holding multiple State positions.

5. **Norwalk Community College should improve its time and effort reporting system for documenting payroll costs charged to Federal programs to ensure compliance with the requirements of Federal Office of Management and Budget Circular A-21.**

Comment:

The College did not have an adequate time and effort reporting system in place for some of its Federal grant programs.

6. **Three Rivers Community College should obtain medical certificates from employees when required by union contract or by the Community College System's personnel policies.**

Comment:

We noted two instances where the College did not obtain the required medical certificates from employees who used more than five consecutive sick leave days.

7. **The Community College System should take steps to ensure that proper authorization is obtained prior to the purchase of any goods or services. In addition, the System should ensure that competitive bids are obtained when necessary in a manner consistent with the requirements of Section 10a-151b of the General Statutes.**

Comment:

We noted instances at several colleges and at the System Office where purchases were made before an approved purchase requisition and/or a purchase order was in place. There were also instances disclosed where services were purchased that required competitive bidding but no such bids were sought.

8. **The Community College System 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 its own purchasing policies. Quinebaug Valley Community College should also ensure that it obtains the approval of the Office of the Attorney General before entering into personal service agreements exceeding \$3,000. In addition, Quinebaug Valley should execute an updated written contract with the Early Learning Center and should effectively monitor this agreement to ensure that its terms are being carried out.**

Comment:

There were instances where Gateway Community College, Quinebaug Valley Community College, Tunxis Community College, and the System Office approved personal service agreements after contractual services were scheduled to begin. At Quinebaug Valley, the College entered into a personal service agreement, totaling \$3,360, without obtaining Office of the Attorney General approval. Further,

Quinebaug Valley allowed an outside organization to continue operating on campus after its written contract with the College expired. Moreover, the organization failed to comply with certain contract terms.

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

Comment:

Our audit disclosed instances in which various community colleges and the System Office failed to comply with the Community College System's *Purchasing Card Policy and Procedure Manual*. Exceptions noted included: purchases that were split into several smaller transactions, circumventing the \$1,000 per single purchase limit; purchases of meals that were consumed at restaurants; instances where Connecticut sales tax was paid even though the Community College System is, generally, exempt from paying such tax; and other purchases that were not allowed according to purchasing card policies.

10. **Gateway Community College, Norwalk Community College, and Quinebaug Valley Community College 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." Further, in order to comply with the open and competitive contract award requirements of Section 1-84, subsection (i), of the Connecticut General Statutes, the Community College System should establish a screening system to help identify State employees or their immediate family members prior to awarding contracts to such individuals. Additionally, Norwalk Community College should ensure that individuals providing services to the College are properly classified as either employees or independent contractors and paid through the proper process. That is, employees should be paid through the payroll system so that payroll taxes can be properly withheld, while independent contractors should be paid through the accounts payable system. In addition, Norwalk Community College should take steps to ensure that the work schedules of College employees under separate agreements with the College do not conflict with the times such employees provide services to the College under such agreements.**

Comment:

Gateway Community College, Norwalk Community College, and Quinebaug Valley Community College each entered into contracts exceeding \$100 with State employees or their immediate family members without soliciting competitive bids. The Colleges lacked a screening system to identify such contractors, which contributed to this lack of compliance with Section 1-84. Furthermore, Norwalk Community College entered into an agreement with one of its employees to provide catering services without a written contract and without going out to bid. Norwalk inappropriately paid this employee through the payroll without withholding and reporting taxes for these

services. In addition, the schedule of catering services provided, at times, conflicted with the normal work schedule of this Norwalk employee.

- 11. Gateway Community College, Housatonic Community College, and Three Rivers 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. Gateway and Three Rivers should also ensure that approved purchase requisitions and purchase orders are in place before student activity account purchases are executed.**

Comment:

At Gateway, we noted that some student activity account purchases lacked check requests indicating student government approval of the purchase, while others were made before such requests were approved or before purchase requisitions or purchase orders were approved. Similar exceptions were noted at Housatonic and Three Rivers.

- 12. Norwalk Community College should ensure that all expenditures charged to Federal grants are valid, supported with appropriate documentation, and consistent with the purposes and terms of the grants.**

Comment:

At Norwalk Community College, we found instances of questionable, undocumented, and seemingly unallowable expenditures charged to the National Science Foundation grant program.

- 13. Northwestern Connecticut Community College and Norwalk Community College should improve their bank deposit procedures to comply with the prompt deposit requirements of Section 4-32 of the General Statutes.**

Comment:

Our testing disclosed instances where funds received were not deposited within 24 hours as required by Section 4-32 of the General Statutes.

- 14. Gateway Community College should improve internal control over revenue producing student events. In particular, Gateway should implement a system to record the dates when student event receipts are collected to help ensure that all revenue generated from such events is promptly turned in to the Business Office for bank deposit. Housatonic Community College should improve the timeliness with which student event receipts are turned over to the Business Office to ensure their prompt deposit into the bank and comply with the requirements of Section 4-32 of the General Statutes. Further, Housatonic should improve the quality of accountability reports prepared for revenue generating student events by following the requirements set forth in the State Comptroller's *Accounting Procedures Manual for Activity and Welfare Funds*.**

Comment:

At Gateway, there was no record keeping system to record the dates when student organizations received funds generated from student events such as plays and fund raisers. At Housatonic, there were delays in turning over funds generated from student organization events to the College Business Office. Also, in some instances, Housatonic's accountability reports for revenue derived from student events were not adequate.

- 15. Tunxis Community College should improve internal controls over billings and receivables for contract courses.**

Comment:

At Tunxis, we noted instances where the College did not bill Workforce Development Office contract course clients in a timely manner consistent with contract terms. There were also instances in which contracts for such contract courses were not signed by the client and/or the College.

- 16. Quinebaug Valley Community College should obtain proper authorization before writing off accounts receivable as required by Section 3-7 of the General Statutes.**

Comment:

In some instances, Quinebaug Valley did not obtain the required approval when writing off accounts receivable.

- 17. Norwalk Community College, Three Rivers Community College, and Tunxis 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.**

Comment:

Our review found instances where equipment items were not tagged with State identification numbers, instances where equipment items should have been capitalized but were not, instances where missing equipment items were not reported to the Office of the State Comptroller and the Auditors of Public Accounts, and instances where equipment items could not be located.

- 18. Norwalk Community College should obtain approval from the Board of Trustees prior to providing outside organizations with permanent use of its facilities. Further, written agreements should be in place that detail the terms of such arrangements and include provisions for contractor payments to the College for any additional costs incurred by the College as a result of such arrangements.**

Comment:

The College granted two nonprofit organizations the use of space on campus, including the use of State equipment and College maintenance services, without written agreements or reimbursement for College costs incurred. Additionally, required approval from the Board of Trustees was not obtained for these arrangements.

- 19. Norwalk Community College should take steps to ensure that its affiliated foundation's audit reports address compliance with Sections 4-37e through 4-37i of the General Statutes and that the Foundation establishes a whistleblower policy for its employees.**

Comment:

Norwalk Community College Foundation, Inc. audit reports did not address the College's compliance with foundation-related statutes. Furthermore, though several employees worked for Norwalk's foundation, there was no whistleblower policy in place for such employees.

- 20. Tunxis Community College should improve the design and operation of internal controls over the Bookstore's textbook buybacks.**

Comment:

Tunxis' bookstore textbook buyback procedures exposed funds collected to the risk of loss, theft, and fraud. Weaknesses noted included a lack of physical security over bank deposits of funds collected; a lack of segregation of duties over the custody and handling of textbook buyback monies; a lack of checks and balances to ensure

independent accountability of monies collected; a lack of cash register receipts issued to students to account for textbooks purchased; and oral rather than written agreements with textbook vendors for the buyback of used textbooks.

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

Comment:

While the System Office has taken steps toward the development of a formal information system disaster recovery plan, a written plan was not in place during the audited period.

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

Comment:

We saw no indication that the Community College System performed a comprehensive risk assessment during the audit period.

INDEPENDENT AUDITORS' 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, 2006 and 2007. This audit was primarily limited to performing tests of the System's compliance with certain provisions of laws, regulations, contracts and grant agreements 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 grant agreements applicable to the System are complied with, (2) the financial transactions of the System are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, 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, 2006 and 2007, 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 grant agreements and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

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

In planning and performing our audit, we considered the Connecticut Community College System's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the System's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the System's internal control over those control objectives.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the System's ability to properly initiate, authorize, record, process, or report financial data reliably, consistent with

management's direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the System's internal control. We consider the following deficiencies, described in detail in the accompanying "Condition of Records" and "Recommendations" sections of this report, to be significant deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 3 – lack of segregation of payroll duties at Gateway Community College; Recommendation 4 weaknesses in internal control over dual employment situations at Gateway Community College; Recommendation 10– business arrangements with a State employee at Norwalk Community College; Recommendation 17– internal control over equipment at Norwalk Community College, Three Rivers Community College, and Tunxis Community College; and Recommendation 20– control over bookstore textbook buybacks at Tunxis Community College.

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

Our consideration of the internal control over the System's financial operations, safeguarding of assets, and compliance with requirements, was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Connecticut Community College System complied with laws, regulations, contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the System's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which we reported to the System's management in the accompanying "Condition of Records" and "Recommendations" sections of this report.

The Connecticut Community College System's response to the findings identified in our audit is described in the accompanying "Condition of Records" section of this report. We did not audit the System's response and, accordingly, we express no opinion on it.

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

CONCLUSION

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of 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