

STATE OF CONNECTICUT



*AUDITORS' REPORT
BOARD OF TRUSTEES OF COMMUNITY-TECHNICAL COLLEGES
CONNECTICUT COMMUNITY COLLEGE SYSTEM
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009*

AUDITORS OF PUBLIC ACCOUNTS
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Table of Contents

INTRODUCTION	1
AUDIT METHODOLOGY	1
COMMENTS	2
Foreword	2
Recent Legislation	3
Enrollment Statistics	4
Résumé of Operations	4
Operating Revenues	5
Operating Expenses	6
Nonoperating Revenues	6
Community College Foundations	7
CONDITION OF RECORDS	8
Internal Control Questionnaire	8
Part-time Lecturer and Educational Assistant Employment Contracts and Evidence of Services Provided	9
Personal Service Agreements	12
Human Resources and Payroll Functions - Separation of Duties	16
Timeliness of Bank Deposits - Capital CC and Northwestern CT CC	18
Property Control	20
Purchasing Card Transactions	23
Purchasing - Competitive Quotations - Northwestern CT CC and Quinebaug Valley CC	24
Student Activity Trustee Account Purchasing	25
Former Employees Accruing Leave Time After Retirement - Capital CC and Manchester CC	28
Attendance and Leave Records - Middlesex CC and Northwestern CT CC	29
Dual Employment - Asnuntuck CC and Capital CC	30
Reference Checks During the Hiring Process - Capital CC	31
Telecommuting Policy - System Office	32
Matters Related to Certification and Affidavit Requirements Related to Vendor Selection on Large State Contracts - System Office	33
Purchasing - Approval of Purchase Requisitions and Purchase Orders - Northwestern CT CC	34
Purchasing - Receiving - Northwestern CT CC	35
Community College Foundation Audit Reports - Asnuntuck CC and Capital CC	36
Termination Payments - Northwestern CT CC	37
Accounts Receivable Write-offs - Middlesex CC and Tunxis CC	39
Accounts Receivable for Workforce Development Office - Tunxis CC	41
Reporting of Property Losses - Capital CC	42

Schedule of Expenditures of Federal Awards - System Office	42
Monitoring the Activity of any Faculty Member Who Enters into a Consulting Agreement or Engages in a Research Project with a Public or Private Entity	43
Student Activities Revenue Generating Events - Housatonic CC	44
Information Technology Disaster Recovery - System Office	46
RECOMMENDATIONS	47
CERTIFICATION	60
CONCLUSION	63

May 18, 2011

AUDITORS' REPORT
BOARD OF TRUSTEES OF COMMUNITY-TECHNICAL COLLEGES
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FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009

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, 2008 and 2009.

Financial statement presentation and auditing are performed on a Statewide Single Audit basis to include all State agencies. The financial statement audits of the System for the fiscal years ended June 30, 2008, and 2009, were performed by the System's independent public accountants. 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. 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, 2008 and 2009, represents the results of our examination of the financial records from a sample of nine community colleges (Asnuntuck Community College, Capital Community College, Housatonic Community College, Manchester Community College, Middlesex Community College, Naugatuck Valley Community College, Northwestern Connecticut Community College, Quinebaug Valley Community College, and Tunxis Community College) as well as the financial records of the System Office. Our examinations of Capital Community College, Housatonic Community College,

Middlesex Community College, and Naugatuck Valley Community College focused primarily on the fiscal year ended June 30, 2008, while our examinations of the other five colleges mentioned above and the System Office focused on the fiscal years ended June 30, 2008 and 2009. 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 duties, 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, 2009:

Louise S. Berry, Chair	Jules L. Lang, Esq.
Timothy Ackert	William J. McGurk
Dr. Murali Atluru	Carolyn McKenna
Hilary C. Barhydt	Ababkre Mounier (elected by students)
David H. Blackwell, Esq.	Win Opperl
Rev. David L. Cannon	Laurie Roy
Darcy Clifford (elected by students)	Marie M. Spivey
Hugh Cox	Kenneth E. Wilson, Jr.
Ronald Gambardella	Virginia D. Zawoy

Sonya Googins, Jesse McIntyre, J. Ashley Odell, and Carol Wallace 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 07-166

Section 12 (effective July 1, 2007) requires the Board of Trustees for each constituent unit of the State system of higher education to establish policies to monitor the activity of any faculty member who enters into a consulting agreement or engages in a research project with a public or private entity.

Special Act 07-7

Section 1 (effective July 1, 2007) requires the Department of Higher Education, in consultation with the constituent units of the State higher education system, to review the status and content of public institution of higher education system transfer and articulation agreements. This review shall consider:

- (1) The sufficiency of the agreements, including any agreements modified or made after July 1, 2007,
 - (A) to ensure appropriate credit transfer against degree requirements within each constituent unit, and
 - (B) to ensure appropriate credit transfer against degree requirements across the constituent units and identify any disparities between the transfer credits from the same or similar program from different colleges or universities of a constituent unit to a college or university of the same or of another constituent unit,

- (2) (A) the status or completion of common course numbering within the community-technical college system, and
- (3) placement test scores for the community-technical college system and the Connecticut State University system that establish specific proficiency levels for all matriculated students entering college level courses. Not later than January 1, 2008, the Commissioner of Higher Education shall report the findings of the review to the joint standing committee of the General Assembly having cognizance of matters relating to higher education and workforce advancement in accordance with the provisions of Section 11-4a of the General Statutes.

Public Act 08-71

Section 1 (effective July 1, 2008) revised subsection (d) of Section 10a-77 of the General Statutes to require the Board of Trustees of the Community-Technical Colleges to waive the tuition payment for any resident of the State who is a dependent child or surviving spouse of a person who was killed in action while performing active military duty with the armed forces of the United States on or after September 11, 2001, and who was a resident of Connecticut.

Enrollment Statistics:

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

	Fall 2007	Spring 2008	Fall 2008	Spring 2009
Full-time students	18,180	15,895	19,694	17,141
Part-time students	30,254	31,098	31,411	33,244
Total enrollment	<u>48,434</u>	<u>46,993</u>	<u>51,105</u>	<u>50,385</u>

The average of Fall and Spring semesters' total enrollment was 47,714 and 50,745 during the 2007-2008 and 2008-2009 fiscal years, respectively, compared to an average of 45,878 during the 2006-2007 fiscal year. These increases, amounting to approximately 4.0 percent and 6.4 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 seek to meet their higher education goals at a lower cost educational institution.

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.

	In-State	Out-of-State	N.E. Regional Program
2006 - 2007	\$ 2,352	\$ 7,056	\$ 3,528
2007 - 2008	2,496	7,488	3,744
2008 - 2009	2,640	7,920	3,960

In December 2006, the Board approved increases in tuition for all students during the 2007-2008 and 2008-2009 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 credits 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. (Naugatuck Valley, Norwalk, Quinebaug Valley, and Tunxis community colleges operated their own bookstores during the audited period, while the other colleges in the System contracted with a contractor to operate their bookstores. In December 2009, these four colleges turned over operation of their bookstores to this same contractor.)

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

	Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009
Student tuition and fees (net of scholarship allowances)	\$ 77,926	\$ 82,740	\$ 88,549
Federal grants and contracts	31,998	37,851	47,689
State and local grants and contracts	10,543	16,290	17,084
Private grants and contracts	1,666	2,199	3,699
Sales and services of educational departments	478	489	467
College-owned bookstores, net	5,393	5,741	6,156
Other operating revenues	2,274	2,986	3,070
Total operating revenues	\$ 130,278	\$ 148,296	\$ 166,714

Operating revenue totaled \$130,278,000, \$148,296,000, and \$166,714,000 during the 2006-2007, 2007-2008, and 2008-2009 fiscal years, respectively. The 2007-2008 fiscal year saw an operating revenue increase of \$18,018,000, or 13.8 percent, compared to the 2006-2007 fiscal year. This increase was primarily attributable to increases in tuition rates and student enrollment. There was also an increase of \$4,291,261, or 17.6 percent, in Federal Pell Grant receipts compared to the 2006-2007 fiscal year. The 2008-2009 fiscal year saw an operating revenue increase of \$18,418,000, or 12.4 percent, compared to the 2007-2008 fiscal year. Federal Pell Grant receipts increased significantly in the 2008-2009 fiscal year by \$8,075,808, or 28.1 percent. There were also increases in tuition rates and student enrollment.

Operating Expenses:

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

Operating expenses (in thousands of dollars) as presented in the System’s financial statements for the audited period, along with the previous year, follows:

	Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009
Instruction	\$ 133,069	\$ 144,855	\$ 161,525
Public service	761	357	347
Academic support	56,327	66,426	73,716
Library	9,253	9,934	10,011
Student services	40,852	44,036	48,205
Scholarship aid, net	15,322	19,374	22,856
Institutional support	57,063	64,488	64,503
Physical plant	36,469	42,526	47,369
Depreciation	14,432	15,426	17,919
Total operating expenses	<u>\$ 363,548</u>	<u>\$ 407,422</u>	<u>\$ 446,451</u>

Operating expenses totaled \$363,548,000, \$407,422,000, and \$446,451,000 during the 2006-2007, 2007-2008, and 2008-2009 fiscal years, respectively. The 2007-2008 fiscal year saw an operating expenses increase of \$43,874,000, or 12.1 percent, compared to the 2006-2007 fiscal year. The 2008-2009 fiscal year saw an operating expenses increase of \$39,029,000, or 9.6 percent, compared to the 2007-2008 fiscal year. These increases were largely the result of salary increases and scholarship charges.

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, along with the previous year, as follows:

	Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009
State appropriations - General Fund	\$ 219,048	\$ 235,399	\$ 240,511
State appropriations - bond funds	134,611	47,686	2,850
Private gifts	2,594	1,963	1,347
Interest income	4,354	3,533	1,362
Cumulative effect of changes in accounting	4,752	-	-
Other nonoperating revenues, net	19	16	(60)
Total nonoperating revenues	<u>\$ 365,378</u>	<u>\$ 288,597</u>	<u>\$ 246,010</u>

Total nonoperating revenues decreased \$76,781,000 (21 percent) during the 2007-2008 fiscal year, compared to the previous year. This decrease can be attributed to a decrease in bond appropriations for various facilities projects. Nonoperating revenues decreased \$42,587,000 (14.8 percent) during the 2008-2009 fiscal year. This decrease is also attributable to a decrease in bond appropriations.

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 within the State agency for which the foundation was established, financial record keeping and reporting in accordance with generally accepted accounting principles, financial statement and audit report criteria, written agreements concerning the use of facilities and resources, compensation of State officers or employees, and the State agency’s responsibilities with respect to affiliated foundations.

Our audit noted exceptions related to compliance with certain foundation-related statutes at the foundations affiliated with Asnuntuck Community College and Capital Community College. These matters 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.

Internal Control Questionnaire:

Criteria: State Comptroller's Memorandum No. 2009-13 required that an established Internal Control Questionnaire be completed and forwarded to the State Comptroller's Office by June 30, 2009.

Condition: System Office: The System Office did not complete the Questionnaire.

Asnuntuck CC: Asnuntuck Community College forwarded the Questionnaire to the State Comptroller's Office in mid-November, 2009, four-and-a-half months later than required.

Manchester CC: Manchester Community College did not complete the Questionnaire.

Tunxis CC: Tunxis Community College did not complete the Questionnaire.

Effect: The System Office and these colleges were not in compliance with the State Comptroller's requirement.

Cause: The System Office and these colleges were either unaware that the requirement was applicable or administrative difficulties resulted in noncompliance.

Recommendation: The Community College System should implement a control procedure to complete the Internal Control Questionnaire as required. (See Recommendation 1.)

Agency Response: CCC System: "It is agreed that the Internal Control Questionnaire should be reviewed and updated on an annual basis by each college and system office. It is perhaps more important that the substance of the questionnaire be considered and acted upon as necessary, which may be overlooked in an effort to merely complete the required paperwork."

System Office: "Key fiscal managers met several times to carefully review the questionnaire, and prepared a binder documenting much of the important controls. Due to the length and complexity of the questionnaire, and the press of other priorities, this effort was not completed."

Asnuntuck CC: "The submittal of this report was delayed due to the retirement of the Fiscal Administrative Supervisor. The college is aware of

the procedure and will ensure that it is submitted by June 30 of each year going forward.”

Manchester CC: “The College will implement a control procedure to complete the Questionnaire as required. Staff turnover in the finance department has resulted in delays in completing the report.”

Tunxis CC: “As a unit of Higher Education, the College is exempt from a number of requirements that apply to other State agencies. College personnel were unaware that the Internal Control Questionnaire was required. The College thanks the auditors for bringing this to our attention. It will be completed annually by the Director of Finance.”

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 ensure that the parties involved are in agreement with contract terms.

Sound internal control requires the preparation of time sheets or equivalent documentation, 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: Asnuntuck CC: We reviewed employment contracts for part-time employees and noted that a contract for an evening coordinator and a contract for an Educational Assistant were both signed by the College President after the start dates of the contracts.

Capital CC: As noted during our previous audit site visit at the college, part-time lecturers were not required to submit and did not submit to the Payroll section timecards supporting time worked. Instead, the college used a negative reporting system whereby supervisors of such employees submit absence reports to the Payroll section when applicable.

Manchester CC: We reviewed Educational Assistant employment contracts and noted the following:

- Two of the contracts were not signed by the appointees.
- Three of the contracts were signed by the appointees after the start date of the contract.
- Two of the contracts were signed by the College President after the start date of the contract.

We also reviewed the contracts for 15 Part-time Lecturers. From this sample, we noted the following:

- Five of the contracts for part-time lecturers were signed by the appointee after the start date of the contract.
- Six of the contracts were signed by the College President after the start date of the contract.

Quinebaug Valley CC: After the end of the semester, the Dean of Learning and Student Development verifies that the part-time lecturers completed their contracts for that semester. However, this is an after-the-fact verification.

Tunxis CC: During our review of employment contracts that were signed during the audited period, we noted the following:

- Of the 14 Educational Assistant contracts we reviewed, we found that four were signed after the period of appointment had begun. The time lag between the start of the contract and authorization ranged from seven to 25 days.
- Two instances in which contracts for a part-time lecturer and a student worker were signed by the college after the corresponding services had begun. Signature approval delays ranged from three days to six days. In addition, the dual employment form for the part-time lecturer was approved by the college 21 days after the appointment start date.

Effect:

In relation to the 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.

The lack of time sheet submission for part-time lecturers decreased assurance that such employees provided services during the time period for which they were paid.

Cause:

Controls in place were inadequate to prevent the late approval of these employment contracts. In addition, 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 ensure that Part-time Lecturer and Educational Assistant employment contracts are properly drawn and executed prior to the commencement of employment. In addition, the Community College System should consider implementing a policy that requires all Part-time Lecturers to submit signed time sheets to their supervisors for the supervisor's signature and transmitted to their Payroll Department as a means of documenting services performed. Alternatively, the Community Colleges should implement a system that requires, for each term, independent documented certification that Part-time Lecturers completed their course work for which they were appointed. (See Recommendation 2.)

Agency Response: *CCC System:* This is two different issues.
(1) CCC agrees that whenever possible employment contracts should be executed prior to the commencement of employment, and will continue to 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.

(2) CCC agrees that employee pay should be documented by appropriate records which indicate that the employee services were received, but disagrees with the current findings which cite Capital and Quinebaug Valley for utilizing methods other than timesheets. The CCC's have argued for many years that timesheets are not the appropriate measure of work performed in the case of part-time lecturers, who are paid a flat amount based on an agreed short-term service provided. The CCC's have been working on an alternative method to be implemented system-wide which would have each individual certify at the end of the semester that work has been completed. Initial implementation on a manual basis was originally scheduled for Spring 2010 but was delayed in order to develop an automated solution tied to the submission of student grades. A new policy and procedure is now targeted for Spring 2011 implementation.

Asnuntuck CC: "The contract for the Evening Coordinator was indeed signed a day after her "starting date." However, this was a returning employee that was being moved from temporary to permanent status-it was not a new hire and did not change her salary. In addition, the college has a Personnel Request Form that must be completed and signed by the Dean of the requesting area, the Dean of Administration, the Director of Human Resources and the President prior to a contract even being issued. Therefore, the actual contract is the final document after the hire has already been

approved. Finally, the Dean of Administration has been added as an Authorized Signature. The procedures for employment contracts have been reviewed with the Human Resources Department.”

Capital CC: “A revision of time sheet practices will be implemented for the entire Community College System. The College anticipates a change to a ‘positive’ reporting method that will require supervisors of Part-time Lecturers to review and approve time reporting for all adjunct faculty. This change will likely be in effect in Fall 2010.”

Manchester CC: “The College is currently implementing additional controls to help ensure that contracts for Educational Assistants and Part-time Lecturers are signed by all parties prior to commencement of employment. It should be noted that record enrollment has significantly increased the number of Educational Assistant and Part-time Lecturer contracts to be processed with no increases in staffing levels.”

Quinebaug Valley CC: “The Quinebaug Valley Community College will review the auditor’s recommendations with the System Office. We believe they have been addressing this issue on a system-wide basis for over 12 months.”

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

Personal Service Agreements:

Criteria: Proper internal controls over purchasing are set forth in the Community Colleges *Agency Purchasing Policies*.

It is a good business practice to obtain signed personal service agreements prior to the commencement of related services.

Both the State Comptroller’s *State Accounting Manual* and the Community Colleges’ purchasing policy require Office of the Attorney General approval of personal service agreement contracts that exceed \$3,000 annually.

Condition: System Office: We reviewed a total of ten personal service agreements during the audited period. From this sample, we noted the following:

- Nine instances in which a PSA was signed by the contractor, the System Office, and the Attorney General’s Office after the start of the contract

period.

- One instance in the fiscal year ended June 30, 2008, in which the System Office contracted with a vendor for an amount that exceeded the \$50,000 RFP threshold without going out to bid as required by the Community Colleges *Agency Purchasing Policies*.

Asnuntuck CC: We tested two personal service agreements and noted the following:

- Both were signed by the College President after the start date of the contracts. One was signed two weeks after the contract's start date while the second was signed three months late.
- Both were signed by the Attorney General after the start date. The first was signed seven weeks late and the second was signed almost five months late.

Capital CC: In December 2007, the College signed a three-year agreement amounting to \$1,000,000 with a contractor to provide assistance in training the contractor's workforce. However, the contract period had begun in March 2007, as such the contract was signed by the College some nine months after the contract period had begun. Further, the contractor signed the contract in November 2007, more than eight months after the contract period had begun.

Middlesex CC: We tested a sample of six personal service agreements, totaling \$145,873, during the fiscal year ended June 30, 2008. Our testing disclosed four instances, totaling \$26,172, where the College and the contractor signed the contract after the contract period had begun. These contracts were signed by the contractor from five days to more than three months after the contract period had begun. The College signed the contracts from two days to one month and 25 days after the contract period had begun. Further, in each of these instances, the contract exceeded \$3,000; therefore, the Office of the Attorney General's signature was also required. However, such signatures were also obtained after the contract period had begun. These signatures were obtained from 18 days to four months and 12 days after the contract period had begun. In one of these instances, the Office of the Attorney General signature was obtained more than one month after the contract period had expired.

Northwestern Connecticut CC: We noted one instance in which a PSA was not executed for services provided after the original PSA had expired. The PSA for the first six months of fiscal year 2008 totaled \$2,500, while payments for services provided for that year totaled \$5,050. If a PSA had been properly executed for the entire year, the agreement would have been in

excess of the \$3,000 threshold requiring the approval of the Attorney General.

Tunxis CC: Our test of expenditures consisted of a sample of 20 purchases during the audited period. During our review, we noted one instance where services were received for over 18 months before the personal service agreement was signed by the required parties, including the Attorney General's Office.

We tested an additional ten personal service agreements entered into during the fiscal year ended June 30, 2009, and noted three instances in which the personal service agreement was not signed by the contractor and the College prior to the contract term or the start of services.

Effect: Internal controls over PSAs were weakened and there was noncompliance with the Community Colleges' *Agency Purchasing Policies*.

In addition, some of the colleges were not in compliance with the requirement that all PSAs over \$3,000 must be approved by the Attorney General.

Cause: Established policies and procedures were not always followed.

Recommendation: The Community College System should improve internal control over personal service agreements and ensure that all established policies and procedures are followed. (See Recommendation 3.)

Agency Response: *CCC System:* "CCC agrees that procurement and other contracts should be signed prior to the provision of services and the start of the contract, that contracts over \$3,000 require Attorney General approval, and that competitive sourcing practices should be followed. During the past several years, the lead times needed to explain 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, have expanded tremendously. Despite substantial efforts to obtain timely signatures and approval, the additional and much more stringent state requirements, along with frequent and substantial delays by vendors, sometimes result in contracts being signed after the actual service has commenced. The CCC System has developed and implemented 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. 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. Nevertheless 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.”

System Office: “(1) In virtually all incidents cited, delays in obtaining PSA signatures and approvals resulted from delays in contract turnaround by the respective vendors, despite frequent follow-up by System Office staff. However, in all cases, services did not actually begin, and no payments were made, until after contract approval. (2) System Office agrees that proper sourcing is a critical component of the purchasing process to ensure that we receive the best overall price and service. While CCC Purchasing Policy generally requires competitive procurements, it also recognizes the legitimacy of sole source procurement in limited circumstances, including “where only a sole supplier is able to provide other requirements” such as the necessary level of service. With respect to our legal services contract, it continues to be our position that this is an appropriate sole source procurement requiring a service level that can only be provided based on the current vendor’s substantive knowledge and experience with the CCC System. 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. 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. Additionally, we pay hourly rates to them which are substantially below their normal hourly billing rates. 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.”

Asnuntuck CC: “The college agrees with the finding and will take necessary measures to improve compliance in the future.”

Capital CC: “The Department of Economic and Community Development (DECD) entered into an agreement with the College to monitor corporate training for and done by IBM as part of a grant issued to IBM from DECD. We began working on a personal service agreement (PSA) with IBM in early 2007; however, legal counsel to IBM stated that they could not sign our PSA. At this point we had to turn to our System Office for help and they worked

with the Attorney Generals Office (AG) to move the PSA forward. The System Office also had to request a waiver from the Commission on Human Rights and Opportunities (CHRO) because IBM would not sign the State's required Nondiscrimination Certificate. We agree that it is very important to have all contracts signed in a timely manner. In this occasion, unforeseen complications made this contract difficult to execute. Training and fund transfer to IBM did not take place until after all parties signed the contract."

Middlesex CC: "Middlesex Community College does not dispute this finding. The college has been and continues to work diligently to improve our contract compliance process."

Northwestern Connecticut CC: "This vendor was being used by two different departments who initiated the PSAs at different times. The departments have been asked to coordinate future contracts with this vendor on to one PSA for the fiscal year to facilitate the appropriate approvals and eliminate potential gaps in service."

Tunxis CC: "The College reiterates the response to this finding in a previous audit. The College does maintain adequate controls over the procurement process with respect to personal service agreements (PSAs). 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.

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. In some instances, to minimize the burden on the speaker to mail the documents, the contract is signed the day of the event when they're on campus.

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."

Human Resources and Payroll Functions - Separation of Duties:

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

Condition: Manchester CC: Our review of the organization chart provided to us by College management places the Payroll Department under the supervision of the Human Resources Department.

Middlesex CC: During the audited period, College Payroll Department employees had write access to both the Core-CT human resources and payroll systems, which enabled them to both add people to the payroll and pay them. In addition, both a Human Resources employee and a management employee had this same level of write access to the Core-CT system.

We were told that there were compensating controls in place whereby an employee outside the Payroll Department reviewed payrolls executed by the Payroll Department. Nevertheless, better internal control could be achieved if employees weren't provided both human resources and payroll write access privileges.

Tunxis CC: Our review identified three instances where staff has access to both payroll and human resource functions in Core-CT. This access allows staff the ability to both create and issue payments to employees. In one of the three instances noted above, the employee had specific roles that were no longer and/or never necessary to perform their job functions.

Effect: The strength of internal controls is compromised by the lack of independence of these two functions. Such a situation could allow an employee to control the authorization and the execution of payroll transactions. These functions are incompatible from an internal control viewpoint.

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

Recommendation: The Community College System should establish a separation of duties between individual colleges' Human Resources and Payroll functions. If such access is determined necessary, compensating controls should be put in place to ensure an adequate segregation of duties. (See Recommendation 4.)

Agency Response: CCC System: "The CCC's agree that appropriate separation of duties and/or compensating controls are essential in the areas of human resources and payroll. In an environment of limited resources, it is not always possible – nor is it necessary - to accomplish this solely through organizational change or additional staffing. In January 2010, the CCC's implemented on a system-wide basis an additional overlay of independent, exception-based management review of payroll and related transactions that represent potential risk of error or fraud. The CCC's internal Audit Advisory Committee (AAC), composed of financial and human resource/payroll

managers, completed an extensive review of HR/payroll business practices and internal controls over a two-year period, culminating in a recommendation to the Chancellor in December 2009, with a new series of primarily bi-weekly exception reports now being reviewed on a regular basis by key fiscal and/or human resource managers who may oversee, but are removed from, the direct HR/payroll business process. The AAC's report and recommendation to the Chancellor has been provided to the state auditors under separate cover. It is CCC's position that these new compensating controls address the substance of the audit concerns related to HR/payroll internal controls."

Manchester CC: "This recommendation is currently being addressed at the system office level."

Middlesex CC: "Middlesex acknowledges this finding and has been complying with the Board of Trustees Audit Advisory committee recommendations to ensure that the highest level of compensating controls are in place to minimize our risk levels. As stated in the condition dialog the college has made structural changes in the staff levels to aid in the segregation of duties and we will continue to take part in the audit advisory committee recommendations."

Tunxis CC: "This is an issue being addressed at the System level. The Audit Advisory Council for the Connecticut Community Colleges has implemented HR/Payroll controls effective January 1, 2010. A series of primarily exception-based audit reports will be produced and automatically emailed for review, and research of any unusual or unexpected activity. The reviewer of each report will sign off on such reports to evidence the review."

The college believes the controls granted to the payroll employees are appropriate given the small staff. The Dean's access has been corrected. The implementation of the Audit Advisory Committee's recommendations should address audit concerns."

Timeliness of Bank Deposits - Capital CC and Northwestern CT CC:

Criteria: Section 4-32 of the Connecticut General Statutes requires that a State agency deposit funds of more than \$500 in the State Treasurer's bank account within 24 hours of receipt.

Condition: Capital CC: We tested 15 receipts totaling \$198,980 and noted four instances in which the receipts were not deposited in a timely manner. These four deposits, totaling \$17,519, were deposited one day later than required.

Northwestern Connecticut CC: We selected a total sample of 28 revenue receipts for the fiscal years ended June 30, 2008 and 2009. From this sample,

we noted six instances in which receipts were not deposited in a timely manner. Five deposits, totaling \$16,674, were deposited one day later than required and one deposit, totaling \$585, was deposited two days later than required.

Effect: These colleges were not in compliance with the timely deposit requirements of Section 4-32 of the Connecticut General Statutes.

Cause: Capital CC: The cause is unknown.

Northwestern Connecticut CC: The College has two cashiers, and each cashier closes their own session. In some instances, one of the cashiers may have been temporarily out of the office for a period of time during the day, which prevented that cashier from closing their session. In other instances, other duties prevented the cashier from closing their session, while in some instances, the reason for not complying with the deposit requirements is unknown.

Recommendation: Capital Community College and Northwestern Connecticut 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 5.)

Agency Response: CCC System: “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. These appear to be isolated incidents which colleges are addressing.”

Capital CC: “The College utilizes staff accountants in the business office to perform tuition collection functions during peak activity periods and when the bursar’s office is opened late. Staff in the Bursar’s office performs the cash out process of reconciling the day’s receipts to the activity in Banner. The college believes that this reconciling process should be performed by only the staff in the Bursar’s office. At times, due to absence or work schedules, cash outs are performed prior to the close of the business day. When this situation occurs, receipt activity coming in after the cash out will be included with the next day’s activity. This end of the day activity would not have been deposited within 24 hours of receipt. The college will attempt to ensure that Bursar office staff are available to perform the cash out process at the end of each business day.”

Northwestern Connecticut CC: “The College has reviewed the deposits in question and has implemented a new procedure. The two cashiers are now

responsible for completing each other's deposits in the event that they are unexpectedly called away from the office."

Property Control:

Criteria: The State Comptroller's *Property Control Manual*, under authority of Section 4-36 of the General Statutes, contains the policies over assets owned or leased by a State agency.

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

- Section 8.4 requires that each college ensures that a physical inventory is taken not less than annually to verify all capital and controllable assets for purposes of internal control. This allows for proper reporting of asset values at fiscal year end.
- Section 9.2 states that the capitalization threshold is \$1,000.
- Section 13.1 requires that any loss or damage to real and personal property should be handled in accordance with 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 or damages to State property.

Condition: Asnuntuck CC: In our testing of 15 inventory items, we noted one item did not have a tag affixed to it.

Naugatuck Valley CC: Bundled equipment items that were purchased to operate as one unit were individually tagged.

Quinebaug Valley CC: We noted that the purchase of two cameras, each with a unit cost in excess of \$1,000, was charged to current expenditures rather than being recorded as capital assets.

Tunxis CC: 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, the firm reported that they were unable to locate 326 items and 587 items for the fiscal years ended June 30, 2008 and 2009, respectively.

During our review of the records related to the annual physical inventories

that were conducted and subsequent follow up efforts by the College, we noted the following:

- A reconciliation was not performed between the assets reported as missing by the independent firm and the equipment items that were subsequently located by the College during their follow up review. Furthermore, when requested, the College was unable to identify the equipment items that have not been located or accounted for after their subsequent follow up efforts.
- The College did not remove from its inventory the equipment items that could not be located during their annual physical inventories. In addition, the College did not complete a “Report of Loss or Damage to Real and Personal Property - Other than Motor Vehicles Form (CO-853)” for the equipment items that they were unable to locate.

Effect: These colleges were not in compliance with various requirements related to property control.

Cause: Asnuntuck CC: The cause is unknown.

Naugatuck Valley CC: We were informed that the quantity on the purchase order was different than the quantity that was delivered, but no change was made on the purchase order to reflect this difference. Instead, the second tag number was embedded in the description of the property inventory records.

Quinebaug Valley CC: The college did not take shipping charges into account in determining the coding on this purchase. Shipping charges raised the unit cost of each camera above the \$1,000 threshold.

Tunxis CC: Internal control policies were not being followed.

Recommendation: These colleges should improve internal control over equipment by complying with the requirements of the State Comptroller’s *Property Control Manual* and the Connecticut Community Colleges’ *Fixed Asset Inventory and Accounting Policy*. (See Recommendation 6.)

Agency Response: *CCC System*: “Over the past several years, the CCC system has improved property controls substantially first through the implementation of its Fixed Asset Policy and Fixed Asset information system, and then by the annual engagement of external inventory experts to supplement scarce college resources in order to ensure that the annual inventory is completed in a timely manner. On a busy college campus, it is not uncommon for equipment locations to be moved throughout the year. The CCC’s have since revised its contract with the inventory vendor to require room-by-room agreement with

the accompanying college staff member at the time of inventory prior to the vendor continuing on. This should reduce the numbers of apparent “false negatives.” Additional tools to reconcile year-end inventory results are available and the Audit Advisory Committee will review these and other ways to improve this final step in the process. Other issues raised appear to be minor isolated incidents that colleges are addressing.”

Asnuntuck CC: “The college agrees with this finding and attributes the missing tag to a clerical error. Procedures have been reviewed with the appropriate personnel to insure compliance going forward.”

Naugatuck Valley CC: “This problem occurred because the purchase order was for a quantity of one each although the description was for a bundle. There being only one item in the purchase order, only one tag could be reflected correctly. When the item was delivered, it was found that there were two items and both were tagged. The purchase order should have been changed to quantity of two but it was not. Instead the second tag number was put in the description in the fixed asset record. Everyone involved understands what happened and this will not happen again.”

Quinebaug Valley CC: “Quinebaug Valley CC did take shipping charges into account when coding the original purchase order to current expenditures. However, when the actual items were received, the shipping charges were higher than expected. When processing the payment, the college inadvertently overlooked that this resulting and increased total purchase price crossed the fixed asset threshold. The college will pay close attention to the potential of this even for future purchases.”

Tunxis CC: “The College strives to maintain strong controls over fixed assets. The Business Office works closely with Information Technology and Media & Information Technology and other areas to place, track and remove assets on Banner Fixed Assets.

The Business Office has been working on resolving discrepancies between the actual year-end physical inventory and the accounting system reports. The physical inventory is an arduous task and many of the items listed as missing by the vendors selected to perform the inventory were in the proper location and verified. Those items that were moved were verified and the records updated. The Business Office will continue to research the remaining items and make all the necessary entries or complete the required documentation. The Business Office will also work closely with the vendor during the inventory to ensure all items are properly scanned and identified prior to the completion of the inventory, and the college will promptly reconcile any discrepancies.”

Purchasing Card Transactions:

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

Condition: System Office: We reviewed a sample of 14 monthly cardholder statements during the audited period. Our review disclosed the following:

- We noted one instance in which an employee approved the purchases recorded on their own Purchasing Card Log for one month.
- We noted two instances in which single purchases, each totaling more than \$1,000, were split into multiple transactions; this bypassed the \$1,000 single purchase limit stipulated in the *Purchasing Card Policy and Procedure Manual*.

Naugatuck Valley CC: We noted that purchases were split to circumvent the \$1,000 single purchase limit stipulated in the *Purchasing Card Policy and Procedure Manual*.

Quinebaug Valley CC: We selected 18 purchasing card expenditures during the audited period. From this sample, we noted three expenditures totaling \$2,690 for the purchase of food and beverages at restaurants. The *Purchasing Card Policy and Procedure Manual* prohibits the use of purchasing cards for food and beverages consumed at restaurants and bars.

Effect: The Community College System did not comply with its own policies related to purchasing card transactions.

Cause: The Community College System, at times, overlooked the various policies mandated by the *Purchasing Card Policy and Procedure Manual*.

Recommendation: The Community College System should improve its compliance with the Connecticut Community College System’s *Purchasing Card Policy and Procedure Manual* or should consider revising its purchasing card policy to reflect appropriate actual practices. (See Recommendation 7.)

Agency Response: *CCC System:* “CCC agrees that certain clear violations of P-Card policy should be corrected, and CCC performs an annual internal audit of P-Card use in accordance with its agreement with the State Comptroller, with appropriate follow-up as needed. However, CCC has disagreed for some time with certain interpretations made by the state auditors of CCC’s P-Card policy, on issues such as the splitting of purchases, the appropriateness of certain purchases, and others. In order to clarify CCC P-Card policy, the

internal Audit Advisory Committee has recently completed a comprehensive review and will shortly be implementing an updated policy targeted for early 2011, which should eliminate any lack of understanding regarding CCC policy intent. That new policy has been reviewed by the Comptroller's Policy Services Division and the CCC Chancellor."

System Office: "Both incidents cited were errors that should not have occurred. While both errors were made in a well-intentioned effort to facilitate timely ordering and payment, staff involved have been reminded of policy requirements."

Naugatuck Valley CC: "There were two transactions cited as being split to circumvent the \$1,000 limitation. Our Purchase Card users are aware of the \$1,000 limitation and have been reminded of it as a result of this citing."

Quinebaug Valley CC: "The expenditures in question pertain to securing food for official college events. We have been advised for over 12 months that the omission of authority to purchase food was never intended, and that the SO is addressing this issue on a system wide basis via amending the CCTC Purchasing Card Policy to enable use of the P-Card to purchase food. Until the policy is amended, the college will refrain from any further P-Card purchases of this nature."

Purchasing - Competitive Quotations - Northwestern CT CC and Quinebaug Valley CC:

Criteria: The Community Colleges' *Agency Purchasing Policies* states, ". . . 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."

Condition: Northwestern Connecticut CC: Quotations were not obtained for three purchases, each in excess of \$10,000.

Quinebaug Valley CC: Equipment used to increase the transmission speed of electronic communications at the College, and costing \$23,800, was purchased without obtaining the required three quotations.

Effect: These colleges were not in compliance with the System's purchasing policies related to obtaining competitive quotations.

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

Recommendation: Northwestern Connecticut Community College and Quinebaug Valley

Community College should improve internal control in order to comply with the competitive quotations requirements in the Community Colleges' *Agency Purchasing Policies*. (See Recommendation 8.)

Agency Response: *CCC System:* "The CCC's agree that appropriate competitive or alternative sourcing is required and should be fully documented in accordance with CCC Purchasing Policy and good business practice. Additionally, it is the responsibility of the purchasing office, not the end-user department, to ensure that appropriate sourcing has been done. All colleges and system office continue to work with end-user departments, who understandably are focused on accomplishing their direct responsibilities to students and others in support of the CCC mission, and who, as a result, do not always appreciate the importance of the procurement process in ensuring that the best goods and services are obtained at the best price."

Northwestern Connecticut CC: "In some cases, the College may have obtained the quotations from additional vendors, however, the appropriate documentation was not retained in the purchasing files. The College has reviewed the purchasing policy and has reinforced the requirements to staff members both through emails and staff meetings. Requesting departments will now be required to submit quotation information to the purchasing department prior to submitting a purchase requisition in the Banner system. The purchasing department will ensure that the quotation information is filed with the appropriate purchase order for future reference."

Quinebaug Valley CC: "As indicated in the letter attached to the purchase requisition, both the Dean of Administration, and the President of QVCC authorized the purchase of this equipment. While not specifically stated in the letter, they did so with the understanding that this non-competitive purchase was required to achieve full protocol system compatibility with IT infrastructure equipment already installed and operational. Future purchases of this type will contain a statement reflecting such."

Student Activity Trustee Account Purchasing:

Criteria: 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.

Good internal controls require that purchases are properly approved prior to receipt of goods or services. Good internal controls also require that purchases are adequately documented by supporting records.

Condition: Capital CC: In order to ease access to public transportation, the College assesses a student activity fee on certain credit students to defray the cost of

bus passes that it provides to these students. These passes are valid for an unlimited number of trips on all Connecticut Transit local buses during the semester.

We noted an instance during the audited period in which the College purchased bus passes amounting to \$180,000, half of which (\$90,000) was charged to the student activity trustee account and half to the College's unrestricted Operating Fund account. However, the student government's budget proposal allocated only \$83,750 for the purchase of such bus passes. Therefore, the College's charge of \$90,000 to the student activity trustee account for bus passes exceeded the amount approved by the student government by \$6,250. The College informed us that student government approval was not obtained for this budget overrun.

In addition, we noted that an approved College purchase order for this purchase totaled \$82,500. However, charges against this purchase order totaled the above \$90,000, which was \$7,500 greater than the amount approved by the purchase order.

Housatonic CC: We selected five Student Activity Trustee Account purchases for testing. From this sample, we noted the following:

- In five instances, totaling \$3,851, there was no documentation on file, such as signed vouchers or minutes of student government meetings, indicating that the student government approved the purchases.
- In two of these five instances, totaling \$1,937, the College entered into written personal service agreements with contractors. These agreements were signed by the College one business day and five business days, respectively, after the contract periods had begun. In one of these instances, the College signed the agreement after the services had already been provided.

Northwestern Connecticut CC: We selected five Student Activity Trustee Account purchases for testing. From this sample, we noted one instance in which the requisition was approved after the purchase was completed.

Effect:

Without documented approval by the student government at Capital Community College, it is questionable that the above budget overrun charged to the student activity trustee account would have been approved by the student body.

At Housatonic Community College and Northwestern Connecticut Community College, internal control over student activity trustee account purchases was inadequate.

Cause: The causes for the above conditions are unknown.

Recommendation: Capital Community College should charge the student activity trustee account only for the amount actually approved by the student government for such purchases.

Northwestern Connecticut Community College and Housatonic Community College should improve internal control over student activity trustee account purchases. (See Recommendation 9.)

Agency Response: *CCC System:* “As with all procurements, the CCC’s agree that approvals should be obtained and documented in advance. Each college should have a procedure in place with its respective Student Activity government to accomplish this.”

Capital CC: “The portion of the student activity fee assessed and designated for the purchase of CT Transit bus passes provided to all students enrolled in credit classes is incorporated into the overall budget approved by the college student government. College enrollment exceeded projections which increased bus pass cost beyond budget and the college did not inform the student government of the overage prior to the final payout. It is understood by the Division of Student Services and the Student Senate that the budgeted amount may increase or decrease. Actual costs are given in monthly expenditure reports. We will modify the process to include that the Business office staff will notify the Dean of Student Services when an expense is going to exceed budget so that it can be brought before the student government for approval prior to the expenditure. The Business office will also adjust the initial purchase order amount accordingly.”

Housatonic CC: “The Dean of Students who oversees the activities of the Student Activity Fund has begun to enact a series of controls designed to eliminate these issues in the future. Among the new controls are all future purchase requisitions charged to the Student Activity Fund must have attached to them a copy of the approved Student Senate minutes authorizing the purchase. In addition to the minutes being attached to all purchase requisitions, an Officer of the Student Senate must approve the purchase by signing the actual purchase requisition along with the Dean of Students. Purchase requisitions that do not contain these two items will be returned by the Business Office unprocessed to the Dean of Students. In a similar fashion, the Dean of Students is sensitizing the Officers of the Student Senate and the Student Activity Club Advisors that Personal Service Agreements (PSA’s) must be completed/approved in a timely manner. Failure to have the PSA approved will cause the event to be either cancelled or rescheduled until all required documents are approved.”

Northwestern Connecticut CC: “The College has reviewed the purchasing policy as it pertains to student activity trustee account purchasing and has reinforced the requirements with staff.”

Former Employees Accruing Leave Time After Retirement - Capital CC and Manchester CC:

Criteria: Core-CT contains a “Checklist for Terminating an Employee”, a set of instructions for various employee terminations. Instructions for terminating employees who retire are included in this checklist.

Condition: Capital CC: We noted that the College failed to discontinue leave time accruals for sick leave, vacation leave, and/or personal leave for five employees who retired during the audited period.

Manchester CC: We reviewed leave and attendance records for two employees who retired in the fiscal year ended June 30, 2008, and for two other employees who retired in the fiscal year ended June 30, 2009. We noted that the leave and attendance records for these former employees continued to be credited for sick leave and vacation leave after their retirements.

Effect: These colleges were not in compliance with the instructions for terminating these employees.

Cause: These colleges did not follow the set of Core-CT instructions for terminating employees who retire.

Recommendation: Capital Community College and Manchester Community College should follow the set of Core-CT instructions for employees who retire. (See Recommendation 10.)

Agency Response: *CCC System:* “The CCC’s agree that correct procedures should be followed in recording employee terminations and related leave accruals. As part of ongoing business practice the CCCs have created a data audit program to ensure the accuracy, consistency and completeness of the data in Core-CT. There are several leave related audits, including one that is specifically designed to identify terminated job records with active leave plans. These appear to be isolated incidents which colleges are correcting.”

Capital CC: “The College acknowledges that there were leave time balances that may have indicated accruals after the retirement of some individuals. We recognize and understand that the steps to resolve this problem are to terminate leave plans in Core-CT at the earliest possible time. We intend to have close monitoring of leave plans to manage the accrual process more effectively.”

Manchester CC: “Additional Core-CT training for terminating employees

who retire was provided to payroll staff. Corrective measures were taken to fix history records regarding the termination of accrual plans. Additional internal controls for terminating employees who retire have been implemented.”

Attendance and Leave Records - Middlesex CC and Northwestern CT CC:

Criteria: Leave and attendance records should be maintained in accordance with applicable bargaining unit contracts and Board of Trustees’ personnel policies.

Condition: Middlesex CC: During our prior audit, we noted that attendance and leave records for three part-time College employees appeared to include incorrect sick and vacation leave balances as of June 30, 2005. The State’s Core-CT information system team informed us that there was an information system error that resulted in inaccuracies in Core-CT records of leave time accruals for part-time State employees since the State’s Core-CT employee attendance and leave record system was implemented in October 2003. However, this Core-CT system-wide problem was corrected in May 2005. The Core-CT team also informed us that it was each State agency’s responsibility to retroactively correct part-time employee leave time balance errors that occurred as a result of this Core-CT system problem. The College had not made these corrections through the time of our prior examination in March 2006. We noted that the College still had not made these corrections at the time of our current examination in January 2009.

Northwestern Connecticut CC: We noted the following:

- We reviewed the attendance and leave records of two employees who had the capability to post entries in such records. (In June 2008, an employee’s access to their own leave and attendance records in Core-CT was disabled for all community college employees; this control improvement was initiated by the System Office management.) In this review we noted that one employee’s leave records excluded 19.5 hours in leave charges and another employee’s leave records excluded one hour in similar charges.
- The College received a request from an employee to review her leave and attendance records. Our testing disclosed that the adjustments to the employee’s leave and attendance records based on the College’s review were incorrect.

Effect: The attendance and leave records for some employees at these colleges have incorrect balances, which are inconsistent with the provisions of their collective bargaining agreements.

- Cause:* Internal control over attendance and leave records was inadequate.
- Recommendation:* Middlesex Community College and Northwestern Connecticut Community College should review the attendance and leave records for the employees with inaccurate leave balances and make the required adjustments. (See Recommendation 11.)
- Agency Response:* *CCC System:* “The CCC’s agree that correct procedures should be followed in establishing and reviewing leave accruals. As part of ongoing business practice the CCCs have created a data audit program to ensure the accuracy, consistency and completeness of the data in Core-CT. As part of this program, there is a multi-part ongoing review process to help ensure monthly accruals are correct. These appear to be isolated incidents which colleges are correcting.”
- Middlesex CC:* “The college does not dispute this finding; however, there have been changes to the methodology of part-time accrual processing that were adapted in 2005 different to the calculations that were provided within the audit report. Middlesex will make the applicable accrual changes in FY10 to correct all par- time accruals from the Core-CT implementation.”
- Northwestern Connecticut CC:* “The College has corrected all errors noted in the audit. In addition to the disabling of an employee’s access to their own leave records in May 2008, the College has implemented some new procedures to guard against this type of error in the future. One payroll staff member is now primarily responsible for entering the time and attendance records in the payroll system, while the other payroll staff member will be responsible for reviewing the data entry on a payroll by payroll basis. The College believes this auditing process on a payroll by payroll basis will help to catch any data entry errors in a timely fashion.”

Dual Employment - Asnuntuck CC and Capital 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:* Asnuntuck CC: We noted one instance in the audited period in which the College’s dual employment form lacked the required signatures certifying that no conflicts existed between the positions held. We also noted an instance in which the form was missing for one employee.

Capital CC: We noted instances where dual employment situations existed, but related dual employment certification forms were not completed by the College. Three of these situations involved employees who each held two positions at the College. The fourth situation involved an employee who held a part-time position at the College while holding a full-time position at another State agency.

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

Cause: Procedures in place were insufficient to ensure compliance with dual employment requirements.

Recommendation: Asnuntuck Community College and Capital Community College should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes. (See Recommendation 12.)

Agency Response: *CCC System:* “The CCC’s agree that proper dual employment procedures should be followed. These appear to be isolated incidents which colleges are correcting.”

Asnuntuck CC: “Dual employment procedures have been reviewed with the Human Resources Department to insure compliance with Section 5-208a of the General Statutes. This instance occurred during the transition period after the retirement of the former Director of Human Resources. The college attributes the missing form to clerical error due to the large volume of contracts handled in that area.”

Capital CC: “The College acknowledges that there were instances where employees having dual employment were not properly documented. In the examples selected, two employees accepted second part-time appointments here at the College, and although the appointments were determined not to be in conflict, College steps to confirm the dual employment were not appropriately documented. An additional example, one where other employment was with another state agency outside of the Community College system, the record showed that an earlier appointment had been properly documented for dual employment, but not for the recent appointment. Again, the College acknowledges that the procedure for the new appointment should have been consistent with the earlier steps to confirm dual employment. The College will enhance its procedures to ensure a thorough screening for dual employments.”

Reference Checks During the Hiring Process - Capital CC:

Criteria: The performance of references checks during the hiring process is an

important tool to help ensure that employers hire an individual who is well-suited for the position needed to be filled.

Condition: We noted that Capital Community College hired an employee who was previously employed at another State agency, and who resigned under an agreement between the employee and the other agency that resulted from the employee's improper actions while employed at the other agency. The College's Director of Human Resources informed us that the College was not aware of the circumstances surrounding the employee's resignation from the other State agency until we disclosed the matter to him, as no reference check was performed with respect to the employee's prior State agency employment, and the employee had not disclosed the matter to the College. The Director of Human Resources informed us, however, that the College did perform a reference check in regards to the employee's last employer, a private business, before hiring the employee.

Effect: Internal control over the hiring process was weakened, increasing the possibility that the College would hire an individual who may not have been suitable for the position filled.

Cause: Administrative oversight appears to be the cause.

Recommendation: Capital Community College should strengthen its pre-employment reference check procedures to help ensure that it is more fully aware of the backgrounds of individuals whom it is considering to hire. (See Recommendation 13.)

Agency Response: *CCC System:* "The CCC's agree that reference checks are one important step in the hiring process, but recognizes that they may not result in discovery of all information that might possibly be relevant to a hiring decision."

Capital CC: "The College acknowledges that there was an instant case where steps for reference checking should have been sufficiently thorough to have identified prior issues of a prospective employee (one having prior state service at another agency). Reference checks are part of the College's procedures in the employment process. In this case, the College failed to discover information that could possibly have influenced the hiring decision to a different outcome. There was a measure of confidence in the abilities and skills of the candidate in question, as well as receiving positive references, which included a letter from a State agency. The present outcome has revealed a potential weakness in our practices of which will be addressed in a change to our search and hiring procedures."

Telecommuting Policy - System Office:

Criteria: Section 5-248i of the General Statutes authorized the Commissioner of

Administrative Services to develop and implement a telecommuting program applicable to employees as defined in Section 5-270 of the General Statutes.

Most of the employees of the Community Colleges system are not classified under Section 5-270 of the General Statutes.

Condition: We noted that the System Office entered into alternate work site agreements with two employees during the audited period. However, the Board of Trustees has not developed a telecommuting policy that covers its unclassified employees.

Effect: The Board of Trustees has not developed a telecommuting policy related to its unclassified employees.

Cause: The cause is unknown.

Recommendation: The Board of Trustees should develop and implement a telecommuting policy that pertains to its unclassified employees. (See Recommendation 14.)

Agency Response: *CCC System / System Office:* "The CCC's do not have a telecommuting policy because telecommuting is only permitted on an exception basis, when the interests of the CCC's are best served, and only with the approval of the Chancellor. In such cases, a detailed employment agreement is executed. Should it be contemplated to extend the availability of such work arrangements more broadly, the development of a policy would be considered."

Matters Related to Certification and Affidavit Requirements Related to Vendor Selection on Large State Contracts - System Office:

Criteria: Section 4-252, subsection (c), of the General Statutes and Executive Orders No. 1 and 7c, require that a contractor doing business with a State agency provide a Gift and Campaign Contribution Certification at the time of contract execution, and annually thereafter if such contract has a value of \$50,000 or more in a calendar or fiscal year. In addition, Section 4-252, subsection (b), of the General Statutes and Executive Orders No. 1 and 7c, require that the agency official who is authorized to execute said contract shall certify that the selection of the most qualified or highest ranked person, firm or corporation was not the result of collusion, the giving of a gift or the promise of a gift, compensation, fraud or inappropriate influence from any person. Further, Section 4a-81 of the General Statutes requires that a Consulting Agreement Affidavit accompany a State agency contract with a value of \$50,000 or more in a calendar or fiscal year.

Auditors of Public Accounts

<i>Condition:</i>	We reviewed the System Office's compliance with these requirements. We noted that for one contractor, these documents were not obtained at all, and for another contractor, the documents were received approximately seven months after the start date of the contract.
<i>Effect:</i>	The System Office was not in compliance with these affidavit and certification requirements.
<i>Cause:</i>	The cause is unknown.
<i>Recommendation:</i>	The System Office should ensure that affidavits and certifications are obtained in compliance with regulations. (See Recommendation 15.)
<i>Agency Response:</i>	<i>System Office:</i> "System Office agrees that proper affidavits and certifications should be obtained. The contract for which no affidavits were obtained was an older, perpetual agreement originally negotiated under different rules many years ago, and subsequently taken over under a vendor change in ownership, for employee disability insurance to be provided to certain CCC professional bargaining unit members. Several years ago, the CCC's sought to update this through various discussions with the State Insurance and Risk Management Board, the Comptroller's Office, and through preliminary completion of an RFI/RFP process. The complexity of the topic lead to a determination that it may be necessary to hire a consultant with disability insurance expertise in order to properly assess our choices. Over the past year or so, the CCC's have also been pursuing with the Comptroller's Office the potential for this obligation to be funded directly by the Comptroller, which would eliminate the need for a CCC contract. The issue has not yet been resolved but any new contract will be fully compliant with all current requirements. The second contract for which affidavits were delayed was the result of delays at the vendor, over which System Office had no control."

Purchasing - Approval of Purchase Requisitions and Purchase Orders - Northwestern CT CC:

<i>Criteria:</i>	It is good business practice to ensure that purchases are properly approved before goods or services are ordered to assure that funds are available for the purchase.
<i>Condition:</i>	At Northwestern Connecticut Community College we noted four instances in which purchase requisitions and purchase orders were approved after goods or services were received.
<i>Effect:</i>	Internal control over purchasing was weakened.
<i>Cause:</i>	The College did not adhere with established purchasing policies.
<i>Recommendation:</i>	Northwestern Connecticut Community College should ensure that proper

authorization is obtained prior to the purchase of goods or services. (See Recommendation 16.)

Agency Response: *CCC System:* “The CCC’s agree that all purchases should be approved in advance of ordering, not only to ensure that funds are available, but more importantly to ensure that purchases are for appropriate and approved business use, and that appropriate sourcing has been completed. All colleges and system office continue to work with end user departments to ensure that purchase requisitions are approved in advance by authorized individuals, and that end users do not inappropriately “order” goods and services directly without proper requisition approvals, sourcing and purchase orders.”

Northwestern Connecticut CC: “The College has reviewed the purchasing policy and has reinforced the requirements to staff members both through email and staff meetings.”

Purchasing - Receiving - Northwestern CT CC:

Criteria: Sound internal control over vendor payments requires that the invoice exhibit evidence that the charges for services have been reviewed and are appropriate.

Condition: The Banner System provides a means to indicate receipt of goods or services. This electronic receipt procedure is required in order for Banner to process payment of the invoice. However, at Northwestern CCC, two employees with authority to acknowledge receipt in the Banner System do not always have a written signoff that the invoice related to the services provided has been reviewed by the appropriate party to verify charges. Also, in some cases, the charges on invoices related to services by State contracts are not reviewed to ensure that the charges agree with the contract.

Effect: Inadequate control exists in verifying charges prior to the payment for goods and services.

Cause: At certain times, there is only verbal communication between Accounts Payable and the employee forwarding the invoice for payment. In addition, the responsibility for reviewing vendor’s invoices to State contracts has not been clearly defined.

Recommendation: Northwestern Connecticut Community College should improve internal controls related to reviewing the appropriateness of charges prior to paying vendors. (See Recommendation 17.)

Agency Response: *CCC System:* “The CCC’s agree that proper receiving is required prior to invoice payment, as outlined in CCC Accounts Payable policies.”

Northwestern Connecticut CC: “The College was verifying the receipt of services but did not obtain written verification in all instances. The College has reviewed the receiving process and has added the requirement that written documentation must be received prior to making any payments for services rendered and billed.

There were instances where it was not clear from the State Contract what amount should have been billed. In these cases, the requisitioner may have received quotations from the vendor and the purchase order was based on that information. However, the billed cost did not always relate back to the state contract being referenced. The College has reinforced the necessity to verify the purchase requisition information against the state contract prior to completing the purchase order process. Any discrepancies should be documented and filed with the appropriate purchase order and contract.”

Community College Foundation Audit Reports - Asnuntuck CC and Capital CC:

Criteria: Section 4-37f, subsection (8), of the General Statutes requires audit reports for foundations affiliated with State agencies to include an opinion which addresses the foundation’s conformance with Sections 4-37e through 4-37i of the General Statutes and recommends corrective actions needed to ensure such conformance.

Condition: Asnuntuck CC: We reviewed the Independent Auditor’s Report for the Asnuntuck Community College Foundation, Inc. for each of the fiscal years ended December 31, 2007, and December 31, 2008. We noted that the reports did not include an audit opinion that addressed compliance with Sections 4-37e through 4-37i of the General Statutes.

Capital CC: We reviewed the Independent Auditor’s Report for the Capital Community College Foundation, Inc. for the fiscal year ended June 30, 2008. We noted that the report did not include an audit opinion that addressed compliance with Sections 4-37e through 4-37i of the General Statutes.

Effect: These foundations did not fully comply with Section 4-37f, subsection (8), of the General Statutes.

Cause: The causes are unknown.

Recommendation: Asnuntuck Community College and Capital Community College should ensure that the audit reports of their affiliated foundations address compliance with Sections 4-37e through 4-37i of the General Statutes. (See Recommendation 18.)

Agency Response: *CCC System:* “Beginning with CCC’s fiscal year 2010 financial statements, the CCC System has implemented a more rigorous review of foundation reporting, including a signed certification from a foundation official that all requirements, including the required audit statement regarding compliance with Sections 4-37e through 4-37i of the General Statutes, have been met. Each college has contacted their respective foundation regarding the annual reporting requirements. Initial results for CCC’s FY2010 reporting process indicate that every foundation has complied with this requirement in its audit for the year ending 12/31/09 and we anticipate the same for those foundations whose fiscal year ends 6/30/10.”

Asnuntuck CC: “This finding has been reviewed with the auditors of the Asnuntuck Community College Foundation, Inc., and this statement has been included in the audit report for the period ending December 31, 2009.”

Capital CC: “The college concurs that the Foundation audit report did not include an opinion on the foundation’s compliance with Sections 4-37e through 4-37i of the General Statutes for fiscal year ended June 30, 2008. The foundation received an opinion on the foundation’s compliance with Sections 4-37e through 4-37i of the General Statutes for fiscal year ended June 30, 2009, and will continue to do so going forward.”

Termination Payments - Northwestern CT CC:

Criteria:

- The collective bargaining unit contract of the Congress of Connecticut Community Colleges (4C’s) states, “a professional staff member shall be compensated at the rate of one-fourth of her/his daily salary for each day of sick leave standing to her/his credit as of his/her last day on the active payroll, up to a maximum of 240 days.”

Related to this agreement, the Board of Trustees of Community-Technical Colleges issued Employee Relations Memorandum 2001-14, which provides that the daily rate of pay for ten-month employees be calculated by dividing the employee’s annual salary by 217 days.

- The 4C’s contract states that full-time non-teaching professionals employed on a ten-month basis are entitled to a total of 18.3 working days of vacation leave accrued at the rate of 1.83 days per calendar month of service. In addition, sick leave accrues at the rate of 1.25 days per calendar month of service.
- Calculation of termination payments should be made using due care and accuracy.

Condition: We reviewed the termination payments for five employees who resigned or retired from Northwestern Connecticut Community College. From this sample, we noted the following:

- The daily rate for one employee was calculated incorrectly, resulting in a sick leave underpayment of \$47.
- One employee incorrectly received an additional month of vacation leave and an additional month of sick leave upon retirement. The total overpayment due to these errors was \$659.
- The termination payments of two employees were calculated using incorrect amounts in the decimal points, resulting in underpayments of \$7 and \$60.

Effect: Numerous termination payments to employees were incorrect.

- Cause:*
- The sick leave accrual for a ten-month faculty member was calculated using the daily rate for a twelve-month employee.
 - For the employee who incorrectly received an additional month of vacation leave and an additional month of sick leave, the College recorded the additional accruals because it was unaware that the employee had already received the full accruals she was entitled to receive as a ten-month employee. The leave report used by the Payroll Office for the calculation did not exhibit the full contract year.
 - Variances (excluding those due to rounding) occurred as a result of using incorrect amounts in the decimal points for leave payment calculations.

Recommendation: Internal control over termination payments should be strengthened to ensure accurate payments to employees who terminate at Northwestern Connecticut Community College. (See Recommendation 19.)

Agency Response: *CCC System:* “CCC agrees that accrual calculations and terminations should be accurately figured. This appears to be an isolated incident.”

Northwestern Connecticut CC: “The College has reviewed and corrected all erroneous termination underpayments. Management is in the process of contacting the employee who was overpaid due to the additional accruals. Procedures have been reviewed with emphasis on eliminating such errors in the future. In addition, the College implemented a payroll review process at the end of fiscal year 2009 as another measure to catch any errors in a timely fashion.”

Accounts Receivable Write-offs - Middlesex CC and Tunxis 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.

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

The Community College System's *Student Accounts Receivable – Collections and Write-off Procedures* provide that, "Whenever the [student] account becomes past due, an A/R Hold must be placed on the student's account indefinitely, and the student shall not be allowed to register in the future until unpaid amounts have been paid in full."

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

During the current audited period, the College did not perform a sufficient number of write-offs for us to gather enough evidence to determine whether or not improvement was made in obtaining and retaining documentation of approvals for accounts receivable written off. As a result, we will need to revisit this area during our next audit of the College. Until then, we consider the recommendation not to have been implemented.

Also, we examined a sample of ten delinquent student accounts receivable, which were written off by the Community Colleges' System Office on behalf of the College during the 2008 fiscal year. In four of these instances, totaling \$3,781, the College failed to place a "hold" on the student's account, as required by Community College System procedures.

Tunxis CC: We noted that the College wrote off four accounts receivable, totaling \$2,482, during the audited period. The College did not have any records on file to document that the proper authorization to write off these receivables was obtained.

Effect: In our prior audit, Middlesex Community College lacked an audit trail of evidence showing that the College President’s approval was obtained for the delinquent student accounts that were written off.

During our current audit at the College, we noted instances where the College did not comply with the Community College System’s policy related to placing “holds” on delinquent student accounts. This increased the risk that students with a history of delinquent accounts would register for classes again and subject the College to additional bad debts.

The College was unable to document compliance with Section 3-7 of the General Statutes.

Cause: It is unknown why these exceptions occurred at Middlesex Community College. Tunxis Community College attributes employee turnover to the cause of this condition.

Recommendation: Middlesex Community College and Tunxis Community College should obtain and maintain records that support the proper authorization, before writing off accounts receivable as required by Section 3-7 of the General Statutes. In addition, Middlesex Community College should follow the Community College System’s *Student Accounts Receivable - Collections and Write-off Procedures* related to placing holds on delinquent student accounts. (See Recommendation 20.)

Agency Response: *CCC System:* “CCC agrees that write-offs should follow both state and CCC procedures, including obtaining and documenting required approvals. The CCC’s have implemented partial automation of the collections and write-off process, which ensures that an A/R hold is in place when an account is sent to collections. Additional automation is pending which will produce the write-off recommendation letters to the college president and OPM as required, and document their respective approvals.”

Middlesex CC: “The College has been diligent in the maintenance of all State records, including write off records when they are done.”

Tunxis CC: “The College complies with established procedures for the collection and write-off of student accounts receivable. The Business Office lost 25 percent of its staff to the State’s Retirement Incentive Program, including the Accountant who oversaw write-offs. This long-term employee was very familiar with, and followed, the write-off procedures. Due to staff turnover, the authorizations may have been misplaced. The College will take steps to make sure that documentation is maintained and stored adequately when employees leave State service in the future. The Director of Finance has implemented new procedures for write-off documentation.”

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.

Criteria: Adequate internal controls over receivables related to contract courses requires adherence to billing procedures set forth in signed agreements which include timely and complete billing.

Condition: At Tunxis Community College, we selected five customer accounts from the Business and Industry Services Accountability Report, which was generated by the Workforce Development Office. From this sample, we noted four instances in which the client was not billed in a timely manner. Individual organizations were billed between two weeks and two months later than required in corresponding agreements.

Effect: Receivables were not billed in accordance with contract terms; therefore, 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 21.)

Agency Response: *CCC System:* “The CCC’s agree that appropriate recording and timely billing of all receivables is important, and will review existing procedures for accomplishing this. Continuing education activities may often occur with little notice, but all colleges continue to work with continuing education departments to ensure that the results of those activities are properly reflected and handled in the financial and administrative systems.”

Tunxis CC: “The College recognizes the importance of adequate controls over accounts receivable. Proper tracking of revenue is essential, especially in tight budget times.

The College needs to be responsive to the training needs of the community and customers we serve. Many of the courses are requested on short notice. The paperwork is completed as quickly and accurately as possible given the tight turn-around. The Business Office continues to work closely with Continuing Education and Workforce Development to ensure the timely receipt of paperwork.”

Reporting of Property Losses - Capital CC:

Criteria: Section 4-33a of the General Statutes provides that State agencies “shall promptly notify the Auditors of Public Accounts and the [State] Comptroller of any unauthorized, illegal, irregular, or unsafe handling...of State...funds or breakdowns in the safekeeping of any other resources of the State....”

Condition: Capital Community College filed a loss report in March 2008 for the loss of a video camera valued at \$1,456 that occurred in August 2002. This means that the loss was reported more than five years and seven months after the loss occurred.

Effect: The College did not comply with the prompt loss reporting requirements set by Section 4-33a of the General Statutes.

Cause: According to the College’s loss report, “final resolution was recently made on [the] item’s whereabouts.”

Recommendation: Capital Community College should promptly report all property losses to the Auditors of Public Accounts and the State Comptroller as required by Section 4-33a of the General Statutes. (See Recommendation 22.)

Agency Response: *CCC System:* “This appears to be an isolated incident that has been corrected.”

Capital CC: “When the college moved to its new location at 950 Main Street in 2002, several pieces of equipment were left at the old location in storage. These items were maintained on the fixed asset report believing they were still in storage at the old location. It was determined in March 2008 that the item in question was not in the storage area. At that time the college filed a loss report for the missing item. The College does and will continue sending a missing inventory report each fiscal year to all departments in the college. The departments will review the report and identify any items missing expected to be on campus or in storage outside the campus and if necessary a timely loss report will be filed as required by Section 4-33a of the General Statutes.”

Schedule of Expenditures of Federal Awards - System Office:

Criteria: OMB Circular A-133, section .310, requires the auditee to provide total Federal awards expended for each individual Federal program and the CFDA number.

Condition: In the Schedule of Expenditures of Federal Awards (SEFA) submitted by the System Office for the Community College System for the fiscal year ended June 30, 2009, all 33 CFDA numbers were reported incorrectly.

- Effect:* Numerous submissions were required to produce the correct CFDA numbers on the SEFA.
- Cause:* A combination of administrative oversight and software error was the cause of this condition.
- Recommendation:* The System Office should verify that all CFDA numbers on its SEFA are correct prior to submitting the final report to the State Comptroller's Office. (See Recommendation 23.)
- Agency Response:* *CCC System and System Office:* "This error was discovered and handled in routine via communication from the Comptroller's Office and the System Office was unaware that it had caused undue problems. Additional efforts will be made to verify SEFA information prior to submission in the future."

Monitoring the Activity of any Faculty Member Who Enters into a Consulting Agreement or Engages in a Research Project with a Public or Private Entity:

Criteria: Public Act 07-166, Section 12, which was codified as Section 1-84, subsection (s) of the General Statutes, became effective on July 1, 2007. The Act requires the Board of Trustees for each constituent unit of the State system of higher education to establish policies to monitor the activity of any faculty member who enters into a consulting agreement or engages in a research project with a public or private entity.

The Act requires that these policies shall:

- establish procedures for the disclosure, review and management of conflicts of interest relating to any such agreement or project;
- require the approval by the chief academic officer of the constituent unit, or his or her designee, prior to any such member entering into any such agreement or engaging in any such project, and
- include procedures that impose sanctions and penalties on any member for failing to comply with the provisions of the policies. Semiannually, the internal audit office of each constituent unit shall audit the unit's compliance with such policies and report its findings to the committee of the constituent unit established pursuant to subdivision (3) of this subsection.

Condition: In discussions with System Office staff, we determined that the development of these policies has been started, but nothing tangible has been completed.

Effect: The Board of Trustees has not completed the policies required by this legislation.

Auditors of Public Accounts

- Cause:* The cause is unknown.
- Recommendation:* The Board of Trustees should complete the policies required by Public Act 07-166, Section 12, to monitor the activity of any faculty member who enters into a consulting agreement or engages in a research project with a public or private entity. (See Recommendation 24.)
- Agency Response:* *CCC System and System Office:* “The required policy is under development. Although technically this requirement applies to CCC, its primary substance relates to faculty research, which generally does not apply in the community college setting.”

Student Activities Revenue Generating Events - Housatonic CC:

- Criteria:* The State Comptroller’s Accounting Procedures Manual for Activity and Welfare Funds, 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 Fund deposit these monies into the bank within 24 hours of receipt. The Manual further requires that within ten business days after each social event funded by the student activity account, a report is to be prepared itemizing the income and expenditures, and disclosing the accountability of tickets.
- Condition:* At Housatonic Community College, we tested a sample of receipts amounting to \$17,515, which were associated with eight revenue generating student organization events (e.g., student club trips) during the audited period. Our testing disclosed that there were delays in turning over receipts, totaling \$10,215, from seven of these events to the College Business Office. The degree of these delays was unclear, as related documentation on hand lacked actual receipt dates. However, based on the dates of the events, it appears that these receipts were held for at least one to four business days before being turned over to the Business Office. Such delays, in turn, resulted in corresponding late bank deposits, ranging from at least one to five business days.
- In addition, for two of these events, the corresponding Student Activities Office record of tickets sold did not agree with the amount of the receipts turned in to the Business Office for deposit. In one of these instances, records of student event ticket sales indicated sales that exceeded the amounts turned in to the Business Office by \$220. In another instance, the record of student event ticket sales indicated sales that were \$40 less than the amount turned in to the Business Office. The College could not explain these discrepancies but informed us that the Student Activities Office was charged with reconciling records of the number of student event tickets sold to corresponding cash receipts. However, no documentation of such reconciliations was provided to the Business Office.

We also noted that for one of the above events, the College did not prepare an adequate accountability report to account for ticket sales. 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: The 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.

The lack of documented reconciliations of records of student tickets sold to corresponding monies collected increased the likelihood that discrepancies would go undetected.

Cause: 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.

It is unknown why there was a lack of a formal system for reconciling records of student event ticket sales to corresponding monies received.

Recommendation: Housatonic Community College should improve the timeliness with which student event receipts are turned over to the Business Office to both ensure their prompt deposit into the bank and comply with the requirements of Section 4-32 of the General Statutes. Further, the College should reconcile records of student event tickets sold to related cash collections, document such reconciliations, and investigate discrepancies noted. (See Recommendation 25.)

Agency Response: *CCC System:* "CCC's agree that proper reconciliation and timely deposit of student event receipts should occur. The college is addressing this matter."

Housatonic CC: "Since this audit recommendation was brought to the attention of the College and Dean of Students, various decisions have taken place among the principal parties to reinforce the State's existing policies on prompt deposit of funds. In order to remain in compliance, the Business Office will be monitoring the timeliness of the funds deposited into the Student Activity Fund as they relate to the actual event date and reporting any timeliness issues directly to the Dean of Students and Dean of Administration. In addition, a ticket reconciliation will be performed by the Business Office after each event in order to inform the Dean of Students and Dean of Administration of any discrepancies. These added procedures should insure future compliance with all State statutes governing this audit recommendation."

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 toward the development of a 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 26.)

Agency Response: *CCC System and System Office:* "These efforts are continuing."

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. The results of our audit are disclosed in one audit report covering the entire System. The following summarizes the recommendations presented in our prior audit and the current status of those prior recommendations.

The System Office:

- *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. In our current audit, we noted numerous recurrences of this condition. The recommendation is being repeated. (See Recommendation 2.)*
- *The System Office 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. In our current audit, we noted improvement in this area. The finding is not being repeated.*
- *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. In our current audit, we noted instances in which the System Office did not always obtain the proper authorization on PSAs. We also noted an instance in which a PSA did not go out to bid as required. This recommendation is being repeated. (See Recommendation 3.)*
- *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. Our current audit revealed 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 7.)*
- *The System Office should continue its efforts to develop a formal, written information technology disaster recovery plan for the Community College System. In discussions with System Office staff during our current audit, we noted that little progress has been made in*

this area. The recommendation is being repeated. (See Recommendation 26.)

- *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.* In our current audit, we noted that the System Office has begun identifying risks and addressing weaknesses based on materiality. Therefore, this recommendation is not being repeated.

Asnuntuck Community College:

- *Asnuntuck Community College should require Part-time Lecturers to submit time sheets supporting time worked.* In our current audit, we noted a lack of documented support for services provided by Part-time Lecturers. We are repeating the recommendation with some modification. (See Recommendation 2.)
- *Asnuntuck Community College should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by properly documenting, through signed confirmations, that no conflicts exist in instances where an employee holds multiple State positions.* In our current audit, we noted some reoccurrences of this condition. Therefore, the recommendation is being repeated. (See Recommendation 12.)
- *Asnuntuck Community College should take steps to improve internal control over personal service agreement purchases by ensuring that all such purchases are properly approved before services are purchased and by complying with the Community College System's purchasing policies.* We noted the need for improvement in the current audit, so the recommendation is being repeated. (See Recommendation 3.)
- *Asnuntuck 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.* Testing in our current audit, disclosed an instance of noncompliance, so the recommendation is being repeated. (See Recommendation 6.)
- *Asnuntuck Community College should implement procedures to ensure that all information technology system access is disabled promptly upon an individual's termination of employment from the College.* In our current audit, we discussed this matter with the college's IT staff. A procedure has been implemented to improve control over this area. The recommendation is not being repeated.

Capital Community College:

- *Capital Community College should require Part-time Lecturers to submit time sheets supporting time worked. In addition, Capital Community College should ensure that leave time accruals for retirees are properly zeroed out and terminated in the Core-CT information system.* In our current audit, we noted a lack of documented support for services provided by Part-time Lecturers. We are repeating the recommendation related to the Part-time Lecturers with some modification. (See Recommendation 2.) The previous audit finding related to leave time accruals for retirees is being repeated. (See Recommendation 10.)

- *Capital 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. Testing in our current audit disclosed a weakness in controls related to the purchase of bus passes. This recommendation is being repeated with some modification. (See Recommendation 9.)*
- *Capital Community College should obtain and retain supporting documentation for proper approval of the write-off of delinquent student accounts, as required by Section 3-7 of the General Statutes and the State Library Public Records Administrator. In our current audit, we noted an improvement in this area. The recommendation is not being repeated.*

Housatonic Community College:

- *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. In our current audit, we did not note any other incorrect payments to ten-month employees for unused sick leave at retirement. The recommendation is not being repeated.*
- *Housatonic Community College should take steps to improve internal control over student activity account purchasing by ensuring that all such purchases are properly approved by the student government before goods or services are purchased. Testing in our current audit disclosed weaknesses in this area, so the recommendation is being repeated. (See Recommendation 9.)*
- *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 requirements of Section 4-32 of the General Statutes. Further, the College 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. In our current audit, we noted noncompliance with Section 4-32 of the General Statutes. Our testing also disclosed weaknesses related to ticket accountability of student events. The recommendation is being repeated. (See Recommendation 25.)*

Manchester Community College:

- *Manchester Community College should implement improved control procedures to better ensure that Educational Assistant employment contracts are properly drawn and executed prior to the commencement of employment. In our current audit, we noted reoccurrences so the finding is being repeated. (See Recommendation 2.)*
- *Manchester Community College should change the organizational oversight responsibility related to the Payroll Department to ensure that it is independent of the Human Resources Department. We reviewed this condition in our current audit and noted that the matter was*

not adequately addressed at that time. The recommendation is being repeated. (See Recommendation 4.)

- *Manchester Community College should take steps to ensure compliance with established purchasing policies and procedures.* In our current audit, we noted an improvement in this area. The recommendation is not being repeated.
- *Manchester 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.* We did not note any exceptions in this area in our current audit, so the recommendation is not being repeated.

Middlesex Community College:

- *Middlesex Community College should ensure that leave time accruals for retirees are properly zeroed out and terminated in the Core-CT information system. Further, the College should review its records of leave time balances for part-time employees and make adjustments, if necessary, to ensure that these balances agree with applicable bargaining unit contracts and/or Community College System personnel policies.* In our current audit, we did not note any instances in which leave time accruals for retirees had not been zeroed out, and that part of the recommendation is not being repeated. However, our review in the current audit noted that inaccuracies in attendance and leave records that were identified for some employees several years ago had not been corrected, so that portion of the recommendation is being repeated. (See Recommendation 11.)
- *Middlesex Community College should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by properly documenting, through signed certifications, that no conflicts exist in instances where an employee holds multiple State positions.* No reoccurrences were noted in our current audit, so the recommendation is not being repeated.
- *Middlesex Community College should pay all of its employees for unused sick leave upon retirement, as required by collective bargaining agreements and the General Statutes. Further, our audit disclosed that the College did not pay an employee the amount due for her unused sick leave at retirement; the College should retroactively pay this employee the amount due for this leave balance.* We did not note any exceptions in this area in our current audit, so the recommendation is not being repeated.
- *Middlesex Community College should take steps to improve internal control over personal service agreement purchases by ensuring that all such purchases are properly approved before services are purchased and by complying with the Community College System's purchasing policies.* In our current audit, we noted a continued need for improvement, so the recommendation is being repeated. (See Recommendation 3.)
- *Middlesex Community College should improve their compliance with the Community Colleges' Purchasing Card Policy and Procedures Manual or the Community College System should consider revising its purchasing card policy to reflect the appropriate actual*

practices. In our current audit, no reoccurrences were noted, so the recommendation is not being repeated.

- *Middlesex Community College should take steps to improve internal control over student activity account purchasing by ensuring that all such purchases are properly approved by the student government before goods or services are purchased. In our current audit, we noted an improvement in this area. The recommendation is not being repeated.*
- *Middlesex Community College should improve internal control over equipment by following the State Comptroller's property control requirements as well as those established by the Connecticut Community Colleges' fixed asset policy. The College should also ensure that, when required, all new equipment items purchased are properly tagged with bar code identification numbers and are properly and completely entered into inventory control records. In our current review, we noted that the College is in compliance with the requirements of the State Comptroller and the Connecticut Community Colleges' fixed asset policy. We are not repeating the recommendation.*
- *Middlesex Community College should draw down Federal receivables in a timely manner. Our testing of this area in the current audit did not disclose any exceptions. Therefore, the finding is not being repeated.*
- *Middlesex Community College should obtain and retain supporting documentation for proper approval of the write-off of delinquent student accounts, as required by Section 3-7 of the General Statutes and the State Library Public Records Administrator. Testing in our current audit disclosed that a "hold" was not placed on several delinquent student accounts. The recommendation is being repeated with some modification. (See Recommendation 20.)*

Naugatuck Valley Community College:

- *Naugatuck Valley Community College should improve controls over its property by following the property control requirements set forth by the State Comptroller. In our current audit, we noted a need for improvement, so the recommendation is being repeated. (See Recommendation 6.)*
- *Naugatuck Valley Community College should develop and implement a time and effort reporting system for documenting payroll costs associated with its Federal grant programs, as required by the Federal Office of Management and Budget Circular A-21. In our current audit, we noted improvement in the College's time and effort reporting system for payroll charges to Federal programs. The recommendation is not being repeated.*

Northwestern Connecticut Community College:

- *Northwestern Connecticut Community College should improve their bank deposit procedures to comply with the prompt deposit requirements of Section 4-32 of the General Statutes. Testing conducted in our current audit disclosed similar instances of noncompliance with Section 4-32 of the General Statutes. Therefore, the recommendation is being repeated. (See Recommendation 5.)*

Quinebaug Valley Community College:

- *Quinebaug Valley Community College should require Part-time Lecturers to submit timesheets or equivalent documentation supporting teaching assignments completed.* In our current audit, we noted that the College performs a verification of Part-time Lecturers' hours worked at the end of the semester. The recommendation is being repeated. (See Recommendation 2.)
- *Quinebaug Valley Community College should take steps to ensure that proper authorization is obtained prior to the purchase of goods or services.* We noted improvement in this area in the current audit. The recommendation is not being repeated.
- *Quinebaug Valley Community College should ensure that it obtains the approval of the Office of the Attorney General before entering into personal service agreements exceeding \$3,000. In addition, the college 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.* We tested personal service agreements in our current audit and noted no exceptions. We also reviewed the College's administration of its affairs with the Early Learning Center and noted improvements in this area as well. The recommendation is not being repeated.
- *Quinebaug Valley Community College should improve its compliance with the Community Colleges' Purchasing Card Policy and Procedure Manual.* In our current audit, we noted several instances of noncompliance with the Community College System's purchasing card policies. The recommendation is being repeated. (See Recommendation 7.)
- *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."* We did not note any reoccurrences of this condition in our current audit, so the recommendation is not being repeated.
- *Quinebaug Valley Community College should obtain proper authorization before writing off accounts receivable as required by Section 3-7 of the General Statutes.* In our current audit, we noted improvement in this area. Therefore, the recommendation is not being repeated.

Tunxis Community College:

- *Tunxis Community College 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. In our current audit, we noted a reoccurrence of this condition. The recommendation is being repeated. (See Recommendation 2.)

- *Tunxis Community College should take steps to improve internal control over personal service agreement purchases by ensuring that all such purchases are properly approved before services are purchased and by complying with its own purchasing policies.* In our current audit, we noted a need for improvement in this area, so the recommendation is being repeated. (See Recommendation 3.)
- *Tunxis Community College should improve internal controls billings and receivables for contract courses.* We reviewed a sample selected from customer accounts records of the College's Workforce Development Office. This review disclosed instances in which billings to these customers were issued between two weeks and two months later than required in the agreements. Therefore, this recommendation is being repeated. (See Recommendation 21.)
- *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 assets policy.* In our testing of this area in the current audit, we noted that there was uncertainty over the actual status of a significant number of items identified as unlocated by an independent inventory contractor. Therefore, the recommendation is being repeated. (See Recommendation 6.)
- *Tunxis Community College should improve the design and operation of internal controls over the Bookstore's textbook buybacks.* The Board of Trustees signed a contract with a third-party vendor to operate the Tunxis Community College Bookstore. Under this contract, the vendor is responsible for the textbook buyback program. Accordingly, the recommendation is not being repeated.

Current Audit Recommendations:

- 1. The Community College System should implement a control procedure to complete the Internal Control Questionnaire as required.**

Comment:

The System Office and several community colleges either did not submit the Questionnaire or did not submit it to the State Comptroller's Office by June 30, 2009, as required.

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

Comment:

We noted numerous instances in which contracts for either Part-time Lecturers or Educational Assistants were authorized after the appointment period had begun. We also noted that Lecturers at certain colleges were not required to submit time sheets to document services rendered.

3. **The Community College System should improve internal control over personal service agreements and ensure that all established policies and procedures are followed.**

Comment:

We noted instances in which the System Office, Asnuntuck Community College, Capital Community College, Middlesex Community College, and Tunxis Community College approved personal service agreements after services were scheduled to begin. In many instances, the approval of the Attorney General was also not obtained in a timely manner. We also noted that the System Office contracted with a vendor without going out to bid as required.

4. **The Community College System should establish a separation of duties between individual colleges' Human Resources and Payroll functions. If such access is determined necessary, compensating controls should be put in place to ensure an adequate segregation of duties.**

Comment:

Evidence of inadequate segregation of duties between the Human Resources and Payroll functions was noted at Manchester Community College, Middlesex Community College, and Tunxis Community College.

- 5. Capital Community College and Northwestern Connecticut 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.

- 6. Asnuntuck Community College, Naugatuck Valley Community College, Quinebaug Valley Community College, and Tunxis Community College should improve internal control over equipment by complying with the requirements of the State Comptroller's *Property Control Manual* and the Connecticut Community Colleges' *Fixed Asset Inventory and Accounting Policy*.**

Comment:

Our review found instances in which a tag was not affixed to equipment, equipment was tagged improperly, equipment that should have been capitalized but was not, a reconciliation between internal records and those of an independent inventory contractor was not performed, and items that could not be located were not removed from inventory listings.

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

Comment:

Instances of noncompliance with the *Purchasing Card Policy and Procedure Manual* were noted at the System Office, Naugatuck Valley Community College, and Quinebaug Valley Community College.

- 8. Northwestern Connecticut Community College and Quinebaug Valley Community College should improve internal control in order to comply with the competitive quotations requirements in the Community Colleges' *Agency Purchasing Policies*.**

Comment:

In certain instances, Northwestern Connecticut Community College and Quinebaug Valley Community College did not obtain competitive quotations when required for certain purchases.

9. **Capital Community College should charge the student activity trustee account only for the amount actually approved by the student government for these purchases. Northwestern Connecticut Community College and Housatonic Community College should improve internal control over student activity trustee account purchases.**

Comment:

Our audit disclosed weaknesses in internal control related to student activity trustee account purchasing at these colleges.

10. **Capital Community College and Manchester Community College should follow the set of Core-CT instructions for employees who retire.**

Comment:

Our review found several instances at these colleges in which the attendance and leave records for former employees continued to be credited for leave time after retirement.

11. **Middlesex Community College and Northwestern Connecticut Community College should review the attendance and leave records for the employees with inaccurate leave balances and make the required adjustments.**

Comment:

Inadequacies over internal control related to attendance and leave records were noted at Middlesex Community College and Northwestern Connecticut Community College.

12. **Asnuntuck Community College and Capital Community College should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes.**

Comment:

Our testing disclosed that, in some dual employment situations, there was a lack of a certification that no conflict existed between the positions held and instances of dual employment forms not being properly completed.

13. **Capital Community College should strengthen its pre-employment reference check procedures to help ensure that it is more fully aware of the backgrounds of individuals whom it is considering to hire.**

Comment:

Our review noted an internal control weakness related to the hiring process at Capital Community College. A comprehensive background check was not performed for an applicant that was ultimately hired.

- 14. The Board of Trustees should develop and implement a telecommuting policy that pertains to its unclassified employees.**

Comment:

We noted that most of the employees of the Community Colleges system are not covered under the telecommuting program applicable to classified State employees, and that the Board of Trustees has not developed a policy applicable to its unclassified employees.

- 15. The System Office should ensure that affidavits and certifications related to vendor selection for large State contracts are obtained in compliance with regulations.**

Comment:

Various certifications and affidavits are required under Sections 4-252, subsections (b) and (c), and Section 4a-81 of the General Statutes. We noted instances of noncompliance with these requirements at the System Office.

- 16. Northwestern Connecticut Community College should ensure that proper authorization is obtained prior to the purchase of goods or services.**

Comment:

There were instances in which purchase requisitions and purchase orders were approved after goods or services were received.

- 17. Northwestern Connecticut Community College should improve internal controls related to reviewing the appropriateness of charges prior to paying vendors.**

Comment:

Our audit noted instances of inadequacies in the area of acknowledgment of receipt of purchases.

- 18. Asnuntuck Community College and Capital Community College should ensure that the audit reports of their affiliated foundations address compliance with Sections 4-37e through 4-37i of the General Statutes.**

Comment:

The audit reports of the affiliated foundations did not address compliance with foundation-related statutes.

- 19. Internal control over termination payments should be strengthened to ensure accurate payments to employees who terminate at Northwestern Connecticut Community College.**

Comment:

Our testing disclosed that numerous termination payments to employees were incorrect.

- 20. Middlesex Community College and Tunxis Community College should obtain and maintain records that support the proper authorization, before writing off accounts receivable as required by Section 3-7 of the General Statutes. In addition, Middlesex Community College should follow the Community College System's *Student Accounts Receivable - Collections and Write-off Procedures* related to placing holds on delinquent student accounts.**

Comment:

Weaknesses related to the administration of delinquent student accounts were noted at these Colleges.

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

Comment:

Our testing noted that billings to customers were not always issued in a timely manner.

- 22. Capital Community College should promptly report all property losses to the Auditors of Public Accounts and the State Comptroller as required by Section 4-33a of the General Statutes.**

Comment:

During our review, we noted an instance in which a property loss was reported more than five years after the loss occurred.

- 23. The System Office should verify that all CFDA numbers on its Schedule of Expenditures of Federal Awards (SEFA) are correct prior to submitting the final report to the State Comptroller's Office.**

Comment:

Numerous errors were noted in the CFDA numbers reported to the State Comptroller's Office during our review.

- 24. The Board of Trustees should complete the policies required by Public Act 07-166, Section 12, to monitor the activity of any faculty member who enters into a consulting agreement or engages in a research project with a public or private entity.**

Comment:

In discussions with System Office staff, we determined that the development of these policies has been started, but nothing tangible has been completed.

- 25. Housatonic Community College should improve the timeliness with which student event receipts are turned over to the Business Office to both ensure their prompt deposit into the bank and comply with the requirements of Section 4-32 of the General Statutes. Further, the College should reconcile records of student event tickets sold to related cash collections, document such reconciliations, and investigate discrepancies noted.**

Comment:

Our audit of student event receipts disclosed weaknesses related to the forwarding of receipts to the Business Office for bank deposit and ticket sales accountability.

- 26. 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 is not in place.

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, 2008 and 2009. 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, 2008 and 2009, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 4 - lack of segregation of duties between the Human Resources and Payroll functions at Manchester Community College, Middlesex Community College, and Tunxis Community College; Recommendation 6 - weaknesses in internal control over equipment at Asnuntuck Community College, Naugatuck Valley Community College, Quinebaug Valley Community College, and Tunxis Community College; and Recommendation 16 - weaknesses in the purchase of goods and services at Northwestern Connecticut 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.

Timothy M. LePore
Principal Auditor

Approved:

Robert M. Ward
Auditor of Public Accounts

John C. Geragosian
Auditor of Public Accounts