

STATE OF CONNECTICUT



*AUDITORS' REPORT
BOARD OF REGENTS FOR HIGHER EDUCATION
CONNECTICUT COMMUNITY COLLEGE SYSTEM
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2015*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT J KANE

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AUDITORS OF PUBLIC ACCOUNTS

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December 18, 2017

INTRODUCTION

AUDITORS' REPORT BOARD OF REGENTS FOR HIGHER EDUCATION CONNECTICUT COMMUNITY COLLEGE SYSTEM FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2015

We have audited certain operations of the Connecticut Community College System in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2014 and 2015. The objectives of our audit were to:

1. Evaluate the system's internal controls over significant management and financial functions:
2. Evaluate the system's compliance with policies and procedures internal to the system or promulgated by other state agencies, as well as certain legal provisions; and
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the system; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in compliance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for information purposes. This information was obtained from system management and was not subject to the procedures applied in our audit of the system. For the areas audited, we identified:

1. Deficiencies in internal controls;
2. Apparent noncompliance with legal provisions; and
3. Need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Connecticut Community College System.

COMMENTS

FOREWORD

Our audit approach for the Connecticut Community College System consists of examining the entire system through selecting a sample of the 12 system colleges for 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, 2014 and 2015, represents the results of our examination of the financial records from a sample of 10 community colleges (Asnuntuck Community College, Gateway Community College, Manchester Community College, Middlesex Community College, Naugatuck Valley Community College, Northwestern Connecticut Community College, Norwalk Community College, Quinebaug Valley Community College, Three Rivers Community College, and Tunxis Community College) and the financial records of the Board of Regents for Higher Education.

Our examinations of Asnuntuck Community College, Middlesex Community College, Norwalk Community College, and Three Rivers Community College primarily focused on the fiscal year ended June 30, 2014, while our examinations of the other 6 colleges and the Board of Regents for Higher Education focused on the fiscal years ended June 30, 2014 and 2015. During the course of our audit, we identified certain systemwide weaknesses in internal controls 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 Board of Regents for Higher Education. 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.

The Board of Regents for Higher Education (Board of Regents) operates primarily under the provisions of Chapter 185, Sections 10a-1 through 10a-60 and Chapter 185b, Sections 10a-71 through 10a-160, of the General Statutes. The Board of Regents oversight of the community college system is in accordance with Sections 10a-71 through 10a-80e of the General Statutes.

Pursuant to Section 10a-72 of the General Statutes, the board, located in Hartford, oversees the following 12 two-year colleges:

<u>Community College</u>	<u>Location</u>
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-1a of the General Statutes provides that the Board of Regents for Higher Education consists of 21 members. Nine of the members are appointed by the Governor, 4 are appointed by legislative leaders, 2 are appointed by students, and 6 individuals serve as ex-officio members on the board. The board, among other duties, establishes rules and 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 Regents for Higher Education consisted of the following members as of June 30, 2015:

Ex-Officio Members:

- Stephen Adair, Chair, Faculty Advisory Committee
- Robert E. Brown, Vice Chair, Faculty Advisory Committee
- Dr. Jewel Mullen, Commissioner of the Department of Public Health
- Sharon Palmer, Commissioner of the Department of Labor
- Catherine H. Smith, Commissioner of the Department of Economic and Community Development
- Dr. Dianna R. Wentzell, Commissioner of the Department of Education

Appointed Members:

Nicholas M. Donofrio, Chair
Yvette Melendez, Vice Chair
Richard J. Balducci
Naomi K. Cohen
Lawrence J. DeNardis
Matt Fleury
Merle W. Harris

David R. Jiminez
Craig Lappen
William J. McGurk
JoAnn Price
Elease E. Wright
Eugene L. Bell (student)
Sarah E. Greco (student)

Gary F. Holloway, Rene Lerer, Michael E. Pollard, Stefan Pryor, and Lewis J. Robinson, Jr. also served on the Board of Regents during the audited period. There was 1 appointed member vacancy on the board as of June 30, 2015.

Among the duties of the Board of Regents for Higher Education is the appointment of a chief executive officer. Gregory W. Gray served as president from June 28, 2013, until September 28, 2015. Mark E. Ojakian was appointed president on October 2, 2015, and is currently serving in that position.

Recent Legislation

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

Public Act 13-4

Section 1, effective April 22, 2013, required that the president of the Board of Regents for Higher Education be appointed by the board, eliminating (1) the governor's responsibility to appoint the president upon the board's recommendation and (2) legislative confirmation of the appointee.

Under prior law, the president served at the governor's pleasure, but no later than March 1st in the year following a gubernatorial election (unless reappointed). The act instead required that the president serve at the board's pleasure, without a term limit. It requires the Board of Regents to establish the president's terms and conditions of employment, prescribe the president's duties, and fix the president's compensation.

The act required the president to implement the board's rules, not just its policies and directives as prior law required. It eliminates a requirement that the president administer, coordinate, and supervise the board's activities.

Public Act 13-62

Section 1, effective October 1, 2013, required the Board of Regents for Higher Education faculty advisory committee chairperson to serve as an ex-officio, nonvoting board member, but excludes the chairperson from executive sessions of the board. By law, these are sessions from which the

public is excluded while committee members discuss topics such as specific employees, pending legal claims or litigation, security strategy, real estate transactions, or public records exempt from the Freedom of Information Act.

Public Act 14-106

Section 1, effective July 1, 2014, allowed the chief executive office of a constituent unit of the state higher education system to join with federal agencies, other states, state political subdivisions, or private or nonprofit organizations in cooperative purchasing plans when it is in the state’s best interests to do so.

The act also allowed the state, through the chief executive officer of a constituent unit of higher education, to make certain purchases from vendors with existing sales contracts with other states, state political subdivisions, nonprofit organizations, or private or public consortia. The purchases include equipment, supplies, materials, and services, and the state is subject to the same contract terms and conditions as the other entities. By law, the state may already make such purchases (except for those with private consortia) through the administrative services commissioner (Section 4a-53(b) of the General Statutes).

Public Act 14-208

Section 1, effective July 1, 2014, required the Board of Regents for Higher Education’s faculty advisory committee (FAC) vice-chairperson to serve as an ex-officio, nonvoting board member for a two-year term, but excludes the vice-chairperson from executive sessions of the board.

Enrollment Statistics

The community college system reported the following enrollment statistics for the two audited years:

	Fall	Spring	Fall	Spring
	2013	2014	2014	2015
Full-time Students	19,243	16,294	18,416	15,307
Part-time Students	37,733	36,709	36,738	36,182
Total Enrollment	56,976	53,003	55,154	51,489

The average of fall and spring semester total enrollment was 54,990 and 53,322 during the 2013-2014 and 2014-2015 fiscal years, respectively, compared to an average of 56,858 during the 2012-2013 fiscal year. These decreases amounted to 3% in the 2013-2014 fiscal year and 6% in the 2014-2015 fiscal year, as compared to the 2012-2013 fiscal year.

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 primarily of student tuition payments received. Tuition charges are fixed by the Board of Regents for Higher Education. The following summary presents annual tuition charges for full-time students during the audited fiscal years and the previous fiscal year.

	<u>In-State</u>	<u>Out-of-State</u>	<u>N.E. Regional Program</u>
2012 - 2013	\$ 3,192	\$ 9,576	\$ 4,788
2013 - 2014	3,360	10,080	5,040
2014 - 2015	3,432	10,296	5,148

In March 2013, the Board of Regents for Higher Education approved an increase in tuition of 5.3% for all students during the 2013-2014 academic year. In March 2014, the board approved an increase in tuition of 2.1% for all students during the 2014-2015 academic year.

In accordance with Section 10a-67 of the General Statutes, tuition amounts for nonresident students enrolled in the community college system through the New England Regional Student Program are set at an amount equal to one and one-half that of in-state tuition.

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

Operating Revenues

Operating revenues result 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, fees, and federal and state grants.

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

	<u>Fiscal Year 2012-2013</u>	<u>Fiscal Year 2013-2014</u>	<u>Fiscal Year 2014-2015</u>
Student Tuition and Fees (net of scholarship allowances)	\$ 96,636	\$ 99,445	\$ 95,994
Federal Grants and Contracts	91,086	96,855	99,965
State and Local Grants and Contracts	15,535	8,838	9,068
Private Grants and Contracts	2,817	2,126	2,918

Sales and Services of Educational

Departments	551	615	766
Other Operating Revenues	4,853	5,183	4,155
, Total Operating Revenues	\$ 211,478	\$ 213,062	\$ 212,866

Operating revenues totaled \$211,478,000, \$213,062,000, and \$212,866,000 during the 2012-2013, 2013-2014, and 2014-2015 fiscal years, respectively. The 2013-2014 fiscal year saw an operating revenue increase of \$1,584,000, or .7%, compared to the 2012-2013 fiscal year. This increase was attributable to increases in student tuition and fees, and federal grants and contracts, and a decrease in state and local grants and contracts. The 2014-2015 fiscal year saw an operating revenue decrease of \$196,000, which is negligible, compared to the 2013-2014 fiscal year.

Operating Expenses

Operating expenses generally result from payments for goods or services required 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 2012-2013	Fiscal Year 2013-2014	Fiscal Year 2014-2015
Instruction	\$ 181,318	\$ 197,089	\$ 226,543
Public Service	850	867	1,334
Academic Support	72,886	77,600	92,371
Library	9,911	10,244	11,325
Student Services	39,771	41,826	49,125
Scholarship Aid, Net	40,149	36,555	34,893
Institutional Support	63,868	69,823	78,666
Physical Plant	52,307	52,118	55,772
Depreciation	27,436	28,443	29,191
Total Operating Expenses	\$ 488,496	\$ 514,565	\$ 579,220

Operating expenses totaled \$488,496,000, \$514,565,000, and \$579,220,000 during the 2012-2013, 2013-2014, and 2014-2015 fiscal years, respectively. The increase of \$26,069,000, or 5.3%, during the 2013-2014 fiscal year was primarily attributed to an increase in fringe benefit expenses. The increase of \$64,655,000, or 12.6%, during the 2014-2015 fiscal year was primarily attributed to additional pension expense resulting from the implementation of GASB 68, which required the community colleges system to recognize a liability for pension plan costs; this liability was previously disclosed only at the state level.

Nonoperating Revenues

Nonoperating revenues are 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 appropriations from the state's General Fund and bond funds, private gifts and donations (from 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 2012-2013	Fiscal Year 2013-2014	Fiscal Year 2014-2015
State Appropriations - General Fund	\$ 223,621	\$ 259,155	\$ 331,960
State Appropriations - Bond Funds	50,768	22,319	53,746
Private Gifts	2,515	1,410	1,516
Interest Income	145	119	131
Other Nonoperating Revenues, Net	468	114	13
Total Nonoperating Revenues	<u>\$ 277,517</u>	<u>\$ 283,117</u>	<u>\$ 387,366</u>

Total nonoperating revenues increased \$5,600,000 (2%) during the 2013-2014 fiscal year, compared to the previous year. This change is attributed to a \$35,534,000 increase in appropriations from the General Fund and a \$28,449,000 decrease in appropriations from bond funds. Nonoperating revenues increased \$104,249,000 (36.8%) during the 2014-2015 fiscal year. This increase is attributed to a \$72,805,000 increase in General Fund appropriations, primarily consisting of increased fringe benefits payments, and a \$31,427,000 increase in bond fund appropriations.

Community College Foundations

Each of the 12 community colleges is supported by an individual foundation. Each foundation is a private, nonprofit corporation established to raise funds in support of the activities of the college.

Sections 4-37e through 4-37k of the General Statutes define and set requirements for these foundations. The requirements address the annual filing of an updated list of board members within the state agency for which the foundation was established, financial recordkeeping 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 statutory requirements at the foundations affiliated with Gateway Community College, Naugatuck Valley Community College, and Northwestern Connecticut Community College. These matters are presented in the State Auditors' Findings and Recommendations section of this report.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Part-time Lecturers – Evidence of Services Provided

- Criteria:* Sound internal control requires the preparation of timesheets or equivalent documentation, approved by the employee's supervisor, to support time worked during a particular pay period. These records provide some assurance that an employee provided services for the time period they were paid.
- Condition:* Testing performed at all colleges in the audited period noted that they do not require part-time lecturers to submit timesheets to support time worked.
- Effect:* The lack of approved timesheets for part-time lecturers decreased assurance that they provided services during the time period for which they were paid.
- Cause:* The community colleges did not require timesheets certifying services provided by part-time lecturers during the audited period.
- Recommendation:* The Board of Regents for Higher Education should implement a policy that requires all part-time lecturers to submit timesheets to their supervisors, and require their supervisor's approval and transmittal to the payroll department as a means of documenting services performed.
- Alternatively, the Board of Regents should implement a system that requires, for each term, independent documented certification that part-time lecturers completed their appointed coursework. (See Recommendation 1.)
- Agency Response:* Board of Regents for Higher Education: "A new procedure was implemented that requires a supervising authority to sign off on a report that lists every part-time lecturer paid for that term to certify that they completed their duties as required in their contract. This new procedure took effect for the spring semester of 2016."
- Asnuntuck CC: "The College recommends this issue be addressed by the Board of Regents System Office on behalf of the Connecticut Community College System."
- Gateway CC: "The System Office is in the process of developing a procedure that will monitor PTL payroll. A payroll report listing all PTL's and ECL's paid for each period will be sent to a designated reviewer. The designated reviewer will verify the list by signing the report and keeping it

on file. If the designated reviewer identifies any abuse or irregularities, these will be reported to the college's HR department for corrective action according to the individual colleges policies and procedures."

Manchester CC: "A new Board of Regents policy to monitor part-time lecturer's time will be implemented Spring 2016."

Middlesex CC: "This process is under Board of Regents for Higher Education review."

Naugatuck Valley CC: "NVCC and the community college system follows the recommendations of its former auditors PWC. The process was established by the BOR and NVCC has complied. See attached memorandum to the colleges from Chris Forster, BOR Controller. This should not be an audit finding by the state auditors."

Northwestern Connecticut CC: "The System Office is in the process of implementing a procedure that will help colleges monitor PTL payroll. A payroll report listing all PTL's and ECL's paid for each term will be sent to a designated reviewer. The designated reviewer will verify the list by signing the report and submitting it to the Dean of Administration for filing. If the designated reviewer identifies any concerns or irregularities in a PTL's commitment, these will be reported to the college's HR department for corrective action according to the individual college's policies and procedures."

Norwalk CC: "Part time lecturer time sheets has been a system wide audit issue for many years. There have been several attempts by our Board of Regents office to address and resolve this documentation issue. Meetings have been held between BOR financial officials, Erika Steiner, Chris Forester, and Karen Stone, and state audit officials to resolve this issue across all 12 community colleges. To date Norwalk Community College (and its 11 counterparts) have not been provided with a resolution to this audit finding."

Quinebaug Valley CC: "A new process for certifying Part-time Lecturer course work completion was implemented by the Community College system in March of 2016. This process has been agreed to by the Connecticut State Colleges and Universities system's finance, internal audit, human resources, academic affairs, and information technology departments. The new process was successfully used by Quinebaug Valley Community College to certify PTL course work completion for the Spring 2016 semester and will be used in subsequent semesters."

Three Rivers CC: “Three Rivers agrees with this finding which is consistent with most of the other Connecticut Community Colleges. Prior to the consolidation with the universities and Charter Oak (Spring 2011), the Connecticut Community Colleges had utilized an electronic solution which required the faculty member to sign-off on their time when they submitted grades. At the conclusion of the semester, the Academic Dean would certify a comprehensive list. Unfortunately, this process was short-lived due to technical problems on some campuses and the timing of significant change in personnel at the System Office. We were hopeful that the process would be fixed and did not make any effort to develop another process. A new system-wide process is being developed and will be in place beginning with the Fall 2015 semester.”

Tunxis CC: “The Board of Regents’ Controller has instituted an adjunct faculty payroll approval process. The new process has been approved by the BOR Internal Auditors, College Management and BOR Management. The implementation is scheduled for the Spring 2016 semester.”

Auditors’ Concluding

Comment:

The process that Naugatuck Valley Community College is referring to in its response was established by the Board of Regents in May 2016. We have not yet tested it for sufficiency.

Personal Service Agreement (PSA)

Criteria:

It is good business practice to utilize written contracts when entering into agreements for the performance of personal services. Prior to the commencement of services, these contracts should be signed by the college and the contractor. In addition, proper controls require that the college verifies receipt of services prior to payment.

The *Community-Technical Colleges Purchasing Policies* require that all purchases be authorized at two levels: 1) the functional end-user approval by a representative of the requesting department with requisition authority attests that it is a purchase necessary to the operation of the division or department; and 2) the financial/purchasing approval by an individual with commitment authority, whose approval attests that funds are available and that appropriate purchasing or travel procedures have been followed.

The policy also states that, for personal service contractor purchases, the purchase requires a written personal service agreement, signed by both parties to the agreement, defining in detail the products or services to be delivered by the contractor to the community-technical college(s).

Section 5.3 of the policy requires a purchase order to be created for all vendor awards, including those for which a PSA has been signed.

The policy further states, “where the award is to a personal service contractor as defined in C.G.S. 4-212 and in section 9.1 of these policies, the purchase requires a written personal service contract agreement, signed by both parties to the agreement, defining in detail the products or services to be delivered by the personal services contractor to the community-technical college(s).”

Condition:

Board of Regents: We reviewed 12 personal service agreements and noted an instance in which services were rendered prior to the preparation of the purchase order. The purchase order was prepared 33 working days after services were rendered.

Asnuntuck CC: We selected 10 PSAs for testing. We noted that 2 were signed by the contractor and the college after services had commenced. These PSAs were signed 6 weeks and 2 months after the commencement of services.

Manchester CC: In our review of PSAs at the college, we noted the following:

- Three instances in which services were provided before the PSA was signed by the college. In these instances, the PSAs were signed between 2 weeks and 3 months after the start of services.
- One instance in which services were provided for 8 months before the purchase order was completed.
- One instance in which the college paid a vendor for a clinical course for a student who was not registered for the course.

Middlesex CC: During our review of 5 personal service transactions processed by the college, we noted 1 transaction in which services were rendered 15 days prior to the approval of the service via a purchase requisition and 29 days prior to the encumbrance of the funds via an approved purchase order. The college did not execute a personal service agreement with the vendor. In addition, the payment was not supported by a vendor invoice.

Naugatuck Valley CC: During testing of PSA we identified 4 instances in which the college did not enter into a written personal service agreement with the vendor. We also identified 1 instance in which services were rendered before the personal service agreement was executed.

Northwestern Connecticut CC: We noted 2 instances in which services were provided by the contractor before the college approved the purchase order.

Three Rivers CC: We selected 10 PSA during the audited period for testing. We noted the following:

- For 7 PSAs, purchase orders were not prepared to encumber funds prior to the start of the service period. Purchase orders were prepared between 4 days and 5 months after the commencement of services.
- Four PSAs were signed by the college and/or contractor between 4 days and 4 months after the commencement of the service period.

Tunxis CC: We selected 10 PSA during the audited period for testing and noted the following:

- For 5 PSAs, purchase orders were not prepared to encumber funds prior to the start of the service period. Purchase orders were prepared between 14 and 39 days after the commencement of services.
- Eight PSAs were signed by the college and/or contractor between 10 and 51 days after the commencement of the service period.

Effect: Internal controls over personal services expenditures were weakened, and assurance was lessened that the terms of personal service agreements met the approval of the administration.

Cause: Internal control procedures over PSAs are not being followed.

Recommendation: The Board of Regents for Higher Education and community colleges should improve internal controls over personal service agreements. In addition, the colleges should ensure that all established policies and procedures related to PSAs are followed. (See Recommendation 2.)

Agency Response: Board of Regents for Higher Education: “The CSCU management concurs with this recommendation. In FY15 the System Office implemented a new PSA late justification form to improve accountability and is in the process of implementing a new purchasing process to improve controls and efficiency.”

Asnuntuck CC: “The College agrees with this finding. There were two instances in which the College and the contractor signed a contract after the contract period had begun. Both instances were related to special grant funding from our system office and the college has assumed that all

payments and agreements would come from the system office. When the college became aware that the funding and responsibility for payment was going to be transferred to the college level, personal service agreements were put into place. The college does not expect this situation to happen again.”

Manchester CC: “The College will continue to strengthen internal controls over personal services agreements. In the instances noted above, there were “Contract – Late Justification Forms” which detailed the reason for the late submittals. These forms are retained in the Purchasing Department.”

Middlesex CC: “The College makes a valiant effort to meet the timeliness of having approved contracts in place prior to encumbrances being made. We will strive to ensure that all paperwork is complete before services are rendered and that all payments are supported by a vendor invoice.”

Naugatuck Valley CC: “The college complies with this Policy, except that there have been a few violations. In 2014, the college implemented the BOR-recommended PSA Late justification form to hold staff accountable. This process has been in use since then. Two mis-steps should not result in a finding.”

Northwestern Connecticut CC: “The business office will continue to send “reminders” to the requisitioning departments alerting them to the requirements for purchasing and contracting. The Dean of Administration is now also sending email directives that documentation must be complete and signed prior to contacting the vendors and allowing them to begin work. In addition, the BOR has implemented a “Contract Late Submittal Form” which requires the requisitioning department to provide an explanation and sign off on any contracts that are submitted without the required amount of lead time.”

Three Rivers CC: “The College agrees with this finding, but would like it noted that in all cases the vendor signed the contract prior to the start date and it was the President’s signature that was delayed. During this time, the President was working only part-time (retired July 1, 2013) while the College conducted a nationwide search to find a successor. Despite the reduced availability of the President, the college continued to process contracts for all services and executed them in a timely manner.”

Tunxis CC: “The college is aware of the procedures and is working diligently to meet the required dates. While the college does instruct faculty and staff to get requests to the business office timely, there are occasions when the paperwork is not submitted timely and this delays the

completion of the contracts. The college is also dependent on the contractor to return their paperwork timely. Although staffing in the business office continues to be reduced, the college will continue to strive for accuracy in contract/PSA completion.”

Noncompliance with Employee Termination Procedures

Criteria: Core-CT provides a Checklist for Terminating an Employee. The checklist states, “Important: Use the leave adjustment TRCs to zero-out the employee’s sick, vacation, personal leave, compensatory and holiday balances. The balances have to be zeroed out on or before the last day worked.”

Condition: Board of Regents: We reviewed leave and attendance records for 7 employees who terminated from the Board of Regents during the audited period. We noted that the leave and attendance records for 3 former employees were credited with leave time for 2, 6, and 17 months after their terminations.

Gateway CC: We tested the payouts of 10 employees who terminated from the college during the audited period. We noted that records for 9 former employees either continued to show leave balances or credits for leave after their separation.

Middlesex CC: We reviewed leave and attendance records for 5 employees who terminated in the fiscal year ended June 30, 2014 and noted 1 instance in which an employee continued to accrue vacation time in Core-CT after termination. We also noted 1 instance in which the employee leave balance payout calculations were performed incorrectly, leading to underpayments in sick and vacation accrual payouts and causing the leave balances to remain in Core-CT.

Northwestern Connecticut CC: We reviewed leave and attendance records for 5 employees who terminated in the fiscal years ended June 30, 2014, and June 30, 2015. We noted that records for 4 former employees either continued to show leave balances or credits for leave after their separation.

Tunxis CC: We tested the payouts of 8 employees who terminated from the college during the audited period and noted 2 instances in which employees continued to accrue vacation and/or sick time in Core-CT after termination.

Effect: The Board of Regents and these community colleges were not in compliance with Core-CT instructions for terminating employees.

- Cause:* Instructions for terminating employees were not followed.
- Recommendation:* The Board of Regents for Higher Education and colleges should ensure that the steps required to terminate employee leave balances in Core-CT are completed. (See Recommendation 3.)
- Agency Response:* Board of Regents for Higher Education: “CSCU management concurs with this recommendation.”
- Gateway CC: “The college now follows the Core-CT instructions for terminating employees.”
- Middlesex CC: “The College has implemented an audit process that requires the Director of Finance to review and sign, ensuring that the entries were viewed for compliance to termination procedures.”
- Northwestern Connecticut CC: “Payroll did not close the leave plans in a timely fashion after these retirement payouts were processed. The accounts have since been cleared out and closed. Care will be taken to ensure that the leave plans are promptly addressed before additional accruals are posted on any future terminations.”
- Tunxis CC: “The College agrees that steps were missed in Core-CT for 2 terminated employees. The college will insure that a checklist will be referenced for terminating employees in Core-CT.”

Purchasing Controls

- Criteria:* Proper internal controls over purchasing require that commitment documents be properly authorized prior to the receipt of goods or services.
- Condition:* Asnuntuck CC: We selected 15 expenditure documents for testing. From this sample we noted 2 instances in which the purchase order was completed after the delivery date of the goods or services. The purchase orders were completed between 2 weeks and 1 1/2 months after the delivery date of the goods or services.
- Gateway CC: Our testing disclosed 1 instance in which an approved requisition and purchase order were not prepared to encumber funds in advance of services being rendered. The requisition and purchase order were created in April 2015, while the services were started in August 2014, 8 months prior to the initiation of the procurement process.
- Manchester CC: We selected 25 expenditure transactions for testing. We noted an instance in which services commenced prior to authorization of

the requisition and purchase order. Authorization occurred 8 weeks after the receipt of the related services.

Northwestern Connecticut CC: We noted an instance in which services were received prior to the approval of the purchase order. We noted another instance in which services were provided before the contractor and the college had signed the contract.

Norwalk CC: Our audit of purchases made during the audited period disclosed 2 instances in which the college processed a requisition and/or purchase order after corresponding services were rendered and obligations were incurred.

Effect: Internal controls over purchasing are weakened when authorization occurs after the goods or services are received.

Cause: The community colleges did not always adhere to established purchasing policies.

Recommendation: The Board of Regents for Higher Education and community colleges should improve internal controls over purchasing. (See Recommendation 4.)

Agency Response: Asnuntuck CC: “The College agrees with this finding and will provide an additional review of existing internal controls over purchasing processes with faculty and staff to ensure that all established policies and procedures are followed.”

Gateway CC: “The college will continue to review existing purchasing procedures with faculty and staff to ensure that proper authorization is obtained in advance of services being rendered.”

Manchester CC: “The College has worked diligently to ensure that purchase requisitions are properly authorized prior to the receipt of goods and services. The invoice noted above was the annual charge for a software system utilized by Student Affairs. The college had signed a 5 year agreement with the vendor and is invoiced annually. The interim Dean was not aware that a purchase requisition was needed until she received the invoice.”

Northwestern Connecticut CC: “The business office will continue to send “reminders” to the requisitioning departments alerting them to the requirements for purchasing and contracting. The Dean of Administration is now also sending email directives that documentation must be complete and signed prior to contacting the vendors and allowing them to begin

work. In addition, the BOR has implemented a “Contract Late Submittal Form” which requires the requisitioning department to provide an explanation and sign off on any contracts that are submitted without the required amount of lead time.”

Norwalk CC: “The two purchases that were made prior to purchasing documentation being processed in Banner were emergency facility purchases. The work done by JP Salmini Co was to evaluate and repair air conditioning compressors that were not functioning. The second purchase was to complete work on NCC’s electric vehicle charging stations. In an effort to strengthen controls over purchasing procedures the college will be implementing and adhering to a five (5) day processing period. Requestors will be expected to submit purchase orders in a timely manner, allowing a minimum of five (5) days for the college’s purchasing department to process. Additionally, emergency purchases will be reviewed and approved by the President and will require the requestor to submit a statement outlining the necessity for an emergency purchase.”

Purchasing Card (P-Card) Transactions

Criteria: The Community Colleges *P-Card Policy and Procedures Manual* contains the policies and procedures related to purchasing card (P-Card) transactions. The manual also includes general and specific controls related to these purchases. Among the specific controls are a prohibition against restaurant charges and student activity purchases without authorization by the student government in accordance with its normal procedures.

Condition: Manchester CC: We noted 6 instances in which cardholders used their P-Cards at a restaurant.

Northwestern Connecticut CC: We noted 5 instances in which the monthly purchasing card log reconciliation was not completed within the 10 business-day requirement set forth in the Community Colleges’ *Purchasing Card Policy and Procedures Manual*. The reconciliations were completed between 6 and 15 business days later than required.

We also noted 1 instance in which vendor receipts were not submitted by the cardholder.

Norwalk CC: Our audit of individual cardholder statements disclosed some instances of noncompliance with the Community Colleges’ *Purchasing Card Policy and Procedure Manual*. We noted various instances in which sales tax was paid on a purchase.

Quinebaug Valley CC: During our review of individual cardholder statements, we noted 1 instance in which the college was unable to provide a vendor invoice for a purchase.

Three Rivers CC: Six college employees held a P-Card during the audited period, and we reviewed 16 individual monthly P-Card statements. We noted 2 instances in which a vendor receipt was not retained and 1 instance in which a student activity purchase was approved for \$400, as documented in the Student Government Association meeting minutes, while the actual purchase was for \$765.

Effect: These colleges were not in compliance with the Connecticut Community College System's *Purchasing Card Policy and Procedure Manual*.

Cause: It appears that these colleges overlooked the various policies set forth in the Connecticut Community College System's *Purchasing Card Policy and Procedure Manual*.

Recommendation: The Board of Regents for Higher Education and community colleges should ensure compliance with the Connecticut Community College System's *Purchasing Card Policy and Procedure Manual*. (See Recommendation 5.)

Agency Response: Manchester CC: "The College does provide ongoing P-Card training and maintains internal controls to help ensure compliance with the Community College Purchasing Card Policy and Procedure Manual. This was the first time the cardholder had utilized his P-Card. As soon as the cardholder returned from his trip and provided his receipts, the P-Card was taken away from the cardholder, shredded, and his account was canceled."

Northwestern Connecticut CC: "The Business Office has notified all card holders of the purchasing card reconciliation deadlines and provided an additional copy of the card holder policy. Any untimely or incomplete reconciliations will be reported to the purchasing department's Dean on a monthly basis for further action."

Norwalk CC: "The college works to educate all purchasing card users that sales tax should not be paid for any purchasing card purchase. During the monthly reconciliation of receipts the Fiscal Administrative Officer reviews all transactions and identifies any instances where sales tax may have been paid. The FAO contacts the purchasing card user to ask them to seek credit for sales tax paid. In some instances the sales tax can be credited back to the account. In other vendor instances, such as Amazon, the college has greater difficulty resolving sales tax issues. The college will send a reminder communication out to all purchasing card users about

ensuring that any purchasing card purchase is tax exempt. The FAO will also provide advance notice to users of vendors who previously failed to provide a credit to the college for sales tax paid by the college.”

Quinebaug Valley CC: “In this particular instance, the Purchasing Card holder contacted the vendor, Motorcycle Safety Foundation, via phone call, requesting an invoice for the books ordered. The vendor did not comply. Going forward, any PCard purchase received without an invoice will be followed up with written correspondence.”

Three Rivers CC: “The Agency agrees with the finding and plans to provide an opportunity for retraining for all P-card holders.”

Student Activity Trustee Account Purchasing

Criteria: It is established policy for trustee account expenditures to be discussed and approved during Student Senate meetings and to formally document them in the Student Senate meeting minutes. Good business practice requires that payments must be supported by proper documentation and maintained on file. In addition, purchase requisitions must be approved prior to the receipt of goods or services.

Condition: Middlesex CC: We tested 5 transactions during our review of student activity trustee account purchases and noted the following:

- We could not locate supporting documentation for 1 transaction;
- The college could not provide us with the club meeting minutes approving the expenditure in all 5 instances.

Three Rivers CC: We selected 8 student activity trustee account purchases and noted an instance in which the purchase requisition was completed 1 week after the purchase.

Tunxis CC: We selected 15 student activity trustee account disbursements during the audited period for testing. We noted 3 instances in which the student organization club minutes were not on file as documentation that the disbursement was properly approved.

Effect: At Middlesex CC and Tunxis CC, we were unable to determine whether certain transactions were authorized during student organization club meetings due to the absence of supporting meeting minutes. Additionally, at Middlesex CC and Three Rivers CC, we noted weaknesses in the supporting documentation.

Cause: These colleges did not adhere to established policies and procedures related to student activity trustee account purchasing.

Recommendation: The Board of Regents for Higher Education and community colleges should improve internal controls related to student activity trustee account purchasing. (See Recommendation 6.)

Agency Response: Middlesex CC: “During this audit period there was a College staffing change in Student Activities oversight. The College will draw attention and place emphasis on the adherence of good practice for Student Trustee Account (Student Activities) purchasing. Meeting minutes monitoring will be enhanced and electronic copies maintained. This finding will be shared with all student club advisors.”

Three Rivers CC: “The College agrees with this finding. The Student Programs Office has subscribed to software (Surge) to facilitate the purchasing processes that largely involves students. Each club officer receives training on the software and is reminded of the time needed to process any purchases.”

Tunxis CC: “The College’s business office was relying on the authorized signature as verification that minutes were received. The Director of Student Activities and the Director of Finance have now issued directions to all clubs and club advisors that the meeting minutes must be attached to requisitions before they will be processed.”

Dual Employment

Criteria: Section 5-208a of the General Statutes states, “No state employee who holds multiple job assignments within the same state agency shall be compensated for services rendered to such agency during a biweekly pay period unless the appointing authority of such agency or his designee certifies that the duties performed are not in conflict with the employee’s primary responsibility to the agency, that the hours worked on each assignment are documented and reviewed to preclude duplicate payment, and that there is no conflict of interest between the services performed.” These certification requirements also pertain to employees who hold positions with multiple state agencies.

Condition: Gateway CC: We reviewed 5 dual employment forms for employees who held multiple positions during the audited period and noted 1 instance in which the dual employment form was signed approximately 7 months after the start date of the contract period.

Naugatuck Valley CC: We reviewed 9 dual employment forms for employees who held multiple positions during the audited period. We noted 3 instances in which the dual employment forms were not completed and approved in a timely manner. The forms were signed between 1 and 7 weeks after the start of the contract period.

Quinebaug Valley CC: We reviewed 10 dual employment situations and noted 4 instances in which there was no dual employment form on file.

Three Rivers CC: We reviewed the notices of appointment for 8 part-time lecturers and noted that the dual employment section was not completed for four of them.

Effect: There was less assurance that employees holding multiple state positions had no conflicting duties or schedules.

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

Recommendation: The Board of Regents for Higher Education and community colleges should comply with the dual employment requirements of Section 5-208a of the General Statutes. (See Recommendation 7.)

Agency Response: Gateway CC: “The instance cited resulted from a Human Resources staff’s misunderstanding of the application of dual employment requirements for full-time faculty. When that staff member became aware that she had not sought a dual employment form when she should have, she corrected her error and obtained the form from the faculty although it was obtained after the fact.”

Naugatuck Valley CC: “We of course know this policy must be followed. In the beginning there were three late completions, and we have taken action to prevent this from happening again. This should not result in a finding.”

Quinebaug Valley CC: “Based upon feedback from APCM (Agency Personnel Council Meeting), the Human Resources Department was under the assumption that Dual Employment Forms were not needed for one-time guest lecture occurrences.

Going forward, Human Resources will focus on the importance of this processing and College compliance with DAS General Letter No. 204 and its requirement that a dual employment form be completed for each state employee who holds multiple state jobs. The College’s Human Resources Department will monitor each non-credit and credit lecturer contract

submission to assure that dual employment forms are always completed prior to their start date.”

Three Rivers CC: “The Agency agrees with this finding and will review signed contracts to ensure that the dual employment form is completed when appropriate.”

Administration of Student Sick Leave – Asnuntuck CC and Quinebaug Valley CC

Background: Public Act 11-52, which went into effect on January 1, 2012 (codified in the Connecticut General Statutes in Sections 31-57r through 31-57w), mandated employers with more than 50 employees to provide paid sick leave to service workers hired after January 1, 2012.

Using guidance provided by the state Department of Labor, the Board of Regents determined that student workers met the classification of service workers and are eligible for paid sick leave.

Criteria: Public Act 11-52 requires sick leave to be accrued at a rate of 1 hour for each 40 hours worked. The community colleges implemented a systemwide set of procedures to account for sick leave accruals in February 2013. An updated set of procedures was implemented in June 2015.

Condition: Asnuntuck CC: At the time of our fieldwork at Asnuntuck CC, we reviewed the college’s procedures against the systemwide procedures implemented in February 2013. We noted that the college did not process the student sick leave accruals in a timely manner for 4 of the 7 students who worked the required hours to accrue sick leave.

Quinebaug Valley CC: At the time of our fieldwork at Quinebaug Valley CC, we reviewed the college’s procedures against the updated systemwide procedures implemented in June 2015. We reviewed the June 2015 Core-CT report for 4 students and noted that the accruals for each of the students were overstated by between 7.5 and 9.75 hours.

Effect: At Asnuntuck CC, the students would not have been able to use the leave time when needed. At Quinebaug Valley CC, the balances for the students were entered into the updated system at overstated amounts.

Cause: At Asnuntuck CC, the cause is unknown. At Quinebaug Valley CC, the Core-CT report used to summarize the student sick leave accruals in June 2015 did not calculate the accruals correctly.

Recommendation: Asnuntuck Community College and Quinebaug Valley Community

College should improve internal controls over the administration of student sick leave. (See Recommendation 8.)

Agency Response: Asnuntuck CC: “The College agrees with this finding. These instances were during a period in which we were still receiving guidance on how to implement this legislative change. Since then, procedures have been put in place to ensure the timely manner of student sick leave accruals.”

Quinebaug Valley CC: “Adjustments have been made in Core to the student’s whose leave balances were accrued incorrectly. Going forward, student leave balances will be monitored to ensure that they are being accrued correctly.”

Notices of Appointment for Part-time Employees

Criteria: It is a good business practice to ensure that the notice of appointment is approved before services are provided to confirm that the parties involved are in agreement with the terms of the notice.

Condition: Middlesex CC: During our test of payroll transactions, we reviewed employment contracts for various types of employees. We noted 2 instances in which signatures by the college and employee were obtained after the start of the contract period. We also noted 1 instance in which the college was unable to provide documentation of a notice of reappointment.

Naugatuck Valley CC: During our test of payroll transactions, we reviewed employment contracts for various types of employees. We noted 2 instances in which signatures by the employee were not obtained prior to the start of the contract period.

Quinebaug Valley CC: We noted 2 instances in which the notice of appointment for a part-time lecturer was accepted by the appointee and approved by the college president after the start date of the appointment period.

Effect: Untimely approvals of notices of appointment decrease assurance that the employee and the college have agreed to the terms before services are provided.

Cause: Controls in place were insufficient to prevent these instances of noncompliance from occurring.

Recommendation: Middlesex Community College, Naugatuck Valley Community College, and Quinebaug Valley Community College should improve internal controls related to notices of appointment for part-time employees. (See

Recommendation 9.)

Agency Response: Middlesex CC: “The College will take action to improve timeliness of contracts to have them in place before the work commences.”

Naugatuck Valley CC: “The college follows this good business practice, except that there have been a few violations. All parties have been warned and we will fully comply going forward. We have installed a form which a violator must fill out to explain the tardiness. Two mis-steps should not result in a finding.”

Quinebaug Valley CC: “Quinebaug Valley Community College makes every effort to ensure that Notice of Appointment letters are signed and dated prior to the lecturer’s start date. Notice of Appointment letters are sent out to adjunct faculty members six weeks prior to the start of classes and reminder e-mails are sent to faculty members who teach overloads.

The two instances cited are overloads for full-time faculty members. One was due to an adjunct faculty member dropping out from teaching the course after the course had already started. The overload was given to a faculty member who signed the form immediately. The other was due to courses being cancelled which caused a shuffling of classes. This resulted in an overload course for a full-time faculty member, which happened after the period of appointment start date.”

Auditors’ Concluding

Comment: We selected 10 employees for testing at Naugatuck Valley CC. Two instances of noncompliance is evidence of a weakness in internal control.

Termination Payment Errors – Manchester CC and Northwestern Connecticut CC

- Criteria:*
- Employee Relations Memorandum 2011-17, issued by the former Community Colleges System Office on September 12, 2011, contains the procedures to be used to calculate longevity payments to unclassified bargaining unit members at the community colleges.
 - Proper internal control over longevity payments at termination requires that a procedure be in place to review manual input regarding these payments.
 - Employee Relations Memorandum #2013-08, issued by the Board of Regents on April 12, 2013, covers longevity payments for management and confidential employees in the ConnSCU system. The memorandum states that the April 2013 longevity payment will be the last longevity payment for these employees.

Condition: Manchester CC: We tested the payouts of 6 terminated employees of the college during the audited period. From this testing, we noted the following:

- We noted 1 instance in which the college paid an unclassified employee for longevity at the incorrect length of service. This resulted in an underpayment to the employee of \$302.
- We noted 1 instance in which the college calculated an employee's longevity payment, but the payment was not included in the employee's payment upon termination. This resulted in an underpayment of \$48.

Northwestern Connecticut CC: We reviewed payments to terminated employees during the audited period and noted 1 payment to an employee whose bargaining unit in Core was listed as "CCC Unclassified Managerial/Confidential." This employee terminated on August 1, 2013, and inappropriately received a longevity payment of \$548.80.

Effect: The termination payments for these employees were incorrect.

Cause: In the first instance, Manchester Community College based its calculation on the incorrect section of Employee Relations Memorandum 2011-17. In the second instance, the college performed the correct manual calculation, but did not include the amount in the employee's termination payment.

At Northwestern Connecticut Community College, the cause is unknown.

Recommendation: Manchester Community College and Northwestern Connecticut Community College should improve procedures related to termination payments. In addition, they should correct the errors regarding termination payments made. (See Recommendation 10.)

Agency Response: Manchester CC: "The Human Resources and Payroll areas have experienced several reorganizations and interim directors. Existing procedures have been revised to provide additional internal controls in order to ensure the accuracy of final payouts."

Northwestern Connecticut CC: "The College agrees with this finding. The longevity payment was made in error at the employee's retirement. The Human Resources Department has notified the former employee and will seek restitution. The Human Resources Department is now signing off on all longevity payments and this documentation is being filed in the payroll office."

Workforce Development Courses Revenues Issues – Asnuntuck CC and Tunxis CC

Background: Each of the community colleges has an Office of Workforce Development that provides courses for the benefit of local clients. At Asnuntuck CC, these courses generated revenues of \$111,815 in the fiscal year ended June 30, 2014, and \$60,415 in the fiscal year ended June 30, 2015. At Tunxis CC, these courses generated revenues of \$151,266 in the fiscal year ended June 30, 2014, and \$188,613 in the fiscal year ended June 30, 2015.

Criteria:

- Good business practice requires consistency in the information between various systems.
- Proper segregation of duties requires that billings and receipts functions should be separate from the department that generates the revenues.

Condition: Asnuntuck CC: In our testing of the procedures related to these courses, we noted an instance in which the client name in the client agreement did not agree with the client name in the college's receipts records.

Tunxis CC: During a review of cash receipts related to these courses, we noted an instance in which the invoice for a meeting facilitation at the Bristol campus totaling \$750 was billed by and payment was received directly by the Bristol campus.

Effect: Internal control over workforce development courses revenues was inadequate.

Cause: The causes are unknown.

Recommendation: Asnuntuck Community College and Tunxis Community College should improve internal control over workforce development courses revenues. (See Recommendation 11.)

Agency Response: Asnuntuck CC: "The College agrees with this finding and will review current internal controls and make improvements as deemed necessary. The college believes this instance was an oversight caused by human error."

Tunxis CC: "The business office invoices for most activities at the Bristol location (Tunxis@Bristol). On occasion, receipts are brought by the participants to Bristol and the Director hand-carries them to the business office. The college will continue to work closely with staff at Bristol to ensure all billings/invoices are processed through the business office."

Noncompliance with Foundation Statutory Requirements

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

Section 4-37f subsection (9) of the General Statutes requires that the foundation must reimburse the college for expenses incurred as a result of foundation operations.

Section 4-37j of the General Statutes requires each higher education institution foundation to implement a whistleblower policy.

Condition: Gateway CC: We reviewed the independent auditor’s report of the Gateway Community College Foundation for the calendar year ended December 31, 2014. We noted that the audit opinion did not address the conformance of the foundation’s operating procedures with the provisions of sections 4-37e to 4-37i.

Naugatuck Valley CC: During 2013, a book called “Confluencia in the Valley” was created in celebration of 5 years of NVCC Confluencia events. The book is sold in the college bookstore and online, with proceeds going to the foundation for student scholarships. Printing costs to create the book totaled \$4,315 and were paid by the college. The college was not reimbursed for these expenses.

Northwestern Connecticut CC: In our inquiries of college staff, we noted that the Northwestern Community College Foundation and Regional Advisory Council does not have a whistleblower policy.

Effect: At Gateway CC, the foundation was not in compliance with Section 4-37f, subsection (8), of the General Statutes.

At Naugatuck Valley CC, the foundation was not in compliance with Section 4-37f, subsection (9), of the General Statutes.

At Northwestern Connecticut CC, the foundation was not in compliance with Section 4-37j of the General Statutes.

Cause: The causes are unknown.

Recommendation: Gateway Community College, Naugatuck Valley Community College, and Northwestern Connecticut Community College should ensure

compliance with the statutory requirements related to foundations affiliated with state agencies. In addition, Naugatuck Valley CC should seek reimbursement for expenses incurred on behalf of its foundation. (See Recommendation 12.)

Agency Response: Gateway CC: “There was a miscommunication between the Gateway Community College Foundation and the Board of Regents office after the Foundation sent the information up to the Board office. The College will make an effort to ensure the communication is improved in the future.”

Naugatuck Valley CC: “The fact that the college was not reimbursed for all its expenses is immaterial, and this should not be a finding.”

Northwestern Connecticut CC: “The Dean of Administration has contacted the Foundation and provided them with the language that is needed in order for them to be in compliance with the whistleblower policy. Lori Riiska, accountant for the Foundation, verified via email on March 14, 2016, that the whistleblower policy has been incorporated into the Foundation’s policies.”

Assets Management – Board of Regents and Middlesex CC

Criteria: The Connecticut Community College System’s *Fixed Asset Inventory and Accounting Policy* sets the standards for property control within the Connecticut Community College System.

Condition: Board of Regents: During our test of 20 equipment purchases during the audited period, we noted 1 piece of equipment that was not physically affixed with the barcode assigned in Banner. We reviewed 3 similar items purchased on the same invoice and found that they were also not affixed with the barcodes assigned in Banner. The serial numbers on 2 of these items did not match the serial numbers recorded in Banner.

Middlesex CC: We selected 17 recently purchased items for inventory testing and noted the following:

- Four of the items could not be physically located;
- Two items were located by serial number, but the asset tag affixed to each item did not agree with the asset tag in the inventory records;
- One item did not have a tag affixed to it;
- The physical locations of 2 items were not recorded in inventory records.

We selected 10 items at random from the college's inventory records and attempted to physically locate them. We were unable to locate 3 items.

We selected 5 items at random and attempted to trace these items to the inventory records. Two assets were not tagged, and the tag number on another item did not agree with the inventory records.

We reviewed 6 assets disposed of during the audited period. The college was unable to provide us with authorizing documentation for 2 of these disposals.

The college has an annual inventory performed by a private inventory company. The inventory performed for the fiscal year ended June 30, 2014, noted that 277 assets could not be accounted for. The college did not attempt to locate any of these items and also did not prepare a CO-853 (Report of Adjustment to State-Owned Real and Personal Property) for these missing assets.

Effect: At the Board of Regents, internal controls over equipment purchases were inadequate. At Middlesex CC, the college was not in compliance with the Connecticut Community College System's *Fixed Asset Inventory and Accounting Policy*.

Cause: At the Board of Regents, it appears that equipment is not physically affixed with a barcode when the barcode is assigned in Banner. In addition, incorrect asset information was entered into Banner inventory records. At Middlesex CC, internal control over fixed assets was not adequate.

Recommendation: The Board of Regents and Middlesex Community College should improve internal control over fixed assets. (See Recommendation 13.)

Agency Response: Board of Regents for Higher Education: "CSCU management concurs with this finding and is already in the process of implementing a new inventory management system and new procedures that are expected to take effect in FY 18."

Middlesex CC: "The College is understaffed in the inventory control area. The current operational needs for inventory control are under review. Documentation of local procedures are being created, and we are working with internal audit to ensure greater compliance in this area. All system Colleges lack scanning tools to make this job easier and more efficient."

Administration of Student Receivables – Gateway CC and Naugatuck Valley CC

- Criteria:* The Connecticut Community College System has a policy for collections and write-offs of student receivables. The policy requires an accounts receivable hold to be placed on the student's account so that the student cannot register in the future until unpaid balances have been paid in full.
- Condition:* Gateway CC: We reviewed the write-offs of 10 student receivables in the audited period. In 1 instance, a write-off was posted to the student's account in July 2014 and reversed in September 2014, when the student made a partial payment toward the past-due balance. The hold was removed from the account at the time, based on the authorization of the Dean of Students. The student was permitted to register for courses for the Fall 2014 semester, using financial aid. The student attempted to register in January 2015 for the Spring 2015 semester, but was not permitted to do so because the past-due balance remained unpaid. A hold was not placed on the student's account until October 2015, 9 months after the college was aware that an unpaid balance existed.
- Naugatuck Valley CC: We reviewed 5 accounts receivable write-offs that occurred during fiscal years 2014 and 2015. We noted 1 instance in which a hold was properly placed on the student account in Banner when it became past due, but the hold was subsequently removed and the student was allowed to register for new courses despite the fact that the balance was not paid in full. Both the past due amount (\$1,366.69) and the balance due for the new courses (\$1,323.00) were eventually written off.
- Effect:* The colleges were not in compliance with the community college policy guidelines regarding holds on delinquent student accounts. In addition, at Naugatuck Valley CC, a student was permitted to register for new courses despite the fact that they had an unpaid balance.
- Cause:* The colleges' procedures were not sufficient to ensure compliance with the community colleges' student accounts receivable procedures.
- Recommendation:* Gateway Community College and Naugatuck Valley Community College should comply with the community colleges' student accounts receivable procedures. (See Recommendation 14.)
- Agency Response:* Gateway CC: "After careful consideration of this student's unique circumstances, the dean of students made an exception to the accounts receivable policy by authorizing the removal of the hold and allowing the students to register and an oversight was made in not reinstating the hold after the student finalized his registration. In the future, the college will ensure that the President approves such exceptions and will put a process

in place to replace the hold in a timely fashion.”

Naugatuck Valley CC: “The college complies with this Policy, except that there have been a few violations. A new procedure has been implemented to ensure more stringent compliance. This should not be a finding.”

Managerial Override of Established Payroll Procedures and Noncompliance with Family Medical Leave Act (FMLA) – Board of Regents

Criteria: Employee compensation should be based on hours worked by the employee and supported by a positive-type time report covering the payroll period and approved by the appropriate supervisor. Therefore, it is good business practice that employee time is properly reflected in the employee’s timesheet and permanent attendance record.

The Department of Administrative Services Policy on the Statewide Family and Medical Leave Act (FMLA), revised July 8, 2013, states, “Employees who request a leave under the State’s CGS 5-248a are required to sign a statement confirming their intent to return to work immediately following the leave. Failure to return to work at the end of the leave period may be treated as a resignation unless an extension of the employee’s absence has been agreed to and approved in writing by the agency.” The policy further states, “In cases involving the serious health condition of an employee, the agency will require the employee to produce a fitness-for-duty report on which the physician has certified the employee is able to return to work...Therefore, employees who are notified of the need for a fitness-for-duty certification will not be allowed to return to work without it.”

Condition: We noted an instance of managerial override of established procedures relating to payroll. Specifically, the timesheets for one Board of Regents employee were inaccurately coded to reflect that the employee was working between April 18, 2016 and May 31, 2016, even though the employee was not at work during this period. The timesheets were retroactively adjusted for sick leave bank usage subsequently awarded to the employee. The employee’s timesheets were also miscoded from June 1, 2016, through June 23, 2016.

We also noted that the Board of Regents failed to comply with federal and state FMLA rules by granting FMLA approval to the employee, whose physician had deemed the employee incapable of ever returning to work. Therefore, the employee was ineligible to receive federal or state FMLA after her leave balances were exhausted.

Effect: The inaccurate timesheet coding improperly kept the employee on the state's payroll, resulting in the employee being awarded salary payments and other employee benefits (leave time accruals and medical coverage) that the employee should not have received. The action of the Board of Regents to retroactively adjust the employee's timesheets was not authorized by any established policies or procedures.

The Board of Regents is not in compliance with certain aspects of the state's FMLA policy.

Cause: Management override of established payroll procedures caused the improper coding and retroactive adjustment of the employee's timesheets and the retroactive adjustments subsequently made to the time and attendance records.

Recommendation: The Board of Regents for Higher Education should comply with the requirements of the Family Medical Leave Act. In addition, management of the Board of Regents should not override established payroll procedures. (See Recommendation 15.)

Agency Response: "CSCU management concurs with this recommendation."

Employee Bonuses – Naugatuck Valley CC

Criteria: The State Comptroller's *State of Connecticut Payroll Manual* details the allowable forms of compensation for state employees.

Condition: In 2015, Naugatuck Valley Community College awarded 5 employees with Outstanding Service Awards for Classified Clerical Staff in the amount of \$600 each.

We discussed this matter with a Board of Regents Human Resources official who reviewed this matter and stated, "Neither the BOR nor College President can approve monetary awards for a specific group of employees."

Effect: The college was not in compliance with state policies in regard to allowable forms of compensation.

Cause: It appears that the college was not aware of the state policies.

Recommendation: Naugatuck Valley Community College should comply with the State Comptroller's *State of Connecticut Payroll Manual* and not provide monetary awards to specific groups of employees in the future. (See Recommendation 16.)

Agency Response: Naugatuck Valley CC: “The college concurs.”

Property Control – Stockpiling Property – Gateway CC

Criteria: The State Comptroller’s *Property Control Manual* states, “State agencies shall not stockpile property.”

Condition: During our review of inventory procedures at Gateway Community College, we noted 3 printers that were in their original packaging and did not appear to have been used. The printers were purchased in mid-2012, more than 3 years prior to our review.

Effect: The college purchased equipment that it did not use.

Cause: The cause is unknown.

Recommendation: Gateway Community College should only purchase equipment that it needs. (See Recommendation 17.)

Agency Response: Gateway CC: “The college believes this to be a one-time occurrence. The comprehensive printer plan that was developed in preparation for the college’s move in the fall of 2012 to its current consolidated location assumed the hiring of additional support staff. Of the 250 printers purchased, these three were slated to be deployed to new hires that have not materialized due to the budget situation. The college has since installed and is using all three printers.”

Presidential Scholarships – Naugatuck Valley CC

Criteria: Section 4.13 of the CCC Board Policy Manual states that funds received through traffic fines are to be used for student scholarships.

Condition: During the audited period, expenditures for Presidential Scholarships at Naugatuck Valley Community College were initially charged to the Parking Fines Fund (HI2901), and then subsequently transferred to and paid out of the unrestricted operating fund (HA2000). These transfers totaled \$6,217.75 in the fiscal year ended June 30, 2014, and \$2,350 in the fiscal year ended June 30, 2015. As of August 2016, the cash balance in the Parking Fines Fund was \$21,303.61.

Effect: Student scholarships were not charged to the Parking Fines Fund.

Cause: The cause is unknown.

Recommendation: Naugatuck Valley Community College should discontinue the practice of paying for student scholarships using unrestricted operating funds. In addition, the college should reimburse the unrestricted operating fund using resources from the Parking Fines Fund for the total amount of expenditures transferred during the audited period. (See Recommendation 18.)

Agency Response: Naugatuck Valley CC: “Clarification on processing these types of transactions was sought by NVCC of the BOR but was never formally received until early 2016. The college concurs.”

Improper Use of Follett Textbook Scholarship Receipts – Naugatuck Valley CC

Background: Our office received a whistleblower complaint under Section 4-61dd of the Connecticut General Statutes and performed the relevant procedures to investigate the matter.

Criteria: The contract between Follett Higher Education Group, Inc. and the Community Colleges includes a Scholarships section that states, “Follett shall provide 1 ¼ % of the Gross Revenue for textbook scholarship.”

A restricted fund has been established in Banner, the college’s accounting system, to account for these receipts and related disbursements.

Condition: Our review disclosed at least 9 instances, totaling approximately \$3,354, in which purchases were made from the Follett Textbook Scholarship Fund for employee purposes, including the purchase of books for use by the president’s cabinet and other staff members and the purchase of gift cards for employee recognition awards.

Effect: In some cases, the Follett textbook scholarship funds were used for purpose of employees rather than for textbook scholarships.

Cause: The cause is unknown.

Recommendation: Naugatuck Valley Community College should use Follett textbook scholarship receipts for textbook scholarships as indicated in the contract. (See Recommendation 19.)

Agency Response: Naugatuck Valley CC: “The college concurs.”

Correction of Attendance and Leave Records Errors from Previous Years – Middlesex CC

Background: Previous audits at Middlesex Community College have noted that attendance and leave records for part-time employees appeared to include

incorrect sick and vacation leave balances as of June 30, 2005. An information system error resulted in inaccuracies in Core-CT records of leave time accruals for part-time employees on a statewide basis after the implementation of Core-CT in October 2003. This problem was corrected in May 2005, but it was the responsibility of each state agency to retroactively correct the leave balances of part-time employees that occurred prior to May 2005. Subsequent audits have noted that the retroactive corrections were not made.

- Criteria:* Leave and attendance records should be maintained in accordance with applicable bargaining agreement contracts and Board of Regents personnel policies.
- Condition:* Recommendations were presented in previous audits to correct errors noted by the auditor, and the college was asked to conduct a review of part-time employees from that time period who were potentially affected by this condition and make the necessary changes. During the current audit year, it was determined that the exceptions presented in our previous audits were not adjusted, and no follow-up action was taken to identify and correct the population of employees potentially affected.
- Effect:* Leave and attendance records for current and former employees who worked on a part-time basis prior to May 2005 continue to be incorrect.
- Cause:* The college has not made it a priority to identify the employees affected by the original error and make the necessary corrections.
- Recommendation:* Middlesex Community College should identify all current and former employees affected by the Core-CT implementation error prior to May 2005 and make the necessary corrections. (See Recommendation 20.)
- Agency Response:* Middlesex CC: “The College will identify all employees affected by the CORE implementation prior to 2005 and make the necessary corrections as soon as possible.”

Cash Receipts Procedures – Tunxis CC

- Criteria:* Section 4-32 of the General Statutes requires that cash receipts of \$500 or more be deposited within 24 hours of receipt. In March 2013, Tunxis Community College obtained a two-business day waiver from the Office of the State Treasurer for receipts collected by armored car. The waiver requires that receipts must be picked up by the armored car service within 24 hours of receipt by the college.

- Condition:* We selected 25 receipts totaling \$66,910 for testing. We noted that 5 of these receipts were picked up by the armored car service 1 day later than required.
- Effect:* The college did not comply with the waiver obtained from the Office of the State Treasurer.
- Cause:* The Business Office was not closing out receipts in the timeframe that would enable it to comply with the waiver from the Office of the State Treasurer.
- Recommendation:* The Tunxis Community College Business Office should close out receipts and complete deposit procedures in a manner that ensures compliance with the waiver received from the Office of the State Treasurer. (See Recommendation 21.)
- Agency Response:* Tunxis CC: “The college agrees that some receipts were deposited late. Although dependent on the armored car pick-up, the college implemented a change in procedure in the cashier’s area to address this concern and deposits are being prepared and picked up timely.”

Payroll Reconciliations – Three Rivers CC

- Criteria:* Proper internal controls require that payroll reconciliations between Banner and CoreCT are performed in a timely manner.
- Condition:* We reviewed 4 Three Rivers Community College payroll reconciliations between Banner and Core-CT during the audited period. We noted that the reconciliations were not performed in a timely manner. The reconciliations were performed between 2 and 4 months late.
- Effect:* Internal control is weakened when payroll reconciliations are not performed in a timely manner.
- Cause:* The cause is unknown.
- Recommendation:* Three Rivers Community College should perform payroll reconciliations between Banner and Core-CT in a timely manner. (See Recommendation 22.)
- Agency Response:* Three Rivers CC: “The Agency agrees with this finding, but would like it noted that payroll reconciliations are performed in a timely manner (monthly) and submitted for review to the Director by the Associate Fiscal Administrative Officer. Any discrepancies (very rare) are discussed immediately as the reconciliation is being prepared and resolved. There

have been delays in the agency management sign-off which is part of a much larger comprehensive review of subsidiary accounts which takes a considerable time to complete.”

Timeliness of Bank Deposits – Quinebaug Valley CC

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

Condition: We selected 15 receipts batches from Quinebaug Valley Community College, totaling \$84,982, for testing. We noted that 2 batches were deposited in the bank 1 day later than required and 3 batches were deposited 2 days later than required.

Effect: The college was not in compliance with the timely deposit requirements of Section 4-32 of the Connecticut General Statutes.

Cause: The cause is unknown.

Recommendation: Quinebaug Valley Community College should improve its bank deposit procedures to comply with the prompt deposit requirements of Section 4-32 of the General Statutes. (See Recommendation 23.)

Agency Response: Quinebaug Valley CC: “Quinebaug Valley Community College currently contracts with Dunbar Services to deposit cash and checks three times per week. This occurs on Mondays, Wednesdays and Fridays. To rectify the timeliness of deposits to be in compliance with Section 4-32 of the Connecticut General Statutes, Quinebaug Valley shall start depositing funds on a daily basis and will also be requesting a written waiver to the Treasurer’s Office for occurrences where a holiday or weather will hinder a deposit being made within 24 hours.”

Student Activity Trustee Account Receipts – Tunxis CC

Criteria: The State Comptroller’s *Accounting Procedures Manual for Trustee Accounts*, in accordance with Section 4-32 of the General Statutes, requires that each state institution receiving cash belonging to the student activity account deposits these funds within 24 hours of receipt.

Condition: We selected 6 student activity revenue-generating events from the audited period for testing. From these items, we noted the following:

- For 3 of these events, totaling \$1,591 in receipts, the funds were remitted to the Business Office 1 day later than required for 1 event and 8 days later than required for 2 events.
- Two of the events were for ongoing activities in the Fall 2014 semester. For each activity, there was only 1 remittance to the Business Office. It is unlikely that all receipts occurred within a 1 or 2-day period. As such, more Business Office transfers should have been made. The absence of additional remittances indicates that timely incremental transfers were not made.

Effect: The college was not in compliance with the state’s timely deposit requirements.

Cause: Those administering student activities did not sufficiently emphasize compliance with the requirements for timely deposits.

Recommendation: Tunxis Community College should comply with the requirements of the General Statutes related to the deposit of student activity trustee account receipts. (See Recommendation 24.)

Agency Response: Tunxis CC: “The Director of Student Activities and Director of Finance have been working together to ensure all deposits are made timely. A change in procedures has been implemented where ongoing events and ‘ticketed’ events such as bus trips will be paid for at the cashier’s office. This will ensure timeliness of deposits. Clubs and club advisors have also been reminded that receipts must be brought to the cashier’s office timely.”

Software Inventory – Northwestern Connecticut CC

Criteria: The state property control manual requires that state agencies maintain a software inventory to track and control software.

Condition: We noted an expenditure for software that was not recorded on the Northwestern Community College software inventory list.

Effect: The college’s software inventory was not accurate.

Cause: Human error was the cause for this condition.

Recommendation: Northwestern Connecticut Community College should take steps to ensure that its software inventory is complete. (See Recommendation 25.)

Agency Response: Northwestern Connecticut CC: “The business office has implemented a

monthly monitoring of the software account code. Any purchases are now confirmed with IT and backup is provided to IT for entry on the software inventory report maintained by the IT department.”

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.

Board of Regents for Higher Education

- The Board of Regents for Higher Education should improve internal controls over time sheet approval. This finding is not being repeated.
- The Board of Regents should ensure that the steps required to terminate employee leave balances in Core-CT are completed. This finding is being repeated. (See Recommendation 3.)
- The Board of Regents should improve internal controls over inventory. This finding is being restated and repeated. (See Recommendation 13.)
- The Board of Regents should revise its current information technology disaster plan to include the Community Colleges. This finding is not being repeated.
- The Board of Regents should ensure compliance with the State Agencies' Retention/Disposition Schedule as it relates to P-Cards. This finding is not being repeated.
- The Board of Regents should improve internal control over personal service agreements. This finding is being repeated. (See Recommendation 2.)
- The Board of Regents should adopt a policy or procedure for the community colleges to follow to address the lack of time sheets for part-time lecturers throughout the community colleges system. This finding is being repeated. (See Recommendation 1.)

Asnuntuck Community College

- 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 the 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 the course work for which they were appointed. This finding is being repeated. (See Recommendation 1.)

- The College should take steps to ensure that, in extenuating circumstances, carryover of vacation days is approved by the College President. This finding is not being repeated.
- Internal control over time sheet approval should be improved. This finding is not being repeated.
- The College should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes. This finding is not being repeated.
- The College should comply with Community College Policies, State Comptroller's Memo 2000-15, and its own policies related to collection efforts for past-due accounts. This finding is not being repeated.
- The College should ensure that the audit report of its affiliated foundation addresses compliance with Sections 4-37e through 4-37i of the General Statutes. The finding is not being repeated.
- As relates to Student Activity Fund purchases, proper authorization should be obtained prior to the purchase of any goods or services. In addition, personal service agreements should be obtained for all personal services. This finding is not being repeated.
- The College should obtain and maintain Travel Authorization Forms with appropriate approvals for all employee travel as it relates to purchasing card transactions. This finding is not being repeated.
- The College should strengthen internal control over inventory records. This finding is not being repeated.

Gateway Community College

- Internal controls over Early Learning Center revenues should be improved. This finding is not being repeated.
- The College should execute contracts prior to the service period and should also comply with the Community Colleges Purchasing Policies as they relate to the creation of purchase orders. This finding is being repeated. (See Recommendation 4.)
- The College should improve internal controls related to the write-off of delinquent student receivables. This finding is being restated and repeated. (See Recommendation 14.)
- The College should comply with the requirements of the Community Colleges *Fixed Assets Inventory and Accounting Policy*. This finding is being restated and repeated. (See Recommendation 17.)

- The college should improve internal controls related to expenditures of the Student Activities Trustee Account. This finding is not being repeated.

Manchester Community College

- The Connecticut Community College System should implement a policy that requires all part-time lecturers to submit signed time sheets to their supervisors, and require the supervisor's signature and transmittal 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 appointed course work. This finding is being repeated. (See Recommendation 1.)
- The College should improve its compliance with the *Community College Purchasing Card Policy and Procedure Manual*. This finding is being repeated. (See Recommendation 5.)
- The College should improve internal controls over personal service agreements. This finding is being repeated. (See Recommendation 2.)
- The College should strengthen internal controls over the processing of leave accruals for employees who work as Temporary Service in a Higher Class. This finding is not being repeated.

Middlesex Community College

- The College should determine the total overpayment to an employee who was paid at the incorrect rate and seek restitution in accordance with applicable policies. This finding is not being repeated.
- The college should improve internal controls related to the employment contracts of Educational Assistants (EAs), Part-time Lecturers, and Noncredit Lecturers. This finding is being restated and repeated. (See Recommendation 9.)
- The College should identify all employees and former employees whose Attendance and Leave Records were affected by the Core-CT implementation error prior to May 2005 and make the necessary corrections. This finding is being repeated. (See Recommendation 20.)
- The College should ensure compliance with the employee termination procedures. This finding is being restated and repeated. (See Recommendation 3.)
- The College should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes. This finding is not being repeated.

- The Connecticut Community College System should implement a policy that requires all part-time lecturers to submit signed time sheets to their supervisors, and require the supervisor's signature and transmittal 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 appointed course work. This finding is being repeated. (See Recommendation 1.)
- The college should ensure that expenditures accounts are being charged properly based on the nature of each transaction. This finding is not being repeated.
- The College should ensure compliance with the Community College System's *Purchasing Card Policy and Procedure Manual*. This finding is not being repeated.
- The College should improve internal control over personal service agreements. This finding is being restated and repeated. (See Recommendation 2.)
- The College should improve internal control over Trustee Account expenditures. This finding is being restated and repeated. (See Recommendation 6.)
- The College should improve internal control over property control. This finding is being restated and repeated. (See Recommendation 13.)

Naugatuck Valley Community College

- The College should improve internal control over personal service agreements. This finding is being restated and repeated. (See Recommendation 2.)
- The College should comply with community college policies and State Comptroller's Memo 2000-15. The college should also improve internal control over accounts receivable. This finding is being restated and repeated. (See Recommendation 14.)

Northwestern Connecticut Community College

- The College should ensure that the steps required to terminate employee leave balances in Core-CT are completed. This finding is being repeated. (See Recommendation 3.)
- Internal control over expenditures should be improved. This finding is being repeated. (See Recommendation 4.)
- The college should take steps to ensure that the software inventory is complete. This finding is being repeated. (See Recommendation 25.)
- The College should ensure compliance with the Community College System's *Purchasing Card Policy and Procedure Manual*. This finding is being restated and

repeated. (See Recommendation 5.)

- The College should improve internal control over the petty cash account. This finding is not being repeated.
- The College should improve internal controls related to accounts receivable write-offs. This finding is not being repeated.
- The College should take steps to ensure that its inventory records are accurate. This finding is not being repeated.
- The College should ensure that the audit report of its affiliated foundation addresses compliance with Sections 4-37e through 4-37i of the General Statutes. This finding is not being repeated.

Norwalk Community College

- The College should ensure that expenditures charged to grants received from its affiliated foundation are consistent with the purposes and terms of the grants. Additionally, the college should take steps to comply with Section 1-84 subsection (c) of the General Statutes by adhering to the \$100 per year employee gift limitation established by the Office of State Ethics. This finding is not being repeated.
- The College should improve internal controls to comply with the competitive quotations requirements of the community colleges' Agency Purchasing Policies. This finding is not being repeated.
- The College should improve controls over the purchasing process by ensuring that all purchases are properly approved beforehand. Additionally, the college should ensure that written personal service agreements are signed by all relevant parties prior to the commencement of corresponding services. Furthermore, when applicable, the college should advertise for bids in the publications specified by Section 10a-151b of the General Statutes before making purchases exceeding \$50,000 in amount. This finding is being restated and repeated. (See Recommendation 4.)
- The College should strengthen controls over its time and effort reporting system for documenting payroll costs charged to federal programs to ensure compliance with the requirements of 2 CFR, Part 220. This finding is not being repeated.
- The College should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by promptly documenting, through signed certifications, that no conflicts exist in instances where an employee holds multiple state positions. This finding is not being repeated.
- The College should strengthen controls over the payroll and human resources functions by ensuring that employment contracts are signed by all appropriate parties in a timely

manner. This finding is not being repeated.

- The College should improve internal control over equipment by following the requirements set forth in the Connecticut Community Colleges' Fixed Asset Inventory and Accounting Policy. This finding is not being repeated.
- The College should take steps to strengthen controls over purchasing card transactions by ensuring compliance with the *Community Colleges' Purchasing Card Policy and Procedure Manual*. Additionally, the college should ensure that purchasing card log reconciliations are reviewed and approved by the appropriate personnel in a timely manner. This finding is being restated and repeated. (See Recommendation 5.)
- The College should perform monthly reconciliations of its petty cash account that clearly show a reconciliation between its books and the balance in its petty cash bank account. Additionally, the college should promptly resolve any outstanding reconciling items noted. This finding is not being repeated.
- The College should take steps to ensure that its affiliated foundation's audit reports address compliance with Sections 4-37e through 4-37i of the General Statutes. This finding is not being repeated.

Quinebaug Valley Community College

- The College should ensure that the notice of appointment letter for each part-time lecturer is signed by both the College and the lecturer prior to the start of the contract period. This finding is being repeated. (See Recommendation 9.)
- The College should certify that all adjunct faculty members have completed their contracts for each term. This finding is being repeated. (See Recommendation 1.)
- The College should comply with the requirement to complete a dual employment form for each state employee who holds multiple jobs. This finding is being restated and repeated. (See Recommendation 7.)
- The College should comply with the statutory requirement of notifying the Auditors of Public Accounts and the State Comptroller of any unsafe handling of state funds or resources. This finding is not being repeated.

Three Rivers Community College

- 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. This finding is being repeated. (See Recommendation 1.)

- The College should comply with established internal controls related to student activity trustee account disbursements. This finding is being repeated. (See Recommendation 6.)
- The College should improve internal controls related to Part-time Lecturers' employment contracts. This finding is being repeated. (See Recommendation 1.)
- The College should obtain proper authorization for writing off accounts receivable of less than \$1,000 as required by Section 3-7 of the General Statutes. This finding is not being repeated.
- The College should ensure that proper authorization is obtained prior to the purchase of goods or services. This finding is not being repeated.
- The College should improve internal control over purchasing by approving PSAs in a timely manner. This finding is being repeated. (See Recommendation 2.)
- The College should improve internal control to comply with the competitive quotations requirements in the Community Colleges' Agency Purchasing Policies. This finding is not being repeated.

Tunxis Community College

- The College should ensure that the notice of appointment is accepted and approved prior to the starting date of the period of appointment. This finding is not being repeated.
- The College should ensure that a valid contract is in place prior to incurring expenditures for services. This finding is not being repeated.
- The College should improve its compliance with the Community Colleges' *Purchasing Card Policy and Procedures Manual*. This finding is not being repeated.
- The College should comply with the records retention schedule published by the Connecticut State Library. This finding is not being repeated.
- The College should take steps to ensure compliance with Section 4-32 of the General Statutes. This finding is being repeated. (See Recommendation 21.)
- The College should improve internal control related to equipment over the Dental Hygiene program. This finding is not being repeated.
- The College should improve internal control over student activity trustee account purchases. This finding is being restated and repeated. (See Recommendation 6.)

Current Audit Recommendations:

- 1. The Board of Regents for Higher Education should implement a policy that requires all part-time lecturers to submit timesheets to their supervisors, and require their supervisors' approval and transmittal to the payroll department as a means of documenting services performed.**

Alternatively, the Board of Regents should implement a system that requires, for each term, independent documented certification that part-time lecturers completed their appointed coursework.

Comment:

Testing performed at Asnuntuck, Gateway, Manchester, Middlesex, Naugatuck Valley, Northwestern Connecticut, Norwalk, Quinebaug Valley, Three Rivers, and Tunxis community colleges noted that they do not require part-time lecturers to submit timesheets to support time worked.

- 2. The Board of Regents for Higher Education and community colleges should improve internal controls over personal service agreements. In addition, the colleges should ensure that all established policies and procedures related to PSA are followed.**

Comment:

Weaknesses in the administration of PSAs were noted at the Board of Regents and the following community colleges: Asnuntuck, Manchester, Middlesex, Naugatuck Valley, Northwestern Connecticut, Three Rivers, and Tunxis.

- 3. The Board of Regents for Higher Education and community colleges should ensure that the steps required to terminate employee leave balances in Core-CT are completed.**

Comment:

We noted that leave and attendance records were not eliminated for terminated employees at the following community colleges: Gateway, Middlesex, Northwestern Connecticut, and Tunxis.

- 4. The Board of Regents for Higher Education and community colleges should improve internal controls over purchasing.**

Comment:

We noted instances in which purchasing authorizations were obtained after the receipt of goods and/or services at the following community colleges: Asnuntuck, Gateway, Manchester, Northwestern Connecticut, and Norwalk.

- 5. The Board of Regents for Higher Education and community colleges should ensure compliance with the Connecticut Community College System's *Purchasing Card Policy and Procedure Manual*.**

Comment:

Instances of noncompliance with the *Purchasing Card Policy and Procedure Manual* were noted at the following community colleges: Manchester, Northwestern Connecticut, Norwalk, Quinebaug Valley, and Three Rivers.

- 6. The Board of Regents for Higher Education and community colleges should improve internal controls related to student activity trustee account purchasing.**

Comment:

We noted the need for improvement in student activity trustee account purchases at the following community colleges: Middlesex, Three Rivers, and Tunxis.

- 7. The Board of Regents for Higher Education and community colleges should comply with the dual employment requirements of Section 5-208a of the General Statutes.**

Comment:

We noted instances of dual employment forms not being properly completed at the following community colleges: Gateway, Naugatuck Valley, Quinebaug Valley, and Three Rivers.

- 8. Asnuntuck Community College and Quinebaug Valley Community College should improve internal controls over the administration of student sick leave.**

Comment:

At Asnuntuck Community College, we noted that sick leave accruals were not processed in a timely manner. At Quinebaug Valley Community College, we noted that, for the students we reviewed, the initial accruals were overstated for the June 2015 revised procedures.

- 9. Middlesex Community College, Naugatuck Valley Community College, and Quinebaug Valley Community College should improve internal controls related to notices of appointment for part-time employees.**

Comment:

At Middlesex Community College, we noted 2 instances in which signatures by the college and the employee were obtained after the start of the contract. In addition, the college was unable to provide documentation to support 1 notice of reappointment. At Naugatuck Valley Community College, we noted 2 contracts that were signed by the employees after the start date. At Quinebaug Valley Community College, we noted 2 instances in which the notice of appointment for a part-time lecturer was accepted by the appointee and approved by the college president after the start date of the appointment.

- 10. Manchester Community College and Northwestern Connecticut Community College should improve procedures related to termination payments. In addition, they should correct the errors regarding termination payments made.**

Comment:

We noted underpayments to 2 employees at Manchester Community College and an overpayment to an employee at Northwestern Connecticut Community College.

- 11. Asnuntuck Community College and Tunxis Community College should improve internal control over Workforce Development courses revenues.**

Comment:

At Asnuntuck Community College, we noted an instance in which a client was identified differently in 2 systems. At Tunxis Community College, our testing noted an instance in which the Bristol campus administered a course, performed the billing, and initially received the cash receipts.

- 12. Gateway Community College, Naugatuck Valley Community College, and Northwestern Connecticut Community College should ensure compliance with the statutory requirements related to foundations affiliated with state agencies. In addition, Naugatuck Valley Community College should seek reimbursement for expenses incurred on behalf of its foundation.**

Comment:

At Gateway Community College, we noted that the independent auditor's report of the foundation for the calendar year ended December 31, 2014, was not in compliance with Section 4-37f, subsection (8), of the General Statutes. This subsection requires the report to include an opinion addressing the foundation's conformance with Sections 4-37e through 4-37i of the General Statutes. At Naugatuck Valley Community College, testing revealed that the college was not reimbursed for \$4,315 in printing costs incurred for the benefit of its foundation. Section 4-37f subsection (9) requires reimbursement for incurred foundation expenses. At Northwestern Connecticut Community College, we

noted that the foundation was not in compliance with Section 4-37j of the General Statutes, which requires it to implement a whistleblower policy.

13. The Board of Regents and Middlesex Community College should improve internal control over fixed assets.

Comment:

At the Board of Regents, we noted that 1 piece of equipment was not affixed with a barcode, and inconsistencies existed between inventory records and physical observation for 2 pieces of equipment. At Middlesex Community College, we noted that the college did not follow up on 277 items that could not be located. We also noted numerous shortcomings in other fixed assets testing.

14. Gateway Community College and Naugatuck Valley Community College should comply with the community colleges' student accounts receivable procedures.

Comment:

We noted an instance at Gateway Community College in which a hold was not placed on a student's account until 9 months after the college became aware that an unpaid balance existed. At Naugatuck Valley Community College, a hold was removed from a student's account and the student was permitted to register for additional courses despite having an unpaid balance. The previously existing past due amount and the amount for the new courses were eventually written off.

15. The Board of Regents for Higher Education should comply with the requirements of the Family Medical Leave Act. In addition, management of the Board of Regents should not override established payroll procedures.

Comment:

We noted instances in which timesheets for an employee were inaccurately coded to reflect that the employee was working when the employee was not at work. Our review also disclosed that the Board of Regents did not comply with federal and state FMLA requirements by granting FMLA approval to the employee when the employee had been deemed incapable of returning to work.

16. Naugatuck Valley Community College should comply with the OSC State of Connecticut Payroll Manual and not provide monetary awards to specific groups of employees in the future.

Comment:

In 2015, Naugatuck Valley Community College awarded 5 employees outstanding

service awards, in the amount of \$600 each, without having the authorization to make such awards.

17. Gateway Community College should only purchase equipment that it needs.

Comment:

During our physical observation of equipment items, we noted 3 printers that were in the original packaging and had not been used. Our inquiry revealed that the printers were purchased more than 3 years prior to our review.

18. Naugatuck Valley Community College should discontinue the practice of paying for student scholarships using unrestricted operating funds. In addition, the college should reimburse the unrestricted operating fund using resources from the Parking Fines fund for the total amount of expenditures transferred during the audited period.

Comment:

Community college policy states that funds received through traffic fines are to be used for student scholarships.

Expenditures for Presidential Scholarships were initially charged to the Parking Fines Fund in Banner and subsequently transferred to and paid out of the unrestricted operating fund. These transfers totaled \$8,568 during the audited period.

19. Naugatuck Valley Community College should use Follett textbook scholarship receipts for textbook scholarships as indicated in the contract.

Comment:

The contract between Follett Higher Education Group, Inc. and the community colleges includes a section stating that Follett will provide a percentage of revenues for textbook scholarship. Our review disclosed at least 9 instances, totaling approximately \$3,354, in which these funds were used for other purposes.

20. Middlesex Community College should identify all current and former employees affected by the Core-CT implementation error prior to May 2005 and make the necessary corrections.

Comment:

The college has not corrected errors in attendance and leave records for part-time employees dating back to the Core-CT implementation.

- 21. The Tunxis Community College Business Office should close out receipts and complete deposit procedures in a manner that ensures compliance with the waiver received from the Office of the State Treasurer.**

Comment:

State statutes require that cash receipts of \$500 or more be deposited within 24 hours of receipt. The college has obtained a two-business day waiver from the State Treasurer for receipts collected by armored car. The waiver requires that receipts must be picked up by the armored car service within 24 hours of receipt by the college. Testing revealed instances in which receipts were picked up by the armored car service 1 day later than required.

- 22. Three Rivers Community College should perform payroll reconciliations between Banner and Core-CT in a timely manner.**

Comment:

We reviewed 4 of the college's payroll reconciliations between Banner and Core-CT during the audited period. We noted that the reconciliations were performed between 2 and 4 months late.

- 23. Quinebaug Valley Community College should improve its bank deposit procedures to comply with the prompt deposit requirements of Section 4-32 of the General Statutes.**

Comment:

Testing disclosed 2 instances in which receipts batches were deposited 1 day later than required and 3 instances in which batches were deposited 2 days later than required.

- 24. Tunxis Community College should comply with the requirements of the General Statutes related to the deposit of student activity trustee account receipts.**

Comment:

We reviewed 6 student activity revenue-generating events. We noted that for 3 of these events, receipts were remitted to the Business Office 1 day later than required for 1 event and 8 days later than required for 2 events. We also reviewed receipts for 2 ongoing activities in the Fall 2014 semester. For each ongoing activity, there was only 1 remittance to the Business Office.

- 25. Northwestern Connecticut Community College should take steps to ensure that its software inventory is complete.**

Comment:

We noted an expenditure for software that was not included on the college's software inventory list.

ACKNOWLEDGEMENT

The Auditors of Public Accounts would like to recognize the auditors who contributed to this report:

Jamie R. Drozdowski
Timothy M. LePore
Marva N. Robinson
Jamie E. Swope

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:



John C. Geragosian
State Auditor



Robert J. Kane
State Auditor