

# STATE OF CONNECTICUT

**AUDITORS' REPORT  
BOARD OF TRUSTEES FOR  
COMMUNITY-TECHNICAL COLLEGES  
MANCHESTER COMMUNITY COLLEGE  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 1998, 1999 AND 2000**

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

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February 15, 2002

**AUDITORS' REPORT  
BOARD OF TRUSTEES FOR COMMUNITY-TECHNICAL COLLEGES  
MANCHESTER COMMUNITY COLLEGE  
FOR THE FISCAL YEARS ENDED JUNE 30, 1998, 1999 AND 2000**

We have examined the financial records of Manchester Community College (College) for the fiscal years ended June 30, 1998, 1999 and 2000.

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

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

**COMMENTS**

**FOREWORD:**

On October 18, 1999, the Board of Trustees for Community-Technical Colleges (the Board) approved a resolution changing the names of the colleges within the Community-Technical College system from Community-Technical Colleges to Community Colleges. Accordingly, during the audited period, the former Manchester Community-Technical College changed its name to Manchester Community College. The Board's name remained unchanged.

As such, Manchester Community College, located in Manchester, Connecticut, is one of 12 two-year institutions of higher education which collectively form the Connecticut Community College system. The Board of Trustees for Community-Technical Colleges administers the 12 institutions.

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

Dr. Jonathan M. Daube served as President of the College during the audited period.

**Recent Legislation:**

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

Public Act 97-293 – Effective July 1, 1997, Section 3 of this Act requires the Board of Trustees of the Community-Technical Colleges to establish a permanent Endowment Fund to encourage donations from the private sector. The net earnings on the endowment principal are dedicated and made available to Community-Technical Colleges for scholarships and programmatic enhancements. Section 1 creates a Higher Education State Matching Grant Fund, administered by the Department of Higher Education, to match one half of the private funds raised for those endowment funds. Section 3 establishes the annual maximum State grant commitment for the Community-Technical Colleges for the fiscal years through fiscal year 2008 – 2009.

Public Act 98-252 – Effective July 1, 1998, Section 48 of this Act amended Section 10a-8b of the General Statutes, requiring the amount the Department of Higher Education annually transfers to the individual higher education constituent units' endowment funds from the Higher Education State Matching Grant Fund to be certified based on agreed upon procedures developed by an independent certified public accountant or, upon request, by the Auditors of Public Accounts to determine statutory compliance. Further, effective July 1, 1998, Section 50 of this act allowed the carry forward to future years of gifts eligible for State Endowment Fund matching funds not included in the total certified by Chairman of the Board of Trustees each February 15.

Special Act 98-6 – Effective May 19, 1998, Section 1 of this Act amended Section 11 of Special Act 97-21, appropriating, for the 1998-1999 fiscal year, \$1,149,000 of State General Fund money to the Regional Community-Technical Colleges to be used to help support a tuition freeze.

Public Act 99-285 – Effective July 1, 1999, Section 7 of this Act amended Section 10a-77a of the General Statutes to allow for the administration of the Community-Technical College endowment fund by a nonprofit entity so that interest on State bonds used to set up the fund can be Federally tax free. Section 7 further required these endowment fund monies to be held in a trust fund. It also required endowment fund eligible gifts to be deposited into a permanent endowment fund in the appropriate college foundation. In addition, it required that a share of the endowment fund matching grants for the Community-Technical Colleges, and a portion of the earnings on these grants, be transferred annually to such endowment funds.

Section 11, subsection (b) of this Act, also effective July 1, 1999, amended Section 10a-151b of the General Statutes to allow constituent units of public higher education to make purchases based on competitive negotiation as well as competitive bidding. Section 11 also increased the minimum cost of purchases that must be advertised from \$25,000 to \$50,000 and requires that purchases costing \$50,000 or less, rather than \$25,000 or less, be made in the open market and be based, when possible, on at least three competitive bids. It also increased the threshold below which purchases can be made without competitive bidding or negotiation to \$10,000 or less rather than \$2,000 or less.

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

**Enrollment Statistics:**

Enrollment statistics compiled by the College’s Institutional Research and Planning Department showed the following enrollment of full-time and part-time students during the two audited years:

	<b>Fall</b>	<b>Spring</b>	<b>Fall</b>	<b>Spring</b>	<b>Fall</b>	<b>Spring</b>
	<b><u>1997</u></b>	<b><u>1998</u></b>	<b><u>1998</u></b>	<b><u>1999</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>
Full-time	1480	1285	1494	1293	1583	1263
Part-time	<u>3958</u>	<u>3652</u>	<u>3714</u>	<u>3495</u>	<u>3546</u>	<u>3278</u>
Total enrollment	<u>5438</u>	<u>4937</u>	<u>5208</u>	<u>4788</u>	<u>5129</u>	<u>4541</u>

**RÉSUMÉ OF OPERATIONS:**

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

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

**General Fund:**

General Fund receipts totaled \$10,380, \$5,149 and \$5,581 for the fiscal years ended June 30, 1998, 1999 and 2000, respectively. During the three audited years, receipts consisted primarily of refunds of expenditures of budgeted accounts.

General Fund expenditures consisted entirely of personal services costs. Expenditures totaled \$11,608,913, \$12,880,806 and \$13,064,799 for the fiscal years ended June 30, 1998, 1999 and 2000, respectively, compared to \$11,267,513 for the fiscal year ended June 30, 1997. These totals represented increases of \$341,400 (three percent), \$1,271,893 (eleven percent) and \$183,993 (one percent), respectively, during the audited years. These increases appear to have been mostly the result of salary increases attributed to collective bargaining agreements and the hiring of employees to replace those who retired during the 1996-1997 fiscal year.

**State Capital Projects:**

Capital projects funds expenditures during the fiscal years ended June 30, 1998, 1999 and 2000, totaled \$1,041,714, \$7,999,404 and \$14,848,438, respectively. Expenditures were made primarily for the development costs associated with the new building which contains the Learning Resource Center, classrooms and office space and equipment purchases.

**Operating Fund:**

The College's operating revenues and expenditures (excluding personal services expenditures charged to the General Fund) are accounted for within the Operating Fund. Receipts of the Operating Fund consisted primarily of student tuition and fees and Federal and other student financial assistance monies received. Receipts generated from the College-run bookstore were also accounted for within this fund.

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

	<b>Fiscal Year <u>1996-1997</u></b>	<b>Fiscal Year <u>1997-1998</u></b>	<b>Fiscal Year <u>1998-1999</u></b>	<b>Fiscal Year <u>1999-2000</u></b>
Total Receipts	<u>\$6,541,595</u>	<u>\$9,403,033</u>	<u>\$10,655,938</u>	<u>\$8,738,797</u>

Total Operating Fund receipts increased over the 1997-98 and 1998-1999 fiscal years and decreased during the 1999-2000 fiscal year

Total Operating Fund receipts increased by \$2,861,438 (43.7 percent) and by \$1,252,905 (13.3 percent) during the 1997-1998 and 1998-1999 fiscal years as compared to the previous fiscal years, a result in part from an increase in certain State and Federal grant monies received. Fund receipts fell by \$1,917,797 (18.0 percent) during the 1999-2000 fiscal year compared to the 1998-1999 fiscal year. Fund receipts fell during the 1999-2000 fiscal year, mostly as a result of a change in the method used by the Community Colleges to report student financial aid-related tuition and fee revenues to the State Comptroller. During the 1998-1999 fiscal year, the Community Colleges reported to the State Comptroller all student financial aid revenues recorded in their general ledgers, including both actual cash receipts received from Federal, State and private financial aid sources and internal, non-cash transactions of tuition and fee revenues recorded in their general ledgers pending amounts receivable from Federal, State and private financial aid sources. This method had the effect of duplicating some receipts. Effective during the 1999-2000 fiscal year, the Community Colleges, discontinued reporting to the State Comptroller the above internal, non-cash transactions of tuition and fee revenues recorded in the Colleges' general ledgers. (However, during the 1999-2000 fiscal year, the Colleges' continued to report to the State Comptroller actual cash receipts of monies received from Federal, State and private financial aid sources.)

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

	<b>In-State</b>	<b>Out-of-State</b>	<b>N.E. Regional Program</b>
1996-1997	\$ 1,560	\$ 4,680	\$ 2,340
1997-1998	1,608	5,232	2,412
1998-1999	1,608	5,232	2,412
1999-2000	1,608	5,232	2,412

As can be seen above, tuition rates remained unchanged during the audited period. In December 1997, the Board of Trustees for Community-Technical Colleges, in an attempt to further eliminate barriers to higher education, approved a freeze of tuition and fees at the State's 12 community colleges. The freeze remained in effect throughout the audited period, supported by special appropriations granted by the State Legislature to offset the revenue lost during times of rising College costs.

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

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

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

	<b>Fiscal Year</b> <b><u>1996-1997</u></b>	<b>Fiscal Year</b> <b><u>1997-1998</u></b>	<b>Fiscal Year</b> <b><u>1998-1999</u></b>	<b>Fiscal Year</b> <b><u>1999-2000</u></b>
Personal Services	\$ 2,319,984	\$ 1,078,351	\$ 989,296	\$ 2,258,831
Contractual Services	1,734,600	1,947,516	1,923,384	2,116,467
Commodities	557,872	551,570	663,477	800,605
Revenue Refunds	262,672	155,003	1,384,334	1,566,942
Sundry Charges	2,383,091	2,560,924	3,124,692	405,702
Equipment and Other	395,491	242,796	401,352	1,113,170
Building Improvements	<u>333</u>	<u>21,937</u>	<u>14,537</u>	<u>19,763</u>
Total Expenditures	<u>\$ 7,654,043</u>	<u>\$ 6,558,097</u>	<u>\$ 8,501,072</u>	<u>\$ 8,281,480</u>

Expenditures were made up of costs associated with personal services, student financial assistance (included in the Sundry Charges category) and other College operating costs. Operating Fund expenditures decreased by \$1,095,946 (14.3 percent), increased by \$1,942,975 (29.6 percent), and decreased by \$219,592 (2.6 percent) during the 1997-1998, 1998-1999 and 1999-2000 fiscal years, respectively, compared to the previous fiscal years. The decrease during the 1997-1998 fiscal year was due to a reduction in personal service and related fringe benefit costs through staff reduction prompted by an early retirement incentive in August 1997. The increase during the 1998-1999 fiscal year was due, in part, to expenditures associated with additional State and Federal grant monies received, according to College officials. In addition, during the 1998-1999 fiscal year, revenue refunds increased sharply, compared to the previous year, primarily due to a coding change. In the 1998-1999 fiscal year, the Community-Technical Colleges began to code as revenue refunds disbursements to students for student financial assistance amounts awarded in excess of the amounts the students owed the Colleges. Fund expenditures fell during the 1999-2000 fiscal year, mostly as a result of a change in the method used by the Community Colleges to report student financial aid expenditures to the State Comptroller. During the 1998-1999 fiscal year, the Community Colleges reported to the State Comptroller all student financial aid expenditures recorded in their general ledgers, including both actual cash disbursements of financial aid checks paid to students and internal, non-cash

transactions (coded as Sundry Charges on the State Comptroller's records) of amounts charged to their general ledger student financial aid accounts pending amounts receivable from Federal, State and private financial aid sources. Effective during the 1999-2000 fiscal year, the Community Colleges, after consulting with the State Comptroller's Office, discontinued reporting to the State Comptroller the above internal, non-cash transactions of charges to the Colleges' general ledger student financial aid accounts. (However, during the 1999-2000 fiscal year, the Colleges continued to report to the State Comptroller actual cash disbursements of student financial assistance checks paid to students.)

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

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

Fund expenditures totaled \$37,099, \$18,802 and \$635,446 during the 1997-1998, 1998-1999 and 1999-2000 fiscal years, respectively. Expenditures were made primarily for the purchase of new equipment and the development costs associated with the new building.

**Fiduciary Funds:**

**Student Activity Fund:**

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

Receipts, as presented in financial statements prepared by the College, totaled \$126,344, \$124,044 and \$145,335 in the respective audited years. In the 1997-98 and 1998-99 fiscal years, receipts decreased by \$49,405 and \$2,300, compared to the previous years. This was in part due to a decline in student enrollment and a corresponding fall in the level of Student Activity Fees collected. A decrease in the level of student organization receipts collected also contributed to the general fall in fund receipts. In the 1999-2000 fiscal year, receipts increased by \$21,311, compared to the previous year. While enrollment continued to decrease, student revenue receipts increased. Receipts were largely made up of student activity fees assessed on all students and funds raised by various student organizations.

Expenditures, according to financial statements prepared by the College, totaled \$100,947, \$109,335 and \$137,633 in the respective audited years, and were mostly made to cover the costs of student organizations and related activities.

**Institutional General Welfare Fund:**

The Institutional General Welfare Fund operated under the provisions of Sections 4-56 through 4-58 of the General Statutes. The fund was established to record the financial activities

of any gifts, donations or bequests, including scholarships made to benefit students of the College.

Receipts, as shown on financial statements prepared by the College, totaled \$203,237, \$286,019 and \$329,615 in the 1997-1998, 1998-1999 and 1999-2000 fiscal years, respectively. During the audited years, major sources of receipts included student financial aid loan checks paid jointly to the student and the College. These checks were deposited into the fund, with the balances distributed to students after amounts owed the College were deducted. Receipts also included checks deposited into the fund to make change, scholarship monies received and commencement fees.

Financial statements prepared by the College reported expenditures which totaled \$196,556, \$293,133 and \$335,797 during the respective audited years. Disbursements primarily included the above-mentioned distribution of balances due on student financial aid loan checks received, as well as scholarships granted and payments related to commencement costs.

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

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

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

Audits of the books and accounts of the Foundation were performed by an independent certified public accounting firm for the years ended December 31, 1998, 1999 and 2000, in accordance with Section 4-37f, subsection (8), of the General Statutes. Corresponding audit reports expressed unqualified opinions on the Foundation's financial statements and indicated compliance, in all material respects, with Sections 4-37e through 4-37i of the General Statutes.

## CONDITION OF RECORDS

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

### **Inventory Control:**

*Criteria:* The State of Connecticut's *Property Control Manual*, under authority of Section 4-36 of the General Statutes, sets forth criteria and policies over assets owned or leased by a State agency. Requirements include, among other things, that capital equipment and certain other controllable items be recorded in property control records and that an annual report reflecting the total of physical inventory as of June 30, each year, be submitted to the State Comptroller.

Sound internal controls require that adequate receiving and inventory control records be maintained to help ensure that purchased goods received matched goods shipped by the vendor from whom they were purchased and to enable College officials to locate goods purchased.

*Condition:* We tested 39 items of equipment consisting mainly of computers. We found that College officials could not locate for our inspection one of the computers. We also noted that five items were not in their listed location.

*Effect:* Equipment inventory listings do not accurately reflect the item location.

*Cause:* Inventory transfer slips were not prepared for the moved items.

*Recommendation:* The College should improve controls over its property by following the property control requirements set forth by the State Comptroller and by implementing record keeping procedures to ensure that items are traceable to inventory records and can be readily located. (See Recommendation 1.)

*Agency Response:* "Effective July 1, 2001, the College began to use the Banner Fixed Asset Module. This system will improve controls and accountability over our capitalized assets. A Fixed Asset policies and procedures manual has been developed by the Chancellor's Office."

### **Personal Service Agreements:**

*Criteria:* Sound internal control procedures require personal service agreements to be signed by appropriate College officials prior to the contract term.

In addition, it is a good business practice to set up written contracts when entering agreements with individuals or organizations for the performance of personal services.

*Condition:* We tested 12 personal service agreement contracts during the audited period and found that four were approved by College officials either after corresponding services had begun or after services had been completed. Additionally, we found that two of the approval signatures were not dated.

*Effect:* Internal controls over personal service agreements were weakened. Specifically, assurance was lessened that the terms of personal service agreements met the approval of the College administration prior to the performance of such contracts.

*Cause:* Evidently, controls in place were not effective in obtaining timely personal service agreement approvals.

*Recommendation:* The College should improve both its controls and statutory compliance in connection with personal service agreements by ensuring that all such agreements are approved by appropriate officials in a timely manner. (See Recommendation 2.)

*Agency Response:* “The College will continue to stress the importance of the requirement to secure approvals from authorized officials for personal service agreements in a timely manner.”

**Late Reporting of Receipts:**

*Criteria:* Section 4-32 of the General Statutes, among other things, requires each State agency receiving monies totaling \$500 or more to account for and deposit these amounts into a bank account approved by the State Treasurer within 24 hours of receipt. State Treasurer’s memorandum T-88-BR2, dated March 21, 1988, says to “account for” means to inform the Treasurer, through a specific deposit document, of all receipts received.

*Condition:* The State Treasurer’s audit team alerted us to late reporting of receipts by the College and our subsequent review disclosed two receipts totaling \$19,992 which were reported to the Treasurer 11 and 12 days late.

In a letter dated September 3, 1999, we reported this matter to the Governor and other officials, pursuant to Section 2-90 of the General Statutes.

*Effect:* Section 4-32 of the General Statutes was not fully complied with, making it more difficult for the State Treasurer's Office to reconcile its records of State monies received.

*Cause:* It had been the College's practice to send reports of receipts to the State Treasurer accompanied by validated bank deposit receipts. We were told that there were delays in receiving such validated receipts from the bank, delays which, in turn, delayed the College's reporting of these receipts to the Treasurer.

*Resolution:* We were informed by Officials from the State Treasurer's Office that State agencies should report to their office within 24 hours of receipt and that such reports need not be accompanied by validated bank deposit receipts.

As of June 2001, the College files deposits electronically with the State Treasurer's Office on a daily basis and the CO-39 and bank deposit slip is no longer forwarded.

## RECOMMENDATIONS

### *Status of Prior Audit Recommendations:*

- Improve controls over equipment by following the property control requirements set forth by the State Comptroller. Inventory transfer slips were not prepared for all items moved. We noted some improvement in the property control conditions noted in our last audit, however, we found further weaknesses during this review. We are, therefore, repeating this recommendation (See Recommendation 1.)
- Develop procedures to assure the College's affiliated foundation complies with statutory sections related to audit reports. We noted improvement in this area. Therefore, the recommendation is not being repeated.
- Improve internal controls over personal service agreements. We noted continuing problems in this area and we are therefore repeating this recommendation. (See Recommendation 2.)

### *Current Audit Recommendations:*

- 1. The College should improve controls over its property by following the property control requirements set forth by the State Comptroller and by implementing record keeping procedures to ensure that items are traceable to inventory records and can be readily located.**

Comment:

We tested 39 pieces of equipment during the audited period and found that College officials could not locate for our inspection 1 of the items. We also noted that five items were not in their listed location due to inventory transfer slips not being prepared.

- 2. The College should improve both its controls and statutory compliance in connection with personal service agreements by ensuring that all such agreements are approved by appropriate officials in a timely manner.**

Comment:

We tested twelve personal service agreement contracts during the audited period and found that four were approved by College officials either after corresponding services had begun or after services had been completed. Additionally, we found that two of the agreement approvals were not dated.

## INDEPENDENT AUDITOR'S CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of Manchester Community College for the fiscal years ended June 30, 1998, 1999 and 2000. This audit was primarily limited to performing tests of the College's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the College's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the College are complied with, (2) the financial transactions of the College are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the College are safeguarded against loss or unauthorized use. The financial statement audits of Manchester Community College for the fiscal years ended June 30, 1998, 1999 and 2000, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

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

### **Compliance:**

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

As part of obtaining reasonable assurance about whether the College complied with laws, regulations, contracts, and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the College's financial operations for the fiscal years ended June 30, 1998, 1999 and 2000, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

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

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

A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants or the requirements to safeguard assets that would be material in relation to the College's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the College being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over the College's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. However, of the reportable conditions described above, we believe the following reportable condition to be a material or significant weakness: the College's weaknesses in controls over equipment.

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

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

**CONCLUSION**

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

Margaret E. Dodge  
Associate Auditor

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts