

STATE OF CONNECTICUT

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

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

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November 27, 2001

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

We have examined the financial records of Middlesex Community College (College) for the fiscal years ended June 30, 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 and contracts, 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 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 Middlesex Community-Technical College changed its name to Middlesex Community College. The Board's name remained unchanged.

Middlesex Community College is a two-year institution of higher education that operates primarily under the provisions contained in Sections 10a-71 through 10a-80 of the General Statutes. Its main campus and administrative offices are located in Middletown. The College also operates a center in Meriden.

The College is accredited by the New England Association of Schools and Colleges, Inc. until

Fall 2002.

Dr. Sharon Y. Hart served as President until July 16, 2000. Dr. Cathryn L. Addy served as Interim President from July 17, 2000 until January 1, 2001. Dr. Wilfredo Nieves was appointed President on January 2, 2001.

Recent Legislation:

The following notable legislation took effect during the audited period:

Public Act 98-252 – Effective July 1, 1998, Section 48, 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 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 showed the following enrollment of full-time and part-time students during the two audited years:

	Fall 1998	Spring 1999	Fall 1999	Spring 2000
Full-time students	519	499	582	480
Part-time students	1,754	1,644	1,735	1,629
Total Enrollment	<u>2,273</u>	<u>2,143</u>	<u>2,317</u>	<u>2,109</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-Technical Colleges' Operating Fund.

The College also operates two fiduciary funds, the Student Activity Fund and the Institutional General Welfare Fund.

General Fund:

General Fund receipts totaled \$317 for the fiscal year ended June 30, 1999, and consisted of refunds of expenditures of budgeted accounts. There were no General Fund receipts for the fiscal year ended June 30, 2000.

General Fund expenditures totaled \$5,946,031 and \$6,311,442 during the fiscal years ended June 30, 1999 and 2000, respectively, and consisted of personal services expenditures. These totals represent a decrease of \$33,853 (one percent) and an increase of \$365,411 (six percent), respectively, during the audited fiscal years. The decrease in expenditures in the fiscal year ended June 30, 1999, was due primarily to a significant number of retirements occurring in the fiscal year ended June 30, 1998. The increase in expenditures in the fiscal year ended June 30, 2000, was due to an increase in the number of filled General Fund positions.

Capital Projects Funds:

Capital projects funds expenditures totaled \$933,502 and \$1,940,125 during the fiscal years ended June 30, 1999 and June 30, 2000, respectively.

These expenditures consisted primarily of costs related to the installation of a centralized heating and cooling system for the College's four buildings.

Tax-Exempt Proceeds Fund:

Tax-Exempt Proceeds Fund expenditures totaled \$260 in the fiscal year ended June 30, 1999. There were no expenditures from this fund in the fiscal year ended June 30, 2000.

Operating Fund:

The College's operating revenues and expenditures (excluding certain 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 financial assistance.

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

	Fiscal Year		
	<u>1997-1998</u>	<u>1998-1999</u>	<u>1999-2000</u>
Total Receipts	<u>\$4,131,021</u>	<u>\$4,740,537</u>	<u>\$4,010,070</u>

Total Operating Fund receipts increased 15 percent during the 1998-1999 fiscal year, as a result of an increase in State and Federal grant funds received during the year. Receipts decreased by 15 percent in the 1999-2000 due to a change in the method the Community Colleges used to account for student financial aid receipts. Prior to the 1999-2000 fiscal year the Community Colleges reported to the State Comptroller all student financial aid revenues recorded in their accounting system, including both actual cash receipts received from Federal, State and private financial aid sources and internal, noncash transactions of tuition and fees revenues recorded in their accounting systems pending amounts receivable from Federal, State and private sources. This method had the effect of duplicating some receipts. 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, noncash transactions. (However, during the 1999-2000 fiscal year, the Colleges continued to report actual cash receipts of funds received from these sources.)

Tuition charges are fixed by the Board of Trustees. The following summary shows annual tuition charges for full-time students during the audited period as compared with those charges authorized in the previous fiscal year.

	<u>In-State</u>	<u>Out-of-State</u>	<u>N.E. Regional Program</u>
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.

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

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

	<u>1997-1998</u>	<u>1998-1999</u>	<u>1999-2000</u>
Personal services	\$ 605,110	\$ 1,125,444	\$ 1,008,156
Contractual services	1,417,736	1,746,242	1,488,106
Commodities	268,335	201,589	260,460
Revenue refunds	148,048	321,127	522,728
Sundry charges	750,986	1,556,094	312,357
Equipment	223,675	127,738	123,838
Capital Outlays	5,800	-	-
Total Expenditures	<u>\$ 3,419,690</u>	<u>\$ 5,078,234</u>	<u>\$ 3,715,645</u>

Personal services expenditures consisted primarily of salaries and wages paid to instructors. The major component of contractual services expenditures was fees for outside professional services. Sundry Charges were mainly comprised of student financial aid.

Expenditures increased \$1,658,544 (48 percent) during the 1998-1999 fiscal year. This increase was due to expenditures associated with an increase in State and Federal grant funds received during the year, which were recorded as Sundry Charges. In addition, during the 1998-1999 fiscal year, the Operating Fund was charged for part-time instructors paid on contract. These part-time instructors were contracted to replace full-time instructors who retired in the 1997-1998 fiscal year; the salaries for the full-time instructors had been borne by the General Fund.

Expenditures decreased \$1,362,589 (27 percent) during the 1999-2000 fiscal year. This decrease was due primarily to a change in the method the Community Colleges used to account for student financial aid expenditures. Prior to the 1999-2000 fiscal year, the Community Colleges reported to the State Comptroller all student financial aid expenditures recorded in their accounting system, including both actual cash disbursements of financial aid checks paid to students and internal, noncash 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. This method had the effect of duplicating some expenditures. 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, noncash transactions. (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.)

Fiduciary Funds:

Student Activity Fund:

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

Student Activity Fund receipts totaled \$14,230 and \$39,708 during the fiscal years ended June 30, 1999 and 2000, respectively. These receipts figures do not include \$25,815 in Student Activity fees that were deposited into the Operating Fund, but not transferred to the Student Activity Fund bank account as of June 30, 2000. The major source of revenue was Student Activity fees.

Disbursements from the fund totaled \$35,722 and \$34,690 during the fiscal years ended June 30, 1999 and 2000, respectively. The primary purpose of these disbursements was for costs related to 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, inclusive, of the General Statutes.

Receipts totaled \$34,430 and \$23,414 during the fiscal years ended June 30, 1999 and 2000, respectively. The major sources of revenue were private scholarships and graduation fees.

Disbursements totaled \$35,414 and \$26,546 during the fiscal years ended June 30, 1999 and 2000, respectively, and were used primarily for scholarships and loans to students.

Middlesex Community College Foundation, Inc:

Middlesex Community College Foundation, Inc. was established to support, promote and solicit funds and contributions for the educational activities of the College.

Sections 4-37e through 4-37j of the General Statutes set requirements for private foundations affiliated with State agencies. The requirements include the annual filing of board members with the State agency, financial recordkeeping and reporting in accordance with generally accepted accounting principles, financial statements and audit reports criteria, written agreements concerning the use of facilities and resources, and compensation of State officers or employees.

Audits of the Foundation were performed by an independent public accounting firm for the years ended December 31, 1998 and 1999. The Foundation's financial statements reported revenues of

\$86,625 and \$95,056 during the same years, respectively. Expenditures totaled \$47,241 and \$58,521, during the same years.

Our review of the Foundation's audit reports disclosed several concerns of noncompliance with the statutory provisions cited above. These concerns are further discussed in the "Condition of Records" and "Recommendations" sections of this report.

CONDITION OF RECORDS

Our review of the financial records of Middlesex Community College revealed some areas of concern. Those areas are described in this section of the report.

Procurement:

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

Conditions: Our samples for procurement consisted of 25 expenditures in each fiscal year of the audited period. From these samples, we noted the following:

- There were three instances in the fiscal year ended June 30, 1999, and three instances in the fiscal year ended June 30, 2000, in which purchase requisitions (which are used internally to initiate the procurement process) were either missing, unsigned, or completed after the purchase process had been initiated.
- There were three instances in the fiscal year ended June 30, 1999, and two instances in the fiscal year ended June 30, 2000, in which the Personal Service Agreement or the Purchase Order was either missing or approved after the delivery of goods or services.
- A current State employee was paid \$5,000 as a contractor to edit a newsletter. Since the College dealt with this individual as an independent contractor, it was required to award the contract through an open and public process. A College official stated that this was not complied with.

Effect: The College did not maintain adequate controls over the procurement process.

Cause: The College did not place a high enough priority on compliance with internal control procedures.

Recommendation: The College should improve internal controls over the purchasing process. (See Recommendation 1.)

Agency Response: “The College administration is aware of the occasional deficiencies in the timeliness of initiating purchasing requisitions prior to the receipt of services and/or goods. To remedy these occurrences, all College staff will be instructed to follow the Purchasing Policy as established by the System Office. In addition to advising the college in general of purchasing policies and procedures, we will be identifying problem areas and specifically addressing the processing protocol in those areas.”

Middlesex Community College Foundation, Inc:

Criteria: Requirements for private foundations affiliated with State agencies are set forth in Sections 4-37e through 4-37j of the Connecticut General Statutes.

Conditions:

- We noted the following exceptions regarding the Foundation’s audit report for the fiscal year ended December 31, 1999:
 1. The audit report did not address whether the Foundation was in compliance with the statutes.
 2. We were unable to determine if the report was transmitted to our Office, which is required by Section 4-37g of the Connecticut General Statutes.
- The Foundation did not develop a written policy providing whistleblower protection for Foundation employees.

Effect: The Foundation did not meet the compliance and reporting standards set forth in the General Statutes.

Cause: The College was not aware of these requirements.

Recommendation: Procedures should be developed to assure compliance with the requirements regarding private foundations affiliated with State agencies. (See Recommendation 2.)

Agency Response: “The College Foundation will be given a copy of this audit finding so that the Foundation is aware of the requirements and will be able to comply with the standards set forth in the General Statutes. The Dean of Administration will meet with Foundation Board members to review state requirements and insure the Foundation’s awareness of state regulations.”

Equipment Inventory:

Criteria: The State Comptroller’s Property Control Manual sets forth criteria and

policies over all assets owned or leased by State agencies.

- Conditions:*
- We noted that all eleven inventoriable items from our purchasing testcheck were not recorded on the perpetual inventory listing. We also selected nine items from the College's perpetual inventory listing for testing purposes, and were unable to locate two of these items.
 - The College did not perform a reconciliation between its inventory records and the Fixed Assets/Property Inventory Report (CO-59) for either of the audited years.

Effect: The College did not maintain adequate controls over its equipment inventory.

Cause: The policies and procedures in place did not prevent these conditions.

Recommendation: The College should improve internal controls over equipment inventory in order to ensure accurate reporting and safeguarding of assets. (See Recommendation 3.)

Agency Response: "The College, along with the entire Community College System, will be using a module in the Banner system for Fixed Assets. Based on the Fixed Asset and Accounting Policy developed by the System Office, qualifying assets will automatically be included in the inventory. Manual intervention will be required to complete information such as location and inventory tag number. College policy delegating responsibility for inventory procedures will be reaffirmed."

Contract Courses Accounts Receivable:

Criteria: Adequate internal controls over receivables require that information be coordinated between the department that generates revenues and the Business Office.

Condition: The College's Center for Business and Industry Services conducts courses designed for the benefit of local businesses and organizations and also sponsors numerous continuing education courses. These contract courses generate approximately \$200,000 in revenues each fiscal year.

The Center for Business and Industry Services maintains a Contract Courses Summary Report, which is a receivables ledger, for these accounts. We selected ten accounts from the Summary Report as of June 30, 2000, for testing purposes and noted the following:

- Four accounts had a different balance from the amount reflected in Banner, the College's accounting system.

- For one account with a balance in the Summary Report, we were unable to locate the documentation supporting the receivables amount.
- One account in the Summary Report was listed with a different client from the account in Banner.

Effect: The College did not maintain strong internal control over contract courses accounts receivable.

Cause: The receivables records of the Center for Business and Industry Services and the Business Office were not reconciled on a regular basis.

Recommendation: The accounts receivable records of the Center for Business and Industry Services and the Business Office should be reconciled on a regular basis. (See Recommendation 4.)

Agency Response: “On August 14, 2000, College staff met to establish the most effective and efficient handling of Business and Industry Contracts. From this meeting, policy and procedural guidelines were created. The College personnel will be reminded of the importance of adhering to these internal controls.”

Time and Effort Reporting:

Criteria: The Office of Management and Budget Circular A-21 establishes principles for determining costs applicable to grants, contracts, and other agreements between the Federal government and educational institutions. Under this circular, the method of distributing payroll charges must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs. In order to accomplish this, institutional records must adequately document that payroll expenditures posted to an account were incurred in the course of carrying out the program accounted for in the account.

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

Condition: During the audited period, the College received and administered two Federal grants to which payroll expenditures were charged. However, the College did not have a time and effort reporting system as required by

Circular A-21. The Circular provides that where the institution uses time cards or other forms of after-the-fact payroll documents as original documents for payroll and payroll charges, such documents qualify as records for this purpose, provided that they meet the requirements outlined in the Circular. The College's payroll documents did not provide a signed certification that the employees' payroll expenditures were charged to the activities/programs on which the employees actually worked.

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

Cause: College officials were not familiar with this requirement.

Recommendation: The College should develop and implement a time and effort reporting system for documenting payroll costs charged to Federal grant programs. (See Recommendation 5.)

Agency Response: "To comply with the Office of Management and Budget Circular A-21, the Payroll Office will provide individual time sheets for personnel whose salaries are paid by grants. The time sheets will indicate the name of the grant under which the individual employee is compensated rather than the area for which they work. The supervisors' signatures on the time sheet will document that the ensuing payroll costs charged to the Federal grant program represent the actual work performed by the employees for the grant program."

Federal Drawdowns:

Criteria: Proper internal control over cash mandates that reimbursement of Federal receivables be performed in a timely manner.

Condition: We noted three drawdowns of Federal receivables totaling in excess of one million dollars that were not performed in a timely manner. The delays in drawdowns of charges related to three Federal Student Financial Assistance programs, the Pell Grant, the Federal Supplemental Education Opportunity Grant (SEOG) and Federal Work-Study (FWS), ranged from between one month to a year-and-a-half after the charges were incurred.

This matter was reported to the Governor and other State Officials on October 18, 2001, in accordance with Section 2-90 of the General Statutes.

Effect: The College did not maintain proper internal control over these Federal receivables.

Cause: Due to administrative weaknesses over the Federal Family Educational Loan

Program (FFEL), another Federal Student Financial Assistance program, the College was uncertain of its status concerning both the Pell Grant program and FFEL. Because of this uncertainty, the College did not process drawdowns of Federal receivables.

Recommendation: The College should drawdown Federal receivables in a timely manner. (See Recommendation 6.)

Agency Response: “The established policy has been that Federal funding and expenditures are to be reviewed monthly and drawdowns are to be made as indicated by the analysis. Staff will be directed to adhere to this policy.”

Student Activity Fund:

Criteria: The State Comptroller’s *Accounting Procedures Manual* for Activity and Welfare Funds requires that disbursements be supported by proper documentation.

Condition: Our testing sample consisted of 25 Student Activity Fund disbursements in each fiscal year of the audited period. From these samples we noted that ten disbursements in the fiscal year ended June 30, 1999, and four in the fiscal year ended June 30, 2000, were not supported by a vendor’s invoice.

Effect: The College was not in compliance with the State Comptroller’s *Accounting Procedures Manual* for Activity and Welfare Funds.

Cause: College personnel were not aware of the requirements of the manual.

Recommendation: Disbursements of the Student Activity Fund should be supported by vendors’ invoices. (See Recommendation 7.)

Agency Response: “Effective July 1, 2001, Student Activity and Welfare funds will be processed through the Banner system requiring the same degree of documentation required to make payments from the College’s Operating Fund. It is anticipated that this change will enhance the internal control over the disbursement of Student Activity funds.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- Inventory controls along with their related accounting and reporting procedures should be improved and conform to the Comptroller's Property Control Manual. This recommendation is being repeated. (See Recommendation 3.)
- Contracts for temporary employment should have dual employment disclosures completed. Testing for compliance with this procedure noted improvement, and the recommendation is not being repeated.
- Records of Student Activity Fund expenditures should contain adequate documentation. This recommendation is being repeated. (See Recommendation 7.)
- Financial statements for the Student Activity Fund should be both complete and timely. Improvement was noted in this area, and the recommendation is not being repeated.
- Contractual work described on Personal Service Agreements should not commence until all required approval signatures are in place on the contract. This recommendation is being repeated. (See Recommendation 1.)
- The Middlesex Community-Technical College Foundation, Inc. should secure a report of an audit on the Foundation's operations for the fiscal year ended December 31, 1995. This audit report has been obtained, and the recommendation is not being repeated.

Current Audit Recommendations:

1. The College should improve internal controls over the purchasing process.

Comment:

We noted several instances in which commitment documents were either missing, unsigned, or completed after the purchase process had been initiated. We also noted an instance in which a current employee was paid for other services as an independent contractor. This condition requires the services to be obtained through an open and public process, which the College did not comply with.

2. Procedures should be developed to assure compliance with the requirements regarding private foundations affiliated with State agencies.

Comment:

Middlesex Community College Foundation, Inc. did not meet several compliance and reporting requirements included in the General Statutes.

3. The College should improve internal controls over equipment inventory in order to ensure accurate reporting and safeguarding of assets.

Comment:

We noted that eleven inventorable items purchased during our audited period were not recorded on the College's inventory listing. We also noted that the College did not perform a reconciliation between its inventory records and equipment records reported to the State Comptroller.

4. The accounts receivable records of the Center for Business and Industry Services and the Business Office should be reconciled on a regular basis.

Comment:

Our testing revealed several problems with these two receivables systems. We noted four accounts with different balances in each system, one account that lacked supporting documentation, and one account listed under a different client in each system.

5. The College should develop and implement a time and effort reporting system for documenting payroll costs charged to Federal grant programs.

Comment:

In our review, we noted that the College did not have a time and effort reporting system in compliance with the requirements of OMB Circular A-21.

6. The College should drawdown Federal receivables in a timely manner.

Comment:

We noted delays in drawdowns of Federal grants receivables between one month and a year-and-a-half after the costs had been incurred.

7. Disbursements of the Student Activity Fund should be supported by vendor's invoices.

Comment:

We noted that material amounts of disbursements in each fiscal year were not supported by vendor's invoices.

INDEPEDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of Middlesex Community College for the fiscal years ended June 30, 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 Middlesex Community College for the fiscal years ended June 30, 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 Middlesex 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 Middlesex Community College is the responsibility of Middlesex 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, 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 herein 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 Middlesex 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 Middlesex 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: the lack of control over the purchasing process, the lack of control over equipment inventory, and the untimely drawdown of Federal receivables.

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 conditions to be material or significant weaknesses: lack of control over equipment inventory and the untimely drawdown of Federal receivables.

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 Middlesex Community College during the course of our examination.

Timothy M. LePore
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts