

STATE OF CONNECTICUT

**AUDITORS' REPORT
BOARD OF TRUSTEES FOR
COMMUNITY-TECHNICAL COLLEGES
MIDDLESEX COMMUNITY COLLEGE
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2002**

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

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December 12, 2003

**AUDITORS' REPORT
BOARD OF TRUSTEES FOR COMMUNITY-TECHNICAL COLLEGES
MIDDLESEX COMMUNITY COLLEGE
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2002**

We have examined the financial records of Middlesex Community College (College) for the fiscal years ended June 30, 2001 and 2002.

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 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, and continues to serve in that capacity.

Recent Legislation:

The following notable legislation took effect during the audited period:

Special Act 99-10 – Effective July 1, 1999, Section 11 of this Act appropriated for the 2000-2001 fiscal year, \$2,199,964 of State General Fund money to Community-Technical Colleges to be used to help support a tuition freeze.

Public Act 00-170 – Effective July 1, 2000, Section 6 of this Act exempts college textbooks from the sales tax. The exemption applies only to textbooks sold to students enrolled in higher education institutions. Qualifying textbooks must be required or recommended for a college or university course.

Public Act 01-141 – Effective July 1, 2001, Section 1 of this Act extends by five years the period the Department of Higher Education shall deposit into the endowment fund for the Community-Technical College system grants to match a portion of endowment fund eligible gifts received. The Act sets the new period as the fiscal years ended June 30, 2000 to June 30, 2014.

Section 2 of this Act increased the annual limits of such grants for the fiscal years ended June 30, 2004 and 2005, from \$4,000,000 to \$5,000,000 and from \$4,500,000 to \$5,000,000, respectively. It also set the annual matching grant limit at \$5,000,000 for the fiscal years ended June 30, 2006 to June 30, 2014.

Special Act 01-1 - June Special Session - Effective July 1, 2001, Section 1 of this Act appropriated, for the 2001-2002 fiscal year, \$2,236,923 of State General Fund money to the Community-Technical Colleges to be used to help support a tuition freeze.

Public Act 02-107 – Effective July 1, 2002, Section 1 of this Act changes from “activity fund” to “trustee account” the designation for funds used by State educational institutions (or welfare or medical agencies) for the benefit of employees, students, or clients of such institutions or agencies. Section 5 of the Act changes from “general welfare fund” to “account” the designation for accounts used for gifts, donations, or bequests made to the students or clients of any State educational, medical, or welfare agency as a group, and for any corresponding unclaimed funds, and the interest on such funds.

Public Act 02-126 – Effective June 7, 2002, Section 6 of this Act provides that the Board of Trustees of Community-Technical Colleges shall waive the payment of tuition of any of the community-technical colleges for any State resident who is a dependent child or surviving spouse of a specified terrorist victim who was a Connecticut resident.

Public Act 02-140 – Effective July 1, 2002, Section 2 of this Act allows constituent units of higher education, in the purchasing process, to accept electronic bids, proposals, or competitive quotations within a safe and secure electronic environment. The Act also bars such constituent units

from refusing to consider bids, proposals, or quotations because they were not submitted electronically.

Enrollment Statistics:

Enrollment statistics compiled by the College showed the following enrollment of full-time and part-time students during the two audited years:

	<u>Fall</u> <u>2000</u>	<u>Spring</u> <u>2001</u>	<u>Fall</u> <u>2001</u>	<u>Spring</u> <u>2002</u>
Full-time students	581	498	614	563
Part-time students	<u>1,728</u>	<u>1,569</u>	<u>1,706</u>	<u>1,692</u>
Total Enrollment	<u>2,309</u>	<u>2,067</u>	<u>2,320</u>	<u>2,255</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.

Prior to July 1, 2001, the College also operated two fiduciary funds, the Student Activity Fund and the Institutional General Welfare Fund. Effective July 1, 2001, these funds were included in the College's Operating Fund in accordance with an agreement between the Board of Trustees of Community-Technical Colleges and the Office of the State Comptroller.

General Fund:

General Fund receipts totaled \$714 and \$40 for the fiscal years ended June 30, 2001 and 2002, respectively. During the 2000-2001 the receipts consisted of refunds of expenditures of budgeted accounts. During the 2001-2002 the receipts were for jury fees.

General Fund expenditures totaled \$6,303,875 and \$6,619,175 during the fiscal years ended June 30, 2001 and 2002, respectively, as compared with the June 30, 2000 total of \$6,311,422. These expenditures consisted of personal services expenditures. These totals represent a decrease of \$7,567 and an increase of \$315,300, respectively, during the audited fiscal years. The decrease in expenditures during the fiscal year ended June 30, 2001, was due primarily to payments for part-time lecturers whose salaries were formerly paid from the General Fund and are now being paid from the Operating Fund. A decrease of \$361,565 was partially offset by the increase in payments for salaries and wages continuing full time. The primary reason for increases in expenditures for salaries and wages continuing full time during the fiscal years ended June 30, 2001 and 2002 was due to collective bargaining and/or retroactive salary increases.

Capital Projects Funds and Special Revenue Funds Programs:

State Capital Projects and Special Revenue Funds grants-in-aid expenditures were \$93,464 and \$263,687 during the fiscal years ended June 30, 2001 and June 30, 2002, respectively. During the 1999-2000 fiscal year these expenditures were \$1,940,125.

These expenditures consisted primarily of costs related to the renovations to Chapman Hall and the purchases and installation of various EDP hardware.

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>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>
Total Receipts	<u>\$4,010,070</u>	<u>\$4,239,151</u>	<u>\$4,987,305</u>

Total Operating Fund receipts increased six percent during the 2000-2001 fiscal year, primarily as a result of the tuition increase. Receipts increased 18 percent during the 2001-2002 fiscal year primarily as a result of an increase in student enrollment during the year and an increase in Federal aid.

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>
1999-2000	\$1,608	\$5,232	\$2,412
2000-2001	\$1,680	\$5,232	\$2,520
2001-2002	\$1,680	\$5,232	\$2,520

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>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>
Personal services	\$ 1,008,156	\$ 1,402,332	\$ 1,670,331
Contractual services	1,488,106	1,368,407	1,445,009
Commodities	260,460	280,447	341,521
Revenue refunds	522,728	735,551	956,130
Sundry charges	312,357	200,539	319,048
Equipment	123,838	127,461	45,513
Total Expenditures	<u>\$ 3,715,645</u>	<u>\$ 4,114,737</u>	<u>\$ 4,777,552</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.

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 \$70,424 and \$45,357 during the fiscal years ended June 30, 2001 and 2002, respectively. The receipts for the 2000-2001 fiscal year include \$25,815 in Student Activity fees that were deposited into the Operating Fund during the fiscal year 1999-2000 and transferred to the Student Activity Fund bank account in the 2000-2001 fiscal year. The major source of revenue was Student Activity fees.

Disbursements from the fund totaled \$34,288 and \$55,593 during the fiscal years ended June 30, 2001 and 2002, respectively. The primary purpose of these disbursements was for costs related to student organizations and related activities.

The source for the 2000-2001 receipts and disbursements totals were obtained from financial statements prepared by the College. The 2001-2002 totals were obtained from the College's accounting records. The Community College system did not prepare separate financial statements for the Student Activity Fund for the 2001-2002 fiscal year. As previously mentioned, this Fund's activity is now included in the College's Operating Fund.

The cash balance of \$44,054.33 in the Student Activity Fund at June 30, 2001, was transferred to the Operating Fund on July 12, 2001.

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 \$8,318 and \$2,727 during the fiscal years ended June 30, 2001 and 2002, respectively. The major sources of revenue were loan repayments, parking fines and exchange items.

Disbursements totaled \$6,357 and \$850 during the fiscal years ended June 30, 2001 and 2002, respectively, and were used for loans to students and exchange items.

The source for the 2000-2001 receipts and disbursements totals were obtained from financial statements prepared by the College. The 2001-2002 totals were obtained from the College's accounting records. The Community College system did not prepare separate financial statements for the Welfare Fund for the 2001-2002 fiscal year. As previously mentioned, this Fund's activity is now included in the College's Operating Fund.

The cash balance of \$20,641.28 in the Welfare Fund at June 30, 2001, was transferred to the Operating Fund on July 12, 2001.

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 independent public accounting firms for the years ended December 31, 2000, 2001, and 2002. The Foundation's financial statements reported revenues of \$179,932, \$171,305, and \$222,840 during the same years, respectively. Expenditures totaled \$151,899, \$105,532, and \$223,755, 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: Proper internal controls over purchasing require that a transaction be authorized prior to receipt of goods or services.

The State Comptroller's *Accounting Procedures Manual* for Activity and Welfare Funds requires that payments for goods and services be initiated by preparing a Payment Voucher (Requisition) signed by an authorized person and be substantiated by vendors' invoices or receipts.

Conditions: Our review of 25 expenditure transactions in each of the fiscal years under audit disclosed the following:

- We noted that there were five and four instances in the fiscal years ended June 30, 2001 and 2002, respectively, in which purchase requisitions, used to initiate the procurement process, were either missing, unsigned, completed after the purchase process had been initiated, and/or did not support the services performed or goods purchased.
- We noted three instances in the fiscal year ended June 30, 2001, in which the purchase orders were missing.

In addition, we reviewed 25 Student Activity Fund disbursements in each fiscal year under audit. This review disclosed that three disbursements in the fiscal year ended June 30, 2002, were not initiated by a valid Purchase Requisition and four disbursements in the fiscal year June 30, 2001, were not supported by vendors' invoices.

Effect: The College did not maintain adequate controls over the procurement process and was not in compliance with the State Comptroller's *Accounting Procedures Manual* for Activity and Welfare Funds.

Cause: The cause could not be determined.

Recommendation: The College should follow established procedures to ensure that all disbursements are properly supported. (See Recommendation 1.)

Agency Response: "The College administration is aware of the deficiencies in the timeliness of initiation of purchase requisitions prior to the receipt of services and/or

goods. To remedy these occurrences, all College staff will be informed that any items received and/or invoices without prior authorization via approved requisition will be returned or the employee placing the unapproved order will be liable for payment. The Student Activities area will be advised that no payments will be made without invoices.”

Payments to Employees at Termination for Unused Vacation and/or Sick Leave:

Criteria: Section 2.B. of the Collective Bargaining Agreement between the Board of Trustees for Community-Technical Colleges and the Congress of Connecticut Community Colleges, SEIU, AFL-CIO states that “Upon retirement, pursuant to Chapter 66 or 167a of the Connecticut General Statutes, a professional staff member shall be compensated at the rate of one-fourth of her/his daily salary for each day of sick leave standing to her/his credit as of his last day on the active payroll, up to a maximum of 240 days.”

Section 5-247 of the Connecticut General Statutes states that “Each such employee who retires under the provisions of Chapter 66 shall be compensated, effective as of the date of his retirement, at the rate of one-fourth of such employee’s salary for sick leave accrued to his credit as of his last day on the active payroll up to a maximum payment equivalent to sixty days’ pay.”

Condition: Our review of eight payments made to employees upon termination from State service revealed that one employee was overpaid \$9,992. This employee had 372 sick days at the time of his separation from State service. The College paid the employee the full daily rate of \$302.78 for 93 days or \$28,159 instead of for the maximum of 60 days for \$18,167. This is equivalent to the calculation shown in the union contract of one quarter of the daily rate totaling \$75.6962 for a maximum of 240 days ($240 \times \$75.6962 = \$18,167$).

Effect: An employee was overpaid \$9,992 for unused sick leave at termination.

Cause: The College misinterpreted the bargaining unit contract for the calculation of the payment of unused sick leave upon termination.

Recommendation: The College should ensure that payments made to employees upon termination from State service are accurate. In addition, the College should recover the overpayment of \$9,992 made to the employee upon his termination from State service. (See Recommendation 2.)

Agency Response: “The College Payroll Office is now aware of the proper interpretation of payouts and will work with the System Office legal advisors on recovering the overpayment.”

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, as reported in our previous audit report, the College does not have a time and effort reporting system as required by Circular A-21. The College's payroll documents for those employees who are paid from those Federal grants do 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: The College did not implement its stated corrective action to our prior audit recommendation.

Recommendation: The College should develop and implement a time and effort reporting system for documenting payroll costs charged to Federal grant programs. (See Recommendation 3.)

Agency's Response: "To comply with the Office of Management and Budget Circular A-21, the Payroll Office now provides individual time sheets for personnel whose salaries are paid by grants. The time sheets have been revised to indicate the name of the grant under which the individual employee is compensated rather

than the area for which they work. The supervisor's signature on the time sheet will document that the ensuing payroll costs charged to the Federal grant program represent the actual work performed by the employee for the grant program."

Dual Employment:

Criteria: Section 5-208a of the Connecticut General Statutes states that "No state employee shall be compensated for services rendered to more than one state agency during a biweekly pay period unless the appointing authority of each agency or his designee certifies that the duties performed are outside the responsibility of the agency of principal employment, that the hours worked at each agency are documented and reviewed to preclude duplicate payment, and that no conflicts of interest exist between services performed. 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."

Condition: Our review of the personnel files of 25 employees revealed that four employees had not completed the required Dual Employment form or had equivalent documentation on file. One of these employees had two contracts with the College for overlapping periods and the other three employees had not indicated whether or not they had other State employment.

Effect: Employees may be working in multiple State positions without proper authorization.

Cause: The College's payroll personnel indicated that they try to comply with the requirement that they obtain dual employment forms, if applicable. If the person was a Middlesex Community College employee, they would try to ensure that the dual employment section on the Notice of Appointment is completed. However, they were not always able to do so.

Recommendation: The College should require that employees complete a Dual Employment form or other signed certification indicating whether or not the employee has other State employment. (See Recommendation 4.)

Agency's Response: "The Payroll Office will ensure that the Dual Employment section of the "Notice of Appointment for Adjunct Faculty" is completed."

Employment of Contract Employees Prior to Proper Contract Execution:

- Criteria:* Proper internal controls dictate that contracts should be initiated, accepted, and signed prior to the receipt of goods or services.
- Condition:* Our review of employment contracts revealed that five contracts were initiated and/or signed after the employees had begun employment at the College. An additional contract was initiated and signed after the contract period had ended. In total, six contracts were initiated between 14 days to six and one-half months and signed by the College between eight days and eight months after the work commenced.
- Effect:* Contractual employees are being employed prior to having contracts in place.
- Cause:* The Payroll Office is aware that some contractual employees are appointed and usually commence employment prior to the execution of these contracts. However, nothing is done to ensure execution of the contract prior to the starting of employment.
- Recommendation:* The College should ensure that all contracts are properly initiated, accepted, and signed prior to the commencement of employment. (See Recommendation 5.)
- Agency's Response:* "The President has directed that no employee will be allowed to commence his or her contracted responsibilities prior to the College receiving a signed contract."

Federal Drawdowns:

- Criteria:* Proper internal control over cash mandates that reimbursement of Federal receivables be performed in a timely manner.
- Condition:* Our review of the drawdown of Federal receivables indicated that, although some improvement had been made since our last audit, they are still not being drawn down 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 and four months after the charges were incurred.
- Effect:* The College did not maintain proper internal control over these Federal receivables.
- Cause:* Due to staffing changes, the College was not able to draw down Federal receivables in a timely manner.

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

Agency Response: “Staffing shortages, temporary loss of federal funding and conversion to Banner processing of financial aid awards contributed to the sometimes untimely drawing down of Federal funds. 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 continue to be directed to adhere to this policy.”

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.

Condition: The audit report did not address whether the foundation was in compliance with the statutes.

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. In addition, the College did not provide us with a copy of a letter indicating a review of the audit reports.

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

Cause: The College did not implement its corrective action plan to address our prior audit recommendation.

Recommendation: Procedures should be developed to assure compliance with the requirements regarding private foundations affiliated with State agencies. (See Recommendation 7.)

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 along with a copy of the relevant state statutes. The Dean of Finance, Administration and Planning will ensure that copies of the Foundation’s audits are forwarded to the Auditors of Public Accounts.”

Property Control:

Criteria: The State Comptroller’s Property Control Manual sets forth criteria and policies over all assets owned or leased by State agencies.

Section 4-33a of the General Statutes requires State agencies to report any unauthorized, illegal, irregular or unsafe handling of State funds to the Auditors of Public Accounts and the Comptroller.

Condition: We were unable to locate nine of twenty-five items randomly selected for testing from the College's Fixed Asset Property Report. In addition, three of ten tagged items selected on campus were not recorded on the Fixed Asset Property Report.

Two projectors were stolen from the College in early 2003. However, no loss report was filed with the Auditors of Public Accounts or the Comptroller.

We reviewed two vendor's invoices for each fiscal year in our audit period in support of the additions reported on the College's CO-59 Fixed Asset/Property Inventory Report. For fiscal year ended June 30, 2001, there were four capitalized items purchased on those two invoices, all of which were not recorded on the Fixed Asset Property Report.

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

The College's CO-59 Report was incorrect for fiscal year ended June 30, 2001.

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 8.)

Agency Response: "MxCC provided the location information to the auditors on the four of the nine items listed as "not found". These items are located in the Garage and are being prepared for disposal but they are still in possession of the school. We were unable to determine the location or disposition of the remaining items. This issue was further clouded by the fact that MxCC was in a transition period where the Banner Fixed Asset module was being brought on-line and data entry errors during the transition could have occurred. The College will re-evaluate and tighten property management procedures by insuring that all new capital assets are immediately tagged when received and recorded in the Banner Fixed Asset module in a timely fashion (at minimum monthly).

The College failed to comply with existing policy regarding the filing of a loss report for the two capital items mentioned in the report. We will review

the existing procedures and implement corrective actions to avoid future compliance lapses. It should be noted that due to the State layoffs that occurred in December 2002 and January 2003, the key Fixed Asset employee in the Business Office was lost and this was a contributing factor in this matter.

The Business Office was unable to find Banner Fixed Asset records for the items in question. As stated previously these items were purchased before the implementation of the Banner Fixed Asset module and their records may have been accidentally omitted during the conversion to Banner. It warrants notation that out of the four capital items referred to in this finding three were for the Daycare Site improvement project. The Business Office will contact the System Office to ascertain whether or not these items may have been accounted for in the annual year end fixed asset entry for Building Improvements, review the new physical inventory to be conducted by Maximus Inc. and make all necessary adjustments to bring the Banner Fixed Asset module records into agreement with the physical inventory results.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The College should improve internal controls over the purchasing process. As insufficient action has been taken on this recommendation, it is in essence is being repeated as Recommendation 1.
- Procedures should be developed to assure compliance with the requirements regarding private foundations affiliated with State agencies. This recommendation is being repeated as Recommendation 7 of this report.
- The College should improve internal controls over equipment inventory in order to ensure accurate reporting and safeguarding of assets. As insufficient action has been taken of this recommendation, it is being repeated as Recommendation 8 of this report.
- The accounts receivable records of the Center for Business and Industry Services and the Business Office should be reconciled on a regular basis. This recommendation has been resolved.
- The College should develop and implement a time and effort reporting system for documenting payroll costs charged to Federal grant programs. Our current review disclosed similar conditions. Therefore this recommendation is being repeated as Recommendation 3 of this report.
- The College should drawdown Federal receivables in a timely manner. As insufficient action has been taken on this recommendation, it is being repeated as Recommendation 6 of this report.
- Disbursements of the Student Activity Fund should be supported by vendor's invoices. This recommendation is being combined with our finding on procurement and, in essence, is being repeated as Recommendation 1 of this report.

Current Audit Recommendations:

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

Comment:

We noted several instances in which purchase requisitions were either missing, unsigned, completed after the purchase process had been initiated, and/or did not support the services performed or goods purchased. In addition, we noted that Student Activity Fund disbursements were not always initiated by a valid Purchase Requisition or supported by vendors' invoices.

- 2. The College should ensure that payments made to employees upon termination from State service are accurate. In addition, the College should recover the overpayment of \$9,992 made to one employee upon his termination from State service.**

Comment:

Our review disclosed that one employee was overpaid \$9,992 upon his termination from State service.

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

Comment:

Our review disclosed that the College still does not have a time and effort reporting system and therefore is not in compliance with the requirements of OMB Circular A-21.

- 4. The College should require that employees complete a Dual Employment form or other signed certification indicating whether or not the employee has other State employment.**

Comment:

Our review of the personnel files of 25 employees disclosed that four employees had not completed the required Dual Employment form or had equivalent documentation on file.

- 5. The College should ensure that all contracts are properly initiated, accepted, and signed prior to the commencement of employment.**

Comment:

Our review of employment contracts revealed that five contracts were initiated and/or signed after the employees had begun employment at the College. An additional contract was initiated and signed after the contract period had ended.

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

Comment:

Our review of the drawdowns of Federal receivables indicated that the College was still not making these drawdowns in a timely manner.

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

Comment:

Our review disclosed that the Middlesex Community College Foundation, Inc. still did not meet all of the compliance and reporting requirements included in the General Statutes.

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

Comment:

Our review of the College's property control revealed several area in which improvement is still needed.

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, 2001 and 2002. 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, 2001 and 2002, 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, 2001 and 2002, 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.

Edward C. Wilmot
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts