

STATE OF CONNECTICUT

**AUDITORS' REPORT
BOARD OF TRUSTEES FOR
COMMUNITY-TECHNICAL COLLEGES
QUINEBAUG VALLEY COMMUNITY COLLEGE
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 and 2001**

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

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December 10, 2002

AUDITORS' REPORT
BOARD OF TRUSTEES FOR COMMUNITY-TECHNICAL COLLEGES
QUINEBAUG VALLEY COMMUNITY COLLEGE
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 and 2001

We have examined the financial records of Quinebaug Valley Community College (the College) for the fiscal years ended June 30, 2000 and 2001. This report on our examination consists of the following Comments, Condition of Records, Recommendations and Certification.

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.

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 Quinebaug Community-Technical College changed its name to Quinebaug Valley Community College.

Quinebaug Valley Community College is a two-year institution of higher education that operates under the jurisdiction of the State Board of Trustees for Community-Technical Colleges. Its main campus and administrative offices are located in Danielson, Connecticut. The College also operates a satellite campus in Willimantic, Connecticut.

The College's operation and activities are carried out primarily under the provisions of

Sections 10a-71 through 10a-80 of the General Statutes

Dianne E. Williams was appointed President effective December 1, 1992, and continues to serve in that position.

Recent Legislation:

The following notable legislation took effect during the audited period:

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 Colleges, and a portion of the earnings on these grants, be transferred annually to such endowment funds.

Section 11, subsection (b) of this Act 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 – Section 1 of this Act appropriated, for the 1999-2000 fiscal year, \$2,199,964 of State General Fund money to the Community Colleges to be used to help support a tuition freeze. Section 11 of this Act also appropriated \$2,199,964 of State General Fund money to the Community Colleges, this time for the 2000-2001 fiscal year, for the same purpose. Both Sections became effective July 1, 1999.

Public Act 01-141 – 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.

Enrollment Statistics:

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

| | Fiscal Year | | | |
|-----------|-------------|-------------|-------------|-------------|
| | 1999-2000 | | 2000-2001 | |
| | Fall | Spring | Fall | Spring |
| Full-time | 393 | 299 | 392 | 350 |
| Part-time | 888 | 912 | 955 | 999 |
| Total | <u>1281</u> | <u>1211</u> | <u>1347</u> | <u>1349</u> |

RÉSUMÉ OF OPERATIONS:

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

The College also operated two fiduciary funds, the Student Activity Fund and the Institutional General Welfare Fund. These two funds became separate restricted accounts within the Operating Fund for the 2001-2002 fiscal year.

General Fund:

General Fund receipts totaled \$17,639 and \$1,786 for the fiscal years ended June 30, 2000 and 2001, respectively, compared to \$12,835 for the fiscal year ended June 30, 1999. These receipts consisted primarily of sales tax collected in the College's bookstore. The decrease in receipts for the 2000-01 fiscal year was because textbooks were no longer taxable as of July 2000.

An analysis of General Fund expenditures, which are used exclusively for personal services, for the fiscal years under review, along with the prior fiscal year for comparative purposes, is presented below:

| | <u>1998-1999</u> | <u>1999-2000</u> | <u>2000-2001</u> |
|--------------------|---------------------|---------------------|---------------------|
| Budgeted Accounts: | \$ | \$ | \$ |
| Personal services | <u>3,524,868</u> | <u>3,922,517</u> | <u>4,082,224</u> |
| Total | <u>\$ 3,524,868</u> | <u>\$ 3,922,517</u> | <u>\$ 4,082,224</u> |

General Fund expenditures from budgeted appropriations during the fiscal years ending June 30, 2000 and 2001 increased \$397,649 and \$159,707 respectively. The increases are the result of salary increases attributable to collective bargaining as well as an increase, in the fiscal year ending June 30, 2000, of five filled positions paid for by the General Fund. The increases for the 2000-01 fiscal year were partially offset by the transfer of part time lecturer salaries from the General Fund to the Operating Fund.

Capital Projects Funds:

Expenditures from Capital Projects Funds totaled \$146,817 and \$118,272 during the fiscal years ended June 30, 2000 and 2001, respectively. These expenditures consisted primarily of office equipment and electronic data processing hardware.

Tax-Exempt Proceeds Fund:

Tax-Exempt Proceeds Fund expenditures totaled \$71,970 and \$81,307 for the fiscal years ended June 30, 2000 and 2001, respectively. These expenditures consisted primarily of general plant, electronic data processing hardware and telecommunication purchases.

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.

Operating Fund receipts recorded by the State Comptroller during the audited period and the preceding fiscal year follows.

| | <u>1998-1999</u> | <u>1999-2000</u> | <u>2000-2001</u> |
|--------------------------|---------------------|---------------------|---------------------|
| Operating Fund Receipts: | \$ <u>3,727,746</u> | \$ <u>2,660,475</u> | \$ <u>3,060,984</u> |

The primary sources of Operating Fund receipts were student tuition and fee payments, Federal student financial aid awards and the operations of the College bookstore. Fund receipts decreased by \$1,067,271 for the 1999-00 fiscal year as compared to the previous fiscal year. This was mainly the result of a change in the method 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 system pending accounts receivable from Federal, State and private sources. This method had the effect of duplicating some receipts with such noncash transactions totaling \$860,780 for the 1998-99 fiscal year. Effective during the 1999-00 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, the College continued to report actual cash receipts of funds received from these sources,)

Subtracting noncash transactions for the 1998-99 fiscal year, total Operating Fund receipts decreased by \$206,491(seven percent) and increased by \$400,509 (nine percent) for the audited years, respectively. The above fluctuations were due to a decrease in prior year student aid funds received in the 1999-00 fiscal year as compared to the preceeding fiscal year as well as grant fund commitments that varied from year to year.

The Board of Trustees fixes tuition charges. The following summary shows the annual tuition charges for full-time students during the audited period as compared with those charges authorized in the prior fiscal year:

| | In-State | Out-of-State | N.E. Regional Program |
|-----------|----------|--------------|-----------------------|
| 1998-1999 | \$1,608 | \$5,232 | \$2,412 |
| 1999-2000 | \$1,608 | \$5,232 | \$2,412 |
| 2000-2001 | \$1,680 | \$5,232 | \$2,520 |

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

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

| | <u>1998-1999</u> | <u>1999-2000</u> | <u>2000-2001</u> |
|-------------------------|---------------------|---------------------|---------------------|
| Operating Fund: | \$ | \$ | \$ |
| Personal Services | 785,237 | 921,572 | 1,104,625 |
| Contractual Services | 766,314 | 860,516 | 868,863 |
| Commodities | 423,819 | 451,370 | 588,661 |
| Revenue Refunds | 216,280 | 220,171 | 394,293 |
| Debt Service Paid | | 2,226 | |
| Sundry Charges | 917,965 | 83,533 | 141,399 |
| Capital Outlay | <u>188,111</u> | <u>154,465</u> | <u>155,953</u> |
| Total Fund Expenditures | <u>\$ 3,297,726</u> | <u>\$ 2,693,853</u> | <u>\$ 3,253,794</u> |

Personal services expenditures consisted primarily of salaries and wages paid to instructors and for student labor. Significant contractual service expenditures include rent for the College's Willamantic campus, utilities and fees for instructors providing continuing education. A major part of expenditures for commodities involves the purchase of books for resale at the College's bookstore. The significant decline in total expenditures for the 1999-00 fiscal year, as compared to the preceding fiscal year, can be attributed to the decrease of \$834,432 in sundry charges. The decrease is the result of the previously mentioned change in reporting noncash financial aid expenditures recorded in the accounting system. Noncash transactions, totaling \$860,780 and coded as student aid, was included in sundry charges for the 1998-99 fiscal year. The reporting of the noncash financial aid expenditures to the State Comptroller was discontinued effective the 1999-2000 fiscal year.

Subtracting noncash transactions for the 1998-99 fiscal year, total Operating Fund expenditures increased by \$256,907 (11 percent) and \$559,941 (21 percent) for the audited years, respectively. The increase in personal services during the audited period can be attributed to increased hiring of lecturers and assistants in conjunction with increased enrollment and the previously mentioned transfer of part time lecturer salaries from the General Fund for the 2000-01 fiscal year.

Other significant increases during the period were for commodities and revenue refunds. A significant reason for the increase in commodities for the 2000-01 fiscal year was the increase in purchases by the bookstore in response to increased enrollment. The increase in revenue refunds for the 2000-01 fiscal year was attributed to increases in financial aid payments and class cancellations.

Fiduciary Funds:

Student Activity Fund:

The Student Activity Fund was established and is operated 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 specified 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 \$40,920 and \$35,135 during the fiscal years ended June 30, 2000 and 2001, respectively. The major sources of revenues consisted of Student Activity Fees, Graduation Fees, and funds raised from various student functions and activities.

Disbursements from the fund totaled \$36,118 and \$27,184 during the fiscal years ended June 30, 2000 and 2001, respectively. The primary purpose of these disbursements was to cover the costs of student social and cultural activities and payments made to student organizations and clubs.

Institutional General Welfare Fund:

The Institutional General Welfare Fund operates under the provisions of Sections 4-56 to 4-58, inclusive, of the General Statutes.

Receipts totaled \$68,177 and \$102,278 during the fiscal years ended June 30, 2000 and 2001, respectively. The major source of revenue consisted of general and restricted donations for scholarships.

Disbursements totaled \$72,171 and \$111,771 in the respective audited years and were used primarily for scholarships.

Quinebaug Valley Community College Foundation, Inc.:

The Quinebaug Valley Community College Foundation, Inc. was established to support, promote and solicit funds and contributions for the educational needs of the College. An independent Board of Directors governs the Foundation.

Sections 4-37e through 4-37j of the General Statutes deal directly with the requirements of 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 statement and audit report requirements,

written agreements concerning use of facilities and resources, the agency's responsibilities, and compensation of State officers or employees.

Independent auditor's reports on the Foundation were issued separately for the fiscal years ended June 30, 2000, and 2001. The report for the 1999-00 fiscal year stated that the Foundation was in compliance with Sections 4-37e through 4-37i of the General Statutes with one exception. It was reported that Foundation did not comply with Section 4-37f, subsection (7), since its records were maintained on a modified cash basis during the year and only converted to the accrual basis, as required by generally accepted accounting principals, at year end. The 2000-01 independent auditor's report stated the Foundation was in full compliance with the statutes noted above.

The Foundation's financial statements indicated revenues of \$250,220 and \$193,959 for the fiscal years ended June 30, 2000 and 2001. Expenditures totaled \$116,318 and \$117,782 during the same years, respectively.

PERFORMANCE EVALUATION:

Section 2-90 of the General Statutes authorizes the Auditors of Public Accounts to review an area of an agency's operation for performance and efficiency.

Our prior audit review examined the College's use of checking accounts. Our objective was to determine if the number of checking accounts in use by the College was appropriate and if the manner in which such accounts were being used was efficient. Our current review followed up on the preceding and found the following:

Background: The College currently maintains three separate checking accounts to account for transactions. One is used for clearing credit card payments for tuition and fees. The other two are within the petty cash fund for the bookstore and the business office.

Criteria: To increase operating efficiency and reduce inherent risk, any unneeded tasks and/or bank accounts should be eliminated. The State of Connecticut's Accounting Manual states that petty cash funds should be kept at the lowest amount possible, but sufficient to adequately meet the needs of the Agency.

Condition: 1. Credit Card Account- The College maintains a credit card clearing checking account for receiving the proceeds of credit card transactions. Once the proceeds from the credit card transactions have been transferred into the credit card clearing account the College will prepare a check, made payable to the College, in an amount equal to the amount that was transferred into the credit card clearing account. This amount is then deposited into the State Treasurer's bank account.

We also noted that a balance of several thousand dollars was being kept in the account even though it is a clearing account, which should always maintain a zero balance.

2. Bookstore Account- The College keeps two petty cash fund checking accounts, one for the College bookstore and another for the business office. We noted that the bookstore account was infrequently used and its transactions could be handled through the business office. As example, during the 2000-01 fiscal year, only three checks were written on the Bookstore account.

Effect: The maintenance of a credit card clearing account and a bookstore petty cash fund account is inefficient. The resources used to make deposits, prepare the checks and prepare the bank reconciliations could be used elsewhere. Additionally, the inherent risk of theft or loss associated with all bank accounts would be eliminated if these accounts were closed.

Cause: Changes in the methods used to process various transactions have rendered the credit card account obsolete. The cause for the continuation of the Bookstore account could not be determined.

Recommendation: The College should close its credit card and petty cash bookstore checking accounts. (See Recommendation 1.)

Agency Response: “The agency is in agreement with both of these recommendations. Because we now process student cash returns through the Banner system, there is no longer sufficient activity in this checking account to warrant maintaining it. We will close it out shortly. However, regarding the credit card clearing account, although we may agree with the recommendation, this is a community college system procedure for which we do not have authority to change. When this was cited in our last audit, we brought this to the attention of our system office. We will again bring this issue to their attention.”

CONDITION OF RECORDS

Our review of the financial records of Quinebaug Valley 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 provides guidelines for preparing an Annual Inventory Report (Form CO-59) as required by Section 4-36 of the General Statutes.

Condition: The College was unable to provide detailed documentation for many of the amounts reported on its Annual Inventory Reports for June 30, 2000 and 2001. These included the categories of furnishings and equipment, stores and supplies, and books.

Effect: The College did not comply with the State of Connecticut's Property Control Manual.

Cause: The lack of adequate documentation of amounts reported on Form CO-59 was attributed to the College's ongoing conversion of its fixed asset system to the current Banner system.

Recommendation: The College should sufficiently document amounts reported on its Annual Inventory Reports in accordance with the State of Connecticut's Property Control Manual. (See Recommendation 2.)

Agency Response: "This deficiency has already been corrected and the June 30, 2002 report will provide this documentation. The CTC System has added a new fixed assets module to our automated data processing system. This system now provides the detailed listing of all equipment reported on the CO-59. It was actually implemented a year ago, but the data was not available at the time the CO-59 for FY01 was completed."

Student Activity and Welfare Funds- Ticket Accountability and Expenditures:

Criteria: The State Comptroller's Accounting Procedures Manual for Activity and Welfare Funds establishes accounting procedures for Student Activity Funds. The procedures require the preparation of financial reports for revenue producing social events and that all payments for goods and services should be substantiated by vendor's invoices.

Section 4-56 of the General Statutes requires Institutional Welfare Funds to be used only for the benefit of students.

- Condition:* 1. Ticket accountability- Our review of accountability reports for revenue producing student social events showed that unsold tickets were not on file with ticket stubs and that such reports did not adequately reconcile sales to tickets. Also, there were several events with no ticket report on file. For one social event, we were unable to verify deposit of receipts of \$260 for the event.
2. Expenditures- Our test of Student Activity Fund expenditures showed four instances, out of a sample of 25, where there was no vendor invoice. We also found, during March 2001, a payment of \$178 from the Welfare Fund to a candidate for a position at the College. The payment was to reimburse the candidate for costs associated with traveling from out-of-State for an interview.
- Effect:* The lack of accountability over ticket sales can result in undetected losses. The lack of expenditure documentation lessens the assurance that payments were correct and/or proper.
- Cause:* The cause for the above conditions was not determined.
- Recommendation:* The Agency should improve its accountability and documentation over Student Activity events and transactions. (See Recommendation 3.)
- Agency Response:* “The College had procedures in place for both the Student Activity and Welfare Funds that, due to a change in college personnel, were not being properly followed. We will see that this process is corrected in the future. Staff included in this activity will be properly trained.”

Bookstore Operations:

- Criteria:* Sound business practice would include procedures to ensure outstanding credit memos are applied to incoming vendor invoices.
- Condition:* A test of outstanding credit memos from College bookstore purchases showed that in five of seven cases, the credit memo was not applied to a paid vendor invoice. As of June 30, 2002, the Bookstore had a balance of \$26,600 in outstanding credit memos.
- Effect:* The lack of applying credit memos to purchases results in an unnecessary expense to the State.
- Cause:* There was a lack of oversight over applying outstanding credit memos to purchases.
- Recommendation:* The College should ensure credit memos on bookstore purchases are appropriately applied. (See Recommendation 4.)

Agency Response: “The College will establish new procedures to both monitor open credits and ensure that they are either liquidated or appropriately applied to new invoices.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The administration of the College, in conjunction with the administration of the Central Office of the Community-Technical College System, should close the credit card clearing account and have their credit card receipts transferred directly to the State Treasurer's account. This recommendation has been repeated in a modified form. (See Recommendation 1.)
- The College should conduct a complete physical inventory of capital assets and reconcile such physical inventory to their perpetual inventory records. The College has complied with this recommendation.
- Procedures should be developed which clarify the steps to be taken to assist in assuring compliance with the statutory requirements regarding private foundations affiliated with State agencies. This recommendation has been resolved since the independent auditor's report for the 2000-01 fiscal year stated that the Foundation was in full compliance with Sections 4-37e through 4-37i of the General Statutes.
- Differences noted on the cash reconciliations between the College's accounting records and the State Comptroller's Central Accounting System should be resolved in a timely manner. This recommendation has been resolved.

Current Audit Recommendations:

1. The College should close its credit card and Petty Cash bookstore checking accounts.

Comment:

The use of a credit card clearing account to clear credit card payments is obsolete and an inefficient use of resources. The Petty Cash bookstore checking account is seldom used and should be closed with its transactions handled through the Petty Cash business office checking account.

2. The College should sufficiently document amounts reported on its Annual Inventory Reports in accordance with the State of Connecticut's Property Control Manual.

Comment:

Annual inventory reports submitted to the State Comptroller for June 30, 2000 and 2001 did not contain sufficient documentation for many of the amounts reported as required by the State of Connecticut's Property Control Manual.

3. The Agency should improve its accountability and documentation over Student Activity events and transactions.

Comment:

Our review of accountability reports for student events showed a lack of adequate reconciliation of sales to tickets on hand and ticket reports were not available for several events. Also, some instances were noted where Student Activity Fund expenditures were not documented by a vendor's invoice.

4. The College should ensure credit memos on bookstore purchases are appropriately applied.

Comment:

Our review found that credit memos were not being consistently applied to vendor invoices for bookstore purchases.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of Quinebaug Valley Community College for the fiscal years ended June 30, 2000 and 2001. 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 established 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 audit of Quinebaug Valley Community College for the fiscal years ended June 30, 2000 and 2001, 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 government auditing standards accepted in the United States of America and the standards applicable to financial-related audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether Quinebaug Valley Community College complied in all material or significant respects with the provisions of the 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 Quinebaug Valley Community College is the responsibility of the management of Quinebaug Valley Community College.

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, 2000 and 2001, 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 generally accepted government auditing standards. However, note certain immaterial or less than significant instances of noncompliance that we have disclosed in the "Condition of Records" and "Recommendations" sections of this report.

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

The management of Quinebaug Valley Community College is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of 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 Quinebaug Valley 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 findings regarding the accountability over revenue from student sponsored social events represents a reportable condition.

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, we believe that the reportable condition described above is not a material or significant weakness.

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 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 Quinebaug Valley Community College during the course of our examination.

Donald R. Purchla
Principal Auditor

Approved:

Robert G. Jaekle
Auditor of Public Accounts

Kevin P. Johnston
Auditor of Public Accounts