

STATE OF CONNECTICUT

**AUDITORS' REPORT
BOARD OF TRUSTEES FOR
COMMUNITY-TECHNICAL COLLEGES
TUNXIS 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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November 8, 2002

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

We have examined the financial records of Tunxis Community College (College) for the fiscal years ended June 30, 2000 and 2001.

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 Tunxis Community-Technical College changed its name to Tunxis Community College. The Board's name remained unchanged.

Tunxis Community College, located in Farmington, Connecticut, 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.

The College is accredited by the New England Association of Schools and Colleges, Inc. until Fall 2011.

Dr. Cathryn L. Addy served as President of Tunxis Community College during the audited period.

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-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 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 regional Community-Technical 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 Regional Community-Technical 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.

These Sections of the Act took effect July 1, 2001.

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 <u>1999</u>	Spring <u>2000</u>	Fall <u>2000</u>	Spring <u>2001</u>
Full-time students	890	742	897	703
Part-time students	<u>2,565</u>	<u>2,449</u>	<u>2,515</u>	<u>2,450</u>
Total Enrollment	<u><u>3,455</u></u>	<u><u>3,191</u></u>	<u><u>3,412</u></u>	<u><u>3,153</u></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 \$68,033 for the fiscal year ended June 30, 2000, and \$21,969 for the fiscal year ended June 30, 2001. The amount in the June 30, 2000 fiscal year consisted primarily of sales taxes collected by the College-operated bookstore. Effective with the fiscal year ended June 30, 2001, textbooks became sales tax exempt, which accounts for the significant decrease in receipts in this fiscal year.

General Fund expenditures totaled \$8,333,376 and \$8,607,907 during the fiscal years ended June 30, 2000 and 2001, respectively, and consisted of personal services expenditures. These totals represent increases of \$700,734 (nine percent) and \$274,531 (three percent), respectively, during the audited fiscal years. The increase in expenditures in the fiscal year ended June 30, 2000, can be attributed primarily to an increase in the number of full-time permanent employees during this year. The increase in expenditures in the fiscal year ended June 30, 2001, can be attributed primarily to salary increases.

Capital Projects Funds:

Capital projects funds expenditures totaled \$368,358 and \$ 201,030 during the fiscal years ended June 30, 2000 and June 30, 2001, respectively. These expenditures consisted primarily of data processing 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>1998-1999</u>	<u>1999-2000</u>	<u>2000-2001</u>
Total Receipts	<u>\$7,989,439</u>	<u>\$8,814,696</u>	<u>\$8,981,904</u>

Total Operating Fund receipts increased ten percent during the 1999-2000 fiscal year, primarily as a result of an increase in student enrollment during the year. Receipts increased two percent during the 2000-2001 fiscal year due primarily to the receipts generated from two Federal grants.

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>	New England Regional Program
			<u>Program</u>
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 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>1998-1999</u>	<u>1999-2000</u>	<u>2000-2001</u>
Personal services	\$ 1,362,412	\$ 2,197,440	\$ 2,253,384
Contractual services	1,346,483	1,473,540	2,025,504
Commodities	1,048,845	1,294,092	1,345,623
Revenue refunds	823,546	798,725	800,525
Sundry charges	1,535,384	1,710,545	1,844,620
Equipment	172,689	320,108	515,031
Building improvements		<u>35,312</u>	<u>690,792</u>
Total Expenditures	<u>\$ 6,289,359</u>	<u>\$ 7,829,762</u>	<u>\$ 9,475,479</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 \$1,540,403 (25 percent) during the 1999-2000 fiscal year. This increase was due primarily to the hiring of additional part-time lecturers, which accounted for an increase in personal services costs in excess of \$700,000.

Expenditures increased \$1,645,717 (21 percent) during the 2000-2001 fiscal year. The overall increase in expenditures was mainly attributed to two factors. The first factor was an increase in the amount of fees for outside professional services. Significant individual costs in this category included a College marketing plan, instructional services for cabling courses, and a College space master planning study. The second factor in this increase was costs associated with leasehold improvements at Bristol Center, a facility the College began renting in September 2000, to house the administrative offices of its Business & Community Services and Continuing Education Programs.

Inter-agency/Intra-agency Grants Fund:

Receipts of the Inter-agency/Intra-agency Grants Fund totaled \$35,000 in the fiscal year ended June 30, 2001. These receipts represent the proceeds from sales of tax exempt bonds.

Expenditures totaled \$60,735 and \$9,497 during the fiscal years ended June 30, 2000 and 2001, respectively. Expenditures were primarily for building improvements.

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 \$111,759 and \$108,716 during the fiscal years ended June 30, 2000 and 2001, respectively. The major sources of receipts in the fiscal year ended June 30, 2000, were Student Activity Fees and the transfer of Student Activity Fees originally deposited into the Operating Fund. The major sources of receipts in the fiscal year ended June 30, 2001, were Student Activity Fees and one instance in which Operating Fund receipts were incorrectly deposited into the Student Activity Fund bank account.

Disbursements from the Fund totaled \$108,696 and \$97,959 during the fiscal years ended June 30, 2000 and 2001, respectively. The primary purposes of these disbursements in the fiscal year ended June 30, 2000, were for costs related to student organizations and transfers of funds to the Short Term Investment Fund (STIF). The primary purposes of disbursements in the fiscal year ended June 30, 2001, were for costs related to student organizations and the transfer of the erroneous deposit into the Operating Fund.

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 \$14,687 and \$319 during the fiscal years ended June 30, 2000 and 2001, respectively. The major source of receipts was scholarships.

Disbursements totaled \$13,176 and \$2,745 during the fiscal years ended June 30, 2000 and 2001, respectively. The primary purpose for these disbursements was the transfer of scholarship funds to College accounts.

Tunxis Community College Foundation and Advisory Board, Inc:

Tunxis Community-Technical College Foundation and Advisory Board Inc. was established in December 1990, 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.

Financial statements for the Foundation were prepared by the Foundation's Treasurer for the years ended June 30, 2000 and 2001. These statements reported revenues of \$110,091 and \$212,333, during the same years, respectively. Expenditures totaled \$78,647 and 57,344, during the same years.

Our review of the Foundation’s operations disclosed a matter of noncompliance with the statutory provisions cited above. This concern is further discussed in the “Condition of Records” and “Recommendations” sections of this report.

PROGRAM EVALUATION:

Section 2-90 of the General Statutes authorizes the Auditors of Public Accounts to perform evaluations of selected agency operations and activities. For our current audit, we conducted a program evaluation of the College’s internal departmental and expenditure coding for permanent, full-time employees.

We reviewed the Payroll Report for the Feed to the Banner Finance Module (a report listing each employee and the College department being charged for his or her payroll costs), College organization charts, the Organization Hierarchy Report, and individual employee timesheets. We also conducted discussions with several College employees.

The following recommendation was developed from this review.

Criteria: In order for internal departmental budgetary reports to be useful, costs must be charged and reported where they are actually incurred.

Condition: Personal services costs for 12 of the College’s 199 permanent, full-time employees are being charged to departments other than where they are actually working.

Effect: Internal departmental budgetary reports will provide inaccurate or misleading information.

Cause: The internal coding on the Payroll Report for the Feed to the Banner Finance Module for these employees does not agree with their actual work locations.

Recommendation: The College should ensure that internal departmental codes for all employees are in agreement with their actual work locations. (See Recommendation 1.)

Agency Response: “The agency has corrected coding so that all employees’ codings are in agreement with their actual work location.”

CONDITION OF RECORDS

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

Time and Effort Reporting:

Criteria: 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 professorial 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 administered six Federal grants to which payroll expenditures were charged. Payroll costs charged to these grants during the audited period totaled \$340,300 and \$130,936 for the fiscal years ended June 30, 2000 and June 30, 2001, respectively. 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 2.)

Agency Response: “The agency is developing a time and effort reporting system for documenting payroll costs charged to Federal grant programs.”

Payments to Part-time Lecturers:

Criteria: Adequate internal controls over payroll require that payments be authorized prior to being incurred.

Condition: Using a sample of ten part-time lecturers for each fiscal year tested, we noted seven instances in the fiscal year ended June 30, 2000, and ten instances in the fiscal year ended June 30, 2001, in which notices of appointment were signed after the period of appointment had begun. The time lag between period of appointment commencement and authorization ranged from two to five weeks.

Effect: There was a weakness in internal control over the notices of appointment for part-time lecturers.

Cause: Notices of appointment for part-time lecturers were not authorized in a timely manner.

Recommendation: Notices of appointment for part-time lecturers should be authorized in a timely manner. (See Recommendation 3.)

Agency Response: “Notices of appointment for part-time lecturers often are made very close to the start date of the class. The agency is taking steps to lessen the time lag between period of appointment commencement and authorization.”

Coding of Expenditures:

Criteria: The State of Connecticut’s *State Accounting Manual* and *Property Control Manual* defines equipment as machinery, tools, furniture, etc. with a unit cost of \$1,000 or more and a useful life of one year or more. Items which meet these criteria are required to be coded with an expenditure object of 09 for equipment; items which do not meet both of these criteria are required to be coded with an expenditure object of 03 for commodities.

Condition: We noted one instance in the fiscal year ended June 30, 2001, in which an equipment expenditure was coded incorrectly as a commodities expenditure; we also noted two instances in which a commodities expenditure was coded incorrectly as an equipment expenditure.

Auditors of Public Accounts

- Effect:* The College did not comply with State expenditures coding requirements.
- Cause:* College officials were not familiar with these requirements.
- Recommendation:* The College should comply with requirements related to the coding of expenditures. (See Recommendation 4.)
- Agency Response:* “Over the past year College staff have been training in the Fixed Assets module of Banner, and miscodings to equipment should not recur.”

Contract Courses Accounts Receivable:

Criteria: The State of Connecticut’s *State Accounting Manual* states, “Internal control over cash receipts shall be established by each agency to minimize the risk of loss.”

Condition: The College conducts numerous contract courses designed for the benefit of local businesses and organizations. These courses generated approximately \$120,000 in revenues in the fiscal year ended June 30, 2000, and \$185,000 in the fiscal year ended June 30, 2001.

We selected a total of 20 customer accounts for the audited period from the Business and Community Services Contract Course Accountability Report. From this sample we noted the following:

- Four instances in which the client was never billed for a portion of its agreement amount. The total amount of these unbilled services was \$6,606.
- Eight instances in which the client was not billed in a timely manner. Individual clients were billed between two weeks and four-and-a-half months later than allowed in their agreements.
- Four instances in which actual billing procedures were inconsistent with the terms in the agreements.
- Numerous instances in which client files or documents were missing from either the Business & Industry Services Center or the Business Office.
- Three instances in which services were provided before the agreement was signed.

Effect: The College did not maintain strong internal controls over contract course billings and receivables.

Cause: There was a lack of coordination of information between the Business & Industry Services Center and the Business Office.

Recommendation: The College should improve internal controls over contract courses procedures. (See Recommendation 5.)

Agency Response: “Personnel turnover in Business & Community Services disrupted coordination of information between Business & Community Services and the Business Office. All unbilled services have since been billed. The Business Office has met with the new Director of Business & Community Services to improve the coordination of information between the two areas.”

Fixed Assets Inventory:

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

Condition:

- The Fixed Assets/Property Inventory Report/GAAP Reporting Form (CO-59) for the fiscal year ended June 30, 2001, was submitted one month late. The form excluded the ending Bookstore inventory of approximately \$250,000 and leasehold improvements at Bristol Center totaling \$438,000.

- The ending balances for the fiscal years ended June 30, 2000, and June 30, 2001, for both books and equipment are not documented. The inventories for both books and equipment are maintained on separate systems.

The books inventory is maintained on the Library’s information system, which does not provide cost information. Therefore, the books inventory reported on the CO-59 is based on estimates.

The equipment inventory is maintained on an inventory listing prepared by an outside contractor. Furnishings and equipment reported on the CO-59 for the fiscal year ended June 30, 2001, are not based on this inventory listing, but, rather are based on the prior year’s balance and adjusted for cumulative charges recorded in appropriate expenditures accounts in the College’s accounting system.

- The equipment listing prepared by the outside contractor was completed in April 2001 and has not been updated since. We noted that the listing does not provide an adequate audit trail for determining that purchased equipment has been recorded because purchase order numbers, which are critical for this procedure and, therefore, for assessing the reliability of the listing, are not included on this report.

- Effect:* The College did not maintain adequate controls over its fixed assets inventory.
- Cause:* The College did not comply with internal control procedures related to fixed assets.
- Recommendation:* The College should improve internal controls over fixed assets in order to ensure accurate reporting and safeguarding. (See Recommendation 6.)
- Agency Response:* “Bookstore inventory and leasehold improvements will be included on future CO-59s. As mentioned in [the Procurement Matters finding], staff has been training in the Fixed Assets module of Banner. The System Office’s implementation of Banner Fixed Assets will strengthen internal controls.”

Noncompliance with Section 1-84 of the General Statutes:

- Criteria:* Section 1-84, subsection (i) of the Connecticut General Statutes states, “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.”
- Condition:* We performed a review of personal service agreements and noted three payments that were in violation of Section 1-84, subsection (i) of the General Statutes. A business that a College professor was associated with received \$8,000 for services rendered to the administrative services division. The same business also received \$1,785 for curriculum and training services. We also noted several instances in which a College employee received payments totaling \$315 for administering placement tests at the College.
- Effect:* The College violated Section 1-84, subsection (i) of the Connecticut General Statutes.
- Cause:* College officials were not aware of this statutory requirement.
- Recommendation:* The College should comply with Section 1-84, subsection (i) of the Connecticut General Statutes. (See Recommendation 7.)
- Agency Response:* “The College will take steps to ensure we are in compliance with this requirement.”

Tunxis Community College Foundation and Advisory Board, Inc:

- Criteria:* Section 4-37f(8) of the Connecticut General Statutes requires a foundation which has receipts totaling more than \$100,000 in a fiscal year to have a complete audit performed.
- Condition:* Reports prepared by the Treasurer for the Tunxis Community College Foundation and Advisory Board, Inc. list total income of \$110,000 for the fiscal year ended June 30, 2000, and \$212,000 for the fiscal year ended June 30, 2001. An audit was not performed for either of these years.
- Effect:* The Foundation did not meet the compliance standard set forth in the General Statutes.
- Cause:* College officials were not aware of this requirement.
- Recommendation:* College officials should ensure that an audit of the foundation is performed for each year in which total receipts exceed \$100,000. (See Recommendation 8.)
- Agency Response:* “The Foundation will ensure audits are performed for each year in which total receipts exceed \$100,000.”

Banner System Access

- Criteria:* Internal control related to system security requires that an employee’s access to the system be disabled promptly upon termination of employment.
- Condition:* The Information Systems Department at the College must request termination of Banner access from the System Office. We obtained documentation from the Information Systems Department to requests for termination of Banner access for 11 employees who separated from the College. We noted that six of these requests were dated between seven and 173 days after the employee had separated.
- Effect:* Internal control over the College’s information system is weakened when an employee’s access is not discontinued promptly upon termination.
- Cause:* There does not appear to be a formal procedure for notifying affected departments when an individual’s employment terminates.
- Recommendation:* All Banner access should be disabled promptly upon an individual’s termination of employment. (See Recommendation 9.)

Agency Response: “The College is developing a formal procedure for prompt termination of Banner access when employees separate from the College.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The College should use approved State payroll or accounts payable procedures to advance salary to employees or vendor payments to contractors instead of using checking accounts of either the Welfare Fund or the Student Activity Fund. These accounts also should not be used to process voluntary deductions from employees' salary for processing tuition overpayments and their related refunds. We did not note any recurrences of these conditions, so the recommendation is not being repeated.
- Inventory controls with their related accounting and reporting procedures should be improved and conform to the State of Connecticut's "Property Control Manual." This recommendation is being repeated. (See Recommendation 6.)
- Policies should be developed by the College to ensure that revenue from Student Activity events is deposited within 24 hours of receipt according to provisions of Section 4-32 of the General Statutes. Improvement was noted in this area, and the recommendation is not being repeated.
- The Board of Directors of the Tunxis Community-Technical College Foundation and Advisory Board, Inc. should ensure that the auditor's opinion on financial audits of the Foundation is expanded to include the Foundation's compliance with Sections 4-37(e) through 4-37(j) of the General Statutes. The College should also promptly forward a copy of that audit report to the Auditors of Public Accounts with an accompanying statement that the audit report has been reviewed by the College President. These instances of noncompliance did not recur, and the recommendation is not being repeated.

Current Audit Recommendations:

- 1. The College should ensure that internal departmental codes for all employees are in agreement with their actual work locations.**

Comment:

We reviewed numerous internal systems and payroll reports and documents and conducted discussions with several College officials. We noted that personal services costs for 12 of the College's 199 permanent, full-time employees are being charged to departments other than where they are actually working.

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

Comment:

During our review, we found that the College did not have a time and effort reporting

system in compliance with the requirements of OMB Circular A-21.

3. Notices of appointment for part-time lecturers should be authorized in a timely manner.

Comment:

We noted instances in which employees' contracts were signed after services had begun.

4. The College should comply with requirements related to the coding of expenditures.

Comment:

In our review of expenditures records, we noted several instances in which commodities and equipment expenditures were coded incorrectly.

5. The College should improve internal controls over contract courses procedures.

Comment:

We found problems with various aspects related to the billings process over contract courses. We also noted client files that were missing relevant documents.

6. The College should improve internal controls over fixed assets in order to ensure accurate reporting and safeguarding.

Comment:

We noted that the Fixed Assets/Property Inventory Report/GAAP Reporting Form was submitted one month later than required. We determined that the amounts reported for both books and equipment are not adequately documented. We also found that the equipment listing prepared by an outside contractor did not provide an adequate audit trail for determining that purchased equipment has been recorded.

7. The College should comply with Section 1-84, subsection (i) of the Connecticut General Statutes, which states, "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."

Comment:

During our review of expenditures, we noted several violations of this section of the General Statutes.

- 8. College officials should ensure that an audit of the Foundation is performed each year in which total receipts exceed \$100,000.**

Comment:

Foundation receipts exceeded \$100,000 in each of the fiscal years ended June 30, 2000, and June 30, 2001; the required audit was not performed in either year.

- 9. All Banner system access should be disabled promptly upon an individual's termination of employment.**

Comment:

We determined that the College's requests for termination of Banner access to the System Office for six employees who separated from the College were not made in a timely manner.

INDEPDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of Tunxis 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 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 Tunxis 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 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 Tunxis 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 Tunxis Community College is the responsibility of Tunxis 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, 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 *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 Tunxis 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 Tunxis 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: weakness in internal control over the notices of appointment for part-time lecturers, noncompliance with certain regulations related to the coding of expenditures, weaknesses in internal controls over contract courses procedures, inadequate controls over fixed assets, noncompliance with Section 1-84 of the General Statutes, and weaknesses in internal controls over information systems access.

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: weaknesses in internal controls over the notices of appointment of part-time lecturers, weaknesses in internal controls over contract courses procedures, inadequate controls over fixed assets, and weaknesses in internal control over information systems access.

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 Tunxis 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