

STATE OF CONNECTICUT

**AUDITORS' REPORT
BOARD OF TRUSTEES FOR
COMMUNITY-TECHNICAL COLLEGES
TUNXIS COMMUNITY COLLEGE
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2003**

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

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October 26, 2004

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TUNXIS COMMUNITY COLLEGE
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2003**

We have examined the financial records of Tunxis Community College (College) for the fiscal years ended June 30, 2002 and 2003.

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:

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-80a of the General Statutes. The College is one of 12 two-year institutions of higher education which collectively form the Connecticut Community College System. The Board of Trustees of Community-Technical Colleges administers the 12 institutions.

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 or near the audited period:

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.

Public Act 02-107 – 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.

This Act became effective July 1, 2002.

Public Act 02-126 – Section 6 of this Act provides that the Board of Trustees of Community-Technical Colleges shall waive the payment of tuition at any of the community-technical colleges for any State resident who is a dependent child or surviving spouse of a Connecticut resident who died as a result of the terrorist attacks against the United States on September 11, 2001, or the anthrax attacks from September 11, 2001, through December 31, 2002. This Section became effective June 7, 2002.

Public Act 02-140 – 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. This Section of the Act became effective July 1, 2002.

Public Act 03-33 – Effective May 12, 2003, Section 1 of this Act requires the Board of Trustees of Community-Technical Colleges to allow its students to reenroll, at no charge, in courses not completed because of a call to active duty in the armed forces. This benefit applies to student members of the armed forces for a period of four years after being released from duty and only applies to courses for which tuition had previously been paid and was not fully refunded.

Public Act 03-69 – Effective July 1, 2003, this Act provides that General Fund appropriations shall be transferred from the Comptroller and deposited into the Regional Community-Technical Colleges’ Operating Fund. Also, upon request of the Board of Trustees of Community-Technical Colleges, appropriations for fringe benefits and workers’ compensation shall be transferred from the Comptroller and deposited into the Regional Community-Technical Colleges’ Operating Fund. The State Treasurer and the Secretary of the Office of Policy and Management must approve such transfers. The Act further requires that the Board establish an equitable policy for allocating such fringe benefit appropriations

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>2001</u>	<u>Spring</u> <u>2002</u>	<u>Fall</u> <u>2002</u>	<u>Spring</u> <u>2003</u>
Full-time students	1,049	944	1,245	1,090
Part-time students	<u>2,670</u>	<u>2,609</u>	<u>2,790</u>	<u>2,711</u>
Total Enrollment	<u>3,719</u>	<u>3,553</u>	<u>4,035</u>	<u>3,801</u>

Fiscal year 2002 enrollment showed an increase of 11 per cent over fiscal year 2001; similarly, fiscal year 2003 enrollment showed an increase of 8 percent. A decline in the economy generally impacts Community College enrollment as the workforce seeks retraining and lower cost education.

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.

General Fund:

General Fund receipts totaled \$28,483 and \$19,530 for the fiscal years ended June 30, 2002 and 2003, respectively, compared to \$21,969 for fiscal year ended June 30, 2001. These amounts consisted primarily of sales taxes collected by the College-operated bookstore.

General Fund expenditures totaled \$8,796,693 and \$8,830,170 during the fiscal years ended June 30, 2002 and 2003, respectively, compared to \$8,607,907 for the fiscal year ended June 30, 2001. These expenditures consisted entirely of personal services costs. These totals represent increases of \$188,787 (2.2 percent) and \$33,476 (.4 percent), respectively, during the audited fiscal years. The increase in expenditures in the fiscal year ended June 30, 2002, can be attributed primarily to salary increases. In the fiscal year ended June 30, 2003, a decrease in the number of employees supported by the General Fund was offset by salary increases.

Capital Projects Funds:

Capital projects funds expenditures totaled \$490,573 and \$862,105 during the fiscal years ended June 30, 2002, and June 30, 2003, respectively. In the 2001-2002 fiscal year, these expenditures consisted primarily of data processing hardware; in fiscal year 2002-2003, expenditures consisted of data processing hardware and costs incurred by the Department of Public Works associated with future construction projects.

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.

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

	<u>Fiscal Year</u>		
	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>
Total Receipts	<u>\$8,981,904</u>	<u>\$10,311,340</u>	<u>\$9,611,466</u>

Total Operating Fund receipts increased 15 percent during the 2001-2002 fiscal year. This increase was primarily due to several factors. As noted above, student enrollment increased during the year; Student Activity and Welfare Fund account balances were transferred to the Operating Fund; funds recorded in the Operating Fund in fiscal year 2000-2001 to support a tuition freeze in prior fiscal years were no longer received.

Receipts decreased seven percent during the 2002-2003 fiscal year primarily as a result of a change in the method used by the Community Colleges to report student financial aid-related tuition and fee revenues to the State Comptroller. During the 1998-1999 fiscal year and into the 1999-2000 fiscal year, the Community Colleges reported to the State Comptroller all student financial aid revenues recorded in their general ledgers, including both actual cash receipts received and non-cash, book entries of revenue recognized. This method had the effect of duplicating some receipts recorded on the State Comptroller's books. Effective during the 1999-2000 fiscal year, the Community Colleges, after consulting with the State Comptroller's Office, discontinued reporting to the State Comptroller the above non-cash transactions of tuition and fee revenues recorded in the Colleges' general ledgers. The College did not become aware of this change until fiscal year 2002-2003; therefore, revenues recorded in that fiscal year did not include duplicate receipts, and an apparent decline was reflected in the records of the State Comptroller.

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:

	In-State	Out-of-State	New England Regional Program
2000-2001	\$1,680	\$5,232	\$2,520
2001-2002	\$1,680	\$5,232	\$2,520
2002-2003	\$1,818	\$5,454	\$2,727

The Board of Trustees approved a tuition increase for the Fall 2002 semester and an additional increase for the Spring 2003 semester.

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:

	2000-2001	2001-2002	2002-2003
Personal services	\$ 2,253,384	\$ 3,263,762	\$ 3,810,380
Contractual services	2,025,504	2,181,033	2,013,400
Commodities	1,345,623	1,590,868	1,656,868
Revenue refunds	800,525	930,820	1,109,461
Sundry charges	1,844,620	2,382,103	631,655
Equipment	515,031	323,081	120,592
Building improvements	690,792	-0-	-0-
Total Expenditures	\$ 9,475,479	\$ 10,671,668	\$ 9,342,356

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. The majority of these professional services were related to educational instruction, including the operation of a Middle High School by the Capitol Region Education Council. In fiscal year 2001-2002, sundry charges were mainly comprised of student financial aid; as noted above, changes in accounting for student financial aid resulted in a decrease in sundry charges in fiscal year 2002-2003.

Expenditures increased \$1,196,189 (13 percent) during the 2001-2002 fiscal year. This increase was due primarily to the hiring of additional instructors, which accounted for an increase in personal services costs of \$1,010,378.

Expenditures decreased \$1,329,312 (12 percent) during the 2002-2003 fiscal year, primarily due to the changes in accounting for student financial aid noted above.

Grants – Tax-Exempt Proceeds Fund:

Receipts of the Inter-agency/Intra-agency Grants Fund totaled \$93,000 in the fiscal year ended June 30, 2002. These receipts represent the proceeds from sales of tax exempt bonds and were earmarked for deferred maintenance. There were no Fund receipts in the fiscal year ended June 30, 2003.

Expenditures totaled \$68,148 and \$60,228 during the fiscal years ended June 30, 2002 and 2003, respectively. Expenditures were primarily for building maintenance and supplies.

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 statement and audit report criteria, written agreements concerning the use of facilities and resources, and compensation of State officers or employees.

Audits of the Foundation were prepared by an independent certified public accounting firm for the years ended June 30, 2002 and 2003. The Foundation's financial statements reported revenues of \$135,980 and \$108,101 during the same years, respectively. Expenditures totaled \$33,378 and \$41,975 during the same years.

CONDITION OF RECORDS

Our review of the financial records at Tunxis Community College revealed certain areas requiring attention. 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 received and administered six Federal grants to which payroll expenditures were charged. Payroll costs charged to these grants during the audited period totaled \$66,016.01 in the fiscal year ended June 30, 2002, and \$43,337.42 in the fiscal year ended June 30, 2003. However, the College did not have a time and effort reporting system as required by Circular A-21. The Circular provides that where the institution uses time cards or other forms of after-the-fact payroll documents as original documentation 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: The College did not place a high priority on implementing a time and effort reporting system.

Recommendation: The College should develop and implement a time and effort reporting system for documenting payroll costs charged to Federal grant programs. (See Recommendation 1.)

Agency Response: “The agency has notified employees working on Federal grants of this Circular A-21 requirement as well as the College procedure for documenting payroll costs. The Payroll Unit reviews and verifies that all timesheets are in compliance with Circular A-21. In addition, written procedures will be posted on the agency intraweb.”

Auditors’ Concluding Comments: OMB Circular A-21 requires that the principal investigator certify payroll costs charged to the grant; the principal investigator will generally not be an employee of the Payroll Unit.

Human Resources/Employee Compensation:

Background: The College received a grant from the Connecticut Distance Learning Consortium to develop on-line courses for the Criminal Justice Program in fiscal year 2002, carrying over to 2003. The grant proposal provided for, among other things, development of on-line courses, course revisions, and management of the project. According to the proposal, compensation associated with course development and revision was determined on a per-course basis. Part-time positions as Educational Assistants were established by the College to carry out the grant.

Criteria: Personnel policies established by the Board of Trustees of Community-Technical Colleges establish pay rates for part-time Educational Assistants on an hourly basis. Compensation for these services should be based on timesheets that reflect actual work performed.

Condition: We found several problems related to the method of establishing the positions and payments made on this grant:

- The positions were established at an hourly rate, and biweekly timesheets were submitted to support payment. Payment, for the most part, closely approximated the per-course allotment of \$2,500 noted in the grant proposal despite the fact that hourly rates established for the course developers were different in each fiscal year; in fiscal year 2002, the course developers received \$20.83 per hour, and, in fiscal year 2003, the course developers received \$17.72 per hour for what appear to be the same duties. Therefore, it appears that certain employees were being compensated based on predetermined lump-sum dollar amounts allocated for services performed rather than on hours actually worked. Nevertheless, to support these payments, the College required the submission of timesheets reflecting hours actually worked.

- The hours reflected on timesheets submitted by one employee for multiple assignments as the grant project manager and as a course developer of several on-line courses overlapped numerous times. That employee also had assignments as a part-time lecturer during the same period, and, at times, his teaching schedule and grant duties as reflected on his timesheets overlapped. In addition, this employee submitted timesheets in 2002 and again in 2003 for developing the same course. The employee was paid in both fiscal years, resulting in an overpayment of \$2,373. The College discovered this duplicate submission of timesheets after the second payment.

Effect: The method of compensating those employees who worked on the grant provided for the opportunity to submit timesheets that did not reflect time spent on that activity. The College overpaid one of its employees \$2,373. This amount has not been recovered as of June 2004, and attempts to recover it are ongoing.

Cause:

- The College used an inappropriate method of compensation to pay employees who worked on the grant.
- Supervisory review of work assignments and timesheets was inadequate. In addition, the employee who approved the duplicate payment was new to the College and was not familiar with the prior year's grant payments.

Recommendation: The College should strengthen internal control procedures to ensure that timesheets submitted reflect work actually performed. Further, the College should support the compensation of its employees in a manner consistent with pre-established requirements for the position: Hourly employees should submit timesheets reflecting hours actually worked. Employees whose pay is based on the completion of a project should be paid upon appropriate certification that the project was completed. (See Recommendation 2.)

Agency Response: “The System Office requires teaching to be paid as part-time lecturer contracts. However, course development must be done as an Educational Assistant which requires the submission of timecards, reflecting hours worked. Compensation is determined by salary grids. The College continues to follow system-wide procedures in this area.

When it was discovered that an employee had been overpaid, the College took immediate steps to recover the funds from the employee. The College continues to work with the System Office on its recovery effort. The College will work with supervisors to strengthen control and review of timesheets.”

***Auditors' Concluding
Comments:***

It is good business practice to pay employees after receiving proper documentation providing assurance that the employees are being paid for services performed. If the Community College policy requires submission of timesheets for course developers, then those timesheets should reflect work actually performed. The conditions noted above indicated that this did not always occur.

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 that all 20 contracts were signed after the period of appointment had begun. The time lag between the start of the contract and authorization ranged from one to four 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 College makes every effort to comply with timely submission of contracts. Staff involved in the processing of contracts understand the importance of signed documents being received prior to the start of service. Nearly all contracts are sent to part-time lecturers prior to the start of service, but often are not received by the College until close to or after classes have started.”

Accounts Receivable:

Criteria:

- Procedures established by the Board of Trustees of Community-Technical Colleges require that when an account becomes past due, the College make three collection attempts for student accounts with balances over \$25 before an account is considered for write-off. For accounts over \$200, the College must use a collection agency to perform the third collection attempt. If the College and/or collections agency is unsuccessful in collecting the balance due after three written attempts, the account should be reviewed for write-off.

- Strong internal control over contract course receivables requires a signed agreement before services are rendered, adherence to billing procedures set forth in that agreement, and timely and complete billing.

Condition:

- During our review of accounts receivable, we noted that accounts receivable had not been sent to a collection agency nor written off since fiscal year 2000. We also noted that one outstanding account had not been billed.
- The College conducts numerous contract courses designed for the benefit of local businesses and organizations. These courses generated approximately \$80,834 in revenues in the fiscal year ended June 30, 2002, and \$176,524 in the fiscal year ended June 30, 2003.

We selected 15 customer accounts for the audited period from the Business and Community Services Contract Course Accountability Report. From this sample we noted the following:

- One instance in which the client was not billed a portion of the amount owed to the College. The total amount not billed was \$285.
- Six instances in which the client was not billed in a timely manner. Individual clients were billed between one and 13 weeks later than allowed in their agreements.
- Two instances in which billing procedures were inconsistent with the terms in the agreements.
- Three instances in which services were provided before the agreement was signed.

Effect:

- The College was not in compliance with Board of Trustees procedures. Further, amounts reported by the College as valid receivables are inaccurate.
- Although we noted some improvement in this area, testing performed during the current audit continued to reveal some weakness in internal control over contract course billings and receivables.

Cause:

- According to the College, reductions in staff caused the College to delay processing of accounts for write-off or transfer to collections.
- Internal control over contract courses was inadequate.

Recommendation: The College should improve internal controls over accounts receivable. (See Recommendation 4.)

Agency Response: “Due to the demands of increasing enrollment, accounts receivable staff were not able to focus on writing off accounts and transmitting bad accounts to collections. The College has since written off all bad accounts. Balance due letters have since been sent to all students. The College will be forwarding delinquent accounts to collections. The College has always been vigilant in placing holds on student accounts in a timely manner and preventing unauthorized access to College services.

The Director of Finance and the Director of Business and Community Services meet on a monthly basis to improve communication and efficiency between the two areas. One staff person in accounts receivable has been designated as the contact for contract courses. All accounts have been billed. The College continues to implement procedures for smooth tracking and timely billing of all contract courses.”

Procurement:

Criteria: Strong internal control over purchasing requires that a transaction be authorized prior to receipt of goods or services.

Condition: Our sample consisted of 25 expenditures for the procurement of goods or services in each fiscal year of the audited period. From these samples, we noted five instances in the fiscal year ended June 30, 2002, and five instances in the fiscal year ended June 30, 2003, in which services were received prior to the authorization of a requisition or personal service agreement. Authorization occurred between two weeks and six months after receipt of services.

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

Cause: Faculty and staff of the College did not place sufficient emphasis on the approval process.

Recommendation: The College should improve internal control over procurement to ensure that approval is received prior to contracting services. (See Recommendation 5.)

Agency Response: “The College strives to process all procurement requests in accordance with State policies and procedures. The agency’s procedures have been distributed to all staff, and are posted on the intranet. In instances where specific individuals or departments appear to be submitting documents

beyond established timeframes on a regular basis, meetings have been held and corrective actions taken.”

Information 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. Board of Trustees of Community-Technical Colleges policies provide that requests to delete access to the Banner System be initiated within 48 hours of termination.

Condition: During the audited period, it was the practice of the Information Technology Department to request termination of Banner access from the System Office. We tested eight employees who separated from the College to determine if requests to disable access were made promptly upon termination of employment. We noted that, for five employees, requests were made one to 22 weeks after their termination; a sixth employee’s access was not terminated until our inquiries were received.

Effect: Internal control over the College’s information system is weakened when an employee’s access is not discontinued promptly upon termination.

Cause: Sufficient emphasis has not been placed on adherence to established policies.

Recommendation: Banner access should be disabled promptly upon an individual’s termination of employment. (See Recommendation 6.)

Agency Response: “As part of its termination procedures, the Office of Human Resources will notify staff in Information Technology to disable access promptly for terminated employees.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The College should ensure that internal departmental codes for all employees are in agreement with their actual work locations. This recommendation was implemented and, therefore, is not being repeated.
- The College should develop and implement a time and effort reporting system for documenting payroll costs charged to Federal grant programs. The College did not develop a time and effort reporting system. Therefore, this recommendation is being repeated. (See Recommendation 1.)
- Notices of appointment for part-time lecturers should be authorized in a timely manner. No improvement was noted during the audited period. The recommendation is being repeated. (See Recommendation 3.)
- The College should comply with requirements related to the coding of expenditures. We noted improvement in this area; therefore, the recommendation is not being repeated.
- The College should improve internal controls over contract courses procedures. Our audit continued to reveal some weakness in internal control over contract course billings and receivables. Therefore, this recommendation is being repeated and incorporated into a broader accounts receivable recommendation. (See Recommendation 4.)
- The College should improve internal controls over fixed assets in order to ensure accurate reporting and safeguarding. We noted significant improvement in this area during our current audit. Therefore, this recommendation is not being repeated.
- 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.” We noted no instances of noncompliance, and the recommendation is not being repeated.
- College officials should ensure that an audit of the Foundation is performed each year in which total receipts exceed \$100,000. Audits have been performed for fiscal years ended 2000, 2001, 2002, and 2003. Therefore, the recommendation is not being repeated.
- All Banner System access should be disabled promptly upon an individual’s termination of employment. This recommendation is being repeated. (See Recommendation 6.)

Current Audit Recommendations:

- 1. 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 develop a time and effort reporting system in compliance with the requirements of OMB Circular A-21.

- 2. The College should strengthen internal control procedures to ensure that timesheets submitted reflect work actually performed. Further, the College should support the compensation of its employees in a manner consistent with pre-established requirements for the position. Hourly employees should submit timesheets reflecting hours actually worked. Employees whose pay is based on the completion of a project should be paid upon appropriate certification that the project was completed.**

Comment:

During our review, we noted that certain employees were being compensated based on predetermined lump-sum dollar amounts allocated for services performed rather than on hours actually worked. Nevertheless, to support these payments, the College required the submission of timesheets reflecting hours actually worked. We also noted that timesheets submitted by one employee for multiple assignments overlapped numerous times. In addition, that employee submitted timesheets in fiscal year 2002 and again in fiscal year 2003 for developing the same course; the employee was paid in both fiscal years.

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

Comment:

We noted that all part-time lecturer contracts tested were signed after the period of appointment had begun.

- 4. The College should improve internal controls over accounts receivable.**

Comment:

In our review, we noted that accounts receivable had not been sent to a collection agency nor written off since fiscal year 2000. We also noted one outstanding account that had not been billed. Additionally, we found problems with various aspects related to the billing process over contract courses.

- 5. The College should improve internal control over procurement to ensure that approval is received prior to contracting services.**

Comment:

We noted numerous instances in which services were received prior to the authorization of a requisition or personal service agreement.

- 6. 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.

INDEPENDENT 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, 2002 and 2003. 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, 2002 and 2003, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial 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, 2002 and 2003, 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: weaknesses in internal controls over compensation of employees, incurring obligations for personal services prior to formal approval, weaknesses in internal controls over accounts receivable, 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 compensation of employees, incurring obligations for personal services prior to formal approval, and weaknesses in internal controls over accounts receivable.

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.

Cynthia A. Ostroske
Associate Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts