STATE OF CONNECTICUT

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

AUDITORS OF PUBLIC ACCOUNTS

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February 6, 2002

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FOR THE FISCAL YEARS ENDED JUNE 30, 1999 AND 2000

We have examined the financial records of Asnuntuck Community College (College) for the fiscal years ended June 30, 1999 and 2000.

Financial statement presentation and auditing are being done on a Statewide Single Audit basis to include all State agencies. This audit has been limited to assessing the College's compliance with certain provisions of financial related laws, regulations and contracts, and evaluating the College's internal control structure policies and procedures established to ensure such compliance.

This report on our examination consists of the Comments, Condition of Records, Recommendations and Certification that follow.

COMMENTS

FOREWORD:

On October 18, 1999, the Board of Trustees for Community-Technical Colleges approved a resolution changing the names of the colleges within the Community-Technical College system from Community-Technical Colleges to Community Colleges. Accordingly, during the audited period, the former Asnuntuck Community-Technical College changed its name to Asnuntuck Community College. The Board's name remained unchanged.

Asnuntuck Community College, located in Enfield, 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 2005.

Dr. Harvey S. Irlen served as President of Asnuntuck Community College during the audited period.

Recent Legislation:

The following notable legislation took effect during the audited period:

Public Act 98-252 – Effective July 1, 1998, Section 48, amended Section 10a-8b of the General Statutes, requiring the amount the Department of Higher Education annually transfers to the individual higher education constituent units' endowment funds from the Higher Education State Matching Grant Fund to be certified based on procedures developed by an independent certified public accountant or, upon request, by the Auditors of Public Accounts to determine statutory compliance. Further, effective July 1, 1998, Section 50 of this Act allowed the carry forward to future years of gifts eligible for State Endowment Fund matching funds not included in the total certified by the Chairman of the Board of Trustees each February 15.

Special Act 98-6 – Effective May 19, 1998, Section 1 of this Act amended Section 11 of Special Act 97-21, appropriating, for the 1998-1999 fiscal year, $1,149,000 of State General Fund money to the Regional Community-Technical Colleges to be used to help support a tuition freeze.

Public Act 99-285 – Effective July 1, 1999, Section 7 of this Act amended Section 10a-77a of the General Statutes to allow for the administration of the Community-Technical College Endowment Fund by a nonprofit entity so that interest on State bonds used to set up the fund can be Federally tax free. Section 7 further required these endowment fund monies to be held in a trust fund. It also required endowment fund eligible gifts to be deposited into a permanent endowment fund in the appropriate college foundation. In addition, it required that a share of the endowment fund matching grants for the Community-Technical Colleges, and a portion of the earnings on these grants, be transferred annually to such endowment funds.

Section 11, subsection (b) of this Act, also effective July 1, 1999, amended Section 10a-151b of the General Statutes to allow constituent units of public higher education to make purchases based on competitive negotiation as well as competitive bidding. Section 11 also increased the minimum cost of purchases that must be advertised from $25,000 to $50,000 and requires that purchases costing $50,000 or less, rather than $25,000 or less, be made in the open market and be based, when possible, on at least three competitive bids. It also increased the threshold below which purchases can be made without competitive bidding or negotiation to $10,000 or less rather than $2,000 or less.

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

Enrollment Statistics:

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

	Fall 1998	Spring 1999	Fall 1999	Spring 2000
Full-time students	313	285	371	345
Part-time students	1,600	1,582	1,348	1,400
Total Enrollment	1,913	1,867	1,719	1,745

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 $50 for the fiscal year ended June 30, 1999, and $400 for the fiscal year ended June 30, 2000. These amounts consisted of jury fees.

General Fund expenditures totaled $4,332,413 and $4,723,857 during the fiscal years ended June 30, 1999 and 2000, respectively, and consisted of personal services expenditures. These totals represent increases of $62,126 (one percent) and $391,444 (nine percent), respectively, during the audited fiscal years. The slight increase in expenditures in the fiscal year ended June 30, 1999, was due to a combination of factors. One of these factors was the significant number of retirements that occurred in the fiscal year ended June 30, 1998, which required significant termination payments in that year. The second factor was collective bargaining agreement salary increases. The increase in expenditures in the fiscal year ended June 30, 2000, can be attributed primarily to salary increases in accordance with collective bargaining agreements.

Capital Projects Funds:

Capital projects funds expenditures totaled $102,736 and $281,271 during the fiscal years ended June 30, 1999 and June 30, 2000, 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		
	1997-1998	**1998-1999**	**1999-2000**
Total Receipts	$2,292,788	$3,310,213	$2,738,339

Total Operating Fund receipts increased 44 percent during the 1998-1999 fiscal year, as a result of an increase in contract course revenues and State and Federal grant funds received during the year. Receipts decreased by 17 percent in the 1999-2000 due to a change in the method the Community Colleges used to account for student financial aid receipts. Prior to the 1999-2000 fiscal year the Community Colleges reported to the State Comptroller all student financial aid revenues recorded in their accounting system, including both actual cash receipts received from Federal, State and private financial aid sources and internal, noncash transactions of tuition and fees revenues recorded in their accounting systems pending amounts receivable from Federal, State and private sources. This method had the effect of duplicating some receipts. Effective during the 1999-2000 fiscal year, the Community Colleges, after consulting with the State Comptroller's Office, discontinued reporting to the State Comptroller the above internal, noncash transactions. (However, during the 1999-2000 fiscal year, the Colleges continued to report actual cash receipts of funds received from these sources.)

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

	In-State	Out-of-State	N.E. Regional Program
1997-1998	$1,608	$5,232	$2,412
1998-1999	$1,608	$5,232	$2,412
1999-2000	$1,608	$5,232	$2,412

As can be seen above, tuition rates remained unchanged during the audited period. In December 1997, the Board of Trustees for Community-Technical Colleges, in an attempt to further eliminate barriers to higher education, approved a freeze of tuition and fees at the State's 12 community colleges. The freeze remained in effect throughout the audited period, supported by special appropriations granted by the State Legislature to offset the revenue lost during times of rising college costs.

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

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

	1997-1998	1998-1999	1999-2000
Personal services	$ 420,680	$ 1,154,161	$ 1,547,120
Contractual services	856,408	1,029,929	1,045,791
Commodities	232,093	215,002	256,198
Revenue refunds	54,339	284,255	383,399
Sundry charges	558,156	777,366	328,844
Equipment	198,849	86,994	121,861
Total Expenditures	$ 2,320,525	$ 3,547,707	$ 3,683,213

Personal services expenditures consisted primarily of salaries and wages paid to instructors. The major component of contractual services expenditures was sundry operating services such as student financial aid and employees' fringe benefit costs. Sundry charges were mainly comprised of student financial aid.

Expenditures increased $1,227,182 (53 percent) during the 1998-1999 fiscal year. This increase was due to expenditures associated with an increase in State and Federal grant funds received during the year, which were recorded as Sundry Charges. In addition, during the 1998-1999 fiscal year, the Operating Fund was charged for part-time instructors paid on contract. These part-time instructors were contracted to replace full-time instructors who retired in the 1997-1998 fiscal year; the salaries for the full-time instructors had been borne by the General Fund.

Expenditures increased $135,506 (four percent) during the 1999-2000 fiscal year. The overall increase in expenditures was attributed to several factors. The first factor was the change in the method the Community Colleges used to account for student financial aid expenditures. Prior to the 1999-2000 fiscal year, the Community Colleges reported to the State Comptroller all student financial aid expenditures recorded in their accounting system, including both actual cash disbursements of financial aid checks paid to students and internal, noncash transactions (coded as Sundry charges on the State Comptroller's records) of amounts charged to their general ledger student financial aid accounts pending amounts receivable from Federal, State and private financial aid sources. This method had the effect of duplicating some expenditures. Effective during the 1999-2000 fiscal year, the Community Colleges, after consulting with the State Comptroller's Office discontinued reporting to the State Comptroller the above internal, noncash transactions. This resulted in a decrease in Sundry charges expenditures in the 1999-2000 fiscal year. The second factor in the expenditures increase in the 1999-2000 fiscal year was the increase in the number of contractual employees hired as instructors in this year.

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 $22,707 and $21,109 during the fiscal years ended June 30, 1999 and 2000, respectively. The major sources of revenue were student organizations receipts and Student Activity Fees.

Disbursements from the Fund totaled $20,498 and $28,656 during the fiscal years ended June 30, 1999 and 2000, respectively. The primary purpose of these disbursements was for costs related to student organizations and related activities.

Institutional General Welfare Fund:

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

Receipts totaled $24,989 and $37,332 during the fiscal years ended June 30, 1999 and 2000, respectively. The major sources of revenue were Stafford Loan funds received from financial institutions and scholarships.

Disbursements totaled $23,804 and $25,776 during the fiscal years ended June 30, 1999 and 2000, respectively, and were used primarily for the distribution of Stafford Loan receipts and scholarships.

Asnuntuck Community College Foundation, Inc:

Asnuntuck Community College Foundation, Inc. was established in October 1998, 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 an independent public accounting firm for the years ended June 30, 1999 and 2000. These statements reported revenues of $21,233 and $15,094, during the same years, respectively. Expenditures totaled $2,342 in the year ended June 30, 2000. There were no expenditures incurred during the year ended June 30, 1999.

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

PROGRAM EVALUATION:

Section 2-90 of the General Statutes authorizes the Auditors of Public Accounts to perform evaluations of selected agency operations. For our current audit, we conducted a program evaluation of the Machine Technology Center (the Center).

The Center began operations in February 1998 through a grant from the State Department of Economic and Community Development (DECD). Its mission is to provide individuals with technology and academic education leading to related and relevant career employment and continuous personal and professional development.

The Center began operating as a certificate-only program (no college credits were awarded for completion). The Center's operations have increased in size and scope since 1998. Its various programs now include awarding an Associate Degree in Machine Technology, contract courses designed for general instruction, contract courses developed specifically for local manufacturing concerns, and job training programs. In addition, the coursework in the Associate Degree in Machine Technology is accepted on a credit-for-credit basis toward a Bachelor's Degree in Industrial Technology at Central Connecticut State University. In the fiscal year ended June 30, 2000, the Center generated approximately $380,000 in contract course fees. Tuition revenues attributed to students enrolled in the Machine Technology program totaled more than $100,000.

The Center is located in the College's Business Office wing in approximately 7,000 square feet of space. 35 machines, primarily lathes and grinders, are contained in the Center. The machines were originally donated by several local manufacturers such as Pratt and Whitney, and Hamilton Sundstrand. Grants from two state agencies, the Department of Labor and DECD, have been obtained to assist in the Center's operations. In addition, a classroom is located in one of the Center's offices.

In our program evaluation, we reviewed the overall management structure of the Center. This consisted of discussions with agency personnel and reviewing the documentation to various Center programs. The results of our review found that the Center's management consists of the Director and the Machine Technology Center Advisory Committee. The Committee is comprised of seven officials from local manufacturing concerns.

The following recommendation was developed from this review.

Criteria: The College's management is responsible for the internal processes that control the Center's ability to conduct its operations and effect transactions in accordance with management objectives.

Condition: Management of the Center consists directly of internal College management and indirectly of the Machine Technology Center Advisory Committee.

Internal management of the Center is maintained through meetings and discussions between the Director and the College's management.

The Advisory Committee is comprised of the Director and the seven officials from local manufacturing companies. The Advisory Committee meets at irregular intervals throughout the year.

Effect: Management of the Center is fragmented between the Machine Technology Center Advisory Committee, which consists of seven individuals who have no formal affiliation with the College, and the College's management.

Cause: The informal managerial structure of the Center has not changed as the Center's operations have increased in significance.

Recommendation: Operations of the Center in accordance with management's objectives would be enhanced by creating an Advisory Committee which has more balance between internal and external members and which also meets on a more formal schedule. (See Recommendation 1.)

Agency Response: "The Machine Technology Center, in operation since 1998, is unique in its service to credit, non-credit and contracted clients. The College will seek to clarify the role of the Advisory Committee by formalizing its meetings to include College management and documented minutes."

CONDITION OF RECORDS

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

Payroll Issues:

Criteria:

- Adequate internal controls over payroll require that payments be authorized prior to being incurred.
- Leave and attendance records should be maintained in accordance with applicable bargaining unit contracts and Board of Trustees personnel policies.
- In accordance with Section 5-213 of the Connecticut General Statutes, employees in State service who have completed more than ten years of service will receive semiannual longevity payments according to the statute and the schedules in their collective bargaining agreements.

Conditions:

- Using a sample of 25 employees for each fiscal year tested, we noted 13 instances in each fiscal year in which contracts with employees were signed after the period of appointment had begun. The time lag between period of appointment commencement and authorization ranged from six days to more than four months.

  In addition, we were unable to obtain employment contracts for two part-time lecturers in the fiscal year ended June 30, 1999, and one part-time lecturer in the fiscal year ended June 30, 2000.
- From a sample of 25 employees who had accrued leave time during the audited period, we noted numerous errors and inconsistencies in leave and attendance postings.
- We tested longevity records for eight employees and found that the length of service calculations for three employees were performed incorrectly.

Effect: The College was not in compliance with the various criteria related to the conditions specified.

Cause:

- Employee contracts were not signed in a timely manner.
- These errors and inconsistencies were caused by clerical error.
- Unfamiliarity with longevity regulations was the cause of these incorrect calculations.

Recommendation: The College should improve internal control related to the payroll function. (See Recommendation 2.)

Agency Response: "With respect to the contracts not signed in a timely manner, the College Payroll Department does not pay any part-time lecturer without a fully executed contract. In many instances, the contracts in question are late decisions as to whether or not a specific class will run. The College makes a concerted effort to ensure that contracts are signed in a timely manner. The automation of the Notice of Appointment (NOA) process should help in the future. The errors cited in the leave and attendance postings are due to clerical error. Asnuntuck will be implementing the Time & Attendance automated process in the near future to reduce the possibility of clerical error. The longevity calculations noted were due to contractual interpretations and the regulations have been noted."

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 professional and professional staff, the statements must be prepared each academic term, but no less frequently than every six months.

Condition: During the audited period, the College received and administered two Federal grants to which payroll expenditures were charged. However, the College did not have a time and effort reporting system as required by Circular A-21. The Circular provides that where the institution uses time cards or other forms of after-the-fact payroll documents as original documents for payroll and payroll charges, such documents qualify as records for this purpose, provided that they meet the requirements outlined in the Circular. The College's payroll documents did not provide a signed certification that the employees' payroll expenditures were charged to the activities/programs on which the employees actually worked.

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

Cause: College officials were not familiar with this requirement.

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

Agency Response: "The College was not familiar with the requirements of Circular A-21 concerning documentation of payroll distribution costs. It will take action to ensure future compliance."

Student Activity Fund Operations:

Criteria: Accounting procedures for Student Activity Funds are contained in the State Comptroller's *Accounting Procedures Manual for Activity and Welfare Funds*.

Condition:

- We reviewed the College's procedures related to the preparation of financial reports and ticket accountability reports for Student Activity fundraising events which took place during the audited period. Weaknesses noted in this review included financial reports and ticket accountability reports that were not prepared, reports which were incomplete, inadequate expenditure documentation, and tickets which were not accounted for.

- The College did not have copies of minutes of all meetings held by the Student Senate. The minutes on file were often not signed as required.

- We noted instances in which disbursements of individual student activity clubs exceeded the club's appropriation.

Effect: There was a weakness in internal control over Student Activity Fund operations.

Cause: Compliance with the accounting procedures contained in the State Comptroller's *Accounting Procedures Manual for Activity and Welfare Funds* did not receive a high priority.

Recommendation: The College should comply with the accounting procedures contained in the State Comptroller's *Accounting Procedures Manual for Activity and Welfare Funds.* (See Recommendation 4.)

Agency Response: "The Director of Student Activities position was filled in June 1999, which falls in the middle of the audit period. The findings and requirements set forth in the above manual have been discussed with the Director. The College administration is confident that the internal controls over Student Activity operations will be improved immediately."

Asnuntuck Community College Foundation, Inc:

Criteria:

- Section 4-37f(9) of the General Statutes requires a written agreement between the college and the foundation. The agreement is required to address the following: (A) use of the agency's facilities by the foundation; (B) provide that the agency will be held harmless for acts of the foundation; (C) provide that the foundation reimburse the agency for expenses incurred on its behalf; (D) describe the investment and spending policy consistent with sections 45a-526 to 45a-534, inclusive; (E) provide for contingencies in the case of the foundation's dissolution.

- Section 4-37j requires that the foundation develop a whistleblower policy which addresses investigation of foundation practices and provides whistleblower protection for foundation employees.

Condition:

- The Memorandum of Agreement does not address the issues required by Section 4-37f(9).

- The Foundation has not adopted a whistleblower policy as required.

Effect: The College's Foundation was not in compliance with these requirements.

Cause: The Foundation was not aware of these requirements.

Recommendation: Procedures should be developed to assure compliance with the requirements regarding private foundations affiliated with State agencies. (See Recommendation 5.)

Agency Response: "The College acknowledges that the Foundation was not in compliance with these requirements because the Foundation, established in 1998, was not aware of such requirements. The Memorandum of Agreement will be changed to address the issues required by Section 4-37f(9) of the General Statutes, and a whistleblower policy will be adopted to address Section 4-37j of the General Statutes."

Initiation of the Procurement Process:

Criteria: Proper internal control over purchasing requires that commitment documents be properly 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 the following:

- Four instances in the fiscal year ended June 30, 1999, and two instances in the fiscal year ended June 30, 2000, in which goods or services were received prior to authorization of the purchase order. Authorization occurred between two and 43 days after receipt of goods or services.

- Six instances in the fiscal year ended June 30, 1999, and two instances in the fiscal year ended June 30, 2000, in which a personal service agreement (PSA) was authorized after the contract period had begun. Authorization by the College occurred between nine and 81 days after the contract period had begun. Included in these conditions were three PSAs that did not have proper authorization of the Attorney General.

- Three instances in the fiscal year ended June 30, 1999, and three instances in the fiscal year ended June 30, 2000, in which internal purchase requisitions were authorized after receipt of goods or services. In addition, we were unable to obtain one requisition for a purchase in the fiscal year ended June 30, 1999.

Effect: Internal control over the purchasing process was not adequate.

Cause: Faculty and staff of the College did not place enough emphasis on completing the purchase process in an orderly manner.

Recommendation: The College should obtain proper authorizations prior to ordering goods or services. (See Recommendation 6.)

Agency Response: "The College will reissue an internal memorandum to all college faculty and staff regarding proper purchasing procedures. This memo includes the responsibility of the requestor to obtain proper authorization prior to the receipt of good and/or services."

Other Procurement Matters:

Criteria:

- The State Comptroller's *State Accounting Manual* (SAM) dictates the proper accounts to be charged for State expenditures.

- Section 1-84(i) of the Connecticut General Statutes requires that an agency request bid proposals on all contracts valued at $100 or more before being awarded to a State employee.

- Purchasing policies of the Board of Trustees of Community-Technical Colleges require that purchases of personal services be supported by written personal service agreements.

- Purchasing policies of the Board of Trustees of Community-Technical Colleges require that purchases made on a noncompetitive basis be noted as such and that the reason for the noncompetitive purchase be clearly documented.

- Purchasing policies of the Board of Trustees of Community-Technical Colleges require that purchases in excess of $25,000 be subject to a formal bidding process.

Condition:

- In our review of expenditures, we noted numerous charges in both fiscal years to the major-minor for sundry operating services. Through review of the expenditure coding criteria in the SAM, we determined that many of these charges would have been more properly recorded in other accounts.

- We performed a review of personal service expenditures and noted two violations of Section 1-84 of the General Statutes. One employee received $3,540 to develop course curricula and another received $159 for picture frames. Neither of these contracts went out to bid.

- During the fiscal years audited, we noted that the College contracted for such services as presentations, grant writing, brochure design, and employee training using purchase orders rather than personal service agreements.

- We noted one instance in the fiscal year ended June 30, 1999, in which electronic equipment costing $5,950 was purchased on a sole source basis. The reason for the sole source basis was not explained on Agency purchasing documents.

- The College purchased market research services totaling $51,443, without soliciting bids for the services.

Effect:

- The College's financial records did not accurately reflect expenditures activity.

- This practice may have resulted in payments for goods or services on a noncompetitive basis.

- The College was not in compliance with the purchasing policies of the Board of Trustees of Community-Technical Colleges related to personal service agreements.

- The College was not in compliance with the purchasing policies of the Board of Trustees of Community-Technical Colleges related to bid solicitation.

- The College was not in compliance with the purchasing policies of the Board of Trustees of Community-Technical Colleges related to bid solicitation.

Cause: The College did not adhere to established criteria in these various areas.

Recommendation: The College should adhere to established criteria in all aspects of the purchasing process. (See Recommendation 7.)

Agency Response: "The College has noted the condition regarding the use of 2-22 and has already implemented more appropriate coding on current documents. The College is aware of Section 1-84 of the General Statutes, but questions the financial feasibility of its use in the above circumstances. In the case of the development of the course curricula, this cost was a charge back to the contract. In addition, the employee involved is an expert in that field. The contract would not cover the advertising expenditure nor did the College feel it was appropriate to incur an estimated $3,000 in advertising costs for a contract of this size. The same logic was applied to the purchase of the picture frames – the advertising cost far outweighed the purchase price. The College is reviewing its internal policies regarding the use of purchase orders versus personal service agreements and will make appropriate changes to the process. The use of market research services was initially issued by the Chancellor's Office for the entire system. Colleges, at their discretion, retained the contractor for additional, college-specific services. Asnuntuck proceeded along this line with the understanding that the initial personal service agreement, issued by the Chancellor's Office for the system, served as the bid document."

Auditor's Concluding Comments:

Section 1-84(i) of the General Statutes states, "No public official or state employee . . . 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, . . . 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."

Regarding the use of the contractor for market research services, our office discussed this situation with staff of the Chancellor's Office. We were told that no individual college has the authority to make direct payments to a contractor based on a PSA set up by the Board of Trustees of Community-Technical Colleges.

Equipment:

Criteria: The State Comptroller'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 ending June 30, 2000, was submitted three months late.

- The ending balances for both equipment and books are not documented. The costs for books and equipment are maintained on two separate systems.

  The book inventory, valued at $1.1 million, is maintained on the library's card catalog software, which does not include cost information. The cost of the inventory is based on replacement cost.

  The equipment inventory, reported at $1.5 million, is accounted for on the Fixed Assets Inventory Reporting System (FAIRS). Changes made to the annual inventory reports to the State Comptroller are documented only by the College's internal accounting system, not by actual additions and deletions to individual equipment asset records.

- We performed various inventory testing procedures. Through these tests, we noted the following:

  - Of ten items selected from their actual location, we were unable to locate two computers on the FAIRS report, and the eight computers we found had not been affixed with inventory tags.

  - Through College purchasing records, we selected 50 individual items purchased during the audited period that should have been included on the FAIRS report. We noted the cost of two computers was not included on the report, the cost of one computer was recorded incorrectly, three had tag numbers recorded incorrectly, five computers were not included on the report, four were not tagged, but were traced using serial numbers, and one computer could not be located.

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

Cause: The College did not comply with internal control procedures related to equipment.

Recommendation: The College should improve internal controls over equipment inventory in order to ensure accurate reporting and safeguarding of assets. (See Recommendation 8.)

Agency Response: "The entire Community College system has implemented the Banner Fixed Assets module as of July 1, 2001. This implementation will allow automated inventory reporting and ensure timely submission of the CO-59. Annual equipment inventories will also be taken to ensure accurate reporting and safeguarding of assets."

Foundation Expenses Incurred by the College:

Criteria: Section 4-37f(9) of the Connecticut General Statutes requires the Foundation to reimburse the College for expenses incurred on the part of the Foundation.

Condition: In our review of expenditures charged to the College's Operating Fund, we noted $16,590 in expenditures that were incurred for Foundation start-up costs. We discussed this matter with College officials and were told that the costs had not been recovered from the Foundation.

Effect: The College was not in compliance with this statute.

Cause: The College was not aware of this requirement.

Resolution: The College has established a receivable in its Operating Fund for this amount. The College will periodically review the Foundation's financial statements for determination of availability of unrestricted funds.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The College should improve internal controls over purchasing procedures. This recommendation is being repeated. (See Recommendations 6 and 7.)
- The College should implement a segregation of duties over the cash in the credit card clearing checking account. The College has reassigned some of the duties related to this account, and the recommendation is not being repeated.
- The College should improve internal controls over payroll. This recommendation is being restated. (See Recommendation 2.)
- Items noted on the payroll reconciliation between the State Comptroller and the College's accounting system should be resolved in a timely manner. Improvement was noted in this area, and the recommendation is not being repeated.
- The College should improve controls and procedures related to equipment inventory. This recommendation is being repeated. (See Recommendation 8.)

Current Audit Recommendations:

1. **Operations of the Machine Technology Center in accordance with management's objectives would be enhanced by creating an Advisory Committee which has more balance between internal and external members and which also meets on a more formal schedule.**

   Comment:

   In our review of the Machine Technology Center's management structure, we noted that the current Advisory Committee does not contain any members of the College's internal management. The Advisory Committee also meets on an irregular basis.

2. **The College should improve internal control related to the payroll function.**

   Comment:

   We noted instances in which employees' contracts were signed after services had begun. We also noted errors in leave and attendance postings and longevity length of service calculations.

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

   Comment:

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

4. **The College should comply with the accounting procedures contained in the State Comptroller's *Accounting Procedures Manual for Activity and Welfare Funds*.**

   Comment:

   We reviewed the operations of the Student Activity Fund and noted weaknesses in the areas of financial reports and related matters, inadequate expenditure documentation, and event tickets which were not accounted for. We also found that the College did not have copies of minutes for meetings held by the Student Senate. We also noted instances in which club expenditures exceeded the current appropriations.

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

   Comment:

   In our testing of the records of the Foundation, we noted that the Memorandum of Agreement does not address the issues required by Section 4-37f(9) of the General Statutes. We also found that a whistleblower policy had not been adopted.

6. **The College should obtain proper authorizations prior to ordering goods or services.**

   Comment:

   We noted numerous instances in which goods or services were received prior to authorization of the purchase order, personal service agreements were authorized after the contract had begun, and internal purchase requisitions were authorized after the receipt of goods or services.

7. **The College should adhere to established criteria in all aspects of the purchasing process.**

   Comment:

   In our review of the College's expenditures records, we noted many instances in which an incorrect expenditure coding was used and instances in which services were obtained through purchase orders rather than personal service agreements. We also found that the College was not in compliance with Section 1-84 of the General Statutes and that services totaling in excess of $51,000 were procured without soliciting bids.

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

   Comment:

   We noted that the Fixed Assets/Property Inventory Report/GAAP Reporting Form was submitted three months later than required. We reviewed inventory reporting over equipment and books and noted that the reported ending balances are not adequately documented. We performed various inventory testing procedures and noted problems with inventory tagging and physically locating equipment included on equipment listings.

INDEDPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of Asnuntuck Community College for the fiscal years ended June 30, 1999 and 2000. This audit was primarily limited to performing tests of the College's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the College's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the College are complied with, (2) the financial transactions of the College are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the College are safeguarded against loss or unauthorized use. The financial statement audits of Asnuntuck Community College for the fiscal years ended June 30, 1999 and 2000, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial-related audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether Asnuntuck 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 Asnuntuck Community College is the responsibility of Asnuntuck Community College's management.

As part of obtaining reasonable assurance about whether the College complied with laws, regulations, contracts, and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the College's financial operations for the fiscal years ended June 30, 1999 and 2000, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted certain immaterial or less than significant instances of noncompliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

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

The management of Asnuntuck 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 Asnuntuck 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: inadequate internal control over the payroll function, inadequate internal controls related to the operations of the Student Activity Fund, lack of control over the purchasing process, and inadequate controls over equipment inventory.

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: inadequate internal control over the payroll function, lack of control over the purchasing process, and inadequate controls over equipment inventory.

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 Asnuntuck 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