STATE OF CONNECTICUT

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

AUDITORS OF PUBLIC ACCOUNTS
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February 10, 2004

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FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2002

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

Financial statement presentation and auditing are being done on a Statewide Single Audit basis to include all State agencies. This audit has been limited to assessing the College's compliance with certain provisions of financial related laws, regulations 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:

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 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 2005.

Dr. Harvey S. Irlen served as President of Asnuntuck Community College during the audited period. Dr. Martha McLeod was appointed President on February 1, 2003.

Recent Legislation:

The following notable legislation took effect during the audited period:

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

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

Public Act 01-141 – 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.

Special Act 01-1 (enacted by the November 15, 2001, Special Session of the General Assembly) – Section 1 of this Act appropriated, for the 2001-2002 fiscal year, $2,236,923 of State General Fund money to the Community-Technical Colleges to be used to help support a tuition freeze. This Act was approved on November 20, 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 specified terrorist victim who was a Connecticut resident. 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.

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 2000	**Spring 2001**	**Fall 2001**	**Spring 2002**
Full-time students	390	350	409	392
Part-time students	1,460	1,328	1,314	1,278
Total Enrollment	1,850	1,678	1,723	1,670

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 operated two fiduciary funds, the Student Activity Fund and the Institutional General Welfare Fund.

General Fund:

General Fund receipts totaled $6,085 for the fiscal year ended June 30, 2001, and consisted primarily of refunds of expenditures of budgeted accounts. There were no General Fund receipts for the fiscal year ended June 30, 2002.

General Fund expenditures totaled $4,675,052 and $4,846,632 during the fiscal years ended June 30, 2001 and 2002, respectively, and consisted of personal services expenditures. These totals represent decreases of $48,805 (one percent) and increases of $171,580 (four percent), respectively, during the audited fiscal years. The slight decrease in expenditures in the fiscal year ended June 30, 2001, was due to the processing of 26 payrolls in fiscal year 2000-2001 compared to the 27 payrolls processed in fiscal year 1999-2000. This decrease was partially offset by an increase in the number of employees paid from the General Fund and salary increases in accordance with collective bargaining agreements. The increase in expenditures in the fiscal year ended June 30, 2002, can be attributed primarily to salary increases in accordance with collective bargaining agreements.

Capital Projects Funds:

Capital projects funds expenditures totaled $142,655 and $169,192 during the fiscal years ended June 30, 2001, and June 30, 2002, respectively. These expenditures consisted primarily of telecommunications equipment and 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. The College also received a grant of $740,000 through the Department of Economic and Community Development (DECD) for the Machine Technology Program.

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

	Fiscal Year		
	1999-2000	**2000-2001**	**2001-2002**
Total Receipts	$2,738,339	$3,013,030	$3,639,860

Total Operating Fund receipts increased ten percent during the 2000-2001 fiscal year, as a result of an increase in contract course revenues. Receipts increased by 21 percent in the 2001-2002 fiscal year due to the DECD grant.

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

The Board of Trustees approved a tuition increase of four and a half percent for all but Out-Of-State students effective during the audited period.

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.

	1999-2000	2000-2001	2001-2002
Personal services	$ 1,547,120	$ 1,263,382	$ 1,448,613
Contractual services	1,045,791	957,144	975,515
Commodities	256,198	213,126	326,128
Revenue refunds	383,399	554,440	536,002
Sundry charges	328,844	158,833	183,275
Equipment	121,861	54,723	400,355
Total Expenditures	$ 3,683,213	$ 3,201,648	$ 3,869,888

Personal services expenditures consisted primarily of salaries and wages paid to instructors. The major component of contractual services expenditures was sundry operating services and utility costs.

Expenditures decreased $481,565 (13 percent) during the 2000-2001 fiscal year. The decrease in personal services expenditures is due to the processing of 26 payrolls in fiscal year 2000-2001 compared to the 27 payrolls processed in fiscal year 1999-2000.

Expenditures increased $668,240 (21 percent) during the 2001-2002 fiscal year. This increase was attributed primarily to two factors. The first was the purchase of machinery equipment for use in the Machine Technology Program. The second was an increase in personal services expenditures for part-time instructors; these part-time instructors were contracted to replace full-time instructors on extended leave whose salaries were paid by the General Fund.

Grants – Tax-Exempt Proceeds Fund

The College recorded expenditures in the amount of $13,640 in fiscal year 2000-2001. These expenditures were for building improvements.

Fiduciary Funds:

After approval from the Office of the State Comptroller, the Board of Trustees of Community-Technical Colleges directed all of the 12 Connecticut Community Colleges to incorporate their Student Activity Fund and Institutional Welfare Fund accounts into their respective Operating Fund accounts, effective during the 2001-2002 fiscal year. Furthermore, effective during the 2001-2002 fiscal year, the Community Colleges no longer prepared separate financial statements for Student Activity and Institutional Welfare funds. Instead, the Board of Trustees produced financial statements for the Operating Fund as a whole. As such, the Student Activity and Institutional Welfare receipts and disbursements numbers included in this report were based on College financial statements for the 2000-2001 fiscal year and College accounting records for the 2001-2002 fiscal year

Student Activity Fund:

The Student Activity Fund was established and operated under the provisions of Sections 4-52 through 4-55 of the General Statutes. Section 4-54 of the General Statutes provided 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 receipts totaled $30,835 and $27,570 during the fiscal years ended June 30, 2001 and 2002, respectively. The major sources of revenue were student organizations receipts and Student Activity Fees.

Disbursements totaled $29,788 and $16,959 during the fiscal years ended June 30, 2001 and 2002, respectively. The primary purpose of these disbursements was for costs related to student organizations and related activities.

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 $61,280 and $38 during the fiscal years ended June 30, 2001and 2002, respectively. In fiscal year 2000-2001, the major sources of revenue were scholarships related to the Machine Technology Program. Due to changes in accounting for private scholarships, the only revenue recorded in 2001-2002 was for interest income.

Disbursements totaled $58,717 during the fiscal year ended June 30, 2001, and were used primarily for the distribution of Machine Technology Program scholarships. There were no disbursements in fiscal year 2002 for reasons noted above.

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.

Section 4-37f(8) of the Connecticut General Statutes requires that "A foundation which has receipts and earnings from investments totaling less than one hundred thousand dollars in each fiscal year… shall have completed on its behalf for the third fiscal year in any such three-year period a full audit of the books and accounts of the foundation." The Foundation did not have an audit completed for fiscal year 2001 as required. See the "Condition of Records" section of this report for further discussion of this and other instances of noncompliance noted.

Profit and loss statements prepared by the Foundation treasurer reported revenues of $88,615 and $52,193, during the twelve-month periods ended December 31, 2001 and 2002, respectively. Expenditures during the same years totaled $60,867 and $30,392, respectively.

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 Internal Control Matters:

Criteria: Strong internal controls require both organizational independence between the Payroll and Human Resources Departments as well as a segregation of duties between those functions.

Condition: The Payroll Department, which consists of one payroll officer with the position title of Human Resources Benefits Administrator/Affirmative Action Officer and a Human Resources Assistant, reports to the Human Resources Department.

In addition, strong internal control over payroll requires a segregation of duties between the payroll and personnel functions. Due to the College's size, several staff members perform both payroll and personnel duties. There are no formal, documented reviews of the procedures performed by these staff members.

Effect: There is a lack of organizational independence between the Payroll and Human Resources Departments.

Cause: The College recently completed a departmental reorganization. As a result of this reorganization, the payroll officer (who had previously reported to the former Dean of Administration) became subordinate to the Human Resources Director.

Recommendation: The College should reorganize the reporting structure to ensure independence between the Human Resources and Payroll Departments. Further, a segregation of duties or formal compensating controls should be established between the payroll and personnel functions. (See Recommendation 1).

Agency Response: "The College does not agree with this finding. In fact, it is the college's understanding that with the statewide implementation of CORE-CT, this reporting structure has been recommended. The Dean of Administration currently authorizes all new personnel requests and has been added as an approval signature on all contracts. In addition, payroll reports are routinely reviewed by both the Dean of Administration and Fiscal Administrative Supervisor, although these are not formal, documented reviews."

Auditors' Concluding Comments:

Established accounting practices call for organizational independence between the Payroll and Human Resources Departments to ensure the most effective internal control over financial operations. These Departments were independent prior to the College's reorganization.

Our Office contacted an HRMS team leader for Core-CT, who stated that Core-CT does not recommend an organizational structure; however, it does suggest sufficient communication between the Payroll and Human Resources Departments and proper assignment of roles.

Payroll Issues:

Criteria:

- 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 provisions of the collective bargaining agreements.

Condition:

- During our various tests related to payroll, we noted numerous errors and inconsistencies in leave and attendance postings for those who had accrued leave time during the audited period.

- We tested longevity records for 25 employees and found numerous errors that included length of service and amount paid.

Effect:

- Inaccurate leave balances resulted in an employee receiving an incorrect termination payment. It may also result in an employee taking leave time that has not been earned.

- Errors in recording longevity payments and in calculating length of service resulted in overpayments and underpayments.

Cause:

- These errors and inconsistencies were primarily caused by clerical error. The College did not place a high priority on implementing the automated time and attendance system available in the Banner Human Resources Module.

- In several cases, the College misinterpreted the criteria for State service time. Clerical errors also contributed to the overpayments and underpayments.

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

Agency Response: "The College agrees with these findings. The College is confident that the statewide implementation of CORE-CT will significantly reduce the number of human errors in these calculations due to automation of the various processes."

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 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 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. Further, administrative charges to one grant were not supported by summaries of payroll timesheets.

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 3.)

Agency Response: "The College agrees with this finding. The College erroneously thought it was in compliance based on its current system. A time and effort reporting system will be developed for documenting payroll costs charged to Federal grant programs."

Noncompliance With Deposit Requirements of Section 4-32

Criteria: Section 4-32 of the Connecticut General Statutes requires that any State agency receiving any money or revenues for the State amounting to $500 or more shall deposit such receipts in depositories designated by the State Treasurer within 24 hours of receipt.

Condition: We reviewed the closeout of Student Activity Fund and Institutional Welfare Fund bank accounts and the deposit of these funds into the appropriate restricted accounts in the College operating fund. We noted that the deposits of the bank checks were approximately one month late.

Effect: The College was not in compliance with the provisions of Section 4-32 of the General Statutes.

Cause: The College informed us that the checks were placed in the safe because there was a delay on the part of the Community College System Office in setting up the appropriate account for the Institutional Welfare Fund in the accounting system.

Recommendation: The College should deposit receipts in accordance with Section 4-32 of the General Statutes. (See Recommendation 4.)

Agency Response: "The College agrees with this finding. There was a delay in setting up the accounts by the Community College System Office, however, the College should have deposited the funds within the 24 hour period and made an accounting correction when the instructions were received. It should be noted that the closing of these accounts was a one-time and unusual item."

Asnuntuck Community College Foundation, Inc:

Criteria:

- Section 4-37f(8) of the Connecticut General Statutes requires that "A foundation which has receipts and earnings from investments totaling less than one hundred thousand dollars in each fiscal year… shall have completed on its behalf for the third fiscal year in any such three-year period a full audit of the books and accounts of the foundation."

- 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 College was required to have a complete audit performed for fiscal year 2001, the third fiscal year of its existence. An audit has not been completed to date.

- 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 statutory requirements.

Cause: The Foundation did not place sufficient emphasis on these requirements.

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

Agency Response: "The College agrees with these findings. The Foundation is currently having the audit completed and this should be completed shortly. The need for the Memorandum of Agreement as required by Section 4-37f(9) and the whistleblower policy as required by Section 4-37j of the General Statutes will be addressed by the Foundation Board at its next meeting."

Internal Control Over the Center for Business and Industry Services:

Criteria: Strong internal control over contract course receivables requires adequate record keeping, a signed agreement before services are rendered, and timely billing.

Condition: The College's Center for Business and Industry Services conducts credit and non-credit courses designed for the benefit of local businesses and organizations. These contract courses generated approximately $500,000 to $600,000 for each fiscal year during the audited period. Our testing and review of internal control procedures revealed the following:

- A summary log of contract courses is not maintained. This log would enable the College to perform a reconciliation between Business and Industry Services records and Business Office records.

- Agreements between the College and local businesses did not reference billing terms, and, at times, did not reference job order numbers and were not signed by the businesses.

- Billing was not performed in a timely manner, and, in one instance, the charge was not entered into the accounting system as a receivable until payment was received. The job order number was not always referenced on bills and in the accounting system.

- Communication between the Business Office and the Center for Business and Industry Services was not adequate to ensure that businesses with outstanding receivables received follow-up bills in a timely manner.

Effect: The College did not maintain strong internal control over contract course accounts receivable.

Cause: The College has not developed adequate record-keeping procedures for Business and Industry contracts. There is also inadequate two-way communication between both offices.

Recommendation: The College should implement procedures to ensure that internal control over Business and Industry Services contract course receivables is adequate. (See Recommendation 6.)

Agency Response: "The College agrees with this finding and has already improved the communication and record keeping procedures. Additional meetings will be held and reports will be developed to strengthen internal controls in this area."

Procurement:

Criteria:

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

- Proper internal control over purchasing requires that commitment documents be properly authorized prior to receipt of goods or services.

Condition:

- During the fiscal years audited, we noted that the College contracted for services such as musical performances, set design, and presentations using purchase orders rather than personal service agreements.

- 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 four instances in the fiscal year ended June 30, 2001, and seven instances in the fiscal year ended June 30, 2002, in which goods or services were received prior to authorization of the requisition or personal service agreement. Authorization occurred between 14 days and five months after receipt of goods or services.

  We also found that the College did not have completed Community College Purchasing and Accounts Payable Authorization forms signed by the College President for several employees. Further, purchase requisitions were accepted from an employee who did not have requisition authority.

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

Cause:

- The College did not adhere to Board of Trustees purchasing policies.

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

Recommendation: The College should improve internal control over the purchasing process. (See Recommendation 7.)

Agency Response: "The College agrees with this finding. An internal memorandum is issued to all College faculty and staff each year regarding proper purchasing procedures. The use of personal service agreements rather than purchase orders has been noted and reviewed with the Purchasing Officer."

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 approximately two months late.

- The CO-59 reported furnishings and equipment deletions of $779,845. The College was not able to provide adequate documentation for these deletions.

- 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 one projector in the Banner system, and all equipment purchased for the College radio station had not been tagged.

  - Through College purchasing records, we selected 48 items purchased during the audited period. We noted that two items (to be tagged as one unit) were not tagged, and 27 computers were listed in the wrong location.

  - Of 25 items selected from the Banner fixed asset system, we noted three items that should not have been included as fixed assets and numerous items that were found in locations other than those listed.

Effect: The College did not maintain adequate controls over its fixed assets inventory. New equipment acquisitions may be susceptible to loss when recording and tagging is not performed promptly.

Cause: The College did not comply with internal control procedures related to fixed assets. Equipment that had been scrapped or erroneously considered a capital item was not deleted from the fixed asset system. Equipment that was not tagged until placed into service was overlooked.

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

Agency Response: "The College agrees with these findings. The deletions reported on the FY2001 CO-59 were made to match the current inventory value established by an independent contractor hired by the Community College System in preparation of implementation of Banner Fixed Assets."

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." Further, the State Ethics Commission reviewed the application of the Code of Ethics to contracts between state employees and the community colleges. In Advisory Opinion No. 2002-8, the Ethics Commission ruled that "any personal service agreement valued at $100 or more and entered into between any state agency, including a community college, and any public official or state employee, member of his immediate family or a business with which he is associated, must comply with the open and public process requirements of Section 1-84(i)."

Condition: We performed a review of personal service agreements and noted three violations of Section 1-84, subsection (i) of the General Statutes. The College contracted with two employees to develop course curricula and to redesign letterheads for $4,110 and $1,250 respectively. We also found that the College contracted with a corporation, the Vice-President of which is a Tunxis Community College professor; her husband is the President of the corporation. Payments to this firm amounted to $6,750 in fiscal year 2001 and $9,955 in fiscal year 2002. These agreements were made without submitting proposals for public bid.

Effect: The College violated Section 1-84, subsection (i) of the Connecticut General Statutes.

Cause: The College did not follow regulations.

Recommendation: The College should comply with Section 1-84, subsection (i), of the Connecticut General Statutes. (See Recommendation 9.)

Agency Response: "The College was unaware that the Tunxis Community College professor was a Vice-President of the corporation that was contracted. In order to prevent this from happening again, the Employment Status Certification Form sent to all vendors has been modified to gather this information. In addition, future requests for these types of services will be advertised on the College and DAS websites."

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.

Condition: During the audited period, it was the practice of the Information Technology Department to request termination of network and/or 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 requests were delayed by two to three months for three employees. We also found that there was no documentation that requests were made for three employees, although their access was terminated.

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

Cause: There is no formal procedure for notifying the Information Technology Department when an individual terminates employment.

Recommendation: All Banner and internal system access should be disabled promptly upon an individual's termination of employment. (See Recommendation 10.)

Agency Response: "The Director of Human resources has notified his staff that the Director of Information Technology should be immediately notified upon resignation, termination or retirement of an employee."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- 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. The College is in the process of resolving these issues, and the recommendation is not being repeated.

- The College should improve internal control related to the payroll function. This recommendation is being repeated. (See Recommendation 2.)

- The College should develop and implement a time and effort reporting system for documenting payroll costs charged to Federal grant programs. This recommendation is being repeated. (See Recommendation 3.)

- The College should comply with the accounting procedures contained in the State Comptroller's *Accounting Procedures Manual for Activity and Welfare Funds*. Improvement was noted in this area, and the recommendation is not being repeated.

- Procedures should be developed to assure compliance with the requirements regarding private foundations affiliated with State agencies. This recommendation is being restated and repeated. (See Recommendation 5.)

- The College should obtain proper authorizations prior to ordering goods or services. This recommendation is being restated and repeated. (See Recommendation 7.)

- The College should adhere to established criteria in all aspects of the purchasing process. This recommendation is being restated and repeated. (See Recommendations 7 and 9.)

- The College should improve internal controls over equipment inventory in order to ensure accurate reporting and safeguarding of assets. This recommendation is being repeated. (See Recommendation 8.)

Current Audit Recommendations:

1. **The College should reorganize the reporting structure to ensure independence between the Human Resources and Payroll Departments. Further, a segregation of duties or formal compensating controls should be established between the payroll and personnel functions.**

   Comment:

   We reviewed the current organizational structure of the Human Resources and Payroll

Departments and noted that as a result of a departmental reorganization, the Payroll Department is subordinate to the Human Resources Department. Further, several staff members perform both payroll and personnel duties.

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

   Comment:

   We noted numerous errors in leave and attendance postings; we also found numerous errors in longevity length of service calculations and amount paid.

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 deposit receipts in accordance with Section 4-32 of the General Statutes.**

   Comment:

   We reviewed the closeout of Student Activity Fund and Institutional Welfare Fund bank accounts and noted that the deposits of the bank checks were approximately one month late.

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

   Comment:

   In our testing of the records of the Foundation, we found that an audit was not performed for fiscal year 2001 as required by Section 4-37f(8) of the General Statutes. We also noted that the Memorandum of Agreement does not address the issues required by Section 4-37f(9) and that a whistleblower policy had not been adopted.

6. **The College should implement procedures to ensure that internal control over Business and Industry Services contract course receivables is adequate.**

   Comment:

   We reviewed internal control procedures and noted the following conditions: a summary log of contract courses is not maintained; agreements did not reference billing terms and were not signed by the business; billing was not performed in a timely manner; and communication between the Business Office and the Center for Business and Industry Services was not adequate to ensure that businesses with outstanding receivables received follow-up bills in a timely manner.

7. **The College should improve internal control over the purchasing process.**

   Comment:

   In our review of the College's expenditures records, we noted numerous instances in which goods or services were received prior to authorization of the purchase requisition or personal service agreement. We also found that the College did not have completed Community College Purchasing and Accounts Payable Authorization forms signed by the College President for several employees and that requisitions were accepted from an employee who did not have requisition authority. In addition, we noted that the College contracted for personal services using purchase orders rather than personal service agreements.

8. **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 approximately two months later than required. Further, the College was unable to document furnishings and equipment deletions in the amount of $779,845. We performed various inventory testing procedures and noted problems with inventory tagging and recording of equipment in the fixed asset system.

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

   We noted three violations of this section of the General Statutes.

10. **All Banner and internal system access should be disabled promptly upon an individual's termination of employment.**

    Comment:

    We determined that there is no formal procedure for notifying the Information Technology Department when an individual terminates employment.

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, 2001 and 2002. This audit was primarily limited to performing tests of the College's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the College's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the College are complied with, (2) the financial transactions of the College are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the College are safeguarded against loss or unauthorized use. The financial statement audits of Asnuntuck Community College for the fiscal years ended June 30, 2001 and 2002, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial-related audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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, 2001 and 2002, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

The management of 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: lack of independence between the Payroll and the Human Resources Departments, inadequate internal control over the payroll function, weaknesses in internal controls related to the operations of the Business and Industry Services Center, 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, we believe that the reportable conditions described above are material or significant weaknesses.

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.

Cynthia A. Ostroske
Associate Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts