STATE OF CONNECTICUT

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

AUDITORS OF PUBLIC ACCOUNTS

KEVIN P. JOHNSTON ♦ ROBERT G. JAEKLE

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December 7, 2001

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

We have examined the financial records of Capital 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, contracts and grants, 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 (the Board) 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 Capital Community-Technical College changed its name to Capital Community College. The Board's name remained unchanged.

As such, Capital Community College, located in Hartford, Connecticut, is one of 12 two-year institutions of higher education, which collectively form the Connecticut Community College system. The Board of Trustees for Community-Technical Colleges administers the 12 institutions.

The College operates primarily under the provisions contained in Sections 10a-71 through 10a-80 of the General Statutes.

Dr. Ira H. Rubenzahl served as President of the College during the audited period.

Recent Legislation:

The following notable legislation took effect during or near the audited period:

Public Act 98-252 – Effective July 1, 1998, Section 48 of this act 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 agreed upon 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's Institutional Research and Planning Department 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	414	360	398	395
Part-time students	2,486	2,396	2,385	2,487
Total enrollment	2,900	2,756	2,783	2,882

The average of Fall and Spring semesters' enrollment during the 1999-2000 fiscal year increased slightly, compared to the previous fiscal year.

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.

This report also covers the operations of the College's two fiduciary funds, the Student Activity Fund and the Institutional General Welfare Fund.

General Fund:

General Fund receipts totaled $7,816 and $3,812 for the fiscal years 1998-1999 and 1999-2000, respectively. Receipts were mainly for refunds of expenditures of budgeted accounts.

During the audited period, General Fund expenditures consisted entirely of personal services costs. Expenditures totaled $8,559,900 and $9,299,309 for the fiscal years ended June 30, 1999 and 2000, respectively, compared to $8,044,383 for the fiscal year ended June 30, 1998. These totals represented increases of $515,517 (6 percent) and $739,408 (9 percent), respectively, during the audited years. The increases appear to have been mostly the result of salary increases in accordance with collective bargaining agreements.

Operating Fund:

The College's operating revenues and expenditures (excluding 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 and other student financial assistance monies received.

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

	Fiscal Year 1997-1998	Fiscal Year 1998-1999	Fiscal Year 1999-2000
Total Receipts	$7,065,528	$6,380,826	$12,087,684

Total Operating Fund receipts decreased by $684,702 (10 percent) during the 1998-1999 fiscal year as compared to the 1997-1998 fiscal year. Fund receipts increased by $5,706,858 (89 percent) during the 1999-2000 fiscal compared to the previous year.

During fiscal year 1998-1999, the Central Office of Community Colleges directed the Colleges to report to the State Comptroller all revenues recorded in their general ledgers. This directive required that the Colleges report both actual cash receipts received from Federal, State and private student financial aid sources and internal, non-cash transactions of related tuition and fee revenues recorded in their general ledgers. This method had the effect of duplicating some receipts recorded on the books of the State Comptroller. Effective during the 1999-2000 fiscal year, the Central Office of the Community College System, after consulting with the State Comptroller's Office, directed the Colleges to discontinue reporting to the State Comptroller certain student financial aid non-cash tuition and fee revenue transactions recorded in the Colleges' general ledgers.

During fiscal year 1998-1999, Capital Community College did not report non-cash transactions to the State Comptroller. During fiscal year 1999-2000, the College did report non-cash transactions, following the Central Office's directive for fiscal year 1998-1999 rather than the directive issued for fiscal year 1999-2000. This had the effect of duplicating some receipts recorded by the State Comptroller during the 1999-2000 fiscal year. (For further details on this condition, see the section of this report titled "Condition of Records".)

Operating Fund receipts consisted in large part of student tuition payments received. Tuition charges are fixed by the Board of Trustees. The following summary shows annual tuition charges for full-time students during the audited fiscal years and 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.

In accordance with Section 10a-67 of the General Statutes, the Board of Trustees for Community-Technical Colleges sets tuition amounts for nonresident students enrolled in Community Colleges through the New England Regional Student Program at an amount one and one-half that of in-State tuition.

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

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

	Fiscal Year 1997-1998	**Fiscal Year 1998-1999**	**Fiscal Year 1999-2000**
Personal Services	$1,941,253	$2,768,365	$3,078,247
Contractual Services	1,593,044	1,836,577	1,956,276
Commodities	373,390	666,085	501,290
Revenue Refunds	144,152	798,298	1,845,107
Sundry Charges	2,421,503	417,602	4,805,199
Equipment	272,367	301,354	321,869
Total Expenditures	$6,745,709	$6,788,281	$12,507,988

Expenditures were made up of costs associated with personal services, student financial assistance (included in the Sundry Charges category) and other College operating costs. Operating Fund expenditures increased by $5,719,707 (84 percent) during the 1999-2000 fiscal year, as compared to the previous fiscal year.

During fiscal year 1998-1999, the Central Office of the Community College System directed the Colleges to report to the State Comptroller certain student financial aid expenditures recorded in their general ledgers. This directive required that the Colleges report both actual cash disbursements and certain non-cash transactions. This method had the effect of duplicating some expenditures on the books of the State Comptroller. Effective during the 1999-2000 fiscal year, the Central Office of the Community College System, after consulting with the State Comptroller's Office, directed the Colleges to discontinue reporting to the State Comptroller internal, non-cash transactions of student financial aid expenditures.

During fiscal year 1998-1999, Capital Community College did not report non-cash transactions to the State Comptroller. During fiscal year 1999-2000, the College did report non-cash transactions, following the Central Office's directive for fiscal year 1998-1999 rather than the directive issued for fiscal year 1999-2000. This had the effect of duplicating some expenditures recorded by the State Comptroller during the 1999-2000 fiscal year. (For further details on this condition, see the section of this report titled "Condition of Records".)

State Capital Projects:

Capital projects funds expenditures during the 1998-1999 and 1999-2000 fiscal years totaled $496,011 and $3,276,903, respectively. These expenditures were primarily made for capital improvements.

Grants – Tax-Exempt Proceeds Fund:

The College accounted for certain grants, other than Federal, in the Inter-agency/Intra-agency Grants – Tax-Exempt Proceeds Fund. This fund was used to record receipts and disbursements related to grant transfers financed by State of Connecticut tax-exempt bonds in accordance with Sections 3-24a through 3-24h of the General Statutes.

Fund expenditures totaled $3,904 and $38,906 during the 1998-1999 and 1999-2000 fiscal years, respectively. Expenditures were made for capital improvements.

Fiduciary Funds:

Student Activity Fund:

The Student Activity Fund, as established under Sections 4-52 through 4-55 of the General Statutes, is used for the benefit of students. Section 4-54 of the General Statutes provides for the student control of activity funds under specific conditions. During the audited period, the student government managed the Student Activity Fund subject to the supervision of the College administration.

Receipts, as presented in financial statements prepared by the College, totaled $50,274 and $43,256 in the respective audited years and primarily consisted of the Student Activity fees assessed on students as well as income generated from various student organization activities.

Expenditures, according to financial statements prepared by the College, totaled $51,570 and $53,403 in the respective audited years, and were mostly made to cover the costs of 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 of the General Statutes. The fund was established to record the financial activities of any gifts, donations or bequests, including scholarships made to benefit students of the College.

Receipts, as shown on financial statements prepared by the College, totaled $212,423 and $118,221 in the 1998-1999 and 1999-2000 fiscal years, respectively. During the audited years, receipts included scholarship monies received. In addition, the fund was used as a clearing account for checks received in payment for tuition and fees, which required a return of change to students. Such checks were deposited into this fund, with amounts allocated and disbursed between amounts owed the College and remaining balances owed to students.

Financial statements prepared by the College reported disbursements which totaled $196,973 and $121,690 during the respective audited years. Disbursements included payments for scholarships and the above-mentioned distributions of change to students from checks paid to the College for tuition and fees.

Capital Community College Foundation, Inc.:

Capital Community College Foundation, Inc. (the Foundation), founded on May 24, 1985, is a private corporation established to secure contributions from private sources for the purposes of support, promotion and improvement of the educational activities of Capital Community College.

Sections 4-37e through 4-37j of the General Statutes set requirements for organizations such as the Foundation. The requirements include and deal with the annual filing of an updated list of board members with the State agency for which the foundation was set up, financial record keeping and reporting in accordance with generally accepted accounting principles, financial statement and audit report criteria, written agreements concerning use of facilities and resources, compensation of State officers or employees and the State agency's responsibilities with respect to foundations.

An audit of the books and accounts of the Foundation was performed by an independent certified public accounting firm for the fiscal year ended June 30, 1999, in accordance with Section 4-37f, subsection (8), of the General Statutes. An unqualified opinion was expressed on the Foundation’s financial statements and indicated compliance, in all material respects, with Sections 4-37e through 4-37i of the General Statutes.

CONDITION OF RECORDS

Our review of the financial records of Capital Community College revealed certain areas requiring attention, as discussed in this section of the report.

Time and Effort Reporting

Criteria: The Federal 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. To accomplish this, institutional records must adequately document that payroll expenditures posted to an account were actually incurred in the course of carrying out the program accounted for in the account.

According to 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 Federal grants to which payroll expenditures were charged. The College had in place a time and effort reporting system, as required by the Office of Management and Budget Circular A-21. However, the College did not require time and effort reports from all employees performing work on Federal grants.

Effect: The College did not fully comply with the Office of Management and Budget Circular A-21 requirements concerning the documentation of payroll distribution costs.

Cause: College officials informed us that the College's procedure was to require time and effort reports from full time staff members only.

Recommendation: The College should implement a time and effort reporting system documenting payroll costs for all employees associated with its

Federal grant programs, as required by the Office of Management and Budget Circular A-21. (See Recommendation 1.)

Agency Response: "The College intends to fully comply with the audit recommendations re: time and effort reporting, as presented. Further, the College believes that the findings resulted from a staff person having an incomplete understanding of the College Policy. A communication of the policy will be made to all appropriate staff at both operational and managerial levels."

Personal Service Agreements:

Criteria: Sound internal control procedures require personal service agreements be signed by appropriate College officials prior to the contract term.

Condition: We reviewed twenty personal service agreement contracts during the audited period and found that nine were approved by College officials either after corresponding services had begun or after services had been completed.

Effect: Internal controls over personal service agreements were weakened. Specifically, assurance was lessened that the terms of personal service agreements met the approval of the College administration prior to the performance of such contracts.

Cause: Evidently, controls in place were not effective in obtaining timely personal service agreement approvals.

Recommendation: The College should improve its controls in connection with personal service agreements by ensuring that all such agreements are approved by appropriate officials in a timely manner. (See Recommendation 2.)

Agency Response: "The College is aware of the need to strengthen its internal controls over the approval process for personal service agreements. College management staff will communicate the need for following procedures that comply with state regulations and good business practices. The College Purchasing Policy, inclusive of detailed procedures relative to personal service agreements, has been promulgated at the start of each fiscal/academic year to all College staff for several years. In addition, the College has recently placed those policies and procedures on its web site in order that all staff could more easily access and follow its official procedures."

Accounts Receivable:

Criteria: Sound financial management practice dictates that the College makes a concerted effort to collect amounts owed to it by outside parties. It also provides that subsidiary detail to accounts receivable control accounts be maintained and monitored.

Condition: In reviewing accounts receivable reported on financial statements each fiscal year under audit, we noted that subsidiary detail existed, but was not totaled and reconciled to the control accounts.

Effect: Internal controls over accounts receivable were weakened.

Cause: We were informed that when the new accounting system, Banner, was implemented, a procedure for providing a total of subsidiary detail was not included, nor were aging reports required.

Recommendation: The College should implement controls to reconcile subsidiary detail to accounts receivable control accounts and prepare and review aging reports. (See Recommendation 3.)

Agency Response: "The College believes that its accounts receivable currently are and have been reasonably maintained during its transitional process into the new accounting system. In order to satisfy audit concerns, the College will communicate to the System Office of the Board of Trustees the substance of this audit finding. And in doing so, the College will request assistance from the System Office either through the existing accounting system or through enhancements that will resolve the reconciliation issue."

Financial Data Reported to the State Comptroller:

Criteria: State agencies should provide accurate financial data to the State Comptroller to ensure that the Comptroller's records are accurate.

The Central Office of the Community College System directed all Community Colleges to report to the State Comptroller, in addition to cash transactions, certain non-cash revenue and expenditure transactions recorded in their accounting records in the 1998-1999 fiscal year. In the 1999-2000 fiscal year, the Central Office directed the Colleges to discontinue reporting to the State Comptroller these non-cash revenue and expenditure transactions.

Condition: For the fiscal years ended June 30, 1999 and 2000, the College incorrectly reported certain student financial aid related revenue and expenditure figures to the State Comptroller.

The College reported to the State Comptroller certain student financial aid related, non-cash revenue and expenditure transactions in the 1999-2000 fiscal year rather than in the 1998-1999 fiscal year, as originally directed by the Central Office of the Community College System.

Effect: Revenues and expenditures on the books of the State Comptroller were overstated in the 1999-2000 fiscal year. Also, the College did not comply with directives from its Central Office in the proper fiscal year.

Cause: College Officials informed us that there was a delay in reporting to the State Comptroller certain transactions required for the 1998-1999 fiscal year. Instead, those transactions were reported in the 1999-2000 fiscal year after corresponding with the Central Office.

Resolution: Beginning in the 2000-2001 fiscal year, the College took steps toward providing more accurate financial data to the State Comptroller by discontinuing the reporting of the above non-cash revenue and expenditure transactions, as called for by the Central Office of the Community College System.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- We noted instances in which the College President signed contracts for employees after the period of appointment had begun. Our examination also revealed weaknesses related to accounting for leave and attendance balances. Our review of longevity payments disclosed inadequate recordkeeping and payment errors. We also noted numerous weaknesses related to the payment of student employees. We recommended that the College should improve internal control related to payroll procedures. Our current review of payroll did not note these conditions. The recommendation is not repeated.

- One employee in the Payroll Department essentially performs both personnel and payroll functions, and there is no managerial review of her performance of these functions. We recommended that the College should establish a compensating control, such as a managerial review of all employees entered onto the College's payroll system, to improve internal control over the payroll and personnel functions. Our current review noted that payroll employees reviewed each other's work as a compensating control during the audit period. The recommendation is not repeated.

- We reviewed the termination payments to seven employees who retired in the summer of 1997. We noted errors related to their contract balance payments and also a problem with one employee's final longevity payment. We recommended that the College should calculate faculty contract balance payments properly, and should also review previous calculations and make reimbursements on any underpayments. The Retirement Division of the Office of the State Comptroller should also be notified of any corrections of previous underpayments. In our current audit review, we noted that the College reviewed the calculations reported and made reimbursements to those underpaid. The recommendation is not repeated.

- We noted numerous instances in which commitment documents were approved after receipt of goods or services. We also found one instance in which a payment was made based incorrectly on a purchase order, rather than on a personal service agreement. We recommended that the College should improve internal control over the purchasing process. We noted in our current review of personal service agreements that the College continued approving commitment documents after receipt of goods or services. The recommendation is repeated. (See Recommendation 2.)

- The Foundation's accounting records were not being kept in conformance with generally accepted accounting principles and the latest audit report of the Foundation did not include the required audit opinion which addresses the conformance of the Foundation's operating procedures with the provisions of Sections 4-37e to 4-37j, inclusive, of the General Statutes We recommended that the College should ensure that the Foundation is in compliance with the statutory requirements. Our current review noted that accounting records are being kept in conformance with generally accepted accounting principles and that the latest audit report included the audit opinion required by the General Statutes. The recommendation is not repeated.

- We were unable to physically locate numerous items selected from the FAIRS inventory listing. We also noted that approximately 30 computers, which were included on a loss report filed in November 1997, had not been removed from the inventory listing as of June 1999.

  Our examination of the College's procedures related to equipment inventory and reporting disclosed that the annual report submitted to the State Comptroller's Office was submitted approximately two months late for the fiscal year ended June 30, 1998. The College was unable to provide documentation supporting additions or deletions for the annual report for both fiscal years.

  We recommended that the College should improve controls and procedures related to equipment inventory. Our current audit review disclosed significant improvement in controls and procedures related to equipment inventory. The recommendation is not repeated.

- We noted instances in which the delay between the posting of receipts to the Credit Card Clearing bank statement and the deposit of those receipts with the State Treasurer was between three and seven business days. We recommended that the transfer of credit card receipts to the State Treasurer's bank account should be performed in a more timely manner. In reviewing transfers of credit card receipts made during the audited period, it was noted that they were done in a more timely manner. The recommendation is not repeated.

Current audit recommendations:

1. **The College should implement a time and effort reporting system documenting payroll costs for <u>all</u> employees associated with its Federal grant programs, as required by the Office of Management and Budget Circular A-21.**

   Comment:

   During the audited period, the College received and administered Federal grants to which payroll expenditures were charged. The College had in place a time and effort reporting system, as required by Office of Management and Budget Circular A-21. However, the College did not require time and effort reports from all employees performing work on Federal grants.

2. **The College should improve its controls in connection with personal service agreements by ensuring that all such agreements are approved by appropriate officials in a timely manner.**

   Comment:

   We reviewed twenty personal service agreement contracts during the audited period and found that nine were approved by College officials either after the corresponding services had begun or after the services had been completed.

3. The College should implement controls to reconcile subsidiary detail to accounts receivable control accounts and prepare and review aging reports.

Comment:

In reviewing accounts receivable reported on financial statements each fiscal year under audit, we noted that subsidiary detail existed, but was not totaled and reconciled to the control accounts. In addition, aging reports were not available.

INDEPENDENT AUDITOR'S CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of Capital 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 Capital 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 Capital 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 Capital Community College is the responsibility of Capital 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 under *Government Auditing Standards.* However, we noted an immaterial or less than significant instance of noncompliance, which is 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 Capital 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 Capital Community College's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives.

However, we noted certain matters involving the internal control over the College's financial operations, safeguarding of assets, and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over the College's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the College's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grants. We believe the following findings represent reportable conditions: weakness in controls over time and effort reporting and the College's weaknesses in controls over accounts receivable.

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 condition to be a material or significant weakness: the College's weaknesses in controls over accounts receivable.

We also noted one other matter involving internal control over the College's financial operations and over compliance which is 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 Capital Community College during the course of our examination.

Terri L. Brust
Auditor II

Approved:

Kevin P. Johnston	Robert G. Jaekle
Auditor of Public Accounts	Auditor of Public Accounts