STATE OF CONNECTICUT

AUDITORS' REPORT
BOARD OF TRUSTEES OF
COMMUNITY-TECHNICAL COLLEGES
GATEWAY COMMUNITY COLLEGE
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2004

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

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December 13, 2005

AUDITORS' REPORT
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FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2004

We have examined the financial records of Gateway Community College (College) for the fiscal years ended June 30, 2003 and 2004.

Financial statement presentation and auditing are performed 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:

Gateway Community College, comprising two campuses, one in New Haven and the other in North Haven, Connecticut, 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 and its System Office, located in Hartford, Connecticut, oversee the 12 institutions.

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

Dr. Dorsey L. Kendrick 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 02-107 – Section 1 of this Act changes from "activity fund" to "trustee account" the designation for funds used by State educational institutions (or welfare or medical agencies) for the benefit of employees, students, or clients of such institutions or agencies. Section 5 of the Act changes from "general welfare fund" to "account" the designation for accounts used for gifts, donations, or bequests made to the students or clients of any State educational, medical or welfare agency as a group, and for any corresponding unclaimed funds, and the interest on such funds. This Act became effective July 1, 2002.

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

Public Act 02-140 – Section 2 of this Act allows constituent units of higher education, in the purchasing process, to accept electronic bids, proposals, or competitive quotations within a safe and secure electronic environment. The Act also bars such constituent units from refusing to consider bids, proposals, or quotations because they were not submitted electronically. This Section of the Act became effective July 1, 2002.

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

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

Public Act 04-3 – Effective March 11, 2004, redirects the proceeds from the sale of State Bond Commission bonds, not to exceed $7,115,000, towards the consolidation of Gateway Community College's two campuses into a single location.

Enrollment Statistics:

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

	Fall 2002	Spring 2003	Fall 2003	Spring 2004
Full-time students	1,522	1,321	1,526	1,382
Part-time students	3,806	3,979	4,061	3,967
Total enrollment	5,328	5,300	5,587	5,349

The average of Fall and Spring semesters' enrollment totaled 5,314 and 5,468 during the 2002-2003 and 2003-2004 fiscal years, respectively, compared to an average of 4,652 during the 2001-2002 fiscal year. These increases, amounting to roughly 14 percent and 3 percent during the respective audited years, were consistent with the slowdown in the State's economy during the audited years. Generally, when the economy weakens, community college enrollment increases as people seek to improve or develop new job skills and pursue lower cost higher education.

RÉSUMÉ OF OPERATIONS:

During the audited period, operations of the College were primarily supported by appropriations from the State's General Fund and by tuition and fees credited to the Regional Community-Technical Colleges' Operating Fund.

General Fund:

General Fund receipts totaled $40 in the 2002-2003 fiscal year. There were no Fund receipts in the 2003-2004 fiscal year.

During the audited period, General Fund expenditures consisted entirely of personal services costs. Expenditures totaled $11,272,235 and $11,274,757 in the fiscal years ended June 30, 2003 and 2004, respectively, compared to $11,333,208 for the fiscal year ended June 30, 2002. These totals represented a decrease of $60,974, or .54 percent, and an increase of $2,522, or .02 percent, respectively, during the audited years.

The decrease in expenditures during the 2002-2003 fiscal year was the result of a decrease in the College's General Fund appropriation. In turn, in this year, the College's Operating Fund bore a larger share of personal services expenditures. The slight increase in Fund expenditures during the 2003-2004 fiscal year was driven, in part, by salary increases established by certain 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 received.

Operating Fund receipts during the audited period and the preceding fiscal year are presented below:

	Fiscal Year 2001-2002	Fiscal Year 2002-2003	Fiscal Year 2003-2004
Total Receipts	$9,932,015	$12,315,919	$12,657,372

Total reported Operating Fund receipts increased by $2,383,904, or 24 percent, during the 2002-2003 fiscal year, compared to the 2001-2002 fiscal year. This increase was consistent with the significant increase in the College's student enrollment, combined with moderate increases in tuition rates, during the 2002-2003 fiscal year.

Fund receipts increased by $341,453, or 2.8 percent, during the 2003-2004 fiscal year, compared to the 2002-2003 fiscal year, a result, in part, of increases in student enrollment and tuition rates during this year.

Operating Fund receipts consisted in large part of student tuition payments received. Tuition charges are fixed by the Board of Trustees. The following summary presents 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
2001-2002	$ 1,680	$ 5,232	$ 2,520
2002-2003*	1,818	5,454	2,727
2003-2004	2,028	6,084	3,042

*Fall 2002 semester tuition was $882 for In-State students, $2,646 for Out-of-State students, and $1,323 for New England Regional Program students. Spring 2003 semester tuition increased to $936 for In-State students, $2,808 for Out-of-State students, and $1,404 for New England Regional Program students.

In December 2001, the Board approved an increase in tuition for all students during the 2002-2003 academic year. In December 2002, facing a budget deficit for the 2002-2003 fiscal year, the Board approved another increase in tuition for all students for the Spring 2003 term. In March 2003, the Board approved an increase for all students during the 2003-2004 fiscal year.

In accordance with Section 10a-67 of the General Statutes, the Board of Trustees of Community-Technical Colleges sets tuition amounts for nonresident students enrolled in the Community College System 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 during the audited period and the preceding fiscal year are shown below:

	Fiscal Year 2001-2002	Fiscal Year 2002-2003	Fiscal Year 2003-2004
Personal Services	$3,607,196	$5,205,031	$6,175,446
Contractual Services	2,668,067	2,981,414	107,595
Commodities	826,278	861,824	3,202
Revenue Refunds	2,244,634	2,617,162	-
Sundry Charges	388,571	511,497	7,385,827
Equipment and Other	198,675	161,588	(233)
Total Expenditures	$9,933,421	$12,338,516	$13,671,837

Fund expenditures totaled $12,338,516 and $13,671,837 during the 2002-2003 and 2003-2004 fiscal years, respectively, compared to $9,933,421 during the previous fiscal year. Recorded expenditures increased $2,405,095, or 24.2 percent, and $1,333,322, or 10.8 percent, during the respective audited years, compared to the previous years.

The increase during the 2002-2003 fiscal year was mostly the result of rising personal services costs, fueled in part by the College's growing student enrollment. Employee pay raises established by collective bargaining agreements and the hiring of additional staff members contributed to these increases. Additionally, in this year, the College received a smaller General Fund appropriation; the Operating Fund, in turn, shouldered a larger share of personal services costs.

Personal services expenditures for the Community College System are funded primarily by a State General Fund appropriation and by Operating Fund money (generated mostly from tuition and fees received). College personal services expenditures, in aggregate, totaled $16,477,266 and $17,450,203, in the 2002-2003 and 2003-2004, respectively. The College received General Fund appropriations totaling $11,272,235 and $11,274,757 for the 2002-2003 and 2003-2004, fiscal years, respectively. These appropriations funded 68.4 percent and 64.6 percent of personal services expenditures during the respective audited years. The remainder of personal services expenditures, which totaled $5,205,031 and $6,175,446, in the 2002-2003 and 2003-2004 fiscal years, was funded by the College's Operating Fund.

The increase in expenditures during the 2003-2004 fiscal year was also in large part the result of increasing personal services costs, driven in part by employee pay raises set forth in certain collective bargaining agreements.

In addition, during the 2003-2004 fiscal year, College accounting records showed a sharp increase in the sundry charges category and large decreases in contractual services, commodities, revenue refunds, and equipment categories. These changes were primarily the result of expenditures coding changes that occurred in the 2003-2004 fiscal year, when the Community

College System implemented the State's new centralized information system (Core-CT) and also implemented a system to directly disburse payments owed to vendors. In this year, as part of a group of State agencies that implemented Core-CT with limited functionality, the Community College System's Core-CT records did not, and were not meant to, entirely reflect actual expenditures. Since the Community College System did fully implement the payroll component of Core-CT, all payments processed through the payroll (including employee reimbursements) should have been accurately reflected in Core-CT records. On the other hand, most other expenditures, namely vendor payments processed through accounts payable sections, were not, and were not meant to be, accurately reflected in Core-CT. Rather, the Colleges' System Office posts to Core-CT transfers to replenish its direct disbursement checking account, which is used to make vendor payments. Such transfers are coded to a generic account titled "higher education operating expenses" within the sundry charges category. While the dollar amount of these expenditures posted to Core-CT would likely be close to the total of actual expenditures, College Core-CT records for vendor payments do not directly correspond with actual vendor payment amounts and are not segregated into detailed categories. However, the Colleges' own internal records (using the Banner system) do reflect actual expenditure amounts in detailed categories.

State Capital Projects:

Capital projects funds expenditures during the 2002-2003 and 2003-2004 fiscal years totaled $781,295 and $564,668, respectively. These expenditures were primarily made to cover the costs of equipment purchases and various facility 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.

There were no Fund receipts during the audited years. Fund expenditures totaled $93,880 and $18,046 during the 2002-2003 and 2003-2004 fiscal years, respectively, and were made primarily for campus repairs.

Gateway Community College Foundation, Inc.:

Gateway Community College Foundation, Inc. (Foundation) is a private, not-for profit corporation established to secure contributions for the support, promotion and improvement of the educational activities of Gateway Community College.

Sections 4-37e through 4-37k of the General Statutes define and 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 the 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 year ended December 31, 2003, as required by Section 4-37f, subsection (8), of the General Statutes. This audit report indicated that the Foundation's financial statements presented fairly, in all material respects, the Foundation's financial position and its results of activities and cash flows for the period reviewed. The report further indicated compliance, in all material respects, with Sections 4-37e through 4-37i of the General Statutes.

For the fiscal year ended December 31, 2003, reported Foundation support and revenue totaled $142,582, while expenses totaled $96,135.

CONDITION OF RECORDS

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

Human Resources and Payroll Department Operations:

Criteria: Sound internal control over payroll and human resources operations requires that approvals for the hiring of employees be documented in a timely manner. Such control also requires the preparation of time sheets or equivalent documents, signed by the employee's supervisor, to support time worked during a particular pay period. These records provide some assurance that an employee actually worked during the time period for which he or she was paid.

Section 5-208a of the General Statutes requires, in cases where a State employee holds multiple job assignments within the same State agency, certification that the duties performed and hours worked are not in conflict with the employee's primary responsibilities to the agency and certification that there is no conflict of interest between or among the positions.

The Federal Office of Management and Budget Circular A-21 calls for the documented confirmation that personal services charges to a Federal 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.

Condition: We found two cases where Part-time Lecturers did not submit to the Payroll section timecards supporting time worked.

We noted five cases in which contracts for Part-time Lecturers or Part-time Educational Assistants were signed approved, either by the College or the employee in question, after corresponding services had begun. In one of these cases, the employee signed the contract after services were completed; in another case, both the employee and the College signed the contract after services were completed. Signature approval delays ranged from five days to about a month.

The College informed us that it did not complete dual employment documentation for College employees who also held secondary positions at the College. Section 5-208a of the General Statutes requires, in cases where a State employee holds multiple job assignments within the same State agency, certification that the duties performed and hours worked are not in conflict with the employee's primary responsibilities to the agency and that there is no conflict of interest between or among the positions.

Though the College administered a Federal grant to which certain employee salaries were charged during the audited period, the College had no time and effort reporting system in place to support the propriety of such charges, as required by Federal OMB Circular A-21.

Effect: After the fact documented approval of Part-time Lecturer and Educational Assistant employment contracts decreased assurance that both the employee and the College administration agreed to contract terms before services were provided. Also, since dual employment situations should be declared on such agreements, late approval could lead to conflicts in employee schedules and conflicts of interest for employees who hold other State positions.

Lack of time card submission for Part-time Lecturers decreased assurance that such employees actually worked during the time period for which they were paid.

The College did not fully comply with Section 5-208a of the General Statutes, which requires, in cases where a State employee holds multiple job assignments within the same State agency, certification that the duties performed and hours worked are not in conflict with the employee's primary responsibilities to the agency and that there is no conflict of interest between or among the positions.

The College did not comply with Federal OMB Circular A-21 with respect to the documentation of payroll costs charged to Federal programs. This decreases assurance that charges made to Federal programs actually applied to these programs.

Cause: Controls and procedures in place were not sufficient to prevent the above conditions from occurring.

Recommendation: The College should strengthen internal control over its Human Resources and Payroll Department operations by ensuring that all employment contracts for Part-time Lecturers and Educational Assistants are signed in a timely manner and that payroll payments made to Part-time Lecturers are supported by timecards or equivalent documentation. The College should also improve its compliance with the requirements of Section 5-208a of the General Statutes concerning the documentation needed for dual employment situations and should comply with the requirements of Federal Office of Management and Budget Circular A-21 by implementing a time and effort reporting system to better support its payroll charges to Federal programs. (See Recommendation 1.)

Agency Response: "Human Resources through its Payroll Unit will generate a monthly report listing timecards submitted by Part-time Lecturers. This report will provide the tracking necessary to assure compliance with time reporting. This report will be given to the Department Chair in whose department the Lecturer is assigned with a copy to the Dean of Academic Affairs and the President of the College.

Human Resources through its Personnel Unit will advise all Department Chairs, Program Coordinators and Directors in writing that they must confirm the fact that a signed approved contract has been received by Human Resources before a Part-time Lecturer or Part-time Educational Assistant engages in providing services to the College.

Dual employment statements are currently required for college employees who also hold secondary positions at the College. College employees are advised in writing through a letter enclosing their contracts for additional employment that they must complete the dual employment form contained within the contract. Any contract that is received without the dual employment form completed is returned to the employee for completion.

The College implemented federal time and attendance reporting procedures as established by CCTC Fiscal Memo 2005-1 and is currently in compliance with Federal OMB Circular A-21."

Property Control:

While we noted improvement in the College's internal control over its property, further improvement is needed.

Criteria: An adequate internal control system for the disposal of equipment requires a separation of duties between employees having custody of equipment being disposed of and employees approving such disposal. Furthermore, this authorization should be documented before the equipment disposal.

Condition: We found that the College's internal control over equipment items disposed of (scrapped or traded-in) needs strengthening. Just as the College provides documented approval for the purchase of equipment, the College should also provide authorization, through signed or other documented approval, before the disposal of any equipment items. We were informed that during the audited period, no such system was in place. Instead, the College employee charged with property control duties received approval for disposal of equipment items via telephone calls from department heads, e-mail from the Director of Information Technology, or hand-delivered, unsigned documents.

Effect: Internal control over equipment disposals was weakened, increasing the chance that the loss or theft of equipment will go undetected.

Cause: The College informed us that it was following equipment disposal procedures established by the Community College System's central office.

Recommendation: The College should ensure that it properly documents the approval for the disposal of any of its equipment. (See Recommendation 2.)

Agency Response: "The College also agrees that controls should be in place to ensure internal control over property disposals and does comply with existing CCC Fixed Asset Policy. Effective July 1, 2005, this policy was modified to require that all fixed asset adjustments (disposals as well as write-ups and write-downs) are sent through an "approval queue" prior to being posted. This will serve to electronically document agency approval of all disposals. The College will continue to review existing internal controls over fixed assets."

Purchasing and Accounts Payable:

Criteria: Sound business practices require that personal service agreement contracts accurately reflect the terms, especially the rates of payment, agreed upon by the parties involved. Further, related payments to such contractors should agree with contract terms.

Strong internal control procedures require that personal service agreements be signed by appropriate College officials prior to the start of the contract term.

Section 10a-151b of the General Statutes requires the State's higher education institutions to base purchases, "when possible, on competitive bids or competitive negotiation." Subsection (b) of this Section provides specific requirements for higher education purchases estimated to exceed $50,000 in amount. Among these requirements is that competitive bids or proposals shall be solicited by public notice at least once in two or more publications, one of which shall be a major daily newspaper published in the State, and shall be posted on the Internet.

Good internal controls over purchasing operations require a system of checks and balances that includes proper segregation of duties among the functions of ordering, receiving and payment for goods purchased.

Condition: In August 2003, the College set up a written personal service agreement with an independent contractor covering the period September 2003 through June 2004. Under the agreement, the contractor was to provide specialized instruction services. In return, the College was to pay the contractor at the rate of $35 per hour. However, beginning in February 2004, the College began paying the contractor $50 per hour, a rate higher than the written contract rate. The College subsequently, in May 2004, set up an amendment to the original written contract, retroactively approving the higher rate of pay in effect in February 2004.

We tested ten personal service agreement contracts during the audited period and found that five were approved by College officials after corresponding services had begun.

We found three cases where the College set up agreements for services (custodial, bus, and food for the Early Learning Center) with independent contractors amounting to more than $50,000 each but did not advertise for bids on the Internet, as required by Section 10a-151b of the General Statutes. The College did, however, in each case, advertise for such bids in at least two major newspapers within the State.

The College made certain purchases, on account, through a local food and general merchandise warehouse club. College employees associated with certain departments (College Life, the Early Learning Center, and Hospitality Management) were issued club cards to purchase goods for their respective departments. It appears that these same employees would, at times, perform both the functions of purchasing and receiving the goods from the warehouse club. However, no receiving report was prepared indicating that the respective College department received the goods. Rather, only sales receipts would be turned in to the Accounts Payable section as proof of the purchase. This process provides no independent verification that the employee who purchased the goods actually delivered them to the College. To improve internal control, a system should be set up requiring different employees to perform the purchasing and receiving functions. The system should further require that the employee charged with receiving goods prepares a receiving report certifying the receipt of the goods. Such receiving reports should be submitted to the Accounts Payable section before corresponding invoices are paid.

Effect: When contractors are paid at rates of pay that are not consistent with rates established in corresponding written contracts, it casts doubt on whether or not contractors are being paid correct amounts.

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.

By not advertising for bids on the Internet for College purchases exceeding $50,000 each, the College did not fully comply with Section 10a-151b of the General Statutes.

In the above warehouse club purchasing cases, weak segregation of duties between the functions of purchasing and receiving goods, combined with a lack of preparation of receiving reports, lessened assurance that goods purchased were actually received.

Cause: In the case of the discrepancy noted in the rate paid to the personal service agreement contractor, we were informed that it was possible that the College made an oral agreement with the contractor to increase the rate to $50 per hour before formally amending the contract in writing.

Controls in place did not focus on the timely approval of personal service agreements.

The College Purchasing section was not aware of the Internet posting requirement with respect to advertising for certain bids.

The College considered its internal control over warehouse club purchasing adequate.

Recommendation: The College should strengthen internal control over purchasing operations by executing contract amendments before new contract terms are implemented, by approving personal service agreements in a timely manner, and by ensuring that warehouse club purchases are supported by receiving reports prepared by employees who perform no purchasing functions. The College should also ensure that it solicits bids via the Internet before making purchases exceeding $50,000 in amount, as required by Section 10a-151b of the General Statutes. (See Recommendation 3.)

Agency Response: "All College purchases are based, whenever possible, on competitive bids or competitive negotiation. Bids in excess of $50,000 are currently being posted via the internet on the DAS State Contracting Portal in accordance with Executive Order No. 3. The College will require receiving reports for warehouse purchases. In addition, the

College will continue to emphasis purchasing policies and procedures to staff."

Revenue Producing Agreements:

Background: During the audited period, the College extended its bookstore contract. The College provided a bookstore contractor space on campus from which to sell textbooks and other merchandise to the College community. In return, the bookstore contractor paid the College commissions, based on sales revenues.

Criteria: Sound business practices require that significant revenue generating contracts be put out to bid to receive the most beneficial contract terms.

Condition: During the audited period, and since the bookstore contract's inception in 1993, the College let its original two-year bookstore contract renew without seeking competitive bids from other firms.

As noted in our last audit of the College, the College did, however, negotiate new and more favorable terms with its bookstore contractor, adopting an amendment to its original bookstore contract, effective January 1, 2003, through December 31, 2005.

Effect: The College lacked assurance that it received the most beneficial contract terms, which may have resulted in the College not maximizing its potential revenue.

Cause: A College official told us that the College chose to continue doing business with its current bookstore vendor, because this contractor has consistently provided good service to the College community.

The College has informed us that the Community Colleges that contract out their bookstores are considering bidding out a system-wide bookstore contract. However, until such bids are actually solicited, we are repeating our prior recommendation calling for soliciting bids before entering into significant revenue generating contracts, such as the bookstore contract.

Recommendation: The College should solicit bids for revenue generating operations, such as its bookstore, before contracting with vendors to run such operations. (See Recommendation 4.)

Agency Response: "The College does routinely solicit bids for revenue producing operations. The Community College System is currently working on the development of a system-wide bookstore RFP which Gateway will participate in."

Student Event Revenue:

Criteria: The State Comptroller's *Accounting Procedures Manual* for Activity Funds and Welfare Funds provides the method to account for income derived from revenue producing social events. The Manual requires the use of prenumbered tickets, the proper accounting for and documentation of ticket numbers issued, used and unused, and the prompt submission of all unsold tickets to the Business Office. The Manual further requires, within ten business days after each social event, the preparation of a financial report itemizing the income and expenditures and showing the accountability of tickets.

The State Comptroller's *Accounting Procedures Manual* for Activity and Welfare Funds, in accordance with Section 4-32 of the General Statutes, requires that each State institution, receiving cash receipts amounting to $500 or more belonging to the Student Activity Fund, deposit these monies into the bank within 24 hours of receipt.

Condition: We saw evidence indicating that, during the audited period, College student organizations held revenue-generating events, such as dances and trips. However, as noted in our last audit of the College, we found weaknesses in corresponding accountability reports for revenue generated.

For one of these events, held on May 7, 2004, we noted that the corresponding ticket accountability report was not turned in to the College Business Office until we requested it during the course of our audit in April 2005. Further, we found that this report was prepared about four months after the event was held. Moreover, the report indicated that all unused tickets associated with this event were not turned in to the Business Office but were instead destroyed. We further noted that a portion of the related receipts generated, amounting to $260, was not turned in to the College Business Office promptly. College receipts records indicated that these receipts were turned in to the Business Office about a month after the event was held on May 7, 2004.

For another student event held during the audited period, the corresponding ticket accountability report was inadequate since it did not indicate the total population of tickets available; nor was there any indication of the number of tickets that remained unsold.

Effect: Assurance was lessened that all income generated from student social events was properly forwarded to the College Business Office for bank deposit. Student event receipts not turned in to the Business Office promptly were exposed to greater risk of loss or theft.

Cause: The College informed us that the employee in charge of student government events was newly hired during the audited period. This inexperience may have contributed to the above condition.

Recommendation: The College should improve internal control over revenue producing student events by strengthening accountability over corresponding tickets issued, tickets sold, and unsold tickets, as detailed in the State Comptroller's *Accounting Procedures Manual* for Activity Funds and Welfare Funds. The College should also ensure that all revenue generated from such events is promptly turned in to the Business Office for deposit. (See Recommendation 5.)

Agency Response: "The College hired the new Director of Student Activities in March, 2004. After an extensive review, effective fall 2004, the Director implemented additional internal controls over all student activity funds, including ticketed revenue producing events and deposit requirements."

State Employee Code of Ethics Violations:

Criteria: Section 1-84, subsection (i), of the General Statutes provides 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 or pursuant to a court appointment, unless the contract has been awarded through an open and public process, including prior public offer and subsequent public disclosure of all proposals considered and the contract awarded."

Condition: We found two cases, one in April 2003 and the other in May 2004, where the College contracted with one of its own employees to perform catering services for graduation receptions. However, the College did not publicly advertise for bids. Instead, the College requested and obtained price quotes from local firms known to provide such services. The College processed corresponding payments to this employee amounting to $5,582 (May and June 2003) and $6,422 (June 2004), respectively.

Effect: The above condition represented instances of noncompliance with the State Employee Code of Ethics. Such cases cast doubt on the propriety of these transactions.

Cause: Unaware of the specific requirements of Section 1-84, subsection (i), of the General Statutes, the College considered obtaining price quotes sufficient without regard to open, public solicitation of bids.

Recommendation: The College should take steps to improve compliance with Section 1-84, subsection (i), of the General Statutes, which provides, among other things, that no State employee or his immediate family member may enter into any contract with the State, amounting to $100 or more, unless the contract has been awarded through an "open and public process." (See Recommendation 6.)

Agency Response: "The College will not knowingly enter into a contract with a State employee or his immediate family member amounting to $100 or more without utilizing an "open and public process".

Other Matters:

During the course of our audit, the College informed us of a May 2004 contract irregularity involving a College employee. It appears that the College took the proper steps to resolve the matter and minimized any monetary damages that could have occurred. The College also informed us of the questionable awarding of scholarships to two students during the audited period. Once again, it appears that the College took steps to prevent such instances from recurring.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- **The College should strengthen its internal control over its Human Resources and Payroll Department operations by: properly documenting any deviations from the Board of Trustees' policy on pay rates for Educational Assistants; improving its separation of duties between the functions of authorizing and implementing payroll changes for classified employees; increasing and documenting its supervisory review of all payroll changes made; and ensuring that all payroll payments made to Part-time Lecturers are supported by timecards and appointment notices. The College should also improve its compliance with the requirements of Section 5-208a of the General Statutes concerning the documentation needed for dual employment situations and should comply with the requirements of Federal Office of Management and Budget Circular A-21 by implementing a time and effort reporting system to better support its payroll charges to Federal programs.**
  In our current audit, we noted improvement in some aspects of this recommendation. In particular, we found no additional deviations from the Board of Trustees' policy on pay rates for Educational Assistants. We also saw improved separation of duties between the functions of authorizing and implementing payroll changes for classified employees, as well as increased supervisory review of payroll changes made in general. However, we continued to find that not all payments to Part-time Lecturers were supported by timecards or equivalent documentation. In addition, weaknesses in documenting certain dual employment situations persisted. Also, the College continued its lack of compliance with Federal Office of Management and Budget Circular A-21 requirements for documenting payroll charges to Federal programs. We further noted additional weaknesses in Human Resources and Payroll Department operations. The recommendation is, therefore, being repeated and updated to reflect conditions disclosed in our current audit. (See Recommendation 1.)

- **The College should strengthen its internal control over personal service agreements by taking steps to ensure that rates of pay recorded in such contracts accurately reflect rates of pay agreed upon by the contracting parties. Furthermore, before processing payments to contractors under personal service agreements, the College should verify that amounts billed are consistent with rates of pay set in corresponding personal service agreements.**
  Our current audit showed some improvement; however, further improvement is needed. We also found other purchasing area weaknesses concerning inadequate advertising for certain bids. As a result, the recommendation is being repeated and incorporated into a broader recommendation on purchasing operations in general. (See Recommendation 3.)

- **The College should solicit bids for revenue generating operations, such as its bookstore and cafeteria, before contracting with vendors to run such operations. The College should also ensure that all revenue-generating arrangements with independent contractors are spelled out in the form of a written contract signed by the parties involved.**
  We noted improvement in this area, as the College bid out its cafeteria contract and set up a written agreement with the firm that was awarded this contract. However, as noted in our last audit, the College's bookstore contract was extended through December 2005 without going out to bid. Therefore, the recommendation is being repeated in modified form, this time focusing on the desirability of bidding out the College bookstore contract. (See Recommendation 4.)

- **The College should improve internal control over revenue producing student events by strengthening accountability over corresponding tickets issued, tickets sold and tickets unsold, as detailed in the State Comptroller's *Accounting Procedures Manual* for Activity Funds and Welfare Funds.**
  For the current audited period, we found that the recommendation was not implemented. We also noted a delay in turning over some student event receipts to the Business Office. As a result, the recommendation is being repeated but altered to reflect additional conditions noted. (See Recommendation 5.)

- **The College should strengthen its internal control over employee tuition waivers granted for employee dependents or spouses by, among other things, requiring the submission of tax returns to verify eligibility for such waivers.**
  We found improvement in this area. The recommendation is not being repeated.

- **The College should improve controls over its property by following the property control requirements set forth by the State Comptroller.**
  During our current examination, we noted improvement in the property control conditions noted in our prior audit. However, we found weaknesses in internal control over College equipment disposals. The recommendation is, therefore, being repeated with some modification. (See Recommendation 2.)

Current Audit Recommendations:

1. **The College should strengthen internal control over its Human Resources and Payroll Department operations by ensuring that all employment contracts for Part-time Lecturers and Educational Assistants are signed in a timely manner and that payroll payments made to Part-time Lecturers are supported by timecards or equivalent documentation. The College should also improve its compliance with the requirements of Section 5-208a of the General Statutes concerning the documentation needed for dual employment situations and should comply with the requirements of Federal Office of Management and Budget Circular A-21 by implementing a time and effort reporting system to better support its payroll charges to Federal programs.**

   Comment:

   We noted five cases in which Part-time Lecturers or Part-time Educational Assistants began providing services to the College before corresponding contracts were signed. We also found instances where Part-time Lecturers did not submit timecards to the Payroll section to support services provided. Further, it was the College’s practice not to complete dual employment documentation certifying no conflicts of interest or conflicting schedules for College employees who also held secondary positions at the College. In addition, during the audited period, the College had no time and effort reporting system in place to support the propriety of payroll charges made to Federal programs.

2. **The College should ensure that it properly documents the approval for the disposal of any of its equipment.**

   Comment:

   The College had no uniform system in place to adequately document the approval of equipment disposals.

3. **The College should strengthen internal control over purchasing operations by executing contract amendments before new contract terms are implemented, by approving personal service agreements in a timely manner, and by ensuring that warehouse club purchases are supported by receiving reports prepared by employees who perform no purchasing functions. The College should also ensure that it solicits bids via the Internet before making purchases exceeding $50,000 in amount, as required by Section 10a-151b of the General Statutes.**

   Comment:

   We noted a case where the College retroactively signed a contract amendment calling for a higher rate of pay for a personal services contractor after the College had already begun paying the contractor the higher rate of pay. Some personal service agreement contracts were approved by College officials after the contractor already began providing services. We found three cases where the College failed to solicit bids over the Internet for purchases exceeding $50,000; the College did, however, advertise for related bids in major State newspapers. There were no receiving reports completed for purchases made on account through a local food and general merchandise warehouse club.

4. The College should solicit bids for revenue generating operations, such as its bookstore, before contracting with vendors to run such operations.

Comment:

During the audited period, the College extended its bookstore contract without seeking bids from other firms. The College, did, however, negotiate new and more favorable contract terms and is working with the Community College System's central office to develop a system-wide contract.

5. The College should improve internal control over revenue producing student events by strengthening accountability over corresponding tickets issued, tickets sold, and unsold tickets, as detailed in the State Comptroller's *Accounting Procedures Manual* for Activity Funds and Welfare Funds. The College should also ensure that all revenue generated from such events is promptly turned in to the Business Office for deposit.

Comment:

Accountability over revenue generated from student events, such as dances and trips, needed strengthening. Accountability reports supporting revenue generated were inadequate. For one event, records indicated that unused tickets were destroyed instead of being turned in to the Business Office, the related accountability report was prepared late and was not turned in to the Business Office until we requested it during our audit, and corresponding receipts amounting to $260 were not turned in to the Business Office promptly but were delayed and submitted at least a month after the event was held.

6. The College should take steps to improve compliance with Section 1-84, subsection (i), of the General Statutes, which provides, among other things, that no State employee or his immediate family member may enter into any contract with the State, amounting to $100 or more, unless the contract has been awarded through an "open and public process."

Comment:

We found two cases, one in April 2003 and the other in May 2004, where the College contracted with one of its own employees to perform catering services for graduation receptions. However, the College did not publicly advertise for bids. Instead, the College requested and obtained price quotes from local firms known to provide such services.

INDEPENDENT AUDITOR'S CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of Gateway Community College for the fiscal years ended June 30, 2003, and 2004. 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 Gateway Community College for the fiscal years ended June 30, 2003 and 2004, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether Gateway 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 Gateway Community College is the responsibility of Gateway 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, 2003 and 2004, 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 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 Gateway 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 Gateway 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.

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 material or significant weaknesses. 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 failure 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 entity being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over the College's financial operations that we consider to be material or significant weaknesses.

However, we noted certain matters involving the internal control over the College's financial operations, safeguarding of assets, and/or 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 Gateway Community College during the course of our examination.

Daniel F. Puklin
Principal Auditor

Approved:

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