

STATE OF CONNECTICUT

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

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

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July 29, 2005

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BOARD OF TRUSTEES OF COMMUNITY-TECHNICAL COLLEGES
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FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2003**

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

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

Housatonic Community College, located in Bridgeport, 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, administer the 12 institutions.

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

Dr. Janis M. Hadley 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 01-141 – Section 1 of this Act extends by five years the period the Department of Higher Education shall deposit into the endowment fund for the Community-Technical College System grants to match a portion of endowment fund eligible gifts received. The Act sets the new period as the fiscal years ended June 30, 2000, to June 30, 2014.

Section 2 of this Act increased the annual limits of such grants for the fiscal years ended June 30, 2004 and 2005, from \$4,000,000 to \$5,000,000 and from \$4,500,000 to \$5,000,000, respectively. It also set the annual matching grant limit at \$5,000,000 for the fiscal years ended June 30, 2006, to June 30, 2014.

These Sections of the Act took effect July 1, 2001.

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

This Act became effective July 1, 2002.

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

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

Public Act 03-33 – Effective May 12, 2003, Section 1 of this Act requires the Board of Trustees of Community-Technical Colleges to allow its students to 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.

Enrollment Statistics:

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

	Fall <u>2001</u>	Spring <u>2002</u>	Fall <u>2002</u>	Spring <u>2003</u>
Full-time students	1,068	978	1,215	1,101
Part-time students	<u>3,179</u>	<u>3,293</u>	<u>3,300</u>	<u>3,242</u>
Total enrollment	<u>4,247</u>	<u>4,271</u>	<u>4,515</u>	<u>4,343</u>

The average of Fall and Spring semesters' enrollment totaled 4,259 and 4,429 during the 2001-2002 and 2002-2003 fiscal years, respectively. The increase in these figures, amounting to roughly four percent during the 2002-2003 fiscal years, reflected the slowdown in the State's economy during the audited years. Generally, when the economy deteriorates, community college enrollment increases as people seek to improve or develop new job skills through 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 \$18,960 and \$14,407 for the 2001-2002 and 2002-2003 fiscal years, respectively, compared to \$8,602 for the 2000-2001 fiscal year. Receipts were mostly made up of refunds of expenditures of budgeted accounts.

During the audited period, General Fund expenditures consisted entirely of personal services costs. Expenditures totaled \$8,973,632 and \$8,757,621 for the 2001-2002 and 2002-2003 fiscal years, respectively, compared to \$8,133,112 for the 2000-2001 fiscal year. Expenditures increased by \$840,520 (10.3 percent) and decreased by \$216,010 (2.4 percent) during the 2001-2002 and 2002-2003 fiscal years, respectively, compared to the previous fiscal years.

The increases in Fund expenditures during the 2001-2002 fiscal year was driven by salary increases consistent with collective bargaining agreements and by the hiring of additional employees.

The decrease in Fund 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.

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 student financial assistance monies received.

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

	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>
Total Receipts	<u>\$8,240,818</u>	<u>\$9,430,609</u>	<u>\$10,590,779</u>

Total reported Operating Fund receipts grew by \$1,189,791 (14.4 percent) and \$1,160,170 (12.3 percent) during the 2001-2002 and 2002-2003 fiscal years, respectively, compared to the previous fiscal years. These increases were consistent with College increases in student enrollment during the audited years and increases in tuition and fee rates effective during the 2002-2003 fiscal 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 shows annual tuition charges for full-time students during the audited fiscal years and the previous fiscal year.

	<u>In-State</u>	<u>Out-of-State</u>	<u>N.E. Regional Program</u>
2000-2001	\$1,680	\$5,232	\$2,520
2001-2002	1,680	5,232	2,520
2002-2003*	1,818	5,454	2,727

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

	<u>Fiscal Year</u>		
	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>
Personal Services	\$2,870,374	\$2,839,029	\$3,740,685
Contractual Services	1,607,446	1,809,472	1,924,864
Commodities	450,864	415,381	369,736
Revenue Refunds	1,965,459	2,588,380	2,950,413
Sundry Charges	739,103	592,112	696,048
Equipment and Other	564,519	85,364	82,665
Buildings and Improvements	<u>93,175</u>	-	-
Total Expenditures	<u>\$8,290,940</u>	<u>\$8,329,738</u>	<u>\$9,764,411</u>

Expenditures were made up of payments associated with personal services, student financial assistance (included in the Revenue Refunds category) and other College operating costs. Recorded Operating Fund expenditures increased by \$38,798 (0.5 percent) and \$1,434,673 (17.2 percent) during the 2001-2002 and 2002-2003 fiscal years, respectively, compared to the previous fiscal years.

The increase during the 2001-2002 fiscal year was, in part, the result of an increase in Federal student financial aid disbursements (recorded in the Revenue Refunds category), fueled by increased student enrollment. This increase was somewhat offset by declines in equipment and other expenditures.

The increase in expenditures during the 2002-2003 fiscal year was driven, in large part, by a reduction in the College's General Fund appropriation for personal services. The College's Operating Fund, in turn, shouldered a larger share of personal services costs.

State Capital Projects:

Capital projects funds expenditures during the 2001-2002 and 2002-2003 fiscal years totaled \$370,227 and \$428,032, respectively. These expenditures primarily consisted of equipment purchases during the audited period.

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 receipts, made up mostly of monies transferred from the Department of Public Works, totaled \$212,500 during the 2001-2002 fiscal year. There were no Fund receipts during the 2002-2003 fiscal year.

Fund expenditures totaled \$38,427 and \$92,057 in the 2001-2002 and 2002-2003 fiscal years, respectively. The costs of College repairs and equipment made up the bulk of these expenditures.

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. Separate accounts were set up within the Operating Fund to record the transactions of these funds. Furthermore, effective with 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.

Housatonic Community College Foundation, Inc.:

Housatonic 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 Housatonic 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 use of facilities and resources, compensation of State officers or employees, and the State agency's responsibilities with respect to foundations.

Audits of the books and accounts of the Foundation were performed by an independent certified public accounting firm for the years ended June 30, 2002 and 2003, as required by Section 4-37f, subsection (8), of the General Statutes. The College provided us with both of the corresponding audit reports. Both audit reports 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 reports further indicated compliance, in all material respects, with Sections 4-37e through 4-37i of the General Statutes.

Reported Foundation revenue and support totaled \$235,795 and \$362,406 for the years ended June 30, 2002 and 2003, respectively. Foundation expenses were reported as \$209,625 and \$571,545 for the years ended June 30, 2002 and 2003, respectively. Included in the reported expenses for the year ended June 30, 2003, was a write-off, totaling \$325,794, of a pledge receivable from a charitable trust. The Foundation was informed that the value of the trust had declined to such a degree that it was liquidated.

CONDITION OF RECORDS

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

Student Organization Event Receipts:

Criteria: 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.

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, among other things, that all unsold tickets be promptly turned in to the Business Office.

Condition: We tested a sample of receipts amounting to \$6,183 in aggregate, which were generated through the sale of tickets for four student organization trips during the audited period. Our testing indicated that there were delays in turning over receipts, in the amount of \$1,219, associated with three of these events to the College Business Office. The degree of these delays was unclear, as related documentation on hand lacked actual receipt dates. However, based on check dates recorded on corresponding check copies reviewed, it appears that delays ranged from about one day to one month, with most delays amounting to nearly one week. Such delays, in turn, prevented the College from carrying out its responsibility to promptly deposit these funds into the bank. However, we did note that once the Business Office received these monies, the Business Office, generally, deposited these receipts swiftly.

We were also informed that in cases where tickets are sold for student organization revenue-generating events, unsold tickets are not always turned in to the Business Office. For example, the College Business Office informed us that for two of the above-mentioned student events tested, associated unsold tickets were not submitted to the Business Office.

Effect: The College did not fully comply with the State Comptroller's *Accounting Procedures Manual* for Activity and Welfare Funds, and may not have complied with the prompt deposit requirements of Section 4-32 of the General Statutes. This weakened internal control over some Student Activity Fund receipts and increased the likelihood of their loss or theft.

- Cause:* During the audited period, the College was undergoing a transition period for employees in charge of student activities. (New employees were hired in this area.) The learning curve associated with new employees may have contributed to the conditions noted.
- Recommendation:* The College should take steps to ensure that student event receipts and any related unsold tickets are promptly turned over to the Business Office, as required by the State Comptroller's *Accounting Procedures Manual* for Activity and Welfare Funds. (See Recommendation 1.)
- Agency Response:* "The College has formulated a series of procedural changes which will address the questions of timeliness of turning over receipts for event sales to the Business Office for depositing. These procedural changes also address the issue of returning unsold tickets for those events to the Cashiering Area of the Business Office and corresponding ticket and receipt reconciliations. By initiating these procedural changes the College will be in compliance with the State Comptroller's Accounting Procedures Manual for Activity and Welfare Funds."

Bookstore Contract Bidding:

- Background:* During the audited period, the College contracted out its bookstore operations. The College provided a contractor space on campus from which to sell textbooks and other goods to the College community. In return, the bookstore contractor paid the College a commission based on bookstore sales revenue.
- Criteria:* Sound business practices require that significant revenue generating contracts be put out to bid to receive the most beneficial contract terms.
- Condition:* In our previous audit of the College, we found that the College did not seek bids before renewing its original three-year bookstore contract, which expired on February 15, 2000. Furthermore, though the College's original bookstore contract provided for only two one-year extensions, the College chose to extend its original bookstore contract for a third year. In short, the College contracted with the same vendor for a six-year period, under the same contract terms, without seeking competitive bids from other vendors before renewing its original contract.
- Our current audit of the College revealed that when the College's third bookstore contract extension expired on February 14, 2003, the College chose to further extend its bookstore contract with the same contractor. However, no written contract was in place covering the

period February 15, 2003, through April 30, 2003, while the College was negotiating the terms of the contract renewal. (We were told that the terms of the contract that expired on February 14, 2003, were in force during this period.) On April 15, 2003, the College signed a new agreement with its bookstore contractor, covering the period May 1, 2003, through April 30, 2004. This agreement provided more favorable commission terms and provided for five additional, optional one-year contract renewal periods. However, once again, the College did not seek competitive bids from other vendors before entering into this contract.

Effect: The College lacked assurance that it received the most beneficial contract terms, a situation 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, as the other Community College System colleges that contract out their bookstores also use this vendor.

Recommendation: The College should solicit bids for revenue generating operations, such as its bookstore, before contracting with vendors to run such operations. (See Recommendation 2.)

Agency Response: “The College agrees with the auditor’s opinion that it makes good business sense to periodically seek alternative proposals from other vendors for operation of the college bookstore even though there are no current state requirements for bidding revenue contracts. Currently, the Community-Technical College System has formed a task force to address the question of obtaining one vendor for all colleges with the same terms and conditions. This task force, composed of both Deans of Administration and Directors of Finance and Administrative Services, will be finalizing their response shortly. At that time a system-wide contract which will be the most advantageous for the students and the system will be formalized. Until then, the College will continue to renew its current annual contract in an effort not to compromise the work of this taskforce.”

Student Activity Account Purchasing:

Criteria: A system of strong internal control over student activity account expenditures requires that the Accounts Payable section receives documented student government approval of payments charged to the student activity account before the processing of such payments.

The Connecticut Community Colleges’ purchasing policies require that purchases be approved by a designated individual of “the using

department with ‘requisition authority,’ who by approving the purchase requisition ...attests that it is a purchase necessary to the operation of the using division or department....”

Condition:

During most of the audited period, the College’s Accounts Payable section processed payments charged to the student activity account without receiving signed approval from a student government representative, such as the student government Treasurer. Instead, it was the College’s practice to process such payments based on other documentation, including purchase requisitions signed approved by the Dean of Students. Our testing revealed no payments that appeared inconsistent with the purpose of the student activity account (i.e., for the benefit of students). However, to provide better assurance that expenditures out of the student activity account benefit and are approved by the student body, the College’s Student Activity department should provide the Accounts Payable section with payment vouchers, signed approved by a member of the student government before student activity account payments are made. Prior to the College’s incorporation of the Student Activity Fund into the Operating Fund in September 2001, the College obtained such vouchers before making such payments.

In addition, we noted that it appears that, in April 2004, a College employee (serving as a student club adviser)—who was not authorized to directly order goods or services—directly ordered goods for a student organization, amounting to \$573, circumventing College purchasing controls and requirements in the process. That is, the order was placed on April 21, 2004, several days before a corresponding College purchase requisition was signed approved, on April 26, 2004. Furthermore, documents examined indicated that the order was placed against an old, unrelated, closed out purchase order from March 2002. After investigating the circumstances surrounding this breakdown in controls, the College paid the vendor \$573 in November 2004, charging the student activity account.

In another case, it appears that, again in April 2004, a College employee—who was not authorized to directly order goods or services—directly ordered goods for the same student organization, amounting to \$772, again circumventing College purchasing controls and requirements. This time, we were told, the College Business Office probably had received a corresponding purchase requisition; however, none could be located as of January 2005. Nor was a traditional College receiving report on file. However, the vendor provided the College an invoice along with shipping documentation indicating that the goods were shipped to the College. Unaware of this order, the College Purchasing section did not prepare a purchase order in this case. Though a vendor shipping document indicated that the goods were shipped to the College in May 2004, the College has

not, as of January 26, 2005, paid the vendor, pending further investigation.

Effect:

Lacking payment vouchers approved by the student government, there was less assurance that payments charged to the student activity account were approved by and for the benefit of the student body.

In the two specific cases cited, which were initiated in April 2004, a breakdown in internal control over student activity account purchasing operations, as well as noncompliance with the Connecticut Community College System's purchasing policies, occurred. Such purchases raise the risk of improper use of student activity account funds. They could also lead to student activity account purchases without sufficient funding. (The College's normal purchasing procedures require a review by the Purchasing section to determine available funding before purchases are approved.) Further, as the Purchasing section is aware of State contracts in place offering discounts with applicable vendors, bypassing the Purchasing section when ordering goods could result in paying higher prices for goods and services than if proper channels were followed. Additionally, lacking proper paperwork, the College Purchasing and Accounts Payable sections must research the validity of invoices received, delaying payments to vendors. Such delays could impair relationships between the College and its vendors, making it difficult for the College to do business with such vendors again.

Cause:

The College's Accounts Payable section relied on the Student Activity department to ensure that there was student approval of payments.

In the two specific cases cited, it seems that certain employees initiated purchases on their own without first obtaining the proper approvals.

Recommendation:

To provide better assurance that expenditures charged to the student activity account benefit and are approved by the student body, the College's Student Activity department should provide the Accounts Payable section with payment vouchers approved by a member of the student government, before student activity account payments are made. In addition, all student activity account purchases should occur only after the College Purchasing department receives properly approved purchase requisitions and receiving documents. Furthermore, only the Purchasing department should place such orders with vendors. (See Recommendation 3.)

Agency Response: "The College has enacted additional controls within the Student Activity Fund to provide better assurances that the student body

represented by the Student Senate is more involved in the approval of expenditures made through the Student Activity Fund. Further enhancements have been instituted by the College in order that all purchases for the Student Activity Fund, once properly approved, are placed solely through the College's Purchasing Department."

Property Control:

While we noted significant improvement in the College's internal control over equipment inventory, further improvement is needed.

Criteria: The State of Connecticut's *Property Control Manual*, under authority of Section 4-36 of the General Statutes, sets forth criteria and policies over assets owned or leased by a State agency. Requirements include, among other things, that capital equipment and certain other controllable items be recorded in property control records.

The Connecticut Community Colleges' Fixed Asset Inventory and Accounting Policy sets criteria for the types of items that should be recorded in Connecticut Community Colleges' inventory control records.

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 adequately documented before the equipment disposal.

Condition: We tested a sample of ten equipment items recorded in the College's inventory control records and found one case in which the College could not locate an equipment item listed in these records, a computer with a cost of \$1,789.

The College recorded two video equipment items in its inventory control records, listing costs at \$2,025 and \$2,870, respectively. However, documentation we reviewed showed that the items were rented by the College and remained the property of the vendor. As such, the College should not have recorded these items in its fixed asset inventory control records.

Furthermore, we found that the College disposed of a number of equipment items, mostly computers considered obsolete or inoperable. We were told that for these disposals, the College employee charged with equipment inventory control duties prepared a list of the items marked for disposal. This list, in turn, was attached to a cover letter describing, in general terms, the items to be disposed of and the reason for such disposal. The College President signed the

cover letter, indicating her approval of this action. However, because the language used in the cover letter was not specific, we could not be certain that all of the equipment disposal items listed on the attachment were, in fact, originally presented to the President for her approval. The cover letter approving the disposal did not include the number of items to be disposed of or their acquisition cost in aggregate. Furthermore, we were told that the President's Office did not retain a copy of these equipment disposal approval documents. Rather, both the Business Office and the employee responsible for equipment disposals retained copies of these documents. Since the original source documents were not on file in the President's Office, we could only review these other, less reliable documents.

Effect: Internal control over College equipment was weakened.

Cause: We were told that the equipment item that could not be located may, in fact, have been scrapped and may not have met the dollar threshold criteria for capital equipment and so should not have been listed on College inventory records. However, we were not presented with sufficient evidence to support this scenario.

It is unknown why rented equipment was included in inventory control records.

The College lacked adequate control procedures for equipment disposals.

Recommendation: The College should improve internal control over its equipment by following the State Comptroller's property control requirements as well as those established by the Connecticut Community College's fixed asset policy. The College should, in particular, improve its documentation supporting the approval for the disposal of its equipment. (See Recommendation 4.)

Agency Response: "The College has enacted additional internal controls to address the concerns outlined in this audit recommendation concerning property control. Measures have been strengthened concerning equipment disposal and inventory records. These measures will bring the College into compliance with the State Comptroller's property control requirements."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- **The College should take steps to ensure that student event receipts are deposited into the bank in a timely manner, as required by the State Comptroller's *Accounting Procedures Manual for Activity and Welfare Funds*, pursuant to Section 4-32 of the *General Statutes*.** In our current audit, we noted cases where the student event receipts were not turned over to the College Business Office in a timely manner, as well as other weaknesses in accountability over student event receipts. The recommendation is, therefore, being repeated with modification to reflect conditions noted in our current audit. (See Recommendation 1.)
- **The College should retain documentation showing that it reconciles accounts receivable subsidiary account records with accounts receivable control account records, as required by the State Library Public Records Administrator. The College should also increase its delinquent accounts collection efforts and avoid the premature write-off of accounts receivable by following the Board of Trustees of Community-Technical Colleges' established procedures for the collection and write-off of student accounts receivable.** Our current audit showed that the recommendation was implemented. Accounts receivable reconciliations were on file. Delinquent accounts collection efforts appeared to comply with applicable requirements. Therefore, the recommendation is not being repeated.
- **The College should solicit bids for revenue generating operations, such as its bookstore, before contracting with vendors to run such operations.** The recommendation was not implemented and is being repeated. (See Recommendation 2.)
- **The College should improve controls over its property by following the property control requirements set forth by the State Comptroller.** For the current audited period, while we noted significant improvement in the College's property control, further improvement is needed. The recommendation is being repeated. (See Recommendation 4.)
- **The College should take steps to ensure that its purchases are based on competitive bids or competitive negotiation when required by Section 10a-151b of the *General Statutes*. Furthermore, the College should improve both its controls and statutory compliance in connection with personal service agreements by ensuring that all such agreements are approved by appropriate officials in a timely manner and by meeting the requirements of Section 1-84 of the *General Statutes* with respect to the awarding of contracts to State employees.** Improvement was noted during our current audit. The recommendation is not being repeated.
- **The College should require the preparation of time cards for Part-time Lecturers during all sessions, including winter and summer sessions, during which such**

employees are employed at the College. The recommendation was implemented; it is not being repeated for the current audited period.

Current Audit Recommendations:

1. **The College should take steps to ensure that student event receipts and any related unsold tickets are promptly turned over to the Business Office, as required by the State Comptroller's *Accounting Procedures Manual* for Activity and Welfare Funds.**

Comment:

We noted some cases where receipts generated from the sale of tickets for student organization trips were not submitted to the College Business Office for deposit in a timely manner. Also, in some cases, unsold student event tickets were not turned over to the Business Office.

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

Comment:

As noted in our previous audit, the College continued to extend its bookstore contract with the firm that runs the College bookstore without seeking competitive bids.

3. **To provide better assurance that expenditures charged to the student activity account benefit and are approved by the student body, the College's Student Activity department should provide the Accounts Payable section with payment vouchers approved by a member of the student government, before student activity account payments are made. In addition, all student activity account purchases should occur only after the College Purchasing department receives properly approved purchase requisitions and receiving documents. Furthermore, only the Purchasing department should place such orders with vendors.**

Comment:

We found that the College discontinued its practice of requiring the submission of payment vouchers, signed by a member of the student government, before processing payments charged to student activity accounts. The College did, however, generally obtain purchase requisitions indicating approval by the Dean of Students before making such payments. We also noted two cases where student activity account purchases were initiated by employees not authorized to do so. In one of these cases, the purchase requisition was approved after the order was placed with the vendor. In the other case, no purchase requisition was on file in the Purchasing section.

- 4. The College should improve internal control over its equipment by following the State Comptroller's property control requirements as well as those established by the Connecticut Community College's fixed asset policy. The College should, in particular, improve its documentation supporting the approval for the disposal of its equipment.**

Comment:

The College could not locate a computer listed on its inventory control records. Two rented equipment items were included in College inventory control records, but should not have been included in these records. College documentation approving the disposal of certain equipment items, lacking specifics, did not adequately support equipment disposals.

INDEPENDENT AUDITOR'S CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of Housatonic Community College for the fiscal years ended June 30, 2002, and 2003. This audit was primarily limited to performing tests of the College's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the College's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the College are complied with, (2) the financial transactions of the College are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the College are safeguarded against loss or unauthorized use. The financial statement audits of Housatonic Community College for the fiscal years ended June 30, 2002 and 2003, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

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

As part of obtaining reasonable assurance about whether the College complied with laws, regulations, contracts, and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the College's financial operations for the fiscal years ended June 30, 2002 and 2003, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported 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 Housatonic 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 Housatonic 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 Housatonic Community College during the course of our examination.

Daniel F. Puklin
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts