STATE OF CONNECTICUT

AUDIT REPORT

BOARD OF TRUSTEES FOR
COMMUNITY-TECHNICAL COLLEGES
NORWALK COMMUNITY COLLEGE
FOR THE FISCAL YEARS ENDED JUNE 30, 1999 AND 2000

AUDITORS OF PUBLIC ACCOUNTS

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October 5, 2001

AUDITORS' REPORT
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NORWALK COMMUNITY COLLEGE
FOR THE FISCAL YEARS ENDED JUNE 30, 1999 AND 2000

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

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

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

COMMENTS

FOREWORD:

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

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

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

Dr. William H. Schwab served as President of the College during the audited period.

Recent Legislation:

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

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

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

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

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

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

Enrollment Statistics:

Enrollment statistics compiled by the College's Institutional Research and Planning Department showed the following enrollment of full-time and part-time students during the two audited years:

	Fall 1998	Spring 1999	Fall 1999	Spring 2000
Full-time students	1,201	1,143	1,370	1,317
Part-time students	3,773	3,882	3,850	3,741
Total enrollment	4,974	5,025	5,220	5,058

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

RÉSUMÉ OF OPERATIONS:

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

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

General Fund:

General Fund receipts totaled $91,019 for the 1998-1999 fiscal year and were made up of sales and use tax collected. (The College runs its own bookstore.) Receipts for the 1999-2000 fiscal year totaled $120,372 and included sales and use tax collected and refunds of expenditures of budgeted accounts.

During the audited period, General Fund expenditures consisted entirely of personal services costs. Expenditures totaled $11,197,718 and $12,358,974 for the fiscal years ended June 30, 1999 and 2000, respectively, compared to $10,252,866 for the fiscal year ended June 30, 1998. These totals represented increases of $944,852 (9.2 percent) and $1,161,256 (10.4 percent), respectively, during the audited years. The increases appear to have been mostly the result of salary increases in accordance with collective bargaining agreements and of the hiring of several new full-time, permanent staff members during the audited period.

State Capital Projects:

Capital projects funds expenditures during the 1998-1999 and 1999-2000 fiscal years totaled $381,227 and $520,749, respectively.

These expenditures were primarily made for equipment purchases and, to a lesser extent, for campus buildings and grounds improvements.

Operating Fund:

The College's operating revenues and expenditures (excluding personal services expenditures charged to the General Fund) are accounted for within the Operating Fund. Receipts of the Operating Fund consisted primarily of student tuition and fees and Federal and other student financial assistance monies received. Receipts generated from the College-run bookstore were also accounted for within this fund.

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

	Fiscal Year 1997-1998	Fiscal Year 1998-1999	Fiscal Year 1999-2000
Total Receipts	$13,688,419	$14,816,636	$14,037,736

Total Operating Fund receipts increased by $1,128,217 (8.2 percent) during the 1998-1999 fiscal year as compared to the 1997-1998 fiscal year, a result in part from an increase in certain State and Federal grant monies received during the 1998-1999 fiscal year. Fund receipts fell by $778,900 (5.3 percent) during the 1999-2000 fiscal compared to the previous year, due in part to a decrease in State and Federal grant monies received.

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

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

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

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

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

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

	Fiscal Year 1997-1998	Fiscal Year 1998-1999	Fiscal Year 1999-2000
Personal Services	$2,532,569	$3,576,281	$3,725,572
Contractual Services	3,613,754	4,154,569	5,043,842
Commodities	1,543,160	1,834,324	2,023,474
Revenue Refunds	197,619	1,000,266	1,067,911
Sundry Charges	2,858,741	3,156,868	748,651
Land	55,655	-	15,997
Equipment	250,775	333,851	351,908
Buildings & Improvement	8,100	24,850	67,419
Total Expenditures	$11,060,373	$14,081,009	$13,044,774

Expenditures were made up of costs associated with personal services, student financial assistance (included in the Sundry Charges category) and other College operating costs. Operating Fund expenditures increased by $3,020,636 (27.3 percent) and decreased by $1,036,234 (7.4 percent) during the 1998-1999 and 1999-2000 fiscal years, respectively, compared to the previous fiscal years. The increase during the 1998-1999 fiscal year was due, in part, to expenditures associated with additional State and Federal grant monies received, according to College officials. In addition, during the 1998-1999 fiscal year, revenue refunds increased sharply, compared to the previous year, primarily due to a coding change. In the 1998-1999 fiscal year, the Community-Technical Colleges began to code as revenue refunds disbursements to students for student financial assistance amounts awarded in excess of the amounts the students owed the Colleges.

Fund expenditures fell during the 1999-2000 fiscal year, mostly as a result of a change in the method used by the Community Colleges to report student financial aid expenditures to the State Comptroller. Prior to the 1999-2000 fiscal year, the Community Colleges reported to the State Comptroller all student financial aid expenditures recorded in their general ledgers, including both actual cash disbursements of financial aid checks paid to students and internal, non-cash transactions (coded as Sundry Charges on the State Comptroller's records) of amounts charged to their general ledger student financial aid accounts pending amounts receivable from Federal, State and private financial aid sources. This method had the effect of duplicating some expenditures. Effective during the 1999-2000 fiscal year, the Community Colleges, after consulting with the State Comptroller's Office, discontinued reporting to the State Comptroller the above internal, non-cash transactions of charges to the Colleges' general ledger student financial aid accounts. (However, during the 1999-2000 fiscal year, the Colleges continued to report to the State Comptroller actual cash disbursements of student financial assistance checks paid to students.)

Grants – Tax-Exempt Proceeds Fund:

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

Fund expenditures totaled $760,073 and $58,692 during the 1998-1999 and 1999-2000 fiscal years, respectively. Expenditures were made primarily for the purchase of campus equipment.

Fiduciary Funds:

Student Activity Fund:

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

Receipts, as presented in financial statements prepared by the College, totaled $156,688 and $187,371 in the respective audited years and primarily consisted of the Student Activity fees assessed on students as well as income generated from various student organization activities. In the 1999-2000 fiscal year, receipts increased by $30,683 (19.6 percent), compared to the previous year. This was in large part due to an increase in income generated from student organizations and related activities during the 1999-2000 fiscal year.

Expenditures, according to financial statements prepared by the College, totaled $157,371 and $181,700 in the respective audited years, and were mostly made to cover the costs of student organizations and related activities. In the 1999-2000 fiscal year, fueled by an increase in student organization income, disbursements rose by $24,329 (15.5 percent), compared to the previous fiscal year.

Institutional General Welfare Fund:

The Institutional General Welfare Fund operated under the provisions of Sections 4-56 through 4-58 of the General Statutes. The fund was established to record the financial activities of any gifts, donations or bequests, including scholarships made to benefit students of the College.

Receipts, as shown on financial statements prepared by the College, totaled $146,216 and $205,633 in the 1998-1999 and 1999-2000 fiscal years, respectively. During the audited years, receipts included scholarship monies received. In addition, the fund was used as a clearing account for checks received in payment for tuition and fees, which required a return of change to students. Such checks were deposited into this fund, with amounts allocated and disbursed between amounts owed the College and remaining balances owed to students.

Financial statements prepared by the College reported disbursements which totaled $147,596 and $202,649 during the respective audited years. Disbursements included payments for scholarships and the above-mentioned distributions of change to students from checks paid to the College for tuition and fees.

Norwalk Community College Foundation, Inc.:

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

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

Audits of the books and accounts of the Foundation were performed by an independent certified public accounting firm for the years ended December 31, 1998 and 1999, in accordance with Section 4-37f, subsection (8), of the General Statutes. Corresponding audit reports expressed unqualified opinions on the Foundation's financial statements and indicated compliance, in all material respects, with Sections 4-37e through 4-37i of the General Statutes.

CONDITION OF RECORDS

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

Longevity Payroll Payments:

Criteria: The General Statutes, personnel policies established by the Board of Trustees for Community-Technical Colleges, and provisions of collective bargaining unit contracts all set requirements for longevity payroll payments made to State employees after reaching certain thresholds of years of State service.

Condition: We tested 12 longevity payroll payments made to five employees during the audited period and found that the College made five underpayments to two of these employees totaling $677.

Specifically, one employee was underpaid $253 for her October 1999 longevity payment. Another employee was underpaid $424, or $106 for each of the four longevity payments she was paid during the audited period. Furthermore, based on our discussions with Payroll Department employees, it appears that this employee may have been consistently underpaid longevity payments for a number of previous years due to a College misinterpretation of the criterion for State service time eligible for longevity payment purposes.

Effect: In some cases, the College did not fully comply with collective bargaining agreements concerning longevity payroll payments, resulting in underpayments to certain employees.

Cause: In the exceptions noted, the College based longevity payments made on incorrect amounts of State service time. In addition, the College misinterpreted the criterion for State service time eligible for longevity payment purposes according to the Administrative and Residual employee union contract: it considered only continuous State service eligible, but all State service was eligible.

Recommendation: The College should take steps to ensure that correct longevity payroll payments are made in accordance with the General Statutes, personnel policies established by the Board of Trustees for Community-Technical Colleges, and provisions of collective bargaining unit contracts. (See Recommendation 1.)

Agency Response: "The College will take greater care in complying with collective bargaining agreements to ensure correct longevity payroll payments are made."

Time and Effort Reporting

Criteria: The Federal Office of Management and Budget Circular A-21 establishes principles for determining costs applicable to grants, contracts, and other agreements between the Federal government and educational institutions. Under this Circular, the method of distributing payroll charges must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs. To accomplish this, institutional records must adequately document that payroll expenditures posted to an account were actually incurred in the course of carrying out the program accounted for in the account.

According to Circular A-21, to confirm that charges to a program represent a reasonable estimate of the work performed by the employee for the benefit of the program during the period, an acceptable method of documentation includes the use of statements signed by the employee, principal investigator, or responsible official(s), using suitable means of verification that the work was performed. For professorial and professional staff, the statements must be prepared each academic term, but no less frequently than every six months.

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

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

Cause: College officials were unfamiliar with this requirement.

Recommendation: The College should develop and implement a time and effort reporting system for documenting payroll costs associated with its Federal grant programs, as required by the Office of Management and Budget Circular A-21. (See Recommendation 2.)

Agency Response: "The College acknowledges this requirement and has implemented procedures to assure certification that Federal Grant Payroll

Expenditures are properly charged to the Activity/Programs on which the employee actually worked."

Inventory Control:

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 and that an annual report reflecting the total of physical inventory as of June 30, each year, be submitted to the State Comptroller.

Sound internal controls require that adequate receiving and inventory control records be maintained to help ensure that purchased goods received matched goods shipped by the vendor from whom they were purchased and to enable College officials to locate goods purchased.

Condition:

1. We tested 15 purchases of computers, amounting to $19,062, during the audited period and found that College officials could not locate for our inspection 12 of the computers purchased, amounting to $15,117. Of these 12, in nine cases, College receiving documents either didn't show State identification numbers assigned to computers received or showed identification numbers assigned to computers with serial numbers that differed from the serial numbers of computers shipped according to vendor records. This, in combination with the inability of College inventory software to search for items by serial number or purchase order, prevented College officials from readily proving that these computers were actually received.

   In two of these 12 cases, though receiving documents did properly show State identification numbers assigned to computers whose serial numbers matched vendor records of items shipped, the computers were not recorded in the College's automated inventory records, so College officials had no official record of where they were located.

   Due to the above conditions, the College's Director of Fiscal and Administrative Services told us it would be cost prohibitive to locate the items, but he did say that they were on campus.

   In one of these 12 cases, though the item tested was properly assigned a State identification number and recorded in College inventory control records, College officials could not locate the computer in the location recorded in inventory records.

2. We tested the accuracy of ten inventory control records and found that one equipment item recorded in these records, a computer costing $1,961, could not be located by College officials in the location recorded in such records.

3. In the College's annual property inventory report submitted to the State Comptroller for the 1999-2000 fiscal year, a capitalized equipment deletion figure of $477,573 was reported. The College told us that this represented surplus equipment that was disposed of accordingly. However, the College could not provide us with adequate support documentation detailing these surplus items.

Effect: The above conditions raise questions as to whether or not certain computers purchased were actually received or, if received, were lost or stolen.

Also, internal controls over computer equipment were weakened, and the State of Connecticut's *Property Control Manual* was not fully complied with.

A lack of supporting documentation raises questions as to the make-up of the capitalized equipment deletion number reported on the annual property inventory report for the 1999-2000 fiscal year.

Cause: Controls in place were not adequate to prevent the above conditions.

Recommendation: The College should improve controls over its property, especially its computer equipment, by following the property control requirements set forth by the State Comptroller and by implementing record keeping procedures to ensure that computers purchased are traceable to inventory records and can be readily located. (See Recommendation 3.)

Agency Response: "A new Banner Fixed Asset Inventory System will be implemented in July 2001 that addresses all conditions. Additionally the College has developed and implemented procedures that further assure compliance to all requirements."

Personal Service Agreements:

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

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."

In addition, it is a good business practice to set up written contracts when entering into agreements with individuals or organizations for the performance of personal services.

Condition: We tested ten personal service agreement contracts during the audited period and found that six were approved by College Officials either after corresponding services had begun or after services had been completed.

Additionally, we found that one of the agreements in the amount of $500 was with a current State employee. Since the College dealt with this individual as an independent contractor, it was obligated to follow an award process that met the standards set forth in Section 1-84. That is, the contract should have been awarded through an "open and public process." It was not, according to a College Official.

Furthermore, in a letter dated July 18, 2001, we reported the following weaknesses to the Governor and other appropriate Officials in accordance with Section 2-90 of the General Statutes.

College Officials told us that historically, including the time of our audited period and subsequently, the College did not set up personal service agreements or equivalent written contracts with individuals hired and considered by the College to be independent contractors providing paramedic instructor or paramedic assistant services in connection with the College's Paramedic program. For example, we noted that the College made 15 payments to one individual throughout the audited period, all for paramedic instructor or assistant services performed throughout the two-year period. Such payments totaled $9,691 during the audited period, or $2,896 and $6,795 during the 1998-1999 and 1999-2000 fiscal years, respectively. No personal service agreement or equivalent written contract was set-up for this activity.

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

Further, the statutory requirement that contracts be awarded to State employees only through an "open and public process" is intended to prevent abuse. Lack of compliance raises questions as to the propriety of such transactions.

Not setting up written personal service contracts for certain personal service contractors could lead to, and may have already led to, the circumvention of certain State requirements with respect to personal service agreements, e.g., Attorney General approval for contracts amounting to more than $3,000 within a 12 month period; Department of Administrative Services approval for contracts for personal services with individuals totaling more than $3,000 within a 12 month period; etc.

Moreover, lack of written contracts for personal services weakens controls. A written contract for personal services can clarify standards that the contractor must meet to successfully execute the agreement, helping to ensure that the agreement is properly completed. Absent such clear standards, successful completion of services is left open to interpretation.

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

Nor does it appear that College procedures in place were adequate to meet the requirements of Section 1-84 of the General Statutes concerning the award of contracts to State employees.

We were told that the College's arrangements to hire individuals to perform paramedic instructor or assistant services in connection with its Paramedic program generally involved small dollar amounts paid to each contractor annually, and that there were many contractors. As such, the College took the position that it wouldn't be practical to set up written personal service agreements.

Recommendation: 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, by meeting the requirements of Section 1-84 of the General Statutes with respect to the awarding of contracts to State employees, and by setting up personal service agreement contracts when necessary. (See Recommendation 4.)

Agency Response: "The College will increase internal controls to assure that P.S.A.'s are signed prior to the start of service. P.S.A.'s will not be used for College full or part-time employees' services, specifically in the Paramedic program, and all compensation for employees will be made on the Comptroller's MSA payroll system."

Purchasing via Credit Card:

Background: College officials informed us that a credit card was set up for its Hospitality Management program in April 1995 to purchase food and other program-related items. Before establishing the credit card, we were told, the College found it difficult to make such purchases, as local vendors refused to wait for payment through the normal State purchasing process.

Criteria: 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 response to credit card purchasing weaknesses noted in our last audit, the College set up written procedures to better assure proper segregation of duties with respect to credit card purchasing for the Hospitality Management program. These procedures, dated February 24, 1999, detailed steps to be taken by College employees to achieve separation among the duties of ordering, purchasing, receiving and payment for Hospitality Management program credit card purchases. The procedures specifically called for the employee performing the receiving function, the Culinary Arts Laboratory Assistant, to verify receipt of goods by signing and dating related sales slips. We tested documentation related to credit card purchases associated with three monthly billing statements, falling in the period September 1999 through February 2000, and found that none of the corresponding sales receipts were signed by the Culinary Arts Laboratory Assistant. Instead, these receipts were initialed by an employee in the Accounts Payable Department, who said she initials the receipts after verifying charges on monthly credit card billing statements by matching sales receipts to related statement charges.

Effect: When the employee charged with receiving goods does not certify with his or her signature that goods were received, it casts doubt on whether or not this employee actually received the goods.

Also, the College's own written procedures for purchasing food services commodities via credit card were not followed.

Cause: Though written procedures were in place to help assure proper segregation of duties for Hospitality Management program credit card purchases, these procedures were not completely followed.

Recommendation: The College should improve internal controls over Hospitality Management program credit card purchases by following its own written procedures for these transactions. (See Recommendation 5.)

Agency Response: "The College will enforce compliance over the Hospitality Management Program with existing NCC credit card purchasing/receiving systems and procedures."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- Improve controls over equipment and supplies by following the property control requirements set forth by the State Comptroller. Though we noted some improvement in the property control conditions noted in our last audit, we found further weaknesses in this area, particularly in the College's controls over computer hardware. We are, therefore, repeating this recommendation with modification, this time emphasizing the need to improve controls over computer equipment. (See Recommendation 3.)

- Develop procedures to assure the College's affiliated foundation complies with statutory sections related to audit reports. We noted improvement in this area. Therefore, the recommendation is not being repeated.

- Implement procedures to separate tasks associated with credit card purchases. Though the College established procedures to separate tasks associated with credit card purchases, our testing showed that these procedures were not fully followed by College employees during the audited period. Therefore, the recommendation is being repeated. (See Recommendation 5.)

Current Audit Recommendations:

1. **The College should take steps to ensure that correct longevity payroll payments are made in accordance with the General Statutes, personnel policies established by the Board of Trustees for Community-Technical Colleges, and provisions of collective bargaining unit contracts.**

   Comment:

   We tested 12 longevity payroll payments made to five employees during the audited period and found that the College made five underpayments to two of these employees totaling $677. Also, based on our discussions with Payroll Department employees, it appears that one of these employees may have been consistently underpaid longevity payments for a number of previous years due to a College misinterpretation of the criterion for State service time eligible for longevity payment purposes.

2. The College should develop and implement a time and effort reporting system for documenting payroll costs associated with its Federal grant programs, as required by the Office of Management and Budget Circular A-21.

Comment:

During the audited period, the College did not have a time and effort reporting system for documenting payroll costs associated with Federal grant programs. That is, for employees whose payroll costs were funded by Federal grant programs, the College's payroll documents did not provide signed certification that the employee's payroll expenditures were charged to the program(s) on which the employee actually worked.

3. The College should improve controls over its property, especially its computer equipment, by following the property control requirements set forth by the State Comptroller and by implementing record keeping procedures to ensure that computers purchased are traceable to inventory records and can be readily located.

Comment:

We tested 15 purchases of computers, amounting to $19,062, during the audited period and found that College officials could not locate for our inspection 12 of the computers purchased, amounting to $15,117. Of these 12, in nine cases, inadequate College receiving documents and inventory control records prevented College officials from readily proving that these computers were actually received. In two of these 12 cases, computers were not recorded in the College's automated inventory control records, so College officials had no official record of where they were located. In one of these 12 cases, though the item tested was properly assigned a State identification number and recorded in College inventory control records, College officials could not locate the computer in the location recorded in inventory records. In addition, in a test of ten inventory control records, one equipment item recorded in these records, a computer costing $1,961, could not be located by College officials in the location recorded in such records. Further, in the College's annual property inventory report submitted to the State Comptroller for the 1999-2000 fiscal year, a capitalized equipment deletion figure of $477,573 was reported for which the College could not provide us with adequate support documentation.

4. 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, by meeting the requirements of Section 1-84 of the General Statutes with respect to the awarding of contracts to State employees, and by setting up personal service agreement contracts when necessary.

Comment:

We tested ten personal service agreement contracts during the audited period and found that six were approved by College officials either after corresponding services had begun or after services had been completed. Additionally, we found that one of the agreements in the amount of $500 was with a current State employee and was not awarded through an "open and public process" as required by Section 1-84 of the General Statutes. Furthermore, College officials told us that the College did not set up personal service agreements or equivalent written contracts with individuals hired and considered by the College to be independent contractors providing paramedic instructor or paramedic assistant services in connection with the College's Paramedic program.

5. The College should improve internal controls over Hospitality Management program credit card purchases by following its own written procedures for these transactions.

Comment:

The College's written procedures for Hospitality Management program credit card purchases called for the employee performing the receiving function, the Culinary Arts Laboratory Assistant, to verify receipt of goods by signing and dating related sales slips. We tested documentation related to credit card purchases associated with three monthly billing statements, falling in the period September 1999 through February 2000, and found that none of the corresponding sales receipts were signed by the Culinary Arts Laboratory Assistant.

INDEPENDENT AUDITOR'S CERTIFICATION

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

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

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

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.* However, we noted 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 Norwalk 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 Norwalk Community College's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives.

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

A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants or the requirements to safeguard assets that would be material in relation to the College's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the College being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over the College's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. However, of the reportable conditions described above, we believe the following reportable condition to be a material or significant weakness: the College's weaknesses in controls over computer equipment.

We also noted other matters involving internal control over the College's financial operations and over compliance which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

CONCLUSION

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of Norwalk Community College during the course of our examination.

Daniel F. Puklin
Associate Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts