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AUDITORS' REPORT
BOARD OF TRUSTEES OF
COMMUNITY-TECHNICAL COLLEGES
NORWALK COMMUNITY COLLEGE
FOR THE FISCAL YEARS ENDED
JUNE 30, 2001, 2002, AND 2003

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

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November 10, 2004

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NORWALK COMMUNITY COLLEGE
FOR THE FISCAL YEARS ENDED JUNE 30, 2001, 2002, AND 2003

We have examined the financial records of Norwalk Community College (College) for the fiscal years ended June 30, 2001, 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:

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

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

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

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

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 three audited years:

	Fall 2000	Spring 2001	Fall 2001	Spring 2002	Fall 2002	Spring 2003
Full-time students	1,456	1,339	1,663	1,579	1,802	1,773
Part-time students	3,921	3,780	3,906	3,963	3,915	4,027
Total enrollment	5,377	5,119	5,569	5,542	5,717	5,800

The average of Fall and Spring semesters' enrollment totaled 5,248, 5,555 and 5,758 during the 2000-2001, 2001-2002, 2002-2003 fiscal years, respectively. The increases in these figures, amounting to roughly six and four percent during the 2001-2002 and 2002-2003 fiscal years, respectively, 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 or to 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.

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 $2,881, $5,967, and $3,295 for the 2000-2001, 2001-2002, and 2002-2003 fiscal years, respectively, compared to $120,372 for the 1999-2000 fiscal year. Receipts were mostly made up of sales tax collected by the College bookstore. The significant decrease in Fund receipts during the audited period was largely the result of Public Act 00-170, which, effective July 1, 2000, exempted certain college textbooks sold to students from the State's sales tax.

During the audited period, General Fund expenditures consisted entirely of personal services costs. Expenditures totaled $12,751,332, $13,461,735 and $13,209,471 for the fiscal years ended June 30, 2001, 2002, and 2003, respectively, compared to $12,358,974 for the fiscal year ended June 30, 2000. These figures represented increases of $392,358 (3.2 percent) and $710,403 (5.6 percent) during the 2000-2001 and 2001-2002 fiscal years, respectively. Expenditures decreased $252,264 (1.9 percent) during the 2002-2003 fiscal year, compared to the previous year.

The increases in Fund expenditures during the 2000-2001 and 2001-2002 fiscal years 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.

State Capital Projects:

Capital projects funds expenditures during the 2000-2001, 2001-2002, and 2002-2003 fiscal years totaled $1,134,976, $789,011, and $9,661,098, respectively. These expenditures were primarily made to cover the costs of improvements to campus buildings and grounds and equipment purchases during the audited period.

Expenditures rose sharply during the 2002-2003 fiscal year, increasing more than $8,800,000 over the previous year. This increase can, in large part, be attributed to the construction of and equipment purchases for the College's Center for Information Technology (CIT). The CIT, a new addition to an existing College building, opened in September 2003. The State's Department of Public Works administered this construction project.

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. Sales revenues generated by the College-run bookstore were also accounted for within the Fund.

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

Fiscal Year			
1999-2000	**2000-2001**	**2001-2002**	**2002-2003**
$14,037,736	$15,181,344	$14,711,637	$15,891,990

Total reported Operating Fund receipts grew by $1,143,608 (8.1 percent) during the 2000-2001 fiscal year, compared to the 1999-2000 fiscal year. This increase was consistent with College increases in tuition rates and student enrollment during the 2000-2001 fiscal year.

Fund receipts fell by $469,707 (3.1 percent) during the 2001-2002 fiscal year, compared to the 2000-2001 fiscal year, a result in part of a decrease in State grant monies received.

During the 2002-2003 fiscal year, Fund receipts increased by $1,180,353 (8 percent), compared to the previous year. Increases in student enrollment and tuition and fee rates contributed to this increase.

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**
1999-2000	$ 1,608	$ 5,232	$ 2,412
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.

As can be seen above, tuition rates increased during the 2000-2001 fiscal year. To meet rising costs, in May 2000, the Board of Trustees of Community-Technical Colleges (Board) approved an increase in tuition for all but out-of-State students during the 2000-2001 academic year.

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.

	Fiscal Year			
	1999-2000	**2000-2001**	**2001-2002**	**2002-2003**
Personal Services	$3,725,572	$3,987,674	$4,263,254	$5,684,551
Contractual Services	5,043,842	5,102,885	3,727,280	3,796,860
Commodities	2,023,474	1,986,177	2,589,240	2,299,611
Revenue Refunds	1,067,911	1,489,690	1,882,370	1,794,543
Sundry Charges	748,651	1,022,186	869,426	1,148,106
Equipment and Other	435,324	600,571	1,012,496	103,229
Total Expenditures	$13,044,774	$14,189,182	$14,344,066	$14,826,900

Expenditures were made up of costs associated with personal services, student financial assistance (included in the Revenue Refunds category) and other College operating costs. Recorded Operating Fund expenditures increased by $1,144,408 (8.8 percent), $154,884 (1.1 percent) and $482,834 (3.4 percent) during the 2000-2001, 2001-2002, and 2002-2003 fiscal years, respectively, compared to the previous fiscal years.

The increase during the 2000-2001 fiscal year was, in part, the result of increased payroll costs associated with collective bargaining pay increases and the hiring of additional employees. In addition, fueled by rising student enrollment, the amount of student financial aid disbursed and equipment purchases both increased during this year.

Expenditures for improvements to campus buildings contributed to the modest increase in Fund expenditures during the 2001-2002 fiscal year.

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.

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 totaled $35,000, $150,000, and $1,855,993 during the 2000-2001, 2001-2002, and 2002-2003 fiscal years, respectively. Receipts consisted mostly of funds transferred to the College from the State's Department of Public Works during the 2002-2003 fiscal year. These transfers were earmarked for equipment purchases for the College's Center for Information Technology.

Fund expenditures totaled $157,907, $19,825, and $238,130 in the 2000-2001, 2001-2002, and 2002-2003 fiscal years, respectively. These expenditures were primarily made for campus building improvements and equipment and supplies.

Fiduciary Funds:

After approval from the Office of the State Comptroller, the Board of Trustees of Community-Technical Colleges directed all of the 12 Connecticut Community Colleges to incorporate their Student Activity Fund and Institutional Welfare Fund accounts into their respective Operating Fund accounts, effective during the 2001-2002 fiscal year. Furthermore, effective 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. As such, we are including in this report the final year of Student Activity Fund and Institutional Welfare Fund receipts and disbursements numbers, as reported in College-prepared financial statements for the 2000-2001 fiscal year.

Student Activity Fund:

The Student Activity Fund, as established under Sections 4-52 through 4-55 of the General Statutes, was 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, consisting mostly of Student Activity fees assessed on students and income generated from various student organization activities, totaled $159,850 during the 2000-2001 fiscal year, compared to $187,371 during the previous year, according to College financial statements. Receipts fell by $27,521 (14.7 percent) in the 2000-2001 fiscal year, primarily as a result of a decrease in student organization income generated.

Fund expenditures reported on College financial statements totaled $158,129 during the 2000-2001 fiscal year, compared to $181,700 during the previous year. Expenses for student organizations and related activities were the major costs borne by the Fund.

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, according to College financial statements, totaled $167,388 during the 2000-2001 fiscal year, compared to $205,633 in the previous year. Fund receipts included scholarship monies received. In addition, the Fund was used as a clearing account in which checks for student financial aid and other checks for tuition and fees would be deposited and then disbursed, partly to students and partly to the College for student balances owed. During the 2000-2001 fiscal year, Fund receipts decreased as the level of clearing account activity fell.

Fund disbursements reported on College financial statements totaled $179,818 in the 2000-2001 fiscal year, compared to $202,649 in the previous year. The above-mentioned clearing account activity made-up the bulk of these disbursements.

Norwalk Community College Foundation, Inc.:

Norwalk 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 Norwalk 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 December 31, 2001, and 2002, 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 support and revenue totaled $3,109,539 and $1,171,095 for the years ended December 31, 2001, and 2002, respectively. Foundation expenses were reported as $1,440,914 and $954,716 for the years ended December 31, 2001, and 2002, respectively.

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.

Human Resources and Payroll Department Operations:

Background: State employees who have attained at least ten years of State service are paid, in addition to their regular salary payments, semiannual payroll payments based on their years of service and salary level. Such payments are called longevity payments.

Criteria: The General Statutes, personnel policies established by the Board of Trustees for the Community Colleges, and provisions of collective bargaining unit contracts all set requirements for longevity payments to eligible employees. Further, sound internal control procedures call for adequate safeguards that ensure the accuracy of payroll expenditures.

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.

Sound internal control requires the preparation of time sheets or equivalent documents, signed by the employee's supervisor, to support time worked during a particular pay period. Such records provide some assurance that an employee actually worked during the time period for which he or she was paid.

Condition: The College failed to process eight longevity payments, amounting to $2,810, to one of its employees until after we questioned whether or not such payments were due, based on the employee's years of service. The College then investigated whether or not such payments were due to this employee and found that six were due during the audited period, and one before and one after the audited period. In October 2003, the College processed a $2,810 retroactive payment to this employee to compensate him for these missed payments. Furthermore, during the time of our review in October 2003, we brought to the College's attention a similar case. In this case, the College estimated that it failed to make at least three payments totaling $741 to another employee. However, in October 2003, the College was still researching whether additional payments were due to this employee.

The College did not implement a time and effort reporting system to document employee salaries charged to two of its Federal programs (the Support for Disadvantaged Students and Perkins Vocational Education programs, respectively), as required by Federal Office of Management and Budget Circular A-21. The College did, however, implement such a system for another of its Federal programs.

We were told that the College did not require Part-time Lecturers to complete time sheets supporting time worked during the audited period. As a result, no such time sheets were submitted to the Payroll section.

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

In the cases cited, 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.

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

Cause: Concerning the longevity pay underpayments noted, the College miscalculated (understated) the amount of State service time earned for longevity pay purposes.

The College did not have procedures in place to adequately document the time and effort of employees whose salaries were charged to certain Federal programs.

The College did not require Part-time Lecturers to submit time sheets supporting time worked since, we were told, Department Chairs monitored their attendance.

Recommendation: The College should strengthen its compliance with payroll and human resources requirements by ensuring that correct longevity payroll payments are made, as required in collective bargaining agreements, and by expanding its time and effort reporting system to support payroll charges to all of its Federal programs. The College should also strengthen its internal control over its payroll operations by ensuring that all payroll payments made to Part-time Lecturers are supported by time sheets. (See Recommendation 1.)

Agency Response: "The College will ensure correct longevity payroll payments by ascertaining at the time of hire, whether or not the new employee has worked for the State before, and if so, will follow-up on getting the required data from the appropriate agency. The College will also use the Longevity feature in the Core Payroll System which tracks longevity automatically.

The College will expand the time and effort documentation to all Federal programs in accordance with Circular A – 21.

The College issues Notices of Appointment with Adjunct Faculty to teach a specified course, constituting identified meeting times with assigned hours of instruction. Chairs and Coordinators, who supervise Adjuncts, monitor classes to assure the required hours and course material is met. Additionally, following each session all Adjuncts are required to sign [that] they have performed services in accordance with their Notice of Appointment, as well their Department Chair or Academic Dean/Extended Studies Dean, as agreed to by the auditors."

Auditor's Concluding Comments: Based on our discussions with College officials, during the audited period, Part-time Lecturers (Adjuncts) in conjunction with their supervisors did not submit time sheets or equivalent documents providing evidence that they completed the services for which they were being paid. Nor were any such documents provided to us. The procedure mentioned above,"… all Adjuncts are required to sign [that] they have performed services in accordance with their Notice of Appointment, as well as their Department Chair or Academic Dean/Extended Studies Dean…," was proposed to us as a planned procedure during our recent discussions with College officials, in June 2004.

Personal Service Agreements and Other Purchasing Areas:

During our current examination, we found improvement in the timeliness of personal service agreement approvals. In addition, while we noted some improvement in the College's setting up of personal service agreements for Emergency Medical Technician instruction services provided, further improvement is needed in this and other College purchasing areas.

Criteria: 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.

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: In the following cases, the College did not, but should have sought competitive bids before making related purchases.

- An advertising agency provided advertising services to the College during the audited period. In return, the College made payments to this firm totaling $248,974 and $181,059 during the 2001-2002 and 2002-2003 fiscal years, respectively. The College, however, did not solicit competitive bids or proposals before making these expenditures.

- The College entered into a written personal service agreement with a student during the 2002-2003 fiscal year. Under the agreement, the student was to perform services in connection with the College's Web site; for its part, the College was to pay the contractor $15 per hour up to a maximum of $11,100. During the 2002-2003 fiscal year, the College processed payments totaling $11,100 to this contractor for these services. The College did not solicit competitive bids or proposals for these services.

In the following cases, the College did not, but should have set up written personal service agreements.

- The College made five payments to an individual totaling $2,710 during the 2002-2003 fiscal year, all for EMT instruction services. For two of these payments, amounting to $1,300, the College properly set up a personal services agreement. However, for three of these payments totaling $1,410, no personal service agreement was set up. In our previous audit of the College, we also noted that the College made payments for personal services to the same individual without setting up a personal service agreement.

- The College made five payments to another individual totaling $1,800 during the 2002-2003 fiscal year, all for EMT instruction services. The College failed to set up a written personal service agreement for these services.

- The College made five payments to another individual totaling $2,300 during the 2002-2003 fiscal year, all for EMT instruction services. The College failed to set up a written personal service agreement for these services.

Cause: In the case of the advertising agency, we were told and documents we reviewed indicated that the College's Director of Public Relations resigned suddenly during the 2000-2001 fiscal year. The College, in turn, hired the advertising agency under emergency circumstances. Nevertheless, these circumstances do not provide adequate justification for not seeking competitive bids during the two subsequent years.

In the case of the personal service agreement for Web site services, we were told that it was the College's practice to select students to perform such services.

A College Official told us that it wasn't practical to set up personal service agreements for EMT instruction services since the contractors are chosen at the last minute from a pool of eight to ten candidates. The Official further added that such contractors are themselves chosen by a contractor rather than a College employee. Nevertheless, we did note two cases in which the College did set up personal service agreements for such services. Moreover, since some of these contractors were chosen to teach several courses during the year, it seems that the College had the opportunity to establish written personal service agreements for such cases. Also, since the College pays these contractors, the College has both the authority to and responsibility for establishing corresponding written personal service agreements, whether or not a College employee is involved in the selection process.

Effect: The College did not fully comply with bidding requirements set forth in Section 10a-151b of the General Statutes. This decreased the College's chances of receiving the most favorable prices for services rendered. It may also raise questions about conflicts of interest in College business dealings.

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.

Recommendation: 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 its internal control over payments to personal service contractors by identifying its pool of repeat EMT instructors and setting up written personal service agreements with these individuals before services are rendered. (See Recommendation 2.)

Agency Response: "The College will strengthen internal controls in purchasing in compliance with Section 10a-151b of the General Statutes and Community College Purchasing and Accounts Payable policies by reviewing the requirements with all Budget Managers and purchasing personnel.

The EMT program at Norwalk Community College has been discontinued. The College has recently attended a training session with the Attorney General's Office reviewing all requirements for compliance."

Property Control:

We found significant improvement in the College's internal control over its equipment during the audited period. Additional improvement is, however, 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.

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 tested 15 equipment items purchased during the audited period and found that the College could not locate two items (13 percent), amounting to $3,200. Also, two computers, each costing $1,145, were not recorded in the College's inventory control records.

We also found that the College's internal control over equipment items disposed of (scrapped or sold) needs strengthening. Just as the College Business Office provides documented approval for the purchase of equipment, the Business Office should also provide authorization, through documented approval, before the disposal of any equipment items. The College had no system in place to document approvals for such disposals.

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

Cause: The College told us that equipment is sometimes moved without informing the employee charged with recording equipment locations in College inventory records.

With respect to the items not recorded in inventory records, the College told us that, as a result of depreciation, these items did not meet the $1,000 threshold for recording items in inventory records. (This threshold, however, applies to item cost, not cost less depreciation. So, the items noted, each with a cost more than $1,000, should have been recorded in inventory records.)

Evidently, the College considered its controls over equipment disposals adequate.

Recommendation: The College should improve controls over its property by following the property control requirements set forth by the State Comptroller. Further, the College should also ensure that it properly documents the approval for the disposal of any of its equipment. (See Recommendation 3.)

Agency Response: "The College will strengthen property controls by training of additional personnel in the Banner Fixed Assets Module to assure accountability and further develop and implement Norwalk Community College procedures to ensure no conflict of interest in the disposal process."

Accounts Receivable:

Criteria: Section 3-7 of the General Statutes provides that any State agency may write-off uncollectible accounts receivable in the amount of $1,000 or less upon the authorization of the head of the agency. This Section further states that the Secretary of the Office of Policy and Management may authorize the write-off of uncollectible accounts receivable amounting to more than $1,000. Furthermore, the Board of Trustees of Community-Technical Colleges has established procedures for the collection and write-off of student accounts receivable, which are consistent with Section 3-7 of the General Statutes.

Condition: We examined ten delinquent student accounts that the College wrote off in its accounting records during the audited period. These accounts receivable amounted to $12,264 and consisted of seven accounts receivable of over $1,000 each, and three accounts receivable of under $1,000 each. While the College made diligent attempts to collect these delinquent accounts, including sending them to a private collection agency, the College Business Office failed to seek the required approval from either the Office of Policy and Management, when applicable, or the College President or his designee before writing off these accounts in its accounting records.

Effect: The College did not comply with Section 3-7 of the General Statutes or with the Board of Trustees of Community-Technical Colleges' established procedures for the collection and write-off of student accounts receivable. Further, internal control is weakened, increasing the risk of fraud, when proper approval is not obtained before accounts receivable are written off.

Cause: We were told that the College did not view the above student accounts as written off because "holds" were placed on these accounts, preventing these students from registering for classes at the College until the balances due are paid. Nevertheless, our review of corresponding College records showed zero balances due. Moreover, the Community Colleges' System Office identified for us the code, called the "UTU" code for tuition write-offs, that the College must use to write off delinquent accounts. Our review revealed that all ten of the delinquent student account records we tested showed the "UTU" code, indicating that they were written off.

Recommendation: The College should obtain proper approval from either the College President or his designee or, when required, from the Office of Policy and Management before writing off delinquent student accounts, as required by the Board of Trustees of Community-Technical Colleges pursuant to Section 3-7 of the General Statutes.
(See Recommendation 4.)

Agency Response: "The College will follow established procedures in writing off uncollectible accounts receivables by obtaining appropriate approval from the President or Office of Policy and Management."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- **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 of Community-Technical Colleges, and provisions of collective bargaining unit contracts.** In our current audit, we noted cases where the College failed to make longevity payroll payments to eligible employees as well as other weaknesses in payroll and human resources operations. The recommendation is, therefore, being repeated and incorporated into a broader recommendation on Payroll and Human Resources Department operations. (See Recommendation 1.)

- **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.** Our current audit showed some improvement here. We found that the College implemented a time and effort reporting system for one of its Federal programs. However, no such system was put in place for two other Federal programs (the Support for Disadvantaged Students and Perkins Vocational Education programs, respectively) to which the College charged personal services expenditures. Therefore, the recommendation is being repeated and incorporated into a broader recommendation on Payroll and Human Resources Department operations. (See Recommendation 1.)

- **Improve controls over property, especially computer equipment, by following the property control requirements set forth by the State Comptroller and by implementing record keeping procedures to ensure that computers are traceable to inventory records and can be readily located.** We noted improvement in the College's internal control over its property. In contrast to our last audit, our test of equipment purchased during the audited period showed that most (but not all) of the items tested could be traced to College inventory records and located. However, further improvement is needed. Therefore, the recommendation is being repeated but modified to reflect conditions noted during our current audit. (See Recommendation 3.)

- **Improve both 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 agreements when necessary.** For the current audited period, we noted improvement in personal service agreements' internal control and compliance in certain areas. Specifically, our testing revealed that College personal service agreements were, generally, approved in a timely manner; and we found no instances of noncompliance with Section 1-84 of the General Statutes concerning the awarding of certain contracts to State employees in an open and public manner. However, continued improvement in internal control is needed in other areas. We found several cases where the College made several payments to individuals for EMT instruction services provided. In these cases, however, the College did not set up written personal service agreements. The recommendation is, therefore, being repeated, this time as part of a larger recommendation including other purchasing weaknesses noted. (See Recommendation 2.)

- **Improve internal controls over Hospitality Management program credit card purchases by following its own written procedures for these transactions.** Improvement was noted during our current audit. The recommendation is not being repeated.

Current Audit Recommendations:

1. **The College should strengthen its compliance with payroll and human resources requirements by ensuring that correct longevity payroll payments are made, as required in collective bargaining agreements, and by expanding its time and effort reporting system to support payroll charges to all of its Federal programs. The College should also strengthen its internal control over its payroll operations by ensuring that all payroll payments made to Part-time Lecturers are supported by time sheets.**

   Comment:

   We noted some cases where the College failed to make longevity payments to eligible employees. In addition, the College had no time and effort reporting system in place to adequately document the propriety of payroll costs charged to two of its Federal programs, as required by Federal OMB Circular A-21. There was, however, such a system in place for another of its Federal programs. Furthermore, the College did not require Part-time Lecturers to submit time sheets to support payroll payments made to these employees.

2. **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 its internal control over payments to personal service contractors by identifying its pool of repeat EMT instructors and setting up written personal service agreements with these individuals before services are rendered.**

   Comment:

   The College purchased services from two contractors without the use of competitive bids or competitive negotiation, as required by Section 10a-151b of the General Statutes. Also, the College failed to set up written personal service agreements with several individuals whom the College paid for providing EMT instruction services.

3. **The College should improve controls over its property by following the property control requirements set forth by the State Comptroller. Further, the College should also ensure that it properly documents the approval for the disposal of any of its equipment.**

   Comment:

   We found that the College could not locate two computers that it purchased during the audited period. In addition, two other computers were not included in the College's inventory control records. Further, the College didn't have an adequate system in place to properly document approvals for the disposal of its equipment.

4. **The College should obtain proper approval from either the College President or his designee or, when required, from the Office of Policy and Management before writing off delinquent student accounts, as required by the Board of Trustees of Community-Technical Colleges pursuant to Section 3-7 of the General Statutes.**

   Comment:

   During the audited period, we found that the College wrote off at least ten delinquent student accounts receivable in its accounting records, amounting in total to $12,264. The College did not obtain proper approval before performing these write-offs.

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, 2001, 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 Norwalk Community College for the fiscal years ended June 30, 2001, 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 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, 2001, 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 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.

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 Norwalk 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