STATE OF CONNECTICUT

AUDITORS' REPORT
BOARD OF TRUSTEES OF
COMMUNITY-TECHNICAL COLLEGES
THREE RIVERS COMMUNITY COLLEGE
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 2001

AUDITORS OF PUBLIC ACCOUNTS

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December 18, 2002

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THREE RIVERS COMMUNITY COLLEGE
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 2001

We have examined the financial records of Three Rivers Community College (the College) for the fiscal years ended June 30, 2000 and 2001.

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 following Comments, Condition of Records, Recommendations and Certification.

COMMENTS

FOREWORD:

On October 18, 1999, the Board of Trustees for the Community-Technical Colleges 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 Three Rivers Community-Technical College changed its name to Three Rivers Community College. The Board’s name remained unchanged.

Three Rivers Community College is a two-year institution of higher education that operates under the jurisdiction of the State Board of Trustees of Community-Technical Colleges. Its main campus and administrative offices are located in Norwich, Connecticut. The College also operates a satellite campus in Groton, Connecticut.

The College's operation and activities are carried out primarily under the provisions of Sections 10a-71 through 10a-80 of the General Statutes, which specifically address Regional Community-Technical College operations. Certain provisions of these and of other statutes of general applicability to constituent units of the State system of higher education, most notably Section 10a-151b, provide such institutions with financial and administrative flexibility over their operations. Section 10a-72 authorizes the Board of Trustees of Community-Technical Colleges to employ the faculty and other personnel needed to operate and maintain the institutions within its jurisdiction and to, within the limitation of appropriations, fix the compensation of such personnel, establish terms and conditions of employment and prescribe their duties and qualifications. Section 10a-151b authorizes the chief executive officer of each institution to purchase equipment, supplies and contractual services, execute personal service agreements and lease personal property in accordance with policies adopted by the board of trustees of the constituent unit.

Dr. Booker T. DeVaughn was appointed President in December 1992 and served in that position until his retirement in June 2001. Dr. Grace Sawyer Jones succeeded Dr. DeVaughn and continues to serve in that position.

Recent Legislation:

The following notable legislation took effect during the audited period:

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 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 – 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. Section 11 of this Act also appropriated $2,199,964 of State General Fund money to the Regional Community-Technical Colleges, this time for the 2000-2001 fiscal year, for the same purpose. Both Sections became effective July 1, 1999.

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.

Enrollment Statistics:

Enrollment statistics compiled by the College Registrar showed the following enrollment of full-time and part-time students during the audited years.

	1999-2000		2000-2001	
	Fall	Spring	Fall	Spring
Full-time	668	554	659	544
Part-time	2796	2724	2875	2701
Total	3464	3278	3534	3245

RÉSUMÉ OF OPERATIONS:

During the fiscal years being audited, appropriations from the State's General Fund, and tuition and fees credited to the Regional Community-Technical Colleges' Operating Fund, were the primary funding sources for the College's operations. Other College funds covered by this report include the Student Activity Fund and the Institutional General Welfare Fund. The College also received financial assistance through the State's Capital Projects Funds to cover capital improvements and equipment purchases.

General Fund:

General Fund receipts totaled $40 for the fiscal year ended June 30, 2000. The College did not receive General Fund receipts during fiscal year 2001.

An analysis of General Fund expenditures, which are used exclusively for personal services, for the fiscal years under review, along with the prior fiscal year for comparative purposes, is presented below:

	Fiscal Years Ended June 30,		
	1999	2000	2001
Budgeted Accounts:	$	$	$
Personal services	9,315,436	10,057,527	9,866,905
Total	$ 9,315,436	$ 10,057,527	$ 9,866,905

General Fund expenditures from budgeted appropriations during the fiscal years ending June 30, 2000 and 2001 increased $742,091 and decreased $190,622 respectively. The increase is attributed to salary increases in accordance with collective bargaining agreements.

Capital Projects Funds:

Expenditures from Capital Projects Funds totaled $348,287 and $267,844 during the fiscal years ended June 30, 2000 and 2001, respectively. These expenditures consisted primarily of educational equipment and EDP hardware purchases.

Tax-Exempt Bond Proceeds Fund:

Tax-Exempt Bond Proceeds Fund expenditures totaled $37,902 for the fiscal year ended June 30, 2000. These expenditures consisted primarily of general plant and equipment purchases. There were no such expenditures for the fiscal year ended June 30, 2001.

Operating Fund:

Tuition revenues collected by the individual colleges are considered resources of the Operating Fund as a whole, rather than of a specific college and are allocated to the individual colleges by the Board of Trustees.

The following summary shows the annual tuition charges for full-time community college students during the audited period as compared with those charges authorized in the prior fiscal year :

	In-State	Out-of-State	N.E. Regional Program
1998-1999	$1,608	$5,232	$2,412
1999-2000	$1,608	$5,232	$2,412
2000-2001	$1,680	$5,232	$2,520

As can be seen above, tuition rates remained unchanged during fiscal years 1998-1999 and 1999-2000. 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 through academic year 1999-2000. Effective with the 2000-2001 academic year, the Board of Trustees for Community-Technical Colleges raised in-state tuition rates by $3 per credit, a $72 per year increase for a full-time student taking a minimum of 12 credits per semester. Tuition for the New England Regional Program increased by $108 per year; while out-of-state tuition remained unchanged.

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 community-technical colleges through the New England Regional Student Program in an amount one and one-half that of in-State tuition.

Tuition was charged on a prorated basis for part-time students according to the number of credit hours.

The Operating Fund receipts and expenditures attributable to Three Rivers Community College are discussed in the sections that follow.

Operating Fund Receipts:

The Operating Fund accounts for the College's operating revenues and expenditures (excluding certain personal services expenditures charged to the General Fund). Receipts of the Operating Fund consist of student tuition and fees, grants, educational extension fees and auxiliary service fees.

	Fiscal Year	
	1999-2000	2000-2001
Operating Fund Receipts:	$ 5,425,355	$ 6,479,743

The primary sources of Operating Fund receipts were student tuition and fee payments, Federal Student Financial Aid Awards and the operations of the College bookstore. According to a College official, the significant increase in Operating Fund receipts in fiscal year ended June 30, 2001, was attributable to an increase in the collections of prior year tuition and day care receivables.

Operating Fund Expenditures:

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

	Fiscal Year 1999-2000	Fiscal Year 2000-2001
Operating Fund:	$	$
Personal Services	1,483,346	1,980,136
Contractual Services	1,751,195	1,685,706
Commodities	629,045	824,828
Revenue Refunds	610,278	1,233,054
Sundry Charges	465,275	236,172
Equipment	392,158	379,936
Bldgs & Improvements		4,225
Total Fund Expenditures	$ 5,331,297	$ 6,344,059

Personal services expenditures consisted primarily of salaries and wages paid to instructors and for student labor. The major components of contractual service expenditures were fees for outside professional services and the College's operating costs. The major component of sundry charges was student financial aid. The significant increase in personal service expenditures during the 2000-2001 fiscal year was attributable to an increase in part-time lecturer contracts. Revenue Refunds increased during fiscal year 2000-2001 due to a coding change. In fiscal year 2000-2001, the college coded financial aid refunds as revenue refunds and in the prior year they were coded as sundry charges.

Fiduciary Funds:

Student Activity Fund:

The Student Activity Fund was established and is operated under the provisions of Sections 4-52 through 4-55 of the General Statutes. Section 4-54 of the General Statutes provides for the control of activity funds by students under specified conditions. Although management of the Student Activity Fund was under the control of the students acting through the Student Government Association during the audited period, it remained subject to the supervision of the College president.

Student Activity Fund receipts, as presented in the College prepared financial statements, totaled $113,407 and $115,970 during the fiscal years ended June 30, 2000 and 2001, respectively. The major sources of revenues consisted of Student Activity Fees, Graduation Fees, and funds raised from various student functions and activities.

Total disbursements, according to College financial statements, were $99,286 and $113,516 during the fiscal years ended June 30, 2000 and 2001, respectively. The primary purpose of these disbursements was to cover the costs of student social and cultural activities and payments made to student organizations and clubs.

Institutional General Welfare Fund:

The Institutional General Welfare Fund operates under the provisions of Sections 4-56 to 4-58, of the General Statutes.

Receipts, as presented in the College prepared financial statements, were $471,310, and $295,612 during the fiscal years ended June 30, 2000 and 2001, respectively. The major source of revenue consisted of scholarship receipts. The Fund was also used to account for student tuition and fee refunds that were initially processed through the Fund.

Total disbursements, according to College financial statements, were $475,685 and $378,946 in the respective audited years and were used primarily for payments for the scholarships awarded, refunds processed, and emergency student loans.

Three Rivers College Foundation, Inc.:

The Three Rivers College Foundation, Inc. was established to support, promote and solicit funds and contributions for the educational needs of the College. An independent Board of Directors governs the Foundation.

Sections 4-37e through 4-37j of the General Statutes deal directly with the requirements of private foundations affiliated with State agencies. The requirements include the annual filing of board members with the State agency, financial recordkeeping and reporting in accordance with generally accepted accounting principles, financial statement and audit report requirements, written agreements concerning use of facilities and resources, the agency's responsibilities, and compensation of State officers or employees.

Section 4-37f, subsection (8) includes the requirement that "a foundation which has in any of its fiscal years receipts and earnings from investments totaling one hundred thousand dollars per year or more have … a full audit." The audit report is to include "financial statements, a management letter and an audit opinion which address the conformance of the operating procedures of the foundation with the provisions of section 4-37e to 4-37i."

However, we noted that the foundation did not have a full audit, as required, for either fiscal year. The foundation did not have any audit for year ended June 30, 2000 and had only a financial audit for the fiscal year ended June 30, 2001. This situation is discussed in more detail in the Condition of Records section of this report.

CONDITION OF RECORDS

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

Personal Service Agreements:

Criteria: Adequate internal control procedures require that personal service agreements 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."

Condition: We noted that 14 out of 15 personal service agreements tested were approved by College officials after the work had been significantly or fully completed.

Additionally, we found that 11 out of 15 personal service agreements tested, ranging from $125 to $4,143, were with nine current State employees. Since the College dealt with these individuals as independent contractors, it was obligated to follow an award process that met the standards set forth in Section 1-84. That is, the contracts should have been awarded through an "open and public process." The College should have met this requirement by posting the opportunity on its public web site and also on the Department of Administrative Services' Procurement/Purchasing web site. We were told, by a College official, that this was not done.

Effect: Internal control over payments made pursuant to personal service agreements is weakened in cases where services are rendered before a contract is in force.

The statutory requirement that contracts be awarded to State employees only through an "open and public" process is intended to prevent abuse. The College's lack of compliance in the cases noted raises questions as to the propriety of the transactions.

Cause: Controls in place were not effective in obtaining personal service agreement approvals in a timely manner.

It does not appear that, during the audited period, College officials were aware of the requirements of Section 1-84 of the General Statutes concerning the award of contracts to State employees.

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 in a timely manner and by meeting the requirements of Section 1-84 of the General Statutes with respect to the awarding of contracts to State employees. (See Recommendation 1.)

Agency Response: "The college concurs with this response. The majority of PSAs issued during the audit years (1999-2001) were for our APL program. This program awards credits based on prior learning experiences and requires that the evaluators have the appropriate credentials, thus, the college does not feel that the "open and public" process would have created a different employee pool.

In the future, the college plans to work with the Human Resources Department to process these payments through the Payroll Office."

Competitive Bidding Process:

Criteria: Section 10a-151b, subsection (b), of the General Statutes states that "all purchases fifty thousand dollars or less in amount shall be made in the open market, but shall, when possible, be based on at least three competitive quotations."

Condition: We noted two payments, totaling $15,640, made to the same contractor for similar services, which were not supported by competitive quotations.

Effect: An open and competitive procurement process is intended to facilitate the acquisition of services at the lowest cost to the State. The failure of the College to follow such a process may have caused it to incur higher than necessary costs. The College is in violation of Section 10a-151b of the General Statutes.

Cause: The contractor engaged to perform the work continued to bill at the previously established rate after the contract period expired. College administrators didn't solicit quotations for a new contract, as they did not believe that the competitive process would yield a lower rate.

Recommendation: The College should comply with the competitive bid process as established by Section 10a-151b of the General Statutes. (See Recommendation 2.)

Agency Response: "The college concurs with this audit finding, but feels strongly that the competitive process would not have yielded a lower rate for these contracted services."

Permanent Time and Attendance Records:

Criteria: Sound business practices require that permanent time and attendance records be posted in a timely manner.

Condition: During our review of permanent time and attendance records, we noted that 11 out of 13 records had not been posted and/or not had available balances calculated for significant amounts of time. Seven of the 11 records had not been posted since May 2001 and the beginning balances had not been brought forward prior to January 2000. Three of the items had not been posted since December 2000, April 2001 and October 2001, respectively. We were not able to obtain adequate documentation for testing purposes for the remaining items.

Pursuant to Section 2-90 of the General Statutes, we reported this and other conditions to the Governor and other State Officials in a letter dated April 12, 2002.

Effect: Employees may be able to charge vacation and/or sick leave before it is earned if records are not updated in a timely manner. Also, sick and vacation payments at the time of termination may be incorrectly calculated due to the untimely posting of accrued and used time.

Cause: As noted in our previous audit, the College did not assign sufficient priority to the posting of permanent time and attendance records.

Recommendation: The College should place a higher priority on keeping the permanent time and attendance records up-to-date. (See Recommendation 3.)

Agency Response: "The College concurs with the audit finding. However, it should be noted that the payroll office was in fact collecting and reviewing the actual time cards that were submitted.

Since the reorganization of the business office in November 2001, we've made significant progress in bringing our manual system in compliance and have nearly completed the data entry into the automated Banner Time and Attendance system. We will be fully implemented for the FY 2002 year-end financial statements."

Payroll - Overpayments:

Criteria: Employees should be paid only for hours worked.

Condition: We tested 35 payments and found that overpayments ranging from $100 to $3,809 had occurred in three cases. One employee was overpaid approximately $100 at the time of termination; a temporary worker not entitled to such benefits was overpaid $200 for sick and union time taken; and one employee was overpaid $3,809.

Effect: Employees were paid for hours not worked or for time taken but not entitled to.

Cause: An overpayment of approximately $100 occurred due to an error in the calculation of vacation accrual at the time of termination. The overpayment of $200 for sick and union time was a result of the College not being aware of the guidelines for general workers. The overpayment of $3,809 was a result of the College keeping the employee on the payroll after the financial obligations of the employee's contract had been met.

The College did not have a full-time payroll supervisor during the audited period. The resulting lack of oversight appeared to have been a contributing factor.

Recommendation: The College should require that its payroll supervisor position be a full-time position and should take steps to recover all payroll overpayments noted. (See Recommendation 4.)

Agency Response: "The college concurs with this audit finding and has taken appropriate action to recover these overpayments."

Payroll – Improper Payments:

Criteria: Employees should only be paid for hours worked. Employees working irregular hours, i.e., hourly employees, should not be paid prior to timecard submission.

Condition: The payroll supervisor's hours were so irregular that the supervisor basically functioned as an hourly employee However, as the payroll supervisor was classified as a salaried employee, the supervisor was automatically paid for 80 hours per pay period unless the payroll was manually adjusted. Timecards were not prepared and approved for the supervisor on a timely basis. This resulted in numerous overpayments, which were adjusted in subsequent pay periods. Additionally, we were unable to conclusively determine whether or not the administrator who signed the supervisor's timecards during the audited period actually had first hand knowledge of the supervisor's attendance.

We reported this condition to the Governor and other State Officials in a letter dated April 12, 2002, as required by Section 2-90 of the General Statutes.

Effect: This, in effect, constituted unauthorized borrowings of State funds. Additionally, because of the volume of activity involved, this practice increased the possibility that overpayments could occur and not be corrected.

Cause: Internal control was inadequate. Management is responsible for exercising sufficient oversight over employees that have the capability of knowingly making improper payments that benefit them personally.

Recommendation: The College should change the payroll supervisor's status from automatic payment to timecard required. The supervisor's timecards should be reviewed and approved by a person having first hand knowledge of the supervisor's attendance. (See Recommendation 5.)

Agency Response: "In reviewing this finding, we are in agreement with the information reported, but also feel confident that this problem was the direct result of weaknesses in internal procedures rather that any willful intent to abuse the payroll system.

The factors that contributed to this situation included the Payroll Supervisors random work schedule and poor health. Overpayments occurred when the Payroll Supervisor was not present on payroll processing dates to complete her time card or make correcting adjustments to her auto pay amount. In reviewing our records, it appears that these adjustments were made in a timely manner when the Payroll Supervisor was present.

This problem has also been corrected by the reorganization of our Business Office. Since being informed of this situation, copies of the time cards for all payroll personnel are kept by the Director of Finance and compared to the actual payroll register. Additionally, the college plans to switch the pay code to "time card required" for anyone who continues to work a sporadic schedule. This will prevent any subsequent overpayment situations."

Time and Effort Reporting:

Criteria: 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. The reports must be signed to document confirmation – by responsible persons having direct knowledge of the work – that the work was performed.

Condition: During the audited period, the College received and administered Federal grants to which payroll expenditures were charged. The College had implemented a time and effort reporting system; however, it 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 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 comply with Office of Management and Budget Circular A-21 requirements for obtaining authorized signatures to document payroll costs associated with Federal grants. (See Recommendation 6.)

Agency Response: "The college concurs with this finding but would like to note that efforts were made since the last audit to comply with this requirement.

The procedures have been recently modified to include the confirmation by the supervisor."

Institutional General Welfare Fund:

Criteria: The State of Connecticut's *Accounting Procedures Manual – Activity and Welfare Funds* (*Manual*) establishes procedural requirements for welfare funds. These requirements preclude the use of welfare funds to account for functions properly accounted for in an institution's civil list funds. As stated in the Manual "No money or other assets belonging to the State of Connecticut may be deposited in or credited to any activity or welfare fund" and "No disbursements will be made from the activity or welfare fund for the normal operating expenses or equipment costs of the facility, except that gifts and donations may be expended for purposes stipulated by donors."

Condition: During our review of the General Welfare Fund, we noted that it had been used to process transactions more properly accounted for in the College's Operating Fund. Such transactions included textbook purchases, travel related expenditures, payroll payments and payments to contractors.

Effect: Operating expenditures were not subject to the control structure put in place to assure that such expenditures are in compliance with legal and regulatory requirements.

Cause: College staff found it expedient to process these transactions in this manner.

Resolution: Beginning with Fiscal Year 2002, the College merged the General Welfare Fund into its Banner accounting records and eliminated all of the inappropriate accounts. All funds that were included in the General Welfare Fund in error were transferred to the appropriate accounts.

Foundation Statutory Compliance:

Criteria: Statutory provisions governing foundations affiliated with State agencies are included in Sections 4-37e through 4-37j of the General Statutes. Section 4-37f, subsection (8) includes the requirement that "a foundation which has in any of its fiscal years receipts and earnings from investments totaling one hundred thousand dollars per year or more have … a full audit." The audit report is to include "financial statements, a management letter and an audit opinion which address the conformance of the operating procedures of the foundation with the provisions of section 4-37e to 4-37i." Per Section 4-37g, the executive authority and chief financial official of the State agency is to review the report, document the review in a letter and transmit copies of the letter and the report to the Auditors of Public Accounts.

Condition: Unaudited financial statements for the Three Rivers College Foundation (Foundation) for the fiscal year ended June 30, 2000, show total public support and revenues of $119,064 for the period. The required audit was not performed. The Foundation's audited financial statements for the following fiscal year, the fiscal year ended June 30, 2001, show total public support and revenues of $139,817. However, although the financial statements were audited, a management letter was not issued and the audit report did not address the conformance of the operating procedures of the foundation with the provisions of Sections 4-37e to 4-37i of the General Statutes during the next fiscal year.

Effect: The Foundation and College did not comply with the statutory audit requirements applicable to foundations affiliated with State agencies. These requirements are designed to help ensure that such foundations comply with applicable State requirements and restrictions.

Cause: It did not appear that those responsible for obtaining the required audits were aware of the requirements.

Recommendation: The College and Foundation should comply with the audit requirements applicable to foundations affiliated with State agencies. (See Recommendation 7.)

Agency Response: "We generally concur with the proposed audit finding. Until FY 2000, the Three Rivers College Foundation had never had annual revenues in excess of $100,000 and was thus operating under the past requirements of needing a full audit only every three years with the next audit due in FY 2001. When revenues unexpectedly exceeded the $100,000 threshold in FY 2000, the need for a full audit was overlooked. A full financial audit was accomplished in FY 2001 and forwarded to the Auditors of Public Accounts as required, but apparently, did not contain an appropriate management letter or statement regarding compliance with Sections 4-37e to 4-37j of the Connecticut General Statutes.

It is understood that the Three Rivers College Foundation has now grown to a size that it will likely trigger the $100,000 revenue threshold and need a full audit every year. It is also understood that these audits must be accompanied by a suitable management letter or statement regarding compliance with the applicable State Statutes. Three Rivers Community College will work closely with the Three Rivers Foundation to ensure that all future audits and required management letters are fully in compliance with governing statutes."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The College should follow procedures as outlined in the State of Connecticut's Accounting Procedures Manual – Activity and Welfare Funds. The College resolved this matter. Therefore, the recommendation is not being repeated.

- The College should prepare its annual Fixed Assets/Property Inventory Report in accordance with the State Comptroller's instructions and update the perpetual inventory system in a timely manner. We noted improvement in this area. The recommendation is not being repeated.

- The College should improve both its controls over obtaining approvals in a timely manner and statutory compliance in connection with personal service agreements by meeting the requirements of Section 1-84 of the General Statutes with respect to the awarding of contracts to State employees. Internal control over personal service agreements has not improved. Therefore, this recommendation is being repeated.

- The College should establish a method of tracking and aging accounts receivable and increase its efforts to collect these receivables. The College should also establish guidelines for curtailing services to delinquent parties. Improvement was noted in this area and the recommendation is not being repeated.

- The College should place a higher priority on posting to the permanent time and attendance records in a timely manner. Improvement was not noted. The recommendation is being repeated.

- 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. Improvement was noted, however, the College is not in compliance with A-21. Therefore, the recommendation is being repeated.

Current Audit Recommendations:

1. **The College should improve both its controls and statutory compliance in connection with personal service agreements by ensuring that all such agreements are approved in a timely manner and by meeting the requirements of Section 1-84 of the General Statutes with respect to the awarding of contracts to State employees.**

Comment:

We tested 15 personal service agreements and found that 14 of them were approved by College officials after corresponding services were significantly or fully completed. We also noted that nine out of the 15 were with current State employees and had not been awarded through an open and public process.

2. **The College should comply with the competitive bid process as established by Section 10a-151b of the General Statutes.**

   Comment:

   We noted two payments to the same contractor for similar services, aggregating $15,640, which were not supported by competitive bids

3. **The College should place a higher priority on keeping the permanent time and attendance records up-to-date.**

   Comment:

   We tested the permanent time and attendance records for accuracy and completeness and found that a significant number of records had not been posted to in a timely manner.

4. **The College should require that its payroll supervisor position be a full-time position and should take steps to recover all payroll overpayments noted.**

   Comment:

   We tested 25 payments and found that overpayments ranging from $100 to $3,809 had occurred in three cases.

5. **The College should change the payroll supervisor's status from automatic payment to timecard required. The supervisor's timecards should be reviewed and approved by a person having first hand knowledge of the supervisor's attendance.**

   Comment:

   We found that the payroll supervisor was automatically paid for 80 hours per pay period unless the payroll was manually adjusted. Timecards were not prepared and approved for the supervisor on a timely basis. This resulted in numerous overpayments.

6. **The College should comply with Office of Management and Budget Circular A-21 requirements for obtaining authorized signatures to document payroll costs associated with Federal grants.**

   Comment:

   We found that the College had implemented a time and effort reporting system, however, 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.

7. **The College and Foundation should comply with the audit requirements applicable to foundations affiliated with State agencies.**

Comment**:**

We found that the full audit required by Section 4-37f of the General Statutes had not been performed for the fiscal years ended June 30, 1999 and 2000. A financial statement audit was performed for the fiscal year ended June 30, 2001. However, the audit report did not address the conformance of the of the operating procedures of the foundation with the provisions of Section 4-37e to 4-37i of the General Statutes.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of Three Rivers Community College for the fiscal years ended June 30, 2000 and 2001. 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 established for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the College are compiled 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 Three Rivers Community College for the fiscal years ended June 30, 2000 and 2001, 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 government auditing standards and the standards applicable to financial-related audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether Three Rivers Community College complied in all material or significant respects with the provisions of the 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 Three Rivers Community College is the responsibility of the management of Three Rivers Community College.

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, 2000 and 2001, 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 herein under *Government Auditing Standards.*

We noted certain immaterial or less than significant instances of noncompliance that we have disclosed in the "Condition of Records" and "Recommendations" sections of this report.

Internal Control over Financial Operations, Safeguarding of Assets and Compliance:

The management of Three Rivers Community College is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of 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 Three Rivers 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: insufficient priority to the posting of the permanent time and attendance records and inadequate control over employees who have the capability of knowingly making improper payments that benefit them personally .

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, we believe that the reportable conditions described above are not material or significant weaknesses.

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 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 Three Rivers Community College during the course of our examination.

Joan L. Main
Auditor II

Approved:

Robert G. Jaekle
Auditor of Public Accounts

Kevin P. Johnston
Auditor of Public Accounts