



SPECIAL MEETING OF THE AUDIT COMMITTEE

Board of Regents for Higher Education
Via Teleconference Originating from Room 209
39 Woodland Street, Hartford, Connecticut

Tuesday, September 17, at 1:30 PM

AGENDA

1. Approval of the June 12, 2013 meeting minutes
2. Quarterly Internal Audit Open Items Report
3. Revised Audit Plan for FY14
4. Redesigned Report Rating System
5. ECSU Financial Allocation Process
6. 39 and 61 Woodland Street System Office Firewall and Router Audits
7. Auditors of Public Accounts Report – Board of Trustees of Community-Technical Colleges System for the Fiscal Years Ended June 30, 2010 and 2011
8. Hiring Update
9. *Move to Executive Session: Current Investigation Update*
10. *Return to Open Session*
11. Adjournment

**MEETING OF THE
AUDIT COMMITTEE**
Connecticut State Colleges and Universities
Board of Regents for Higher Education
Room 209
39 Woodland Street
Hartford, Connecticut

Thursday, June 13, 2013, at 9:00 a.m.

Minutes

REGENTS PRESENT

Craig Lappen, Chair
Michael Pollard

REGENTS ABSENT

Nick Donofrio

BOR/CONNSCU STAFF PRESENT

Jim Howarth, Interim Chief Financial Officer; Karen Stone, Director of Internal Audit; Rosalie Butler, Administrative Assistant for Finance

PRICEWATERHOUSECOOPERS

Raymond Vicks, Lead Engagement Partner
Shannon Smith, Managing Director
Steve Manocchio, IT Director
Jim Beyer, Manager

With a quorum present, the meeting was called to order at 9:00 a.m.

1. Approval of the April 22, 2013 Special Meeting Minutes

The minutes of the April 22, 2013 special meeting were unanimously approved, as written.

2. PwC Audit Proposal for the Connecticut State Colleges and University

PricewaterhouseCoopers staff provided the Regents with a detailed overview of their FY14 Audit Plan, including the communications framework, areas of audit emphasis, deliverables, staffing, management's responsibilities and timetable.

PwC staff left the meeting.

3. Acceptance of College & University FY12 Foundation Audits

Interim CFO Howarth explained that, per both State statute and BOR resolution, the college and university presidents must keep Regents apprised of pertinent information about the ConnSCU foundations and accept their independent audits annually. Discussion followed on the relationships between the BOR and the Foundations, which are 503(c) not-for-profit organizations.

The Committee acknowledged receipt of the College and University Foundation Audits.

VOTE to move to Executive Session (*to discuss the appointment, employment, performance, evaluation, health or dismissal of a public officer or employee*)

Committee Chairman Lappen requested *a motion to enter into Executive Session. The Committee voted unanimously to go into Executive Session at 10:05 AM to discuss the matter, above. Executive Session ended at and the Committee returned to Open Session at 10:15 a.m. No action was taken.*

4. Quarterly Internal Audit Report

Director of Internal Audit Karen Stone reported on quarterly activities, citing most were focused on the IT area. She indicated the IT Auditor position opening had been posted and a search committee formed.

5. Audit Plan for FY14

Director Stone gave a broad overview of the Internal Audit Plan for FY14. Staffing levels, scope and review cycle were discussed.

The FY14 Internal Audit Plan was accepted on a motion by Regent Pollard, seconded by Regent Lappen.

Director Stone also provided detail on results of internal audit activities in the areas of compensatory time at Central Connecticut State University and financial aid allocation at Southern Connecticut State University.

The meeting was adjourned at 10:45 a.m. on a motion by Regent Pollard, seconded by Regent Lappen.

Open Audit Recommendations Tracked By Internal Audit
Quarter Ending: September 30, 2013

ConnSCU System Wide								
Issuing Source	Audit Name	Risk Rating	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
None								
ConnSCU System Office								
Issuing Source	Audit Name	Risk Rating	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
None								
Central CSU								
Issuing Source	Audit Name	Risk Rating	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
ConnSCU IA	CCSU Firewalls and Routers	H	1. Need Pol. and Proc. over Implementation / Maintenance / Security	Agree. Documentation will be completed.	12/22/2010	7/2011	9/2013 - A CCSU, ECSU, SCSU, WCSU, and Charter Oak IT Department Committee has been formed to design, document, and implement IT policies, standards, and procedures relating to firewalls and routers.	10/31/2013
ConnSCU IA	CCSU Firewalls and Routers	H	3. Firewall and Router logging and monitoring controls need enhancement.	Agree. Monitoring will be strengthened.	12/22/2010	12/2011	9/2013 - A CCSU, ECSU, SCSU, WCSU, and Charter Oak IT Department Committee has been formed to design, document, and implement IT policies, standards, and procedures relating to firewalls and routers.	10/31/2013
ConnSCU IA	CCSU Firewalls and Routers	H	6. Formal change management process needs to be defined and documented.	Agree. This will occur as part of CSUS-wide Change Management initiative.	12/22/2010	12/2011	9/2013 - A CCSU, ECSU, SCSU, WCSU, and Charter Oak IT Department Committee has been formed to design, document, and implement IT policies, standards, and procedures relating to firewalls and routers.	10/31/2013

Eastern CSU

Issuing Source	Audit Name	Risk Rating	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
ConnSCU IA	ECSU Firewalls and Routers	H	1. Need Pol. and Proc. over Implementation / Maintenance / Security	Agree. Documentation will be completed.	11/21/2011	6/30/2012	9/2013 - A CCSU, ECSU, SCSU, WCSU, and Charter Oak IT Department Committee has been formed to design, document, and implement IT policies, standards, and procedures relating to firewalls and routers.	11/30/2013
ConnSCU IA	ECSU Firewalls and Routers	H	2. Need documented configuration and hardening standards.	Agree. Documentation will be completed.	11/21/2011	6/30/2012	9/2013 - A CCSU, ECSU, SCSU, WCSU, and Charter Oak IT Department Committee has been formed to design, document, and implement IT policies, standards, and procedures relating to firewalls and routers.	11/30/2013
ConnSCU IA	ECSU Firewalls and Routers	H	3. Firewall and Router logging and monitoring controls need enhancement.	Agree. Monitoring will be strengthened.	11/21/2011	6/30/2012	9/2013 - A CCSU, ECSU, SCSU, WCSU, and Charter Oak IT Department Committee has been formed to design, document, and implement IT policies, standards, and procedures relating to firewalls and routers.	11/30/2013
ConnSCU IA	ECSU Firewalls and Routers	H	6. Formal change management process needs to be enhanced.	Agree. This will occur as part of CSUS-wide Change Management initiative.	11/21/2011	6/30/2012	9/2013 - A CCSU, ECSU, SCSU, WCSU, and Charter Oak IT Department Committee has been formed to design, document, and implement IT policies, standards, and procedures relating to firewalls and routers.	11/30/2013

Southern CSU

Issuing Source	Audit Name	Risk Rating	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
ConnSCU IA	SCSU Firewalls and Routers	H	1. Need Pol. and Proc. over Implementation / Maintenance / Security	Agree. Documentation will be completed.	3/8/2012	9/1/2012	9/2013 - A CCSU, ECSU, SCSU, WCSU, and Charter Oak IT Department Committee has been formed to design, document, and implement IT policies, standards, and procedures relating to firewalls and routers.	12/31/2013

ConnSCU IA	SCSU Firewalls and Routers	H	2. Need documented configuration and hardening standards.	Agree. Documentation will be completed.	3/8/2012	9/1/2012	9/2013 - A CCSU, ECSU, SCSU, WCSU, and Charter Oak IT Department Committee has been formed to design, document, and implement IT policies, standards, and procedures relating to firewalls and routers.	12/31/2013
ConnSCU IA	SCSU Firewalls and Routers	H	3. Firewall and Router logging and monitoring controls need enhancement.	Agree. Monitoring will be strengthened.	3/8/2012	7/1/2012	9/2013 - A CCSU, ECSU, SCSU, WCSU, and Charter Oak IT Department Committee has been formed to design, document, and implement IT policies, standards, and procedures relating to firewalls and routers.	12/31/2013
ConnSCU IA	SCSU Firewalls and Routers	H	4. Password controls need to be strengthened.	Agree. Password controls will be strengthened. Documentation will be completed.	3/8/2012	9/1/2012	9/2013 - A CCSU, ECSU, SCSU, WCSU, and Charter Oak IT Department Committee has been formed to design, document, and implement IT policies, standards, and procedures relating to firewalls and routers.	12/31/2013
ConnSCU IA	SCSU Firewalls and Routers	H	5. Document and use only authorized protocols for remote access.	Agree. Will implement.	3/8/2012	7/1/2012	9/2013 - A CCSU, ECSU, SCSU, WCSU, and Charter Oak IT Department Committee has been formed to design, document, and implement IT policies, standards, and procedures relating to firewalls and routers.	12/31/2013
ConnSCU IA	SCSU Firewalls and Routers	H	6. Formal change management process needs to be enhanced.	Agree. This will occur as part of CSUS-wide Change Management initiative.	3/8/2012	6/1/2012	9/2013 - A CCSU, ECSU, SCSU, WCSU, and Charter Oak IT Department Committee has been formed to design, document, and implement IT policies, standards, and procedures relating to firewalls and routers.	12/31/2013

Western CSU

Issuing Source	Audit Name	Risk Rating	Nature of Recommendation	Summary of Mgt. Response	Recommendation Date	Initial Target Date	I/A Follow-up Date - Management Update	Revised Target Date or Closed
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ConnSCU IA	WCSU Firewalls and Routers	H	1. Document IT processes are firewll and router environments.	Agree. Will have complete by 7/1/2012	7/28/2011	7/1/2012	9/2013 - A CCSU, ECSU, SCSU, WCSU, and Charter Oak IT Department Committee has been formed to design, document, and implement IT policies, standards, and procedures relating to firewalls and routers.	11/29/2013
ConnSCU IA	WCSU Firewalls and Routers	H	2. Documrent Firewall configuration and hardening standards and back-up firewall logs.	Agree. Will have complete by 9/1/2012	7/28/2011	9/1/2012	9/2013 - A CCSU, ECSU, SCSU, WCSU, and Charter Oak IT Department Committee has been formed to design, document, and implement IT policies, standards, and procedures relating to firewalls and routers.	11/29/2013
ConnSCU IA	WCSU Firewalls and Routers	H	3. Enhance Firewall and Rouiter monitoring and logging controls.	Agree. Will have complete by 7/1/2012	7/28/2011	7/1/2012	9/2013 - A CCSU, ECSU, SCSU, WCSU, and Charter Oak IT Department Committee has been formed to design, document, and implement IT policies, standards, and procedures relating to firewalls and routers.	11/29/2013
ConnSCU IA	WCSU Firewalls and Routers	H	4. Password controls over Routers and Firewalls should be strengthened.	Agree. Will have complete by 9/1/2012	7/28/2011	9/1/2012	9/2013 - A CCSU, ECSU, SCSU, WCSU, and Charter Oak IT Department Committee has been formed to design, document, and implement IT policies, standards, and procedures relating to firewalls and routers.	11/29/2013
ConnSCU IA	WCSU Firewalls and Routers	H	5. The tools for Router and Swith management need to be strengthened.	Agree. Will have complete by 1/1/2012	7/28/2011	1/1/2012	9/2013 - A CCSU, ECSU, SCSU, WCSU, and Charter Oak IT Department Committee has been formed to design, document, and implement IT policies, standards, and procedures relating to firewalls and routers.	11/29/2013
ConnSCU IA	WCSU Firewalls and Routers	H	6. Firewall and Swith change management procedures require enhancement.	Agree. Will have complete by 9/1/2011.	7/28/2011	9/1/2011	9/2013 - A CCSU, ECSU, SCSU, WCSU, and Charter Oak IT Department Committee has been formed to design, document, and implement IT policies, standards, and procedures relating to firewalls and routers.	11/29/2013

2014 ConnSCU Internal Audit Plan
Prepared by: Karen E. Stone, Director of Internal Audit
Revised 9/2013

	Audit Number		Location																	Time			
Audit / Activity Name		General Description of Areas of Audit Emphasis	CCSU	ECSU	SCSU	WCSU	ACC	CCC	GCC	HCC	MCC	MXCC	NCC	NVCC	NWCC	QVCC	TRCC	TCC	Charter Oak	SysOff	Budget	Actual	Notes
Direct Resource Allocation:																							
Audits:																							
2013 Work-In-Process carryover:																							
Financial Aid Allocation Process, including Perkins Loans	115	Review and documentation of financial aid process, from application through post award, to ascertain controls are in place to ensure consistency / efficiency / effectiveness. Review of Perkins controls over required student notifications, billing and collections and the accuracy of Fiscal operations Report and Application to Participate (FISAP).		50																	50		
																					0		
2014 Operational Audits:																							
Financial Aid Allocation Process	115	Review and documentation of financial aid process, from application through post award, to ascertain controls are in place to ensure consistency / efficiency / effectiveness.									300		300		300	300		300	300		1800		
Connecticut Distance Learning Consortium (CTDLC) Revenue	127	Review the contract/compilation of charges/billing and collections related to CTDLC business of Charter Oak.																	300		300		
Accounts Payable	330	Review and documentation associated with the student billing and collection process, from charge posting to final settlement to determine if controls are implemented to ensure accuracy, timeliness, maximization of collectability, and efficiency/effectiveness.		300		300															600		
Student One Card	145	Review controls over the debit card activity, meal plans and building access related to the student card.			300																300		
2013 IT Work-In-Process carryover:																							
Firewall and Router	IT 315	Review of Firewall rulesets and router configurations.																		50	50		
2014 IT Audits:																							
Firewall and Router	IT 315	Review of Firewall rulesets and router configurations.																	350		350		

2014 ConnSCU Internal Audit Plan
Prepared by: Karen E. Stone, Director of Internal Audit
Revised 9/2013

Information Security	IT120	Information Security Program, Controls over Personally Identifiable Information (PII), Risk Assessment Model (RAM), Security Awareness Program, Incident Response (e.g., security breach procedures). [NOTE: Vulnerability assessments were performed by PWC and the implementation status of those recommendations will be determined in this audit.]	350			350														350	1050		
Special Projects:																							
Unallocated for mgt. / BoT and BoR requests	N/A	Reserved for special reviews of campus situations that materialize.	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50		850		
Annual Commitments:																							
APA Staff Reports	N/A	Review / analysis / synopsis and staff report generation.	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	180		
Follow Up:																							
Quarterly Inventory of Findings	N/A	Analysis of status / follow - up on open items	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	360		
Audit Director Functions	N/A																			546	546		
Total Budgeted Direct Resources:			430	430	380	730														976	6436		

2014 ConnSCU Internal Audit Plan
Prepared by: Karen E. Stone, Director of Internal Audit
Revised 9/2013

Indirect Resource Allocation:																					
Staff Administration	staff mtgs. / perf. evals. / campus mgt.mtgs. / S.O. functions / etc.																			300	
Professional Development																				200	
Vacation / Personal Days																				800	
Holidays																				384	
Illness																				200	
Total Budgeted Indirect Resources:																				1884	
Total Budgeted Resources:																				8320	
Total Budgeted Resources		8320																			
Available resources (4 FTE's x 2080 hours)		8320																			
WIP Carry-over to next year		0																			



CONNECTICUT STATE
COLLEGES & UNIVERSITIES

BOARD OF REGENTS FOR HIGHER EDUCATION

Internal Audit Department

AUDIT RATINGS

As of 09/04/13

RATING	RATING DESCRIPTION
Strong	The internal control environment is well designed and operating effectively. There are no reportable issues and/or recommendations for improvement.
Acceptable	The internal control environment is well designed and operating effectively. However, one or more minor concerns were identified during the audit, requiring management attention.
Needs Improvement	The internal control environment contains <i>a significant weakness</i> , which has resulted (or could result) in financial loss, reputation damage, or noncompliance with a law or regulation. Timely corrective action is required.
Weak	The internal control environment contains <i>two or more significant weaknesses</i> , which have resulted (or could result) in financial loss, reputation damage, or noncompliance with a law or regulation. Timely corrective action is required.
Unsatisfactory	The internal control environment contains <i>one or more significant weaknesses</i> that have resulted (or could result) in a <i>material</i> financial loss, significant reputational harm, or regulatory enforcement action. Immediate corrective action is required.



CONNECTICUT STATE
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Internal Audit Report to
the President of Eastern
Connecticut State
University

ECSU Financial Aid
Allocation Process Audit
August 23, 2013

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Audit Approach

Detailed Findings

Detailed Findings, Recommendations and
Management Responses

TRANSMITTAL LETTER:	
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TO: Dr. Elsa Nuñez, President, ECSU

FROM: Karen E. Stone, Director of Internal Audit, ConnSCU, BOR
Linda B. Therriault, Senior Internal Auditor, ConnSCU, BOR

DATE: August 23, 2013

RE: ECSU Financial Aid Allocation Process Audit

Attached is our report on the recently completed audit of the Financial Aid Allocation Process at Eastern Connecticut State University.

In our opinion, the internal accounting and management controls environment over the Financial Aid Allocation Process at ECSU is satisfactory with only minor issues. We have reviewed management's responses to our recommendations and are satisfied with the consideration given.

We appreciate the cooperation received from you and your staff during this audit. We welcome any comments you may have and would be happy to further discuss any aspect of this report with you. We remain available for consultation on an ongoing basis and will perform follow-up in the next several months on any pending management actions indicated in the responses.

cc: Dr. Gregory W. Gray, President, ConnSCU, BOR
Ms. Yvette Meléndez, Acting Chair, BOR
Mr. Craig S. Lappen, Chairman, Audit Committee, BOR
Mr. Michael E. Pollard, Audit Committee, BOR
Mr. Nicholas M. Donofrio, Audit Committee, BOR
Dr. Rhona C. Free, Vice President of Academic Affairs, ECSU
Mr. Edwin Harris, Director of Enrollment Management, ECSU
Mr. James Howarth, Vice President, Finance and Admin., Audit Liaison, ECSU

*AUDIT PARAMETERS:	
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AUDIT: ECSU Financial Aid Allocation Process Audit

AUDIT #: 115

DATE: August 23, 2013

AUDIT PERIOD: 2011/2012 Financial Aid Awarding Year

OBJECTIVE: To ascertain that internal controls are in place to ensure consistency, efficiency, and effectiveness of the financial aid process from application through awarding.

SCOPE: We reviewed the overall allocation of the financial aid awarded for the 2011/2012 academic year, against federal, state and University policies for authorization, appropriateness and timeliness. We also reviewed action taken by ECSU in January 2013 prior to the U. S. Department of Education's Preliminary Audit Determination letter dated June 7, 2013.

OPINION: The internal and management controls environment over the Financial Aid Allocation Process is satisfactory with only minor issues.

REPORT TO: Dr. Elsa Nuñez, President, ECSU

INTRODUCTION:

BACKGROUND:

During the 2011/2012 academic year, Eastern Connecticut State University awarded \$41.9 million dollars in financial aid to 3,468 undergraduate and graduate students. Of the \$41.9 million, \$21.2 million dollars (51%) was awarded in the form of need-based financial aid and \$20.7 million dollars (49%) was awarded in the form of non-need-based aid, scholarships, or private loans.

Need-based financial aid is awarded based on the information provided by the student on the Free Application for Federal Student Aid (FAFSA) and calculated according to a formula specified in the federal law. The formula produces the Expected Family Contribution (EFC), a measure of how much the student and his or her family can be expected to contribute to the cost of the student's education for the year. The EFC is provided to the university by the U.S. Department of Education on an Institutional Student Information Record (ISIR). The University is required to use the EFC in computing the amount of federal aid.

Indicated below are the number of students and dollar amounts of need-based aid in comparison to the total financial aid paid to students during the 2011/2012 academic year based on their EFC.

Estimated Family Contribution (EFC) Calculation	# of Students Awarded Financial Aid	Total Need-based Aid Paid	Total Financial Aid Paid (e.g., need-based, non-need-based, scholarships)
0-9,999	2,062	\$17,539,274.92	\$27,065,705.17
10,000-19,999	744	\$3,516,833.65	\$7,987,288.36
20,000-29,999	333	\$132,505.00	\$3,493,835.26
30,000-39,999	167	\$1,383.00	\$1,790,315.00
40,000-49,999	73	\$0	\$732,545.17
>50,000	89	\$0	\$829,888.00
Total	3,468	\$21,189,996.57	\$41,899,576.96

Another component used to arrive at the actual amount of need-based aid is the university's Cost of Attendance (COA). The Office of Financial Aid develops the COA based on direct and indirect costs associated with attendance at the university for the academic year. These costs generally consist of tuition and fees, room and board, books, transportation and miscellaneous expenses. Annual COA budgets at ECSU can range from \$9,309 for a part-time undergraduate to \$30,613 for a graduate student for the fall, spring, and summer semesters.

At Eastern, students are first allocated need-based grants based upon their EFC as follows:

- Maximum need, which has parameters of 0 to \$1,500 EFC for in-state, out-of-state, and New England Board of Higher Education (NEBHE) full-time students;
- High need, which has parameters of \$1,501 to \$5,273 EFC for in-state freshmen and \$1,501 to \$4,618 for out-of-state and NEBHE freshmen full-time students; and
- Medium need, which has parameters of \$5,274 to \$11,500 EFC for in-state freshmen and \$4,619 to \$11,500 for out-of-state and NEBHE freshmen full-time students.

The types of need-based and non-need-based financial aid at Eastern are described below.

Need-based financial aid at Eastern generally consists of the following types:

- Federal Pell Grant - grant assistance to undergraduate students. The grant maximum for the 2011-2012 award year was \$5,550 for the academic year, according to the U.S. Department of Education's 2011-2012 Federal Pell Grant Payment and Disbursement Schedules memorandum dated February 1, 2011;
- Federal Supplemental Educational Opportunity Grant (SEOG) - grant assistance to undergraduate students of exceptional financial need;
- Federal Work Study (FWS) - a program to provide employment to students with financial need. FWS funds are awarded as part of a student's financial aid package; however, they are not paid until the hours are worked;
- Federal Perkins Loan Program - a loan program for students with financial need. The primary source of funding is the repayment of loans by former students who borrowed under the program;
- Federal Direct Subsidized Stafford Loan Program - a loan program for students with financial need. Traditionally, the federal government pays the interest on these loans while the student is in school and during the grace period before repayment begins;
- Connecticut Aid for Public College Students (CAPCS) - grant assistance provided by the Office of Higher Education to undergraduate Connecticut residents with financial need; and
- Connecticut State University Grant (CSUG) - grant assistance provided through the tuition set-aside program authorized by Connecticut statute to undergraduate students with financial need.

Non-need-based financial aid at Eastern generally consists of the following types:

- Federal Direct Unsubsidized Stafford Loan Program - a loan program for undergraduate and graduate students in which the student is responsible for the interest on these loans as soon as the loan is disbursed. These loans have annual loan limits based on the student's grade level and dependency status; and
- Federal Direct Parent Loan for Undergraduate Students (PLUS) Loan Program - a loan program for parents of undergraduate students. The maximum loan amount is the cost of attendance minus any other aid the student receives.

Federal U.S. Department of Education Preliminary Audit Determination

During our internal audit, a letter dated June 7, 2013 was sent by the U. S. Department of Education (DOE) to the President of the University, which advised ECSU of a pending audit

determination concerning the findings from an audit report of ECSU administration of Title IV Federal Student Aid programs. The report was prepared by the Connecticut Auditors of Public Accounts (APA) in accordance with Circular No. A-133 from the federal Office of Management and Budget (OMB), which indicates compliance requirements for student financial aid. The APA report covers the period July 1, 2011 through June 30, 2012. Administration of Title IV Federal Student Aid programs is an area that has recently received heightened government awareness through the country. Based upon the University's review of APA audit results, ECSU may be required to return Title IV funds to the federal government in the amount of approximately \$25,000, in addition to fines and fees.

The deficiencies were primarily due to the inability of the university to document attendance for the period of enrollment for those students who received Title IV funds and unofficially withdrew. These students are not eligible for financial aid and the Title IV funds paid to the student for the enrollment period become an institutional liability.

Internal Audit reviewed a worksheet of exceptions prepared by the University in response to the DOE's Preliminary Audit Determination letter. We noted 31 instances where Title IV funds totaling \$45,854 were not returned timely and 15 instances where Title IV funds totaling \$25,015 had not been returned for the 2011/2012 academic year.

Internal Audit obtained the revised Policy and Procedure on Reporting Class Non-attendance implemented in January 2013 related to student unofficial withdrawals. Faculty are now asked to access their class roster in e-Web after three weeks and at mid-term each Fall/Spring semester to report students in their class sections that have never attended or who have stopped attending. This Policy and Procedure may be revised in September 2013 to further adjust the necessary attendance steps taken to identify students who never attended or stop attending classes.

The DOE letter also included an audit finding related to the repayment of Federal Perkins student loans. There were five instances where ECSU was aware the student was graduating, but exit counseling was not conducted before the student graduated. Also, there was one instance where the student withdrew, but the change in enrollment status was not reported to ECSU's service provider until 102 days after the Return of Title IV Funds (R2T4) calculation was performed, in addition to the separation date being reported incorrectly. These errors appeared to occur due to the Perkins Loan Office not becoming aware of the changes in enrollment status in a timely manner. ECSU's corrective action plan stated they have switched to the full-service option with University Accounting Services (UAS) for exit counseling. In addition, ECSU now reports the withdrawal and graduation of students in the Registrar's monthly enrollment reporting.

AUDIT APPROACH

We met with management to determine the controls over the financial aid allocation process. We also used data from the Banner Financial Aid System extracted by Eastern's Information Technology Department and imported into ACL, our internal audit analytic software, to perform the following testing based upon departmental procedures:

- Performed statistical analysis on 100% of the following financial aid award types:
 - Connecticut State University Grant (CSUG) awards (e.g., freshman, undergraduate, transfer) to ensure the maximum amount awarded per student did not exceed \$17,855 per ECSU policy;
 - Perkins Loan awards to ensure the maximum amount awarded per student did not exceed \$1,700 per ECSU policy;
 - Pell awards to ensure the maximum amount awarded per student did not exceed \$5,550 per federal policy;
 - Federal Supplemental Educational Opportunity Grant (SEOG) awards to ensure the maximum amount awarded per student did not exceed \$450 per ECSU policy; and
 - Connecticut Aid for Public College Students (CAPCS) awards to ensure the maximum amount awarded per student did not exceed \$2,100 per ECSU policy;
- Analyzed 100% of CAPCS awards to provide reasonable assurance they were not granted to out-of-state students;
- Recomputed the formula for determining gross need as Cost of Attendance (COA) minus Expected Family Contribution (EFC) minus resource (e.g., insurance). Compared these to the Banner gross need and as needed, researched, and resolved differences;
- Analyzed 100% of financial aid offered for students with a gross need of zero to provide reasonable assurance that need-based aid was not offered;
- Analyzed 100% of need-based aid offered to provide reasonable assurance that the sum of need-based aid did not exceed gross need;
- Classified 100% of the COA categories noted in the Banner Financial Aid System and performed follow-up on unusual COA amounts;
- Verified that the COA schedule established by the University agreed to the COA's noted in the Banner System for the categories noted;
- Selected 25 on-campus students with the highest total financial aid paid to ensure room and board charges were posted to their accounts;
- Selected 10 students that did not meet financial aid Satisfactory Academic Progress (SAP "N") for the 2011/2012 academic year, verified that the reason for the SAP "N" agreed with the satisfactory academic policies during this time, and determined whether the student was denied financial aid or awarded aid based on an approved financial aid appeal on file; and
- Reviewed the pre-packaging, packaging, and awarding processes within the Banner Financial Aid Module to determine if they were in accordance with the Federal Student Aid Handbook and the University's packaging philosophy.

DETAILED FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES:	
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COMMENT A: The Financial Aid Office Policy and Procedures manual does not reflect the current environment to ensure consistency in administering financial aid processes.

ECSU's Financial Aid manual was last updated for the 2008-09 academic year. An up-to-date manual indicates operational needs for employees and provides management with a vehicle to manage risks, ensure compliance, and determine methods for continuous improvement.

RECOMMENDATION:

We recommend that the Financial Aid Office revise the manual to ensure it accurately reflects the current environment and that it be updated on an annual basis. Documented procedures should include, but not be limited to, current year annual COA budget amounts, how need-based and non-need-based grants are allocated based upon the EFC, and maximum amounts awarded for each award type.

MANAGEMENT RESPONSE:

While parts of our Policies & Procedures Manual have been updated since 2008-2009, much of it remains to be updated, and we agree with this finding. Our staff will continue its work on updating the remaining sections with a projected completion date of October 15, 2013.

COMMENT B: Documented procedures do not exist for senior management approval and determination of a final Cost of Attendance (COA), in addition to monitoring COA for reasonableness.

Prior to the 2011-2012 financial aid year, ECSU's COA has traditionally increased based upon an inflation percentage determined by the Financial Aid Office (FAO). This trend was reversed in 2011-12 when ECSU's Admissions Office asked the FAO to consider a COA less than prior years to appear more affordable and more competitive in comparison to other higher education institutions. Although variable expenses (e.g., books, transportation) were adjusted and the full COA was documented, there was no evidence of senior management approval.

COA is an estimate of the student's educational expenses for the period of enrollment and is the cornerstone for establishing a student's financial need and awarding financial aid. It consists of amounts defined by the FAO for tuition, books, and living expenses and varies according to the student's enrollment status (e.g., graduate/undergraduate, dependent/independent, resident/non-resident, on campus/off campus, full time/part time, summer session).

We found that documented procedures do not exist for monitoring amounts outside of defined COA's. Our analysis of actual COA categories in the Banner Financial Aid module showed there were a total of 168 different categories for 3,468 students offered financial aid. Of these, 12 matched to the COA categories defined by the FAO. The remaining 156 categories were created as a result of manual intervention by the FAO. Manual intervention is required when students, who were initially awarded financial aid based on a full-time status, have subsequently changed their enrollment status.

Without documented monitoring procedures in place, COA amounts could be erroneously computed, resulting in incorrect calculations of financial need and potentially incorrect financial aid awards. Also, the volume of manual COA adjustments creates process inefficiencies and opportunities for error in calculating aid.

RECOMMENDATION:

We recommend that the FAO enhance controls associated with the COA process in the following areas:

- Document the COA calculation including the approval of senior management; and
- Document and implement a monitoring procedure to review COA amounts for reasonableness, especially those that have been manually adjusted. COA categories should also be reviewed to document categories required through manual intervention.

MANAGEMENT RESPONSE:

While we did not get written approval of senior management for the 12-13 COA budgets, these budgets were discussed and agreed upon, and we will make sure that we have written approvals for such budgets in the future.

Our documentation of the varied COA budgets used and the circumstances under which we adjust and/or manually change budgets is less than complete. However, specific budgets for the various permutations of types of students outlined above have been developed and are being used consistently by our staff. The only manual changes we make are based on students changing their enrollment status from one semester to the next, participating in study abroad programs and/or enrolling for the summer. We will develop documentation and implement a procedure that seeks to ensure the reasonableness of COA budgets and categories, including those manually adjusted, and gain the appropriate senior management approval as we develop new COA budgets for the 14-15 award cycle by February 15, 2014.

COMMENT C: Aid restricted to State of Connecticut resident students was awarded to out-of-state students.

Our testing noted that two out-of- state students were paid \$1,000 and \$2,500 in Connecticut Aid for Public College Students (CAPCS) funds, which should only be awarded to in-state students.

According to the U.S. Department of Education, the state of legal residence is used in the EFC calculation to determine the appropriate allowance for state and other taxes paid by that state's residents. In addition, this information is required so that the U.S. Department of Education can send student FAFSA information to the state agency in the student's state of legal residence. State programs may use the information provided on the FAFSA to determine student eligibility for state aid.

RECOMMENDATION:

We recommend that management enhance controls to ensure that financial aid is awarded based upon the student's residence, as required by the FAFSA. If a student's residence is officially changed by the University's Registrar after the initial CAPCS determination, the student may then appeal their financial aid award.

MANAGEMENT RESPONSE:

We agree with this finding, have reviewed our packaging controls that require CT residency for these funds and will run an exception report, and make changes as necessary, annually in October, December, March and May in future award years to ensure that these funds are only being received by CT residents.



CONNECTICUT STATE
COLLEGES & UNIVERSITIES

BOARD OF REGENTS FOR HIGHER EDUCATION

Internal Audit Report to the President of the Board of Regents

39 and 61 Woodland Street System Office
Firewall and Router Audits

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TRANSMITTAL LETTER	
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TO: Dr. Gregory W. Gray, President, BOR

FROM: Karen E. Stone, Director of Internal Audit, BOR

DATE: September 9, 2013

SUBJECT: 39 and 61 Woodland Street System Office Firewall and Router Audits

Attached is our report on the 39 and 61 Woodland Street Firewall and Router Audits. Due to operational responsibilities at the time of the audits, two separate audits were performed. Audit results for the two audits have been combined into this one report.

In our opinion, the internal and management controls environment over 39 and 61 Woodland Street System Office Firewall and Routers is weak. We have reviewed management's responses to our recommendations and are satisfied with the consideration given.

We appreciate the cooperation received from Office of Information Technology staff during this audit. We welcome any comments you may have and would be happy to further discuss any aspect of this report with you. We remain available for consultation on an ongoing basis and will perform follow-up in the next several months on any pending management actions indicated in the responses.

cc: Ms. Yvette Meléndez, Acting Chair, BOR
Mr. Craig S. Lappen, Chairman, Audit Committee, BOR
Mr. Michael E. Pollard, Audit Committee, BOR
Mr. Nicholas M. Donofrio, Audit Committee, BOR
Mr. Joseph McAuliffe, Interim CIO, BOR

AUDIT PARAMETERS:	
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AUDIT: 39 and 61 Woodland Street System Office Firewall and Router Audits

AUDIT #: IT315

DATE: September 9, 2013

AUDIT PERIOD: March 2012 – January 2013

OBJECTIVES: Determine the existence and effectiveness of internal controls and operating procedures over firewalls and routers to ensure that traffic is appropriately permitted and restricted, all traffic passing between the internal network and external network passes through the firewall or along a safe path into the network, firewalls hide the structure of the internal network, routers filter and block invalid and unauthorized network traffic, routers protect themselves from attacks by outside parties, and logging is provided to enable timely detection of intrusion attempts.

SCOPE: We reviewed firewall and router controls, change management procedures specific to firewalls and routers, logging and monitoring, remote access controls, and service agreements related to firewalls and routers.

OPINION: The results of our audit revealed that the control environment is **weak**. A weak rating indicates that the internal control environment contains two or more significant weaknesses, which could result or have resulted in financial loss, reputation damage, or noncompliance with a law or regulation. Timely corrective action is required. Our audit results found that controls require improvement over the following areas: Policies, Standards, and General Procedures; Configuration and Hardening Standards; Logging and Monitoring Procedures; Password Controls; Protocol Use; and Change Management.

EXECUTIVE SUMMARY	
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Background

According to the Gramm-Leach-Bliley Act (GLBA), the Safeguards Rule section stipulates that organizations must implement security programs to protect customer information against any anticipated threats or hazards to the security or integrity of such records.

Firewalls are the System Office's first and continued line of defense against potential intruders. A firewall is designed to protect network resources by restricting traffic passing between networks and to protect computers from viruses, malicious attacks, and hacking. A firewall is used to implement security policies that govern the flow of traffic between two or more networks. All traffic passing between the internal network and external networks should pass through the firewall. Inbound network services should be allowed only if they are required, authorized, appropriate, and considered to be of acceptable risk. Network services and source/destination host addresses should be restricted as much as possible. Firewalls should deny network traffic with internal network source addresses that are received on the external network interface. Through a firewall, information can be securely shared amongst servers and workstations. They are a common form of security for any organization that has data to protect from unauthorized external and internal sources. Firewalls are designed to block incoming traffic by preventing access through open ports.

Routers connect to multiple networks. The goal of router security is to limit security risk to the extent possible, consistent with operational requirements and reasonable risk-taking by organizational management. The System Office uses routers for routing and as switches. A router is a device that forwards data packets along networks. A switch is a device that filters and forwards packets between Local Area Network (LAN) segments. A switch sorts and distributes the network packets sent between the devices on a LAN, while a router is a gateway that connects two or more networks, which can be any combination of LANs, Wide Area Networks (WANs), or the Internet.

Quality of Risk Management

The results of our audit revealed that the control environment over System Office firewalls and routers is **weak**. The System Office is currently not complying with GLBA since an Information Security Program does not exist to protect customer information against any anticipated threats or hazards to the security or integrity of such records. As a result of our audit findings, IT management at the System Office, four universities, and Charter Oak State College have formed a committee to develop and document firewall and router policies, standards, and procedures.

The community college enterprise network initiative is redesigning the network where all network controls will be designed and managed by the System Office. Operational responsibilities are shared by the System Office and colleges.

Internal Audit Department

AUDIT FINDINGS

39 and 61 Woodland Street Firewall and Router Audits

(**H** = High Risk, **M** = Moderate Risk, **L** = Low Risk)

Audit Comment Area/ Risk Rating/ Comment #	Comment	Risk/Impact	Recommendation	Management Response
Policies, Standards, and General Procedures/ H 1a	Some 39 Woodland Street firewall policies, standards, and procedures exist, but no target date to complete the docs. 61 Woodland has no documented firewall policy.	Access may not be appropriately restricted to firewalls based upon business requirements to allow/disallow traffic to come in.	Complete the Firewall Policy, standards, and procedures to support the control environment for 39 and 61 firewalls.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.
1b	No documented network security policy	Network infrastructure and information asset integrity and security could be compromised.	Document a network security policy to address integrity and security of infrastructure and information assets.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.
1c	No documented router security policy to describe required minimal security configurations	Unauthorized access may be obtained to routers and switches.	Document a router security policy to describe minimal security configurations for routers and switches to ensure appropriate security and consistency in the process.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.
1d	No documented monitoring policy for network devices	Unauthorized activity and intrusion attempts may go undetected.	Document a monitoring policy to address all network devices to minimize the risk associated with unauthorized activity and undetected intrusion attempts.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.
1e	61 Remote Access Policy doesn't require Terminal Access Controller Access Control System (TACACS) for user authentication. No documented	Remote use authentication and account security may allow unauthorized access to resources.	Document remote access policies, standards (e.g., required use of TACACS), and procedures to address user authentication, remote	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.

Audit Comment Area/ Risk Rating/ Comment #	Comment	Risk/Impact	Recommendation	Management Response
	remote access policy, standards, and procedures for 39.		connections, and account security for firewalls, routers, and switches.	
1f	No documented log retention policy and standards to indicate retention period and what should be logged on firewalls, routers, and switches as required by CT S6-100, Information Systems Records.	Logs may not be available when needed for problem solving and investigative purposes.	Document a policy and standard to address log retention periods for firewall configurations, firewall logs, router and switch configurations, and router and switch logs to ensure that configurations and logs are available when needed.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.
1g	No documented general firewall procedures to indicate use of server firewalls and which servers have them installed, firewall border and server administration processes (e.g., Secure Shell for troubleshooting), use of Simple Network Management Protocol (SNMP) community strings and what SNMP traffic is or is not permitted, services (e.g., http, https, special rules from an untrusted source for Internet Control Message Protocol, Domain Name System, and SNMP) enabled on the IDP and IPS, ports closed to traffic, defined firewall destinations and their naming conventions, use of temporary rules and their clean-up, use or nonuse of internal pings.	Unauthorized access may be obtained to the firewalls, which may not be protected against potential security threats, such as worms, Trojans, malware, spyware, Active X, Rogue Java Applets, and hackers. Also, no standardization or consistency in firewall implementation and maintenance.	Document procedures to include use of server firewalls, which servers have firewalls installed, administration processes, destinations and naming conventions, identification of ports that are closed to firewall traffic, use of SNMP community strings, identification of what traffic is and is not blocked, services enabled through the Juniper IDP and McAfee IPS, temporary rule usage and clean-up, and use or nonuse of external pings.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.

Audit Comment Area/ Risk Rating/ Comment #	Comment	Risk/Impact	Recommendation	Management Response
1h	No documented general router and switch procedures to include VLAN types and which Access Control Lists are used on routers and switches, require use of templates for models, indicate when enable secret and enable passwords are used, assignment of Internet IP addresses using Infoblox, use of NetBackup, What's Up Gold, and NetMRI to backup devices and perform manual configuration copies.	Unauthorized access may be obtained to routers and switches, as well as no standardization or consistency in router and switch implementation and maintenance.	Document and require the use of templates for router and switch models to provide a standard build and where those templates will be stored on a network share, to include the definition of router and switch naming convention standards, types of VLANs, which ACLs are used on specific routers and switches, assignment of Internet IP addresses using Infoblox software, use of NetBackup, WUG, and NetMRI software for backup processes, and manual configuration copies to the WUG server.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.
Configuration and Hardening Standards/ H 2a	39 Woodland Street firewall configuration, log backup, and restore procedures using Splunk and the NetBackup agent with ExaGrid are not documented. Documented backup procedures (e.g., ManXXXXXe server, BXXXXXte server, DXXXu software) do not exist to specifically address firewall configurations and logs. Additionally, the ExaGrid Admin ID is shared by three OIT users. Details were provided to management.	No consistency in the firewall administration process to ensure availability of configurations and logs, if needed. Shared IDs do not provide accountability and an adequate audit trail of activity, which could lead to unauthorized changes being made.	Document firewall configuration, log backup, and restore procedures using Splunk and the NetBackup agent with ExaGrid to ensure consistency in the firewall administration process and availability of configurations and logs, if needed. Also, unique IDs should be set-up on the ExaGrid server to provide accountability and an adequate audit trail of activity.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.
2b	ICMP flood protection, SYN flood protection, UDP flood protection, and IP address spoof protection are not set-up on the 61	Denial of Service (DoS) attacks could overwhelm the firewall with a large number of floods of packets.	Set-up ICMP flood protection, SYN flood protection, UDP flood protection, and IP address spoof protection on	Those protections are in place elsewhere and not needed on those devices. That protection is located at the edge on the access layer switches and on the Internet

Audit Comment Area/ Risk Rating/ Comment #	Comment	Risk/Impact	Recommendation	Management Response
	Woodland Street McAfee Network Security Platform, which is the Intrusion Prevention System (IPS) that 61 uses for the Check Point firewalls.		the 61 Woodland McAfee Network Security Platform.	facing routers.
2c	The 61 Woodland firewall TCP-ICMP-Settings-Global-Policy screenshot indicated that the default TCP Session Timeout is set to 86400 seconds (24 hours), which is excessive and could increase the risk of session hijacking.	A higher value increases the risk of session hijacking, and programs like Trojan horses could operate undetected.	Set the TCP Session timeout to a maximum of 3600 seconds to minimize the risk associated with session hijacking.	A decision was made to extend the timeout from the standard setting of 3600 seconds to 86400 seconds to enable IT staff to run log jobs without having sessions terminated before they complete their work.
2d	<p>Use of Cisco Internetworking Operating System (IOS) commands (e.g., 'No ip proxy-arp', 'No ip address', 'No ip http server') is not documented in router and switch procedures.</p> <p>Our testing of IOS commands (e.g., no ip proxy-arp, security passwords min-length, ip access-class, no ip http server, transport input) indicated they were not consistently implemented on routers and switches.</p> <p>We also found that 5 of 6 tested for 61 Woodland had Virtual Teletype (VTY) ports accepting connections from Telnet and other protocols, using "all" protocols, even if the devices were supported by SSH. Details were provided to management for their review.</p>	<p>IP addresses may be deciphered, and unauthorized access could be obtained to routers and switches.</p> <p>By not specifying only protocols required for remote device access, default, the VTY ports are accessible from any IP address that can reach the router. This makes it easy for a person to conduct an attack from anywhere on the network.</p>	<p>Document use of IOS commands in procedures and consistently implement the commands in all routers and switches.</p> <p>Only protocols required should be specified in router and switch configurations to restrict IP addresses from which the VTY will accept connections.</p>	<p>Some of those commands go directly against our current design and are needed. We will document the configurations and what the commands are needed for. We will document why we use them by January 1, 2014.</p> <p>All routers and switches will be examined, have telnet turned off, and have SSH only enabled where applicable. Target date is January 1, 2014.</p>
2e	Banners at 39 Woodland were not	Unauthorized users are not	Implement banners on all	Banners will be documented and

Audit Comment Area/ Risk Rating/ Comment #	Comment	Risk/Impact	Recommendation	Management Response
	implemented on 6 of 6 routers and switches tested. Details were provided to management.	warned and made aware as a preventive control that the device is protected and being monitored. A banner also serves as a legal warning in that there would be no defense in court that monitoring did not occur since the notice indicated it was being performed.	routers and switches.	implemented. Target date is January 1, 2014.
2f	61 Woodland Street Check Point firewall does not include a clean-up rule to allow specific communications to firewall management services.	Since a clean-up rule is not after firewall management rules, the firewalls may allow traffic that is not needed, and firewalls may not be adequately protected from port scanning, spoofing, and other types of direct attacks from unauthorized networks/hosts.	A clean-up rule should be placed in the rule set after firewall management rules. Since there are hundreds of rules and if there were an attack to the firewall, the earlier the attack is dropped, the less performance issues due to the firewall not having to wait to clean-up in order to drop the attack.	Management will take a look at this and act accordingly based on needs and other security controls. Note that this rule may not be implemented as recommended. Target date is January 1, 2014.
Logging and Monitoring Procedures/ H 3a	No documented standard exists to state what significant events on firewalls, routers, and switches are logged (e.g., host-level sign-on activity, remote access attempts, all denied traffic, permitted traffic that is high risk such as traffic to the firewall itself, all changes to security profiles including password resets, all changes performed by administrators or privileged users, all changes performed to security parameters by privileged commands or programs, all actual or attempted modifications or deletions of logs).	Notifications may not be generated to provide an audit trail of activity, and significant events that would indicate a high probability of attack may not be regularly reviewed.	Document a standard to state what significant events on firewalls, routers, and switches are logged. Ensure that notifications are generated to provide an audit trail of activity, and significant events that would indicate a high probability of attack are regularly reviewed.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.

Audit Comment Area/ Risk Rating/ Comment #	Comment	Risk/Impact	Recommendation	Management Response
3b	No documented logging and monitoring procedures to ensure that risky events (e.g., changes to router and switch configurations, repeated failed traffic, repeated traffic with spoofed addresses, trends for invalid or denied traffic from the same source, repeated failed attempts on Virtual Terminal [also called Virtual Teletype (VTY)] or SNMP) are regularly reviewed.	<p>Administrators may not receive immediate notification of an attack for risky events that would indicate a high probability of attack.</p> <p>Learning about an attack after it occurs does not prove to be very valuable when it can no longer be responded to.</p>	Document logging and monitoring procedures to ensure that risky events, which would indicate a high probability of attack, are regularly reviewed.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.
3c	No network security management solution in place and no target date to implement a tool, such as Juniper Networks Security Threat Response Manager (STRM), to provide real-time firewall surveillance.	OIT staff may not be able to analyze data to understand the threats they are facing and determine what actions to take.	Obtain and implement a network security management solution to provide real-time firewall surveillance. OIT staff should analyze data to understand the threats they are facing and determine what actions to take.	At this time we are limited by budget. Management will look at the risk of not having this place compared to the high cost of such a system. Target would be next fiscal year due to budget.
3d	Real-time alerts for successful or failed access are not in place to the firewall Operating Systems (OS's) for changes to the firewall configuration.	Unauthorized access may be obtained without timely notification to firewall administrators. Issues and deviations that increase risk of security configuration changes may go undetected.	A tool (e.g., Splunk) should be implemented to provide real-time alerts for successful or failed access for firewall OS's to identify changes to the firewall configuration.	Management will look at this and analyze the risk vs. the cost and effort of implementing such a system. Target of next fiscal year due to budget
3e	Although 39 Woodland Juniper Intrusion Detection and Prevention (IDP) firewall logs are reviewed daily for potential attacks, there is no evidence (e.g., sign-off) of these reviews and procedures are not documented to include periodic reviews of the firewall rules and configurations (e.g., quarterly) and periodic	<p>If not reviewed periodically, inappropriate access could be obtained to the network, which could expose the network to unauthorized changes. If periodic firewall rule reviews are not performed and documented, the following instances could occur:</p> <ul style="list-style-type: none"> • Emergency rules or 	Maintain evidence of 39 Woodland Street IDP reviews and document procedures to include periodic reviews of the firewall rules and configurations (e.g., quarterly) and IDP logs at a pre-defined interval (e.g., daily, weekly).	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.

Audit Comment Area/ Risk Rating/ Comment #	Comment	Risk/Impact	Recommendation	Management Response
	reviews of the IDP logs at a pre-defined interval (e.g., daily, weekly), to ensure firewall security is appropriate.	<p>changes may have been made without following a normal change control process that includes approvals and could negatively impact production;</p> <ul style="list-style-type: none"> • Some temporary rules may have passed their expiration date, but have not been deleted yet; and • Some rules may no longer be necessary because of changes in the business. 		
3f	Regular reviews of the 61 Woodland Street firewall rules and configurations (e.g., quarterly), and McAfee IPS logs at a pre-defined interval (e.g., daily, weekly) are not periodically reviewed to ensure firewall security is appropriate. Also, the Comment Column in the firewall rule set indicates that specific rules may no longer be needed, but since rules are not periodically reviewed, unneeded rules have not been removed.	Firewall security may not be adequate to protect 61 Woodland resources.	<p>Perform regular reviews of 61 Woodland Street firewall rules and configurations (e.g., quarterly) and McAfee IPS logs at a pre-defined interval (e.g., daily, weekly), and remove unneeded rules.</p> <p>Document procedures to include firewall log, rule set and security policy reviews, remote access reviews, and evidence (e.g., sign-off) of periodic firewall rules, and log review results should be maintained.</p>	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.
3g	No documented procedures for 39 use of What's Up Gold (WUG) and Cacti software for monitoring router and switch performance, 61 use of for Servers Alive software to determine if firewalls are up or down, and 61 use of	Without documented monitoring procedures, there is no assurance that monitoring is consistently performed.	Document use of What's Up Gold (WUG), Cacti, Servers Alive, and NGenious software for monitoring router and switch performance and frequency of use.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.

Audit Comment Area/ Risk Rating/ Comment #	Comment	Risk/Impact	Recommendation	Management Response
	nGenious Service Delivery Manager to monitor router and switch performance.			
3h	Significant router and switch events not reviewed on a regular basis at a pre-defined interval, in addition to routers and switches not generating notifications for significant events.	If not reviewed periodically, inappropriate access could be obtained to the network, which could expose the network to unauthorized changes.	Periodic reviews of significant events should be performed. Evidence (e.g., sign-off) of these reviews should be maintained when they are performed. Notifications should be generated for significant events.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.
3i	The 39 router and switch inventory not been updated since December 23, 2010, and management has not performed a review of the Asset TraQ software inventory to compare the department-maintained inventory and provide an accurate management trail of router and switch information. Also, annual verification of routers and switches when Cisco maintenance comes up for renewal is not documented to provide a current inventory and evidence of the inventory performed.	Router and switch devices may be stolen or missing, which could be attributed to poor asset management. Without a current inventory, there is no accurate management trail of router and switch information.	Perform a comparison of both inventories to provide an accurate management trail of router and switch information. Also, results of all inventories, including the annual Cisco verification process, should be documented to provide evidence of the inventory performed.	Management will look into this and come up with a proper inventory control procedure. Target Date is January 1, 2014. During yearly maintenance, Cisco comes in on a yearly basis and reviews inventory. That is documented by Cisco and we have copies of that.
3j	No documented router and switch naming standard	Inconsistent naming conventions could make it difficult for management to readily identify the location of a device.	Document a router and switch naming standard for all 39 and 61 Woodland routers and switches.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.
Password Controls/ H	No documented 39 Woodland administrative password standards, including those used for IT devices. 61 Woodland Password Policy also doesn't	Unauthorized access could be obtained to 39 and 61 Woodland resources.	Document and implement administrative password standards to minimize the risk associated with unauthorized access using the following	A committee is being formed across the system to finalize policies. Target date on completion is January 1, 2014. Password policies at 61 apply to multiple

Audit Comment Area/ Risk Rating/ Comment #	Comment	Risk/Impact	Recommendation	Management Response
4a	address enhanced security for administrative passwords.		parameters: <ul style="list-style-type: none"> • Administrative passwords and strings that act as passwords in device configurations should be a minimum of 14 characters long and use a mixture of upper/lower case characters, numbers, and special characters; • Passwords must be encrypted before being transmitted on the network; • Legitimate words or names should not be used as passwords in order to minimize the risk of dictionary attacks; • Vendor-supplied passwords shall be changed immediately upon installation of a device; • Passwords must be changed for any persons who are terminating employment and who have knowledge of privileged and administrator passwords; and • Service passwords shall be changed annually, where possible. 	systems. Passwords are encrypted on the network. Shared passwords are always changed upon someone's termination. Vendor supplied passwords are always changed upon device install.
4b	Documented router and switch procedures do not exist to define	SNMP read/write access allows the viewing and changing of	Document types of SNMP community strings used and	A committee is being formed across the system to finalize policies, standards, and

Audit Comment Area/ Risk Rating/ Comment #	Comment	Risk/Impact	Recommendation	Management Response
	the types of SNMP community strings used and indicate when and when not read-only and read/write SNMP community strings are used on devices.	router and switch settings. Read-only access can divulge information about the network that could be used to compromise the integrity of the network.	indicate when and when not read-only and read/write SNMP community strings are used.	procedures. Target date on completion is January 1, 2014.
4c	39 and 61 Woodland routers and switches have read-only Simple Network Management Protocol (SNMP) community strings that consist of upper and lower case letters, but not a mixture of numbers and special characters to enhance router and switch security. 61 Woodland also used "pXXXXc" as a read-only password, the default being "public", which could be easily deciphered. Also, 61 read-write passwords tested consisted of lower case characters and numbers, but upper case characters and special characters are not used. Details were provided to management.	Since a community string acts as a password to authenticate messages sent between a management station and a router or switch containing an SNMP agent, a community string that is easily vulnerable to being cracked could expose router and switch settings to unauthorized changes and consequently compromise the integrity of the network. Community strings are found in configuration files in clear text without any encryption. Read-only access can divulge information about the network that could be used to compromise the integrity of the network.	Change SNMP read-only and read/write community strings to reflect stronger controls over router and switch security. These community string enhancements should be documented in router and switch procedures and implemented consistently on all routers and switches.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.
4d	The 39 Woodland Street Whats Up Gold (WUG) server "admin" ID, which has full access to WUG views and functions for routers and switches, is enabled although management indicated that it is not currently used and the password is not periodically changed.	Unauthorized changes could be performed on routers and switches.	Rename the WUG "admin" ID and periodically change the password. Also, to restrict unauthorized users and users who do not require WUG server read access to perform job responsibilities, the Guest ID should be disabled.	We will review and change where applicable. The guest feature is allowed specifically to let anyone get a network up/down status. The Guest ID will not be disabled. Target date is January 1, 2014.

Audit Comment Area/ Risk Rating/ Comment #	Comment	Risk/Impact	Recommendation	Management Response
	Also, the “admin” ID or any other user with “Manage Users” rights can modify WUG guest account rights. “Guest” grants access capabilities to read views and settings, without giving the ability to modify settings. However, if a user enters any user ID with no password, they will be logged on to the “guest” account.			
4e	61 Woodland Street Check Point Dashboard access rights to the firewall Dashboard are not periodically validated. As a result, the Dashboard user Access Control List (ACL) is not periodically reviewed since a terminated employee still had access at the time of the audit, as well as employees no longer requiring Dashboard access to perform job responsibilities. Details were provided to management.	Unauthorized individuals who require access to perform job responsibilities have access to the firewalls. MaXXXXXXse console access, which is used to administer firewall policies, is not adequately secured to ensure that the rule sets for the firewalls cannot be compromised from a single source.	Perform a review of the Dashboard ACL and periodically validate 61 Woodland Street Check Point Dashboard access rights and the Access Control List (ACL) to the firewall dashboard to ensure that only authorized individuals who require access to perform job responsibilities have access to the firewalls.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.
4f	Dashboard user accounts do not use TACACS to authenticate to 61 Woodland Street firewalls. Therefore, the accounts do not contact Active Directory for authentication. As a result, firewall operating system access included a terminated employee, whose ID should have been disabled at the time of termination.	Unauthorized access could be obtained to the firewalls since a terminated ID remained active on the Dashboard and allowed logon to the firewalls directly.	Although the communication is encrypted when signing into the Dashboard and users have unique IDs, TACACS should be implemented for the firewalls since the network ID, which is administered through Active Directory, would have been disabled for the terminated employee and would not have the capability to authenticate to the firewalls.	We will look at using Active Directory for authentication to the Dashboard but will use whatever protocol we deem best for our environment. Target date is January 1, 2014.

Audit Comment Area/ Risk Rating/ Comment #	Comment	Risk/Impact	Recommendation	Management Response
4g	Although enable secret and enable passwords are changed when someone leaves the department or every one or two years, password changing procedures are not documented to ensure the practice is consistently followed and to strengthen controls over the router and switch environment.	Unauthorized access could be obtained to routers and switches.	Change the enable password and enable secret password annually and when OIT personnel leave OIT and/or the organization, and these procedures should be documented in router and switch procedures to reflect new administrative password standards.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.
4h	Although a Network Manager periodically reviews Cisco Access Controls Server (ACS) IDs, TACACS Access Control List (ACL) reviews are not performed regularly at a pre-defined interval (e.g., quarterly), and no evidence of these reviews is maintained.	Lack of regular ACL reviews could lead to inappropriate access to the routers and switches and could expose the network to unauthorized router and switch changes.	Perform a review of all IDs on the ACS server to determine if access is warranted to perform job responsibilities. Also, review the TACACS ACL quarterly and maintain evidence (e.g., sign-off) of these reviews, as well as documenting the review in procedures.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.
Protocol Use/ H 5a	Although Secure Shell (SSH) is the primary router and switch management tool used by 61 Woodland, Telnet is still used on router/switch models (e.g., 6509) that also support SSH. File Transfer Protocol (FTP) and Trivial File Transfer Protocol (TFTP) are also used by 39 and 61 Woodland Street for router and switch management. FTP is used to move files and TFTP is used to copy router and switch configurations to the What's Up Gold (WUG) server and is also used to upgrade a router or switch Internetwork Operating System	Telnet, FTP and TFTP could leave the network vulnerable and could lead to a Denial of Service (DoS) attack on the network.	SSH be utilized on all devices that support the protocol, rather than Telnet, FTP, and TFTP, to minimize the risk associated with DoS attacks on the network.	Management will re-evaluate accordingly and make changes if we deem necessary. Target date is January 1, 2014.

Audit Comment Area/ Risk Rating/ Comment #	Comment	Risk/Impact	Recommendation	Management Response
	(IOS) version.			
5b	No documented procedures to include use of authorized protocols (e.g., SSH) to obtain remote firewall, router, and switch access and firewall services (e.g., http, https) to ensure that only authorized protocols and services are implemented.	Unauthorized access could be obtained to 39 and 61 Woodland resources.	Document authorized protocols used for remote access.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.
Change Management/ H 6a	<p>Although the 39 Woodland Street Firewall Change Management Policy includes general categories for access control, configuration, availability, maintenance, and incidents for firewall changes (e.g., opening a firewall port), change management standards and procedures (e.g., change request form) have not been assigned a target date for completion.</p> <p>No documented procedures to include 39 Woodland use of SharePoint for router and switch changes and 61 Woodland use of a change management spreadsheet and Server Access Request Form for firewall change requests. Signatures of the requestor and individuals authorizing and approving the changes are not included on the form. No target date for Numara Footprints Change Management module implementation.</p>	<p>An adequate audit trail of changes may not exist, hardware and software changes may not be appropriately authorized and approved, impact to users and other applications may have not been identified and communicated, and disruptions to production processing may not be minimized.</p> <p>Unauthorized changes could be made in the production environment, which could adversely affect the network and users.</p> <p>An adequate audit trail of change request history may not exist to use as a basis for future changes or to facilitate recovery from a problem caused by a change.</p>	<p>Complete documentation associated with the Firewall Change Management Policy. Additionally, document a Change Management Policy for router and switch changes.</p> <p>The documented change management process should include a change request form, OIT approval levels, user approval levels, change request summary log, back-out procedures, and performance, evidence, and retention of scans to provide an appropriate management trail of change activity.</p>	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.

Audit Comment Area/ Risk Rating/ Comment #	Comment	Risk/Impact	Recommendation	Management Response
6b	Although a Change Control Committee exists for new services and Banner changes, no Change Control Committee addresses changes for firewalls, routers, and switches.	<p>Impact to users and other systems may not have been identified and communicated.</p> <p>Impact to computer resources and availability may not have been evaluated and planned for to minimize disruption of processing.</p> <p>Back-out procedures may not have been defined.</p> <p>Records of changes required and implemented may not be maintained and reviewed.</p>	Expand the responsibilities of the Change Control Committee to address a formal change management process for firewall, router, and switch changes.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.
6c	A 39 Patch Management Policy does not exist to address firewall, router, and switch updates and patches. 61's Vulnerability Management Policy does not address change request authorization forms, patch management procedures, and a patch log to track patches implemented.	Without a comprehensive Patch Management Policy, patches and updates may not be installed to address security flaws.	Document a comprehensive Patch Management Policy and procedures to address firewall, router, and switch patch implementation and updates and utilize authorization forms and logs to track patches implemented.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.
6d	<p>No documented change management procedure for updating the startup configuration with the running configuration to ensure that the startup version is updated within so many business hours (e.g., 72) after the running RAM version is changed.</p> <p>Our testing of 61 Woodland routers and switches indicated</p>	If changes made to the "running" version are not saved to the "startup" version, the changes to the startup version will be lost if a router loses power or is reloaded (reboots) since the latest configuration file won't be loaded when the device reboots.	Document router and switch configuration procedures to include the synchronization of running and startup versions within a specified timeframe, and ensure adherence to the procedure.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.

Audit Comment Area/ Risk Rating/ Comment #	Comment	Risk/Impact	Recommendation	Management Response
	that the NVRAM version was not updated for 3 of 6 tested within a reasonable period of time (e.g., 72 hours). Details were provided to management.			
6e	No documented procedure for 39 use of WUG to push out changes to multiple routers and switches and 61 use of the Check Point Dashboard for pushing out firewall policy changes.	Inconsistent procedures could lead to inappropriate and/or unauthorized changes to devices.	Document all procedures used to push out changes to firewalls, routers, and switches.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.
6f	No documented 39 Woodland use of Nexpose to perform firewall scans for modification requests. 61 Woodland does not perform firewall scans for firewall modification requests.	Modifications could be made that adversely affect the firewall configurations and could permit unauthorized access to firewalls.	Document firewall scan procedures to include software used, frequency of use, and maintain evidence of scan results.	The BOR hires a firm to do annual external penetration tests and scans against the firewalls. We do not do that internally nor do we plan too at this time. We have no system capable of doing that, and we have no budget to purchase one.
6g	39 Woodland uses the same naming conventions for production and test devices. 61 Woodland has no test environment.	Testing activities could adversely affect production.	Implement separate test and production environments with naming conventions specific to each type of environment.	Test environments are very expensive and at this time we do not have the budget to implement such an environment.
6h	No documented procedures to include versioning and archiving that is practiced for firewall, router, and switch maintenance.	A history of changes through version control may not be provided as an audit trail for trouble-shooting problems and historical purposes.	Document procedures to include any versioning and archiving that is practiced for firewall, router, and switch maintenance.	A committee is being formed across the system to finalize policies, standards, and procedures. Target date on completion is January 1, 2014.

STATE OF CONNECTICUT



*AUDITORS' REPORT
BOARD OF TRUSTEES OF COMMUNITY-TECHNICAL COLLEGES
CONNECTICUT COMMUNITY COLLEGE SYSTEM
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2011*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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ROBERT M. WARD

September 11, 2013

**AUDITORS' REPORT
BOARD OF TRUSTEES OF COMMUNITY-TECHNICAL COLLEGES
CONNECTICUT COMMUNITY COLLEGE SYSTEM
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2011**

We have examined the financial records of the Board of Trustees of Community-Technical Colleges, Connecticut Community College System for the fiscal years ended June 30, 2010 and 2011.

Financial statement presentation and auditing are performed on a Statewide Single Audit basis to include all state agencies. The financial statement audits of the system for the fiscal years ended June 30, 2010, and 2011, were performed by the system's independent public accountants. This audit has been limited to assessing the system's compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating the system'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.

AUDIT METHODOLOGY:

Our audit approach for the Connecticut Community College System consists of examining the system as a whole through selecting a sample of the 12 colleges that compose the system for audit site visits each audit cycle. Our audit approach also involves the preparation of a single audit report for the entire community college system. This report, which covers the fiscal years ended June 30, 2010 and 2011, represents the results of our examination of the financial records from a sample of ten community colleges (Asnuntuck Community College , Capital Community College, Gateway Community College, Housatonic Community College, Manchester Community College, Middlesex Community College, Northwestern Connecticut Community College, Norwalk Community College, Three Rivers Community College, and Tunxis Community College) as well as the financial records

of the former system office.

Our examinations of Asnuntuck Community College, Capital Community College, Housatonic Community College, Manchester Community College, Northwestern Connecticut Community College, and Tunxis Community College focused primarily on the fiscal year ended June 30, 2010, while our examinations of the other four colleges mentioned above and the system office focused on the fiscal years ended June 30, 2010 and 2011. During the course of our audit, we identified certain systemwide weaknesses in internal controls and in compliance with financial-related laws and regulations. In these instances, our corresponding recommendations reflect a systemwide approach to correcting such weaknesses, primarily directed at the system office. However, we also noted that some of the areas requiring attention appear to be college-specific. In these instances, our recommendations are directed primarily towards the management of the applicable colleges.

COMMENTS

FOREWORD:

The Board of Trustees of Community-Technical Colleges operated primarily under the provisions of Chapter 185b, Part I, Sections 10a-71 through 10a-80b of the General Statutes. Pursuant to Section 10a-72 of the General Statutes, the board of trustees, through its central office (known as the system office) located in Hartford, oversaw the following 12 two-year colleges:

<u>Community College</u>	<u>Location</u>
Asnuntuck	Enfield
Capital	Hartford
Gateway	New Haven
Housatonic	Bridgeport
Manchester	Manchester
Middlesex	Middletown
Naugatuck Valley	Waterbury
Northwestern Connecticut	Winsted
Norwalk	Norwalk
Quinebaug Valley	Danielson
Three Rivers	Norwich
Tunxis	Farmington

Section 10a-71 of the General Statutes provided that the Board of Trustees of Community-Technical Colleges consist of 18 members, 16 appointed by the Governor and two elected by students. The board, among other duties, made rules and established policies for the governance, development and maintenance of the educational programs and services of the community colleges. Board members received no compensation for their services, but were entitled to reimbursement for expenses.

The Board of Trustees of Community-Technical Colleges included the following members as of June 30, 2011:

Louise S. Berry, Chair	Wallace Irish
Ryan Ahrens (elected by students)	Jules L. Lang
Dr. Murali Atluru	William J. McGurk
Hilary C. Barhydt	Carolyn McKenna
Paul Brady	Win Oppel
Rev. David L. Cannon	Laurie Roy
Hugh Cox	Kenneth E. Wilson, Jr.
Ronald Gambardella	Virginia D. Zawoy
Lori Granato	

Timothy Ackert, David H. Blackwell, Esq., Darcy Clifford, Ababkre Mounier, and Marie M. Spivey also served on the board during the audited period. There was one vacancy on the board as of June 30, 2011.

Among the duties of the board of trustees was the appointment of a chief executive officer of the community college system. Marc S. Herzog served as chancellor of the Connecticut Community College System during the audited period, retiring on May 31, 2011. Mr. Herzog served through June 30, 2011, as a rehired retiree.

Sections 211 through 220 and 230 of Public Act 11-48 (effective July 1, 2011), and sections 106, 111, 136, and 137 of Public Act 11-61 (effective July 1, 2011), reorganized the state system of higher education by establishing a 19-member (including 15-voting members) Board of Regents for Higher Education to serve as the governing body for the Connecticut State University System (CSUS), the community-technical college system (CTC), and Charter Oak State College. These acts allow the board to appoint and remove staff responsible for its own operation and the constituent units. The Board of Regents for Higher Education replaces the existing CSUS, the CTC board of trustees, and the Board of State Academic Awards, which governed Charter Oak State College.

The board consists of 13 members appointed by the Governor and legislative leaders, two students, and four non-voting ex-officio members: the commissioners of the Department of Public Health, Education, Economic and Community Development, and Labor.

Recent Legislation:

The following notable legislation took effect during the audited period and shortly thereafter:

Public Act 10-66

Section 3, effective upon passage (May 18, 2010), specifies that, for the purposes of the veteran's tuition waiver, which the law requires UConn, the Connecticut State University (CSU) system, and regional community-technical colleges (CTC) to give to eligible veterans, "service in a time of war" does not include time spent attending a military service academy. The act requires that, within 30

days of its passage, the institutions' boards review current and prospective students' eligibility for the waiver to ensure compliance.

Public Act 10-101

Sections 1 and 3 effective October 1, 2010 exempt student employees at public institutions of higher education from certain provisions of the state code of ethics. The exemptions cover students whose employment is derived from their status as students at those institutions but not to regular employees at a college or university who take classes on a part-time basis.

Specifically, the act exempts student employees from:

1. Restrictions on expense-paid travel by allowing them to receive travel expenses, lodging, food, beverage, and other benefits customarily provided by a prospective employer in connection with bona fide employment discussions;
2. Post-employment restrictions that require state officials and employees to wait one year after leaving state employment before (a) representing, for compensation, anyone besides themselves before their former office and (b) accepting employment with a party to a (i) contract or agreement with the state valued at \$50,000 or more or (ii) written agreement for an automatic payroll deduction for a product or service if the student participated substantially in or supervised the negotiation of the award; and
3. Provisions of the code concerning prohibited activities, disclosure, or use of confidential information, and conflicts of interest.

The latter exemption is only valid if the student's institution has (1) adopted written policies and procedures regulating student employees and conflicts of interest and (2) the policies and procedures have been approved by the Citizens Ethics Advisory Board. The act requires institutions to submit (1) their policies and procedures to the board triennially and (2) any significant revisions within 30 days of their adoption.

Public Act 11-43

Section 1 effective July 1, 2011 extends in-state tuition benefits to post-secondary students, including those without legal immigration status, who reside in Connecticut and meet certain criteria.

Under the act a person, except a non-immigrant alien (someone with a visa permitting temporary entrance to the country for a specific purpose), qualifies for in-state tuition if he or she:

1. Resides in Connecticut;
2. Attended any educational institution in the state and completed at least four years of high school here;
3. Graduated from a high school or the equivalent in Connecticut; and
4. Is registered as an entering student, or is currently a student at, UConn, a Connecticut State University, a community-technical college, or Charter Oak State College.

Public Act 11-140

Section 1, effective upon passage (July 8, 2011), revises the eligibility criteria for student loan reimbursements for Connecticut residents graduating from public colleges and universities with a degree in specified fields, and eliminates the reimbursements for non-degree training certificates in these fields. Among other things, the act expands the range of eligible degrees, but limits eligibility to residents working for a business related to their degree.

Enrollment Statistics:

The community college system reported the following enrollment statistics for the two audited years:

	Fall 2009	Spring 2010	Fall 2010	Spring 2011
Full-time students	21,404	19,267	21,918	18,388
Part-time students	33,708	35,763	36,335	37,177
Total enrollment	<u>55,112</u>	<u>55,030</u>	<u>58,253</u>	<u>55,565</u>

The average of fall and spring semesters' total enrollment was 55,071 and 56,909 during the 2009-2010 and 2010-2011 fiscal years, respectively, compared to an average of 50,745 during the 2008-2009 fiscal year. These increases, amounting to approximately 8.5 percent and 3.3 percent during the respective audited years, were consistent with the condition of the state economy during the audited years. Generally, when the economy is weak, community college enrollment increases as people seek to improve or develop job skills, and seek to meet their higher education goals at a lower cost educational institution.

RÉSUMÉ OF OPERATIONS:

During the audited period, operations of the community college system 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.

Operating fund receipts consisted primarily of student tuition payments received. Tuition charges are fixed by the board of trustees. The following summary presents annual tuition charges for full-time students during the audited fiscal years and the previous fiscal year.

	In-State	Out-of-State	N.E. Regional Program
2008 - 2009	\$ 2,640	\$ 7,920	\$ 3,960
2009 - 2010	2,832	8,496	4,248
2010 - 2011	3,024	9,072	4,536

In December 2008, the board approved increases in tuition for all students during the 2009-2010

and 2010-2011 academic years.

In accordance with Section 10a-67 of the General Statutes, the Board of Trustees of Community-Technical Colleges set tuition amounts for nonresident students enrolled in the community college system through the New England Regional Student Program at an amount equal to 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 Revenues:

Operating revenues result from the sale or exchange of goods and services that relate to the system's educational and public service activities. Major sources of operating revenue include tuition, fees, and federal and state grants.

Operating revenue (in thousands of dollars) as presented in the system's financial statements for the audited period, along with the previous year, follows:

	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Fiscal Year 2010-2011
Student Tuition and Fees (net of scholarship allowances)	\$ 88,549	\$ 97,106	\$ 97,455
Federal Grants and Contracts	47,689	72,948	89,045
State and Local Grants and Contracts	17,084	16,786	17,877
Private Grants and Contracts	3,699	6,156	4,426
Sales and Services of Educational Departments	467	497	538
College-owned Bookstores, Net	6,156	3,176	-
Other Operating Revenues	3,070	6,050	4,816
Total Operating Revenues	<u>\$ 166,714</u>	<u>\$ 202,719</u>	<u>\$ 214,157</u>

Operating revenues totaled \$166,714,000, \$202,719,000, and \$214,157,000 during the 2008-2009, 2009-2010, and 2010-2011 fiscal years, respectively. The 2009-2010 fiscal year saw an operating revenue increase of \$36,005,000, or 21.6 percent, compared to the 2008-2009 fiscal year. This increase was primarily attributed to an increase in federal Pell and Supplemental Education and Opportunity Grants. The 2010-2011 fiscal year saw an operating revenue increase of \$11,438,000, or 5.6 percent, compared to the 2009-2010 fiscal year. This increase was also primarily attributable to an increase in federal grants.

Operating Expenses:

Operating expenses generally result from payments for goods or services needed to achieve the system's mission of instruction and public service. Operating expenses do not include capital additions or deductions.

Operating expenses (in thousands of dollars) as presented in the system's financial statements for the audited period, along with the previous year, follows:

	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Fiscal Year 2010-2011
Instruction	\$ 161,525	\$ 162,705	\$ 177,341
Public Service	347	403	633
Academic Support	73,716	68,934	73,543
Library	10,011	9,417	10,135
Student Services	48,205	44,199	40,984
Scholarship Aid, Net	22,856	35,302	43,994
Institutional Support	64,503	61,923	65,660
Physical Plant	47,369	43,087	46,915
Depreciation	17,919	21,991	20,780
Total Operating Expenses	<u>\$ 446,451</u>	<u>\$ 447,961</u>	<u>\$ 479,985</u>

Operating expenses totaled \$446,451,000, \$447,961,000, and \$479,985,000 during the 2008-2009, 2009-2010, and 2010-2011 fiscal years, respectively. The increase of \$1,510,000, or 0.3 percent, during the 2009-2010 fiscal year was primarily attributed to an increase in scholarship charges that was offset by decreases in state-supported salary and fringe benefit expenses. The increase of \$32,024,000, or 7.1 percent, during the 2010-2011 fiscal year was primarily attributed to contractually negotiated wage increases and an increase in scholarship charges.

Nonoperating Revenues:

Nonoperating revenues are revenues that are not from the sale or exchange of goods or services that relate to the system's primary functions of instruction, academic support, and student services. Nonoperating revenues include items such as the state's General Fund appropriation, private gifts and donations (from corporations, foundations, and individuals), and investment income from cash balances invested in the State Treasurer's Short Term Investment Fund.

The system's financial statements presented the following nonoperating revenues (in thousands of dollars) for the audited years, along with the previous year, as follows:

	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Fiscal Year 2010-2011
State Appropriations - General Fund	\$ 240,511	\$ 238,525	\$ 244,782
State Appropriations - Bond Funds	2,850	202,964	36,127
Private Gifts	1,347	999	973
Interest Income	1,362	296	249
Mandatory Transfer to State	-	(1,000)	(1,000)
Other Nonoperating Revenues, Net	(60)	(132)	16
Total Nonoperating Revenues	<u>\$ 246,010</u>	<u>\$ 441,652</u>	<u>\$ 281,147</u>

Total nonoperating revenues increased \$195,642,000 (79.5 percent) during the 2009-2010 fiscal year, compared to the previous year. This increase is attributed to \$200,000,000 in bond appropriations received for the Gateway Community College downtown campus construction. Nonoperating revenues decreased \$160,505,000 (36.3 percent) during the 2010-2011 fiscal year. This decrease is attributable to a decrease of \$166,837,000 in bond appropriations, much of which was related to the winding down of the construction at Gateway Community College.

Community College Foundations:

Each of the 12 community colleges is supported by an individual foundation. Each foundation is a private, nonprofit corporation established to raise funds in support of the activities of the college.

Sections 4-37e through 4-37k of the General Statutes define and set requirements for these foundations. The requirements address the annual filing of an updated list of board members within the state agency for which the foundation was established, financial record keeping and reporting in accordance with generally accepted accounting principles, financial statement and audit report criteria, written agreements concerning the use of facilities and resources, compensation of state officers or employees, and the state agency's responsibilities with respect to affiliated foundations.

Our audit noted exceptions related to compliance with certain foundation-related statutes at the foundations affiliated with Asnuntuck Community College and Norwalk Community College. These matters are presented in the Condition of Records and Recommendations sections of this report.

CONDITION OF RECORDS

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

Purchasing – Competitive Quotations:

Criteria: The Community Colleges’ Agency Purchasing Policies were adopted to comply with the provisions of various General Statutes, including Section 10a-151b.

The Agency Purchasing Policies state, “...if the amount of expenditure is estimated to exceed fifty thousand dollars (\$50,000), competitive bids shall be solicited by public notice inserted at least once in two or more publications, at least one of which shall be a major daily newspaper published in the state, and shall be posted on the Internet, and at least ten calendar days before the final date of submitting bids.”

The Agency Purchasing Policies also state, “...all purchases of fifty thousand dollars (\$50,000) or less shall be made in the open market or under state contract, but shall, when possible, be based on at least three competitive quotations, which may include written quotes, telephone/oral quotes, catalogue pricing, or facsimile quotes. All non-written quotations shall be documented in writing.”

The policies further state, “Competitive bidding is not required in the case of minor purchases of ten thousand dollars (\$10,000) or less.”

Condition: Northwestern Connecticut CC: From a sample of ten expenditure transactions during fiscal year 2010, we noted that janitorial supplies and equipment were purchased from a vendor who was not a state contractor at the time of the purchases. Quotations were not obtained for those purchases and the college was unable to document that the vendor provided those goods for a lesser price than offered by the state contractors. The vendor became a state contractor effective March 1, 2010. Total purchases from the vendor in fiscal year 2010 were \$14,324: \$4,363 prior to March 1, 2010 and \$9,961 subsequent to March 1, 2010.

Norwalk CC: Our audit disclosed one instance in which the college awarded a contract with a value that was not to exceed \$2,000,000 without advertising for bids in at least two major publications in the state. Section 10a-151b of the General Statutes requires such advertising when contracts are expected to exceed \$50,000. The college did, however, solicit bids through the Internet via the Department of Administrative Services’ State Contracting Portal.

Three Rivers CC: We noted an instance in which a purchase order for food items projected to cost \$30,000 in the fiscal year ended June 30, 2011, was issued to a vendor without obtaining competitive quotations on this purchase.

Effect: These colleges were not in compliance with the Community Colleges' Agency Purchasing Policies. Additionally, Northwestern CT CC and Norwalk CC may not have purchased their items at the lowest available price.

Cause: Northwestern Connecticut CC: The maintenance department used the same vendor for purchasing custodial supplies and equipment for many years as a result of a "cold call" from the vendor.

Norwalk CC: We were informed that the college was under the impression that Public Act No. 09-7 modified the bidding requirements so that advertising in two or more publications was no longer necessary. However, Public Act No. 09-7 only affected Section 4a-57 of the General Statutes with respect to bidding requirements; therefore, the college was still required to advertise in at least two publications as required by Section 10a-151b.

Three Rivers CC: A state contract with this particular vendor had been issued in the past, but the state contract was not renewed. The purchasing department at the college issued the purchase order believing that the state contract was still in effect.

Recommendation: The Board of Regents for Higher Education and the community colleges should improve internal controls in order to comply with the competitive quotations requirements of the community colleges' Agency Purchasing Policies. (See Recommendation 1.)

Agency Response: Northwestern Connecticut CC: "Northwestern Connecticut Community College concurs. The college will strengthen its internal controls over purchasing."

Norwalk CC: "The college was instructed through the system-wide purchasing user group that the requirement to advertise bids in local newspapers had been changed and that the college no longer was required to place ads. Effective September 4, 2012, the college is now compliant with advertising all bids in two major print publications in the state."

Three Rivers CC: "The vendor contract expired during the school year. The college was not aware of the change and did not seek competitive quotations as required. The college has initiated a procedure to attach a copy of the face page of the DAS contract (including contract dates) to each blanket PO. If the

contract is scheduled to expire during the current fiscal year, a note is made in the file of the actual expiration date to alert the purchasing staff that action may be necessary.”

Dual Employment:

Criteria: Section 5-208a of the General Statutes states that, “No state employee who holds multiple job assignments within the same state agency shall be compensated for services rendered to such agency during a biweekly pay period unless the appointing authority of such agency or his designee certifies that the duties performed are not in conflict with the employee’s primary responsibility to the agency, that the hours worked on each assignment are documented and reviewed to preclude duplicate payment, and that there is no conflict of interest between the services performed.”

Condition: Asnuntuck CC: We noted two instances in which dual employment situations existed, but related dual employment certification forms were not completed by the employees. The employees held both full and part-time positions at the college.

Capital CC: We noted two instances in which dual employment situations existed, but related dual employment certification forms were not completed by the college. Both of these situations involved employees who each held two positions at the college.

We also noted one instance in which a dual employment form was not signed by the agency head.

Gateway CC: Our audit disclosed one instance in which dual employment certification forms documented a conflict between the work schedules of an employee holding multiple state positions. That is, we noted instances in which work schedules between the primary and secondary positions overlapped.

Housatonic CC: Our audit of 14 dual employment situations disclosed five instances in which employees held multiple positions within the college without the required dual employment certifications in place. These employees received gross pay amounting to \$17,015, in aggregate, for the work performed in their secondary positions.

We noted one instance in which the college entered into two separate adjunct faculty agreements with an individual to teach two courses during the Spring 2010 term. It was noted that a dual employment certification was not completed for this arrangement. The college paid this individual a total of

\$11,160 in gross pay for teaching these two courses.

Furthermore, our audit disclosed one instance in which a college employee held a secondary position with another state agency without the required dual employment certification in place. The employee received a total of \$8,073 in gross pay for services performed in the secondary position.

Middlesex CC: We noted three instances in which dual employment situations existed, but related dual employment certification forms were either not completed by the employees, or were completed incorrectly.

Norwalk CC: Our audit of dual employment disclosed 11 instances in which employees held multiple positions within the college and the related dual employment certification forms were not signed by the college and the employee prior to the start of the dual employment period. In the instances noted, the authorization signatures were obtained from the college 13 to 73 business days after the start of the dual employment period, while the employee signatures were obtained 13 to 31 business days after. In three of these instances, employees earned gross pay amounting to \$12,317, in aggregate, for work performed without an authorized dual employment form in place. It was also noted that in one of the instances above, the employee's primary and secondary work schedules appeared to conflict with each other.

We also noted three instances in which employees held multiple positions within the college without the required dual employment certifications in place. These employees received gross pay totaling \$17,244 for work performed in their secondary positions.

Furthermore, our audit disclosed two instances in which the college entered into two separate adjunct faculty agreements with individuals to teach two courses during the same semester without completing dual employment certifications. The college paid these individuals a total of \$16,992 in gross pay for teaching these courses.

Effect: At these colleges, the level of assurance was diminished that employees holding multiple state positions had no conflicting duties or schedules between the positions.

Cause: Procedures in place at these institutions were insufficient to ensure compliance with dual employment requirements.

Recommendation: The Board of Regents for Higher Education and the community colleges should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes. (See Recommendation 2.)

Agency Response: Asnuntuck CC: “Both of these employees were full-time faculty members. There was a misunderstanding between Academic Affairs and Human Resources regarding the dual employment requirements for full-time faculty since their teaching schedules are readily available. This finding has been reviewed with both departments to insure future compliance. It should be noted that several of the contracts for these two faculty members were for summer employment when they are off-contract. For those instances, there would not be a requirement to complete the dual employment section.”

Capital CC: “We agree with this finding. The college recognizes and affirms its commitment to comply with Section 5-208a of the General Statutes requiring employees to complete dual employment forms when working for the same college or a different state agency. In an effort to address this issue, senior administrators and human resources/payroll staff have been reminded of the requirement under the statute for future reference and compliance.”

Gateway CC: “The college’s review of the employee’s teaching schedule determined that there were no conflicting duties or schedules between the employee’s primary and secondary job responsibilities. Historically, faculty are confused on how to properly document their teaching responsibilities, as was the case in the instance cited by the auditor. Given the volume of such requests received in the Payroll Department in a very short period of time, it has been the college’s practice to rely on the faculty’s real-time official academic schedule to determine conflicting duties and schedules. In order to provide assurances in the future that there are no conflicting duties or schedules between primary and secondary positions, the Payroll Department will 1) provide faculty with guidance on how to properly document their primary work schedule on Dual Employment Forms, and 2) attach a copy of the faculty’s assigned work schedule to the Dual Employment Request form.”

Housatonic CC: “The college has instituted an internal process to insure all Dual Employment Authorizations are in place before any employment contracts are approved for processing.”

Middlesex CC: “The college disagrees with the cited dual employment finding. The condition indicates that forms were completed incorrectly and/or not completed.

When challenged, the stated reasoning was twofold. First, a full time faculty member indicated his classroom teaching times as the hours of work on the approved dual form. He did not include specific office hours, prep time or meeting times that also make up the effective 35 hour work week. The college maintains a practice that allows faculty members to have flexibility

outside of their assigned classroom teaching schedule for meetings, office hours, preparation times and student sponsored/campus activities that faculty is expected to attend. These dates and times vary and scheduling lies between the Academic Dean and the faculty member to determine. It is not set nor is it reoccurring from week to week outside of the classroom times, which were indicated. It was stated that the cited instances stood as citations because a different form was used at another institution.

The second reason for the citing of the dual forms that were not completed, the referenced individuals tested were part time lecturers that were issued two contracts simultaneously by our college, on the same date. The employee was not a state employee prior to the issuance of these two simultaneous contracts being issued and therefore did not indicate a dual status. The college maintains that in this instance the employee as well as human resource's staff would have no reason to believe that they are being dually employed since the part time lecturing is being performed at the same college and for two different courses that are not conflicting. The reason for issuing two contracts rather than one combined is for the operation ease should a course need to be cancelled after the issuance of the contract. Effectively, the employee truly is not dually employed in this instance and this citation is disputed."

Norwalk CC: "The college will put in place a process that will assure that there is a dual employment form in place and all signatures are obtained before an employee can perform the additional duties/roles at the college. The college is in the process of hiring a new Human Resources Director and this will be identified as an item that requires immediate attention, once this employee is hired in this capacity."

Auditors' Concluding

Comments:

Middlesex CC: The college's response indicates that there is a distinction between assignments for a part-time lecturer and assignments for other college positions. It is the auditors' position that the employee should indicate all responsibilities on the dual employment form, whether those positions consist of multiple part-time lecturer assignments, educational assistant responsibilities, full-time job duties, or combinations of those assignments. Proper completion of the dual employment section of employee contracts ensures that there is no overlap in the timing of assignments and that work overload situations comply with bargaining unit contracts.

In addition, The Congress of Connecticut Community College's bargaining unit contract states: "The required work week [for full-time faculty members] is 35 hours of assigned responsibilities which may include evening or weekend work...The 35 hours shall be scheduled over a five-day work week, provided that the individual and the President or his designee may, by mutual

agreement, schedule a four-day work week and provided that a sixth day may be required in exceptional circumstances or by agreement with the employee.” The dual employment form on the adjunct faculty contract for the full-time professor and Level III coordinator indicated work hours solely on Monday and Wednesday between 12:30 and 3:30. The part-time lecturer course was scheduled on Friday between 9:30 a.m. and 12 p.m. The faculty member was also a curriculum developer between November 2009 and January 31, 2010. That position also was not indicated in the dual employment section of the adjunct faculty contract.

Use of Private Grant Funds – Norwalk CC:

Background: During the audited period, Norwalk Community College received an annual grant from its affiliated foundation to support various projects at the college. These projects included, among others, a Strategic Alliances project and a Professional Development for Management project for which the college received a total of \$9,518 and \$24,750, respectively, during the fiscal years under review.

Criteria: In accordance with the grant agreement between the college and its affiliated foundation, the foundation provided the college with funding to support various projects including the Strategic Alliances and Professional Development for Management projects. Per the agreement, funds allocated to the Strategic Alliances project should be used to fund the attendance at events where key college employees have advocacy roles in furthering the mission of the college. It goes on to state that funds allocated to the Professional Development for Management project are to be used to support professional development for non-faculty management through conferences, seminars, workshops, and literature.

Section 1-84 subsection (c) of the General Statutes prohibits a public official or a state employee from using his position “to obtain financial gain for himself, his spouse...,” or certain other family members or a business with which he is associated.

Condition: Our audit of 17 expenditure transactions charged to grant funds received from the college’s affiliated foundation disclosed six instances in which the college used these funds to pay event or conference registration fees, totaling \$805, for individuals who were not employees of the college. In one instance, a college employee attended an event with a guest who was not an employee of the college and the college paid the guest’s \$85 registration fee with grant funds received to support the Strategic Alliances project. In four instances, college administrators attended events with their spouses, who were not employed by the college, and the college paid the spouses’ registration fees,

totaling \$470, with grant funds received to support the Strategic Alliances project. In the final instance, a college administrator attended a conference with his wife, who was not employed by the college, and the college used grant funds received to support the Professional Development for Management project to pay for his wife's \$250 conference registration fee. Based on the intended use of these funds, as outlined in the grant agreement, it appears that the use of these funds to pay the registration fee of non-employees was questionable. Furthermore, in four of these instances during the 2010 fiscal year, a college employee accompanied by his spouse attended a conference and three charitable events. In these instances, the college paid the registration fee and admission fees for the employee's spouse, which totaled \$635. These payments appear to have exceeded the \$100 per person per calendar year gift limitation established by the Office of State Ethics in accordance with Section 1-84 subsection (c) of the General Statutes.

Effect: In some instances, it appears that the college's use of grant funds received from its affiliated foundation was inappropriate. Furthermore, some of the expenditures incurred could be viewed as violations of the state code of ethics.

Cause: We were informed that the college believed the use of these grant funds to cover the aforementioned expenditures was appropriate.

Recommendation: Norwalk Community College should ensure that expenditures charged to grants received from its affiliated foundation are consistent with the purposes and terms of the grants. Additionally, the college should take steps to ensure compliance with Section 1-84 subsection (c) of the General Statutes. (See Recommendation 3.)

Agency Response: Norwalk CC: "The NCC Foundation allocates the NCC College Administration funds for the purpose of attending special functions that enhance the vision and mission of the college. In the past these funds were directly drawn from the NCC Foundation and not given to the college for disbursement. Early in 2006 the former community college system office CFO requested that the Foundation turn the funds over in grant form to the college; there was never a request from the NCC Foundation to handle the funds in this way.

The NCC Foundation attests to the fact that these funds were used in an appropriate manner (see attached September 10, 2012 letter from the NCC Foundation President and Executive Director). The college contends that this finding is erroneous, and that the use of these funds does not constitute an ethics violation."

Timeliness of Bank Deposits:

Criteria: Section 4-32 of the Connecticut General Statutes requires that a state agency deposit funds of more than \$500 in a bank account within 24 hours of receipt as prescribed by the State Treasurer.

Condition: Gateway CC: We selected a sample of 25 revenue receipts for testing. From this sample, we noted one bank deposit totaling \$71,598 in the fiscal year ended June 30, 2010, and one bank deposit totaling \$40,244 in the fiscal year ended June 30, 2011, that were each deposited one day later than required.

Northwestern Connecticut CC: We reviewed 12 revenue receipts for fiscal year 2010 and noted delays in the deposit of funds into the state bank account in three instances. These deposits, totaling \$31,225, were between one and three days later than required.

Tunxis CC: We selected 15 receipts batches, totaling \$283,712, for testing. From this sample we noted that four receipts batches totaling \$99,059 were deposited one day later than required.

Effect: These colleges were not in compliance with the timely deposit requirements of Section 4-32 of the Connecticut General Statutes.

Cause: Gateway CC: The cause is unknown.

Northwestern Connecticut CC: It appears that the cashier did not close out the cashing session and prepare the deposit at the end of the day or beginning of the next morning.

Tunxis CC: The college uses an armored car service to deliver its receipts to the bank. Inconsistent service provided by the armored car service was the apparent cause of these exceptions.

Recommendation: The Board of Regents for Higher Education and the community colleges should improve their bank deposit procedures to comply with the prompt deposit requirements of Section 4-32 of the General Statutes. (See Recommendation 4.)

Agency Response: Gateway CC: “The exceptions cited were a result of staff shortages during a period of heavy student registration. The college will continue to make every effort to fully comply with the deposit timing requirements of section 4-32 of the Connecticut General Statutes.”

Northwestern Connecticut CC: “Northwestern Connecticut Community

College concurs. The college will meet with the cashiers and discuss the need to make deposits within 24 hours.”

Tunxis CC: “Tunxis Community College uses Dunbar, an armored car service on state contract, to transmit cash and checks to Bank of America. The college makes all deposits daily and on a timely basis. Dunbar schedules the college’s pick up late in the day. This has resulted in variances in the bank’s official deposit record, from 24 to 48 hours. The college is working with the Office of the State Treasurer to obtain an exemption to the 24-hour requirement to accommodate the armored car’s delivery schedule.”

Property Control:

Criteria: The Connecticut Community College System’s Fixed Asset Inventory and Accounting Policy sets the standards for property control within the Connecticut Community College System.

Condition: Asnuntuck CC: During our test of inventory, we traced equipment recorded in the college’s inventory records to its current location. We also traced inventory from its current location to the college’s inventory records. We noted four instances in which the equipment was recorded in an incorrect location. We also noted that the college has not updated maps, room numbers, and location code listings to reflect the college’s current configuration.

Housatonic CC: We examined a sample of 26 capital equipment items purchased during the audited period and noted that the college could not locate nine of these equipment items, costing \$53,141 in aggregate. Furthermore, for each of these nine equipment items, the college’s automated inventory control records contained blank information fields for certain key areas, including location, serial number, permanent tag number, and barcode identification number. We also noted that the college could not locate four non-capital equipment items with an aggregate cost of \$1,571.

In addition, we noted three instances in which furniture items, costing \$4,046 in aggregate, lacked barcode identification numbers in the college’s inventory control records, and were not physically tagged with a state ID. Furthermore, because these pieces of furniture were not tagged with a barcode identification number or some other identification number, we were unable to verify that the furniture we physically inspected was the same furniture selected for testing.

Middlesex CC: During our test of inventory, we traced equipment recorded in the college’s inventory records to its current location. We noted that various

items of educational equipment purchased during the audited period were not assigned barcodes and tagged. Descriptive information and the location of each item were not entered into the inventory system, although the general description “educational equipment” and the cost of each item were in the system. We also traced equipment from its current location in the college’s Precision Machining Institute in Meriden to the college’s inventory records. Our testing disclosed that Middlesex had not entered manufacturing machinery acquired from Capital Community College in 2003 into its fixed asset records. The machinery had Capital CC barcode tags. Finally, we traced items purchased during the audited period to their location in the Meriden machinery lab and were unable to find a barcode on one item, although a barcode had been assigned.

Norwalk CC: Our audit of 30 capital equipment items disclosed five instances in which capital equipment items, costing \$15,966, were found in locations different than indicated in the Fixed Asset Module of Banner. We also noted two instances in which the Fixed Asset Module of Banner did not indicate a location for capital equipment items costing \$6,170, in aggregate.

Our audit also disclosed one instance in which a piece of equipment, costing \$1,337, did not have a visible state identification tag attached to it. In addition, there were no other identifying numbers on this piece of equipment. In effect, we were unable to verify whether the piece of equipment we physically inspected was the same piece of equipment selected for testing.

Effect: These colleges were not in compliance with the Connecticut Community College System’s Fixed Asset Inventory and Accounting Policy.

Cause: Asnuntuck CC: The college did not place sufficient emphasis on property control. College personnel no longer use the change of location form to report location changes of equipment; they communicate such changes by email and that communication is inadequate. Also, the college has not developed a comprehensive floor plan that coordinates with location codes recorded in the Banner system inventory module, including room numbers located on the doorways.

Housatonic CC: Regarding the equipment items that could not be located and inventory control records that were incomplete, the college informed us that this was caused by a “glitch” in the Banner information system.

With respect to the three pieces of furniture lacking college ID tags, we were told that, up until recently, the college did not tag any of its furniture. We were also informed that the college is in the process of tagging all of its furniture and was nearly finished.

Middlesex CC: The educational equipment arrived immediately after the college's purchasing officer transferred to another college. The equipment update into the Banner system and application of the barcode tags to the items were overlooked during the transfer of responsibilities to another college employee. The machinery at the Meriden Precision Machining Institute had been in storage for several years while the machine technology program was in development. When the machinery was placed into service, the college believed the equipment had no value.

Norwalk CC: With respect to the pieces of equipment found in different locations than indicated in the Fixed Asset Module of Banner, the college has been in the process of moving some departments to different areas of its campus, and in some cases the college's inventory records have not been updated in a timely manner.

Regarding the one piece of equipment lacking visible identification numbers, we were told that this piece of equipment had been moved from the east side of campus to the west side during renovations, and it is possible that the tag had fallen off during the moving process.

Recommendation: The Board of Regents for Higher Education and the community colleges should improve internal controls over inventory. (See Recommendation 5.)

Agency Response: Asnuntuck CC: "The college is currently working with the system office on updating its maps. Due to the large number of renovations and relocations completed in the past three years, it was decided to wait for a period of time to avoid having to update these maps several times due to the overall cost. The need to communicate room changes has also been addressed. There is one problem area and the need for timely and accurate communication has been reinforced with that area. Finally, the Banner System codes are under review for coordination with the room numbers."

Housatonic CC: "The Business Office, in conjunction with the facilities area, has instituted several internal practices to insure that all equipment items are properly tagged and recorded in our computer system. In addition, the facilities area will be conducting periodic field inventories of equipment to insure that the location records in our computer system are accurate/updated."

Middlesex CC: "The College will take measures to ensure that there is greater internal control over inventory."

Norwalk CC: "The state auditors provided a list of 30 fixed assets to locate. All assets were located during the audit. However, due to the construction of

the Health, Science, and Wellness building many assets were moved. Several academic areas moved into storage in May 2011 as A-wing renovations began and the HSW building was not yet ready to occupy. In August 2011, the college took occupancy of the HSW building and the academic areas were moved from storage into the new building. Many assets were moved to new locations and in one instance a fixed asset tag came off an asset. The areas involved in the move had many assets to relocate (science, nursing, fitness center, physical therapy, and some IT items). The college does not have an electronic means (hand held bar code scanner) to conduct inventory which would facilitate updating assets to new locations in such a move. Locations are updated via information from the annual asset inventory conducted by an outside vendor who has hand held technology to perform the fixed asset audit. Currently the community college system is working to implement hand held bar code scanners that will facilitate fixed asset location changes, interim inventory, and new asset tagging at the point of delivery. The project is currently underway and full implementation should be completed by the end of the calendar year 2012. Once the college has use of a hand held bar code scanner the plan is to conduct independent/self audits of fixed assets once per year in addition to the annual state inventory audit conducted each July. Lastly, once the project is fully functional, additional bar code scanners may be purchased and distributed to the Facilities and IT area who could assist with asset move updates as equipment is moved around the campus. This will be contingent on the college being able to fund the purchase of additional bar code scanners.”

Certification and Affidavit Requirements Related to Vendor Selection on Large State Contracts – System Office:

Criteria: Section 4-252 subsection (c) of the General Statutes and Governor Rell’s Executive Orders No. 1 and 7c require that a contractor doing business with a state agency provide a Gift and Campaign Contribution Certification at the time of contract execution and annually thereafter if such contract has a value of \$50,000 or more in a calendar or fiscal year. In addition, Section 4-252 subsection (b) of the General Statutes and Executive Orders No. 1 and 7c require that the agency official who is authorized to execute said contract shall certify that the selection of the most qualified or highest ranked person, firm or corporation was not the result of collusion, the giving of a gift or the promise of a gift, compensation, fraud or inappropriate influence from any person. Furthermore, Section 4a-81 of the General Statutes requires that a Consulting Agreement Affidavit accompany a state agency contract with a value of \$50,000 or more in a calendar or fiscal year.

Condition: We reviewed the system office’s compliance with these requirements. We noted that these documents were not obtained for two contractors.

Auditors of Public Accounts

<i>Effect:</i>	The system office was not in compliance with these affidavit and certification requirements.
<i>Cause:</i>	The cause is unknown.
<i>Recommendation:</i>	The Board of Regents for Higher Education should ensure that affidavits and certifications are obtained in compliance with regulations related to community colleges purchasing. (See Recommendation 6.)
<i>Agency Response:</i>	<u>Board of Regents for Higher Education</u> : “We concur with this finding. The required certificates and affidavits will be obtained from the two companies in question and we have established new procedures to ensure that the necessary certificates and affidavits will be provided in the future in accordance with state law and policy.”

Part-time Lecturers - Evidence of Services Provided:

<i>Criteria:</i>	Sound internal controls require the preparation of time sheets or equivalent documentation, signed by the employee’s supervisor, to support time worked during a particular pay period. These records provide some assurance that an employee actually provided services during the time period for which they were paid.
<i>Condition:</i>	Asnuntuck CC, Capital CC, Gateway CC, Northwestern Connecticut CC, Three Rivers CC, and Tunxis CC do not require part-time lecturers to submit time sheets to support time worked.
<i>Effect:</i>	Due to the lack of time sheet submission by part-time lecturers, there is a decreased assurance that they provided services during the time period for which they were paid.
<i>Cause:</i>	Time sheets certifying services provided by part-time lecturers are not required by the colleges presented above.
<i>Recommendation:</i>	The Connecticut Community College System should implement a policy that requires all part-time lecturers to submit signed time sheets to their supervisors, and require the supervisor’s signature and transmittal to their payroll department, as a means of documenting services performed. Alternatively, the community colleges should implement a system that requires, for each term, independent documented certification that part-time lecturers completed their appointed course work. (See Recommendation 7.)
<i>Agency Response:</i>	<u>Asnuntuck CC</u> : “The community college system has implemented a policy effective with the Fall 2011 semester that addresses this finding.”

Capital CC: “We agree with this finding. Beginning with the Fall 2011 semester the college implemented an Adjunct Faculty Time Reporting procedure. Adjuncts (which include Part-time Lecturers) are now required to submit a certification of completion for each course taught each semester. The procedure includes follow up and reconciliation duties among management and Human Resource staff.”

Gateway CC: “At the end of each term, the college requires all part-time lecturers to submit to their supervisor a timesheet to document the dates and times that teaching work was performed. This certification is signed by the supervisor and then transmitted to the Payroll Department.”

Northwestern Connecticut CC: “Northwestern Connecticut Community College concurs. The Connecticut Community College System has implemented a policy that requires all part-time lecturers certifying completion of part-time lecturer contracts.”

Three Rivers CC: “As outlined in the Connecticut Community College Board of Trustees’ Employee Relations Memo 2011-14 and CC Policy on Adjunct Faculty Time Reporting, Three Rivers CC, along with all other Connecticut community colleges, will begin Fall 2011 implementation of a Banner on-line reporting certification tool. Adjunct (PTL / ECL) faculty who have a valid Notice of Appointment on file, have fulfilled all contract obligations including rescheduled classes, makeup work, and final student grade entry, will submit a single certification of completion for each course taught once per term via an automated Banner Self-Service entry at the end of each part-of-term. This certification shall constitute the employee’s certification that he/she has met all contractual obligations. If certification is not submitted electronically in the required timeframe, the adjunct shall be responsible for completing such certification manually in accordance with procedures and forms provided. Once submitted, the Designated Academic Management (Official) Reviewer will provide the management validation of these on-line certifications, signing and dating a hard copy of the report to evidence the review. As Three Rivers CC Chief Financial Officer, the Dean of Administration will be responsible for the operation and implementation of this control including the collection and maintenance of all review documentation for audit purposes.”

Tunxis CC: “This recommendation addresses policies and systems of the community college system, not those specific to the college. The system-wide Audit Advisory Committee is currently working on a system-wide solution to address part-time lecturer time concerns. The system office is developing a reporting and certification process for all part-time lecturers upon completion of their course and submission of grades. The college will follow the newly

established system-wide process upon implementation.”

Property Control - Dental Hygiene Program – Tunxis CC:

Background: Tunxis Community College offers an Associate in Science Degree in Dental Hygiene. This program utilizes the facilities at the college and also at the University of Connecticut School of Dental Medicine.

Criteria: The Connecticut Community College System’s Fixed Asset Inventory and Accounting Policy sets the standards for property control within the Connecticut Community College System.

Condition: We selected two recent equipment purchases utilized by the dental hygiene program for inventory testing. During our testing, we noted the following internal control weaknesses:

- No single staff member appeared to be responsible for the equipment items in the dental hygiene area.
- Equipment is stored in several locked cabinets in the dental hygiene area for security purposes. No staff member readily knew who had the keys to unlock the cabinets.
- It was uncertain which cabinets contained individual pieces of equipment.
- In attempting to physically locate the two items in our sample, no staff members could state whether the items were at Tunxis CC or at the University of Connecticut School of Dental Medicine.
- One of the two items in our sample was a laptop computer. In attempting to physically locate this computer, we gained access to one of the locked cabinets in the dental hygiene area. In the process of searching for the computer in question, we noted a different computer that had not been affixed with a Tunxis CC inventory barcode.

Effect: There was a lack of control over equipment items in the dental hygiene area.

Cause: The dental hygiene program does not place appropriate emphasis on property control.

Recommendation: Tunxis Community College should improve internal controls related to equipment used by the dental hygiene program. (See Recommendation 8.)

Agency Response: Tunxis CC: “The college has located and presented the dental hygiene equipment to the auditor. The college agrees that control over equipment is critical and will work with the appropriate staff to establish protocols for its safeguarding. This equipment is shared by faculty and staff, both on campus and

at the off-site dental clinic. The division director will assign a custodian who will be responsible for all equipment.”

P-Card Transactions:

Criteria: The Connecticut Community College System’s Purchasing Card Policy and Procedure Manual states that a single purchase may not exceed \$1,000. The manual further states that splitting an order at the point of sale to avoid the single transaction limit is a misuse of the purchasing card (P-Card). The manual also requires card holders to complete a monthly reconciliation of their purchasing card activity within ten business days from receipt of their bank statement.

Condition: System Office: We reviewed a sample of 15 monthly card holder statements during the audited period. Our review disclosed the following:

- We noted four instances in the fiscal year ended June 30, 2010, in which an employee split up purchases in order to avoid the \$1,000 single purchase limit that was in effect at the time.
- We noted one instance in the fiscal year ended June 30, 2011, in which a restricted purchase was made. The restricted purchase was a donation to a fundraising event.
- We noted one instance in the fiscal year ended June 30, 2011, in which a non-allowable purchase was made. The non-allowable purchase was for food at a new management staff lunch.

Asnuntuck CC: We noted that a hotel charge for one employee’s attendance at a conference was not supported by a travel authorization. The attendee stated that he cancelled due to illness and that he notified Academic Affairs and the hotel. The college was charged one night’s stay.

Capital CC: We noted that two purchases occurring on the same day to the same vendor were split in to two purchases of \$526 and \$559.

Gateway CC: We noted five instances of order splitting transactions into several separate transactions in order to circumvent the \$1,000 single transaction purchase limit that was in effect at the time of the purchases.

Manchester CC: We noted one purchase related to employee travel for \$1,033.

Norwalk CC: Our audit of 58 individual card holder statements disclosed some instances of noncompliance with the Community College System’s Purchasing Card Policy and Procedure Manual as well as an issue with the

approval of monthly purchasing card log reconciliation. The issues noted are outlined as follows:

- One instance in which a card holder split a single purchase into two separate purchases in order to circumvent the \$1,000 single purchase limit. In this instance, the card holder split a \$1,125 purchase of promotional/award items into two purchases of less than \$1,000;
- One instance in which a card holder used his purchasing card to pay for a \$253 dining bill, a purchase expressly prohibited in the college's purchasing card policies;
- Two instances in which monthly purchasing card log reconciliations, containing purchases amounting to \$475 in aggregate, were not completed within the ten business day requirement set forth in the Community College System's Purchasing Card Policy and Procedure Manual; and
- One instance in which a monthly purchasing card log reconciliation, containing purchases totaling \$2,777, was not signed by either a department approver or an authorized business office reviewer.

Effect: In some instances, the system office and these colleges were not in compliance with the Community College System's Purchasing Card Policy and Procedure Manual.

Cause: The cause is unknown.

Recommendation: The Board of Regents for Higher Education and the community colleges should ensure compliance with the Community College System's Purchasing Card Policy and Procedure Manual. (See Recommendation 9.)

Agency Response: Board of Regents for Higher Education: "We concur with the finding. The policies in effect during this period did not accurately reflect good business practice with regard to use of the P-card for travel expenses, or were unclear. The P-card policy has since been revised to allow for 'split' transactions where travel costs for airfare, registrations and other costs, which must be assigned to a single individual, are concerned and additional clarity of language has been introduced to ensure that procurements are not used for gift, donation, or sponsorship purposes."

Asnuntuck CC: "This finding has been reviewed with both the Director of Finance and the Dean of Academic Affairs. In the future, no hotel reservations or travel-related expenses will be made unless supported by an approved travel authorization."

Capital CC: "The college does not agree with this finding. The purchases in

question were for multiple products costing under \$1,000 each. The CCC Purchasing Card presentation made by the system office indicated that single items purchased could not exceed \$1,000. No item in this purchase exceeded \$1,000. As is stated on Page 2, section G2a, in the revised Purchasing Card Policy and Procedure Manual, a single purchase limit (i.e. cost per individual item) cannot exceed \$1,000.”

Gateway CC: “The Purchasing Card Policy and Procedure Manual was revised and reissued by the BOT on December 15, 2010. The new policies document and clarify allowable transaction limits for group related travel. All cardholders attended formal training on the new policies.”

Manchester CC: “A revised Purchasing Card Policy and Procedure Manual issued under Fiscal Memo 2010-3, effective December 15, 2010, increased the cost per individual traveler transaction not to exceed \$2,500. All cardholders have been trained on the new policy.”

Norwalk CC: “Purchasing card users are expected to adhere to the policy and procedure manual in using purchasing cards on behalf of the college. Each user is trained by the Finance area of the Board of Regents Office upon receipt of a college purchasing card. In January 2011, when the system wide purchasing policy was updated and revised all purchasing card users were retrained. All users must submit their signed/approved purchasing card logs with receipts monthly to the fiscal administrative officer for processing. The fiscal administrative officer reviews the logs and transactions for inconsistencies. Additionally, the college’s purchasing card activity is audited annually by the system office. When a purchasing card user fails to adhere to policy the Director of Finance submits the finding in writing to the user who is notified that they did not comply with purchasing card policy. If the breach of policy is significant then the cardholder can have the card revoked. The Dean of Administration and the Director of Finance will continue to monitor the purchasing card activity for breaches in policy.”

*Auditors’ Concluding
Comments:*

Capital CC: The issue in this finding is not the cost of the individual items, but rather the method in which they were purchased. These items were purchased in separate transactions from the same vendor on the same day to circumvent the restriction on a single purchase limit that was in effect in April 2010 when the purchases were made. We measured these transactions against that standard, not the policy which became effective in December 2010.

Gateway CC: The transactions cited in the finding occurred prior to December 15, 2010, so we tested them against the policies and procedures that were in effect at that time.

Cash Receipts – Proper Cash Balancing Procedures – Gateway CC:

Criteria: Proper internal controls over cash require that a bank deposit be in agreement with its supporting documentation.

Condition: In our testing of cash receipts, we noted one instance in the fiscal year ended June 30, 2010, and another instance in the fiscal year ended June 30, 2011, in which the cash and check amounts per the deposit record prepared by the college were not in agreement with supporting Banner documentation. Although, in each instance, the total bank deposit was not affected by these discrepancies, this indicates that proper cash balancing procedures are not always being followed.

Effect: The college was not in compliance with proper internal controls over cash balancing.

Cause: The cause is unknown.

Recommendation: Gateway Community College should improve internal controls over the receipts process and ensure that all deposit documents are in agreement with their supporting Banner documentation. (See Recommendation 10.)

Agency Response: Gateway CC: “The college will continue to review existing internal controls with staff to ensure compliance over cash balancing activities.”

Student Activity Revenue Generating Events – Gateway CC and Housatonic CC:

Criteria: The State of Connecticut’s Accounting Procedures Manual for Activity and Welfare Funds, in accordance with Section 4-32 of the General Statutes, requires, in general, that each state institution receiving cash receipts belonging to the Student Activity Account deposit these monies into the bank within 24-hours of receipt. The manual further requires that, within ten business days after each social event funded by the Student Activity Account, a report is to be prepared itemizing the income and expenditures of the event, and presenting an accountability of tickets.

Condition: Gateway CC: In our testing of two student activity revenue generating events, we noted that the date that funds are received from ticket buyers is not noted in Student Activity Fund receipts records.

Housatonic CC: We audited ten Student Activity Account receipts, totaling \$2,077, during the audited period. Our testing disclosed the following:

- Five instances in which the financial reports prepared in relation to student-run revenue generating events were not signed by the appropriate college personnel. Additionally, three of these financial reports were prepared in an untimely manner. These reports were prepared 4, 16, and 126 business days, respectively, after the required due date.
- One instance of a delayed bank deposit. The delayed deposit, consisting of receipts totaling \$125, was deposited into the college's bank account one business day late. In effect, the college did not fully comply with Section 4-32 of the General Statutes, which generally requires that state agencies deposit monies received within 24-hours.
- One instance in which, due to the lack of a receipt date, we could not determine whether funds, totaling \$62, were submitted to the Bursar's Office in a timely manner. Furthermore, we could not determine whether these funds were deposited into the college's bank account in a timely manner.
- One instance in which the college failed to prepare a financial report in relation to a student-run revenue generating event.

Effect:

Gateway CC: Without this information, it is impossible to determine whether the college is in compliance with the State Comptroller's manual.

Housatonic CC: The college neither fully complied with the State of Connecticut's Accounting Procedures Manual for Activity and Welfare Funds nor with the prompt deposit requirements of Section 4-32 of the General Statutes. This weakened internal controls over some Student Activity Account receipts and exposed such funds to an increased risk of theft or loss.

Cause:

Controls in place were not always operating as designed.

Recommendation:

Gateway Community College and Housatonic Community College should strengthen controls over student-run revenue generating events and improve compliance with the State of Connecticut's Accounting Procedures Manual for Activity and Welfare Funds. (See Recommendation 11.)

Agency Response:

Gateway CC: "The College will ensure that the date funds are received from ticket buyers is noted in the Student Activity Fund receipt record."

Housatonic CC: "Since this audit, the college has hired a new Assistant Director of Student Activities. One of the main functions of this position is to insure the timeliness and proper documentation for all student activity deposits. The business office will continue to monitor this issue."

Personnel Appointments – Housatonic CC and Norwalk CC:

Criteria: Sound internal controls over payroll and human resources operations require that approvals for the hiring of employees be documented in a timely manner.

Condition: Housatonic CC: Our audit of 20 regular payroll transactions disclosed three instances in which employee appointment forms were not signed by the college or the employee prior to the start of the appointment period. In two of the instances noted, the signature from the college was obtained ten business days after the start of the appointment period, while the employee signatures were obtained 22 and 40 business days after the start of the appointment period. In the third instance, the employee's signature was obtained ten business days after the start of the appointment period. It was also noted in two of these instances that the employees earned gross pay amounting to \$16,248, in aggregate, for work performed prior to signing their appointment forms.

In addition, we noted two instances in which adjunct faculty appointment forms were not signed by the college or the employee prior to the start of the appointment period. In one instance, the college and the employee signed the appointment form 16 and 15 business days, respectively, after the start of the appointment period. In the other instance, the college signed the appointment form one business day after the start of the employment period.

Furthermore, our audit disclosed one instance in which a student worker's employment form was not signed by the college in a timely manner. The final authorization signature from the college was obtained six business days after the start of the employment period.

Norwalk CC: Our audit of 20 regular payroll transactions and 25 dual employment situations disclosed four instances in which employee appointment forms were not signed by the college, the system office, or the employee prior to the start of the appointment period. The instances noted are as follows:

- One instance in which the authorization signature was obtained from the college 22 business days after the start of the appointment period, while the employee's signature was obtained 27 business days after the start of the appointment period. It was also noted that this employee received \$2,893 in gross pay for services performed prior to the authorization of his appointment form;
- One instance in which the authorization signature was obtained from the system office seven business days after the start of the appointment period, while the employee's signature was obtained 12 business days

- after the start of the appointment period;
- One instance in which the employee's signature was obtained nine business days after the start of the appointment period; and
- One instance in which an employee's signature was not obtained. In this instance, the employee was allowed to work and earned gross pay totaling \$17,680 for services performed without signing the appointment form.

In addition, we noted 19 instances in which adjunct faculty appointment forms were not signed by the college or the employee prior to the start of the appointment period. In 16 instances, the authorization signature was obtained from the college five to 16 business days after the start of the appointment period, while the employee signatures were obtained 13 to 31 business days after the start of the appointment period. Furthermore, in three of these instances, the employees earned gross pay amounting to \$2,278, in aggregate, for work performed prior to signing their appointment forms. In two other instances, the college signed the appointment forms in a timely manner; however, the employee signed one business day after the appointment period began. In the final instance, the college's authorization signature was obtained 23 business days after the start of the appointment period, while the employee failed to date their signature; therefore, we were unable to determine whether the employee signed the appointment form in a timely manner.

Effect: In some instances, after-the-fact documentation of approvals of employment contracts decreased assurance that both the employees and the colleges agreed to contract terms before services were provided.

Cause: It appears that, in some instances, the controls in place at these colleges were not adequate to prevent the above conditions from occurring.

Recommendation: Housatonic Community College and Norwalk Community College should strengthen controls over the payroll and human resources functions by ensuring that employment contracts are signed by all appropriate parties in a timely manner. (See Recommendation 12.)

Agency Response: Housatonic CC: "Since the timeframe of this audit the college has put in place several practices in order to address this issue. An accountant within the business office has been assigned the task to monitor all incoming payroll documents for various items including timeliness of paperwork. Documents that fall outside the established college parameters are immediately reported to the submitting divisional dean and the Dean of Administration by the Director of Finance for corrective action."

Norwalk CC: "The college's HR Department will prepare contracts in a

timely and efficient manner with all proper signatures, by all parties (the employee and the proper administrator) will be in place before a personnel contract is executed. All divisions of the college who the HR Department depends on to provide the pertinent information in regards to personnel contracts will be trained in the proper processing and timeliness of this important process.”

Magnet School Costs – Billing Issues – Manchester CC:

<i>Background:</i>	Great Path Academy, a magnet high school, operates on the campus of Manchester Community College. A personal services agreement (PSA) between the college and Capital Region Education Council (CREC) details the various services and allocation of costs related to the magnet school.
<i>Criteria:</i>	The PSA allows for quarterly reimbursement to the college for utility costs, direct facility and administrative costs, and an administrative services fee.
<i>Condition:</i>	The college received a total of \$553,276 in the fiscal year ended June 30, 2010, for reimbursement of these costs. The billings by the college to CREC for the quarters ended September 30, 2009, and December 31, 2009, were not issued until April 22, 2010. These billings were not issued to CREC in a timely manner.
<i>Effect:</i>	The college’s billing procedures were not in accordance with the terms of the personal service agreement.
<i>Cause:</i>	The cause is unknown.
<i>Recommendation:</i>	Manchester Community College should issue billings related to the Great Path Academy magnet school in a timely manner. (See Recommendation 13.)
<i>Agency Response:</i>	“Staff turnover and position vacancies within the finance office, in addition to delays in receiving an approved Great Path Academy (GPA) budget, caused the delay in billing CREC for GPA expenses. Payment of the invoice for the first three quarters of the fiscal year and payment for the quarter ending June 30, 2010, were received in a timely manner. Invoices for GPA expenses for fiscal year 2011 have been submitted for payment at the end of each quarter.”

Initiation of the Procurement Process:

<i>Criteria:</i>	Proper internal controls over purchasing require that commitment documents be properly authorized prior to the receipt of goods or services.
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It is good business practice to ensure that a written personal service agreement is in place and signed by all relevant parties before related services are provided.

Condition:

System Office: Our samples consisted of 10 expenditures for the procurement of goods or services in each fiscal year of the audited period. From these samples, we noted the following:

- Two instances in the fiscal year ended June 30, 2010, in which goods were received prior to authorization of the purchase requisition and purchase order. Authorization occurred two weeks and three months after receipt of these items.
- One instance in the fiscal year ended June 30, 2011, in which services were received prior to authorization of the purchase requisition and purchase order. Authorization occurred one month after the receipt of the related services.

Gateway CC: Our sample of expenditure testing consisted of ten transactions from the fiscal year ended June 30, 2010, and 14 transactions from the fiscal year ended June 30, 2011. From this testing, we noted the following:

- Two instances from the fiscal year ended June 30, 2010, in which the purchase requisition and purchase order were approved and completed after the goods or services were provided.
- One instance from the fiscal year ended June 30, 2010, and two instances from the fiscal year ended June 30, 2011, in which the purchase requisition and purchase order were approved and completed after the goods or services were ordered.

Norwalk CC: Our audit of 20 purchases made during the audited period disclosed three instances, totaling \$14,688, in which the college processed a purchase requisition and/or purchase order after corresponding services were rendered and obligations were incurred. In the instances noted, requisitions and purchase orders were processed 17 to 84 business days and 20 to 84 business days, respectively, after goods or services had been ordered or received.

In addition, we noted four instances in which written personal service agreement contracts, amounting to \$2,028,248 in aggregate, were not executed in a timely manner. College signatures were obtained seven to 60 business days after the start of the contract period, while corresponding contractor signatures were obtained three to 48 business days after the contract period began. In three of these instances, contracts totaling

\$2,025,000 received approval from the Office of the Attorney General between 27 business days and roughly three months after the start of the contract periods. In one instance, totaling \$3,248, the college did not obtain the Office of the Attorney General's signed approval. It was also noted that two of these contracts, totaling \$25,000, did not have the required nondiscrimination certification forms signed and in place until 48 business days and slightly more than three months after the start of the contract periods.

Three Rivers CC: We selected 21 expenditures for testing and noted one instance in which goods were ordered and received prior to the approval of the purchase requisition and the issuance of the purchase order.

Effect: Internal controls over purchasing were weakened.

Cause: The system office and these colleges did not always adhere to established purchasing policies.

Recommendation: The Board of Regents for Higher Education should obtain proper authorization prior to ordering goods or services that were previously administered by the community colleges system office. Also, these colleges should ensure that proper authorization is obtained prior to the purchase of goods or services. Furthermore, Norwalk Community College should ensure that written personal service agreements are signed by all relevant parties prior to the commencement of those services. (See Recommendation 14.)

Agency Response: Board of Regents for Higher Education: "We concur with this finding. Regular communications will be issued to all community college employees regarding the current procurement procedures, specifically as they concern the requirement that no services be provided until the authorization of purchase orders."

Gateway CC: "The college will continue to review existing purchasing policies with faculty and staff to ensure that proper authorization is obtained prior to the purchase of goods and services."

Norwalk CC: "The college always works to ensure that proper purchasing and contracting policies are followed. In the last several years the college has worked to be more compliant in contracting and in utilizing state contracts for purchasing goods and services. Contracts often take time to negotiate post award and final signatures occur after the start date of the contract. At no time are contractors permitted to be paid until all contract documents are fully executed. The college will work with vendors and internal constituents to ensure that contracts are fully executed before they begin."

Three Rivers CC: “Although efforts are made to ensure that purchase requisitions and purchase orders are generated and approved prior to an order being placed, occasionally there is a need to process an order on an emergency basis prior to signature approval particularly when related to a facility or systems maintenance issue. The college will reinforce its effort to comply with the established purchasing policies.”

Part-time Lecturer and Educational Assistant Employment Contracts and Evidence of Services Provided:

Background: At times, colleges within the Connecticut Community College System hire employees on a temporary basis to fill positions of a professional nature. The community colleges call these employees educational assistants (EAs). Educational assistants are required to sign written agreements specifying their terms of employment, including rate of pay and duration of employment.

Criteria: It is a good business practice to ensure that employment contracts are approved before services are provided to confirm that the parties involved are in agreement with contract terms.

Sound internal controls require the preparation of time sheets or equivalent documentation, signed by the employee’s supervisor, to support time worked during a particular pay period. These records provide some assurance that an employee actually provided services during the time period for which he or she was paid.

Condition: Manchester CC: We reviewed two educational assistant employment contracts and noted the following:

- Both of the contracts were not signed by the appointees.
- A time sheet for one of the educational assistants was not signed by a supervisor.

We also reviewed the contracts for two part-time lecturers. From this sample, we noted the following:

- Both of the contracts were signed by the appointees after the start date of the contract.
- Both of the contracts were signed by the college president after the start date of the contract.

Middlesex CC: During our test of payroll transactions, we reviewed educational assistant employment contracts and noted that contracts relating to one employee’s EA responsibilities for several grants were not signed

before work on the contracts had begun. Two contracts were signed five months after the period of appointment began, one contract was signed three weeks after the period of appointment began, and one contract was signed four days after the period of appointment began. Furthermore, time sheets were submitted three months after services were provided, making it necessary to record those payments in Core-CT as retroactive payments. The time sheets also had whiteouts and changes. In addition, the workload waiver for the Fall 2009 semester was signed more than a month after the semester began.

Three Rivers CC: We reviewed the employment contracts for five part-time lecturers who performed services during the audited period. We noted that four of these contracts were not signed by the appointee prior to the start of the contract. We also noted that all five of the contracts did not include a date of approval by the college.

Effect: There was a weakness in internal controls over employment contracts related to part-time lecturers and educational assistants. There was also a weakness in internal controls over time sheets related to educational assistants.

Cause: Controls in place were inadequate to prevent the late approval of these employment contracts. Furthermore, control over the time sheets of educational assistants was inadequate.

Recommendation: The Board of Regents for Higher Education and the community colleges should improve internal controls related to part-time lecturer and educational assistant employment contracts. Controls over the time sheets of educational assistants should also be improved. (See Recommendation 15.)

Agency Response: Manchester CC: “The college will continue to improve existing controls procedures to help ensure that contracts for educational assistants and part-time lecturers are signed by all parties prior to commencement of employment. It should be noted that record enrollment has significantly increased the number of educational assistant and part-time lecturer contracts to be processed with no increases in staffing levels.”

Middlesex CC: “The college will continue with due diligence to the operational practices when hiring part time educational assistants.”

Three Rivers CC: “The college issues PTL Notices of Appointment using a date range that matches the broader contractual limits during which management may assign teaching duties. The first day of teaching for many PTLs is often times the day the contract is signed which may not be the first day of the semester. Specifically, the Congress of Connecticut Community

Colleges Collective Bargaining Agreement (Art. 10, Section C.) states, in part, that teaching faculty may be scheduled to work beginning on or after August 25 and, for the spring semester, teaching faculty may be scheduled to work beginning no earlier than the day following the Martin Luther King holiday. All PTL contracts at the college are signed and in place before initiation of assigned teaching duties.”

Personal Service Agreements (PSAs):

Criteria: It is good business practice to set up written contracts when entering into agreements with individuals or organizations for the performance of personal services. In addition, these contracts should be signed by the college, the contractor, and the Office of the Attorney General, when applicable, prior to the commencement of services.

Condition: System Office: We reviewed a total of ten personal service agreements during the audited period. From this sample, we noted one instance in the fiscal year ended June 30, 2010, and two instances in the fiscal year ended June 30, 2011, in which both the contractor and the system office signed the PSA after commencement of services. Services were provided between one-and-a-half months and two-and-a-half months before completion of the PSA.

Capital CC: We noted three instances in the fiscal year ended June 30, 2010, in which the contractor and the college signed a contract after the contract period had begun. The college signed these contracts between two weeks and five months after the start of the contracts.

Gateway CC: We tested ten PSAs from the audited period. From this testing, we noted three instances in which the college signed the agreement after the services had been provided. One of the agreements was signed on the last day of a four-month agreement, while the other two were signed seven days late and two months late, respectively.

Manchester CC: We noted two instances in which the college signed personal service agreements after the services were completed.

Middlesex CC: We reviewed 20 expenditures occurring during the audited period. Our audit of this area disclosed two instances in which the college entered into written personal service agreement contracts with vendors, and the corresponding authorization signatures from the contractor, the college, or the Attorney General were obtained after the start of the contract period. The time lapse between the start of the contract period and when the signatures were obtained ranged from five days to 35 days. In one case, the requisition was submitted and approved after services were received. In addition, we also

noted two instances in which the total services provided by two vendors exceeded the amounts of the PSAs. In those cases, PSA amendments were not prepared.

Three Rivers CC: We selected ten PSAs for testing and noted two instances in which services were provided prior to completion of the PSA. One PSA was signed by the college on May 8, 2011, while services were provided on May 6, 2011. In the other instance, the college signed the PSA on December 7, 2010, while services were provided on December 1, 2010.

Tunxis CC: We tested 11 PSAs and noted the following:

- A PSA for the rental of tents, stage, chairs, lighting and a sound system was awarded without obtaining three competitive quotations.
- A PSA that provided for lodging and meals for workshop attendees was signed almost three weeks after the start of the workshops.

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

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

Recommendation: The Board of Regents for Higher Education should improve internal controls over personal service agreements previously administered by the community colleges system office. Furthermore, the colleges should ensure that all established policies and procedures related to PSAs are followed. (See Recommendation 16.)

Agency Response: Board of Regents for Higher Education: “We concur with this finding. Regular communications will be issued to all community college employees regarding the current procurement procedures, specifically as they concern the requirement that personal services agreements must be completed and signed before services are rendered.”

Capital CC: “The college agrees with the findings. There were three instances in which the college and the contractor signed a contract after the contract period had begun. The contract with ABM Janitorial had been completed and submitted to the Attorney General’s Office for approval in June 2009. The AG office responded back to the college on July 2, 2009. The Certificate of Incumbency required by the AG office took several months to obtain from ABM Janitorial because ABM’s corporate office is located out of state

(Texas) and an executive committee meeting had to occur wherein a resolution was adopted granting an appropriate staff member the authority to enter into contracts.

The other two contracts which were signed a couple weeks after the start date was due to either a staffing shortage or new staff had not yet been trained on contracting procedures. The college will ensure that instruction is provided to new employees regarding contractual policies and procedures.”

Gateway CC: “The college will continue to review existing internal controls over personal service agreements with faculty and staff to ensure that all established policies and procedures are followed.”

Manchester CC: “The college is currently implementing additional controls to help ensure that personal service agreements are signed by all parties prior to commencement of services. The Office of Finance and Administrative Services provides training to the college community in the area of personal service agreement policies and procedures.”

Middlesex CC: “The college will take steps to tighten the personal service agreement process. Timing continues to be problematic for the requirements placed on this process. The amendments to amounts over the original contract will be addressed and purchasing policies will be reinforced.”

Three Rivers CC: “In both of these instances, the PSAs were signed by the contractor on the day of service. The president is not always available on the same day to sign the contract. Payment was not rendered prior to the contract being fully executed. The college will reinforce its effort to comply with established purchasing policies.”

Tunxis CC: “The college agrees it is a good business practice to obtain signed personal service agreements prior to the commencement of related services. The rental PSA inadvertently went over the \$10,000 threshold when the sound system was added for graduation ceremonies. The Purchasing Office will monitor requisitions that exceed this threshold and make sure that three competitive quotes are obtained.

The lodging PSA pertained to lodging of instructors for the CT Photo Institute. The paperwork was not completed in a timely manner due to this being a new initiative, with staff trying to estimate which classes would run at what enrollment level. The college does not expect this situation to recur.

Reminders about purchasing and contracting guidelines are routinely distributed in the monthly Administrative Services report to the Professional Staff Organization (PSO). Purchasing staff will provide a purchasing workshop in the

Fall 2011 semester to refresh and update employees on purchasing and contracting protocols.”

Student Activity Trustee Account Purchasing:

Criteria: The Community Colleges’ Agency Purchasing Policies provide that a purchase requisition must be properly approved before goods or services are ordered. In addition, those policies require that an award to a personal services contractor requires a written personal services contract agreement defining the services to be delivered. Furthermore, good internal controls require that purchases are documented by supporting records.

Condition: Asnuntuck CC: From a sample of four trustee account expenditure transactions, we noted that, in two instances, requisitions were approved after the purchase was completed. We also found that a requisition was not prepared or approved for student memberships in Phi Theta Kappa. In another instance, we noted that a personal service agreement was not prepared for the services of a hypnotist.

Northwestern Connecticut CC: We tested four student activity transactions and noted one instance in which the requisition was approved after the purchase was completed.

Three Rivers CC: We selected seven student activity trustee account disbursements from the fiscal year ended June 30, 2010, and 12 disbursements from the fiscal year ended June 30, 2011 for testing. From these samples, we noted three instances from the fiscal year ended June 30, 2011, in which the Coordinator of Student Programs did not note the date when she approved the purchase requisition.

Tunxis CC: We selected ten student activity trustee account purchases for testing. From this sample, we noted two instances in which purchasing documentation was completed after delivery of goods or services. The purchasing documents were completed two weeks and three weeks after delivery of goods and services.

Effect: The colleges did not comply with community college purchasing policies.

Cause: Internal controls over student activity purchases were inadequate.

Recommendation: The Board of Regents for Higher Education and the community colleges should improve internal controls over student activity trustee account purchases. (See Recommendation 17.)

Agency Response: Asnuntuck CC: “This finding has been reviewed with the Dean of Student Services. In one case, a faculty advisor was using an old payment voucher form. Those have been destroyed and the advisor is aware of the requirement to complete an internal requisition for any transaction. In addition, the Department of Administrative Services revised its internal Policies and Procedures Manual and reviewed that with the President’s Cabinet. Finally, each year the Director of Finance sends out an e-mail reminding every full-time and part-time employee of proper purchasing procedures.”

Northwestern Connecticut CC: “Northwestern Connecticut Community College concurs. The college will re train the student activities director on purchasing policies.”

Three Rivers CC: “The Dean of Administration will initiate a communication to college approvers to request that all purchase requisitions be dated when signed. In the future, the college plans to implement the Banner on-line requisitioning system that will provide electronic approvals with simultaneous date entry.”

Tunxis CC: “The college’s goal is to have all purchasing documentation completed in a timely manner. Student clubs do not understand the timeframes or complexities involved in state purchasing. Often clubs initiate activities involving goods and services with little turn-around time. The Purchasing Office will work with the Director of Student Activities to train club advisors on the purchasing process. Club needs will be met and state purchasing protocols will be followed as well.”

Attendance and Leave Records – Middlesex CC and Northwestern Connecticut CC:

Criteria: Leave and attendance records should be maintained in accordance with applicable bargaining unit contracts and board of trustees’ personnel policies. Furthermore, internal controls over leave and attendance require a clear understanding of the procedures necessary to make adjustments in the Core-CT system.

Condition: Middlesex CC: During our review of the attendance and leave records for employees tested during our payroll test, we noted that vacation leave accruals for one 11-month employee included the accrual for a 12th month. As there is no 11-month accrual plan for vacation accruals in Core-CT, the Payroll Office must make a manual adjustment. We noted that adjustments had not been performed since April of 2006. Therefore, the employee accrued six extra accruals at 12.833 hours for a total of 76.998 hours or 11 days. Furthermore, the college noted a leave and attendance posting error for another employee and made a correction in Core-CT. However, the error was

corrected using an eight-hour work day rather than the appropriate seven hours.

In addition, during our prior audits, we noted that attendance and leave records for part-time college employees appeared to include incorrect sick and vacation leave balances as of June 30, 2005. The state's Core-CT information system team had informed us that there was an information system error that resulted in inaccuracies in Core-CT records of leave time accruals for part-time state employees after the state's Core-CT employee attendance and leave record system was implemented in October 2003. However, this Core-CT system-wide problem was corrected in May 2005. The Core-CT team also informed us that it was each state agency's responsibility to retroactively correct part-time employee leave time balance errors that occurred as a result of this Core-CT system problem. The college had not made these corrections through the time of our prior examination in March 2006. We noted that the college still had not made these corrections during our audit of fiscal year ended June 30, 2008. During our current test of terminations, we reviewed the termination payments for an employee who retired, who had been a part-time employee between 2003 and 2007 before becoming a full-time employee. The leave accruals had been tested during the prior audit of fiscal year ended June 30, 2008, and it was found that corrections to the record had not been made at that time. Therefore, we reviewed the records to determine whether the adjustments had been made prior to the employee's retirement on May 31, 2010. We noted that no adjustments had been made, and the employee was paid out according to the uncorrected balance. We also tested two part-time employees in our regular payroll test and noted no exceptions. However, we conclude that the college has not reviewed all of the leave accrual records for part-time employees.

Northwestern Connecticut CC:

- During our review of the attendance and leave records of payroll employees, we noted that one employee used a compensatory (comp) day, which was earned when the college was open on a regular state holiday. However, the comp day was recorded as regular time worked, not a comp day. Therefore, the employee's comp time balance was not reduced for the eight hours used.
- We also noted two immaterial posting errors and notified the payroll office of those discrepancies. We were informed that the corrections to the attendance records were made via Adjust Paid Time in the Core-CT system. We verified that the employee's attendance record reflected the corrections. However, we noted that the corrections did not post to the employee's Leave Accrued/Processed Report; therefore, the employee's sick and vacation leave balances remained unchanged. It was determined that, although the corrections were made to the employee's attendance

record, the additional step of manually adjusting the time sheets in Core-CT had not been taken. Those adjustments to the time sheets are necessary to post the changes to the Leave Accrued/Processed Report.

Effect:

Middlesex CC: The 11-month employee's vacation leave balance was overstated by 11 days; the other employee's sick and vacation leave balances were overstated and understated by one hour, respectively. Leave accruals for part-time employees continue to be incorrect, and one employee's leave payouts at retirement were made based on the incorrect balances.

Northwestern Connecticut CC:

- The employee's compensatory time balance was overstated, which may result in the employee using leave time that was not earned.
- A failure to follow all required procedures when posting adjustments to leave and attendance records will result in inaccurate leave balances.

Cause:

Middlesex CC: The college did not have adequate procedures in place to ensure that the manual correction was performed annually. The posting error appears to be caused by human error. In addition, the college has not made it a priority to review leave balances for part-time employees and make necessary corrections.

Northwestern Connecticut CC:

- It is unclear why the employee's attendance was recorded as time worked. The time sheet legend does not include a selection for holiday comp time used. However, the payroll employee entering the data in Core-CT is familiar with that reporting code.
- All employees responsible for processing leave and attendance did not clearly understand or consistently follow Core-CT procedures for making adjustments to leave and attendance records.

Recommendation:

The community colleges should improve internal controls over leave and attendance. Furthermore, Middlesex Community College should make it a priority to review leave records for all part-time employees who may have been affected by a Core-CT system error. (See Recommendation 18.)

Agency Response:

Middlesex CC: "The college disagrees with the statement relative to citing the lack of prioritizing the review of part time leave accruals. The college does emphasize the importance of the proper leave plan selection and the conformance to bargaining unit contracts and BOT policies. The condition statement indicates that two part time employees were tested on the regular payroll test for this audit period revealed no exceptions found, indicating that the college in compliance with current enrollment in proper leave plans.

In regard to the data clean up for the prior year Core-CT inaccuracies and the lack of an applicable leave plan within the Core-CT system for 11 month employees, the college maintains that human error is going to be a factor for success in this area. The system is cumbersome and relies heavily on manual calculations. Regardless, the errors cited will be corrected and a review process will be put in place to ensure that regular monitoring of part time accruals is maintained.”

Northwestern Connecticut CC: “Northwestern Connecticut Community College concurs. The college will ensure that the time and labor specialists responsible for recording leave and attendance in Core-CT will have a clear understanding of the procedures necessary to make adjustments to leave and attendance records.”

Auditors’ Concluding

Comments:

Middlesex CC: The college has not made the review of part-time leave accruals occurring between 2003 and 2005 a priority. The employee who retired in 2010 had been specifically cited as having incorrect accruals in our audit of fiscal year 2008. Our current audit disclosed that no adjustments had been made to that employee’s leave balances despite our finding, and the employee was paid out according to the incorrect balance. As noted above, the Core-CT errors occurred between 2003 and 2005 and required that the college review leave accruals occurring in those years. Since Core-CT corrected the system-wide error in 2005, there should be no current errors.

Regarding the need for a manual adjustment for the 11-month employee’s vacation accruals, it is understandable that there may be a situation in which the adjustment may be missed. However, the adjustment was overlooked for six consecutive years.

Property Control – Nursing Program – Northwestern Connecticut CC:

Criteria:

The Connecticut Community College System’s Fixed Asset Inventory and Accounting Policy prescribes the standards for property control within the Connecticut Community College System.

Condition:

We selected 15 items located in classroom laboratories at Northwestern Community College’s new nursing program. Inventory records were not accurate for several items on the Banner system inventory report. One item was not recorded on the report, and the cost of another item was incorrect. After notifying the college of the errors, corrections made to the records were not accurate.

Effect:

The college’s inventory records did not accurately reflect all items purchased

for the nursing program and their cost.

Cause: The college did not place sufficient emphasis on property control.

Recommendation: Northwestern Community College should review equipment purchases related to the nursing program and make corrections to inventory records to ensure their accuracy. (See Recommendation 19.)

Agency Response: Northwestern Connecticut CC: “Northwestern Connecticut Community College concurs. The college will review the equipment purchases related to all programs and make correction to the inventory record as necessary.”

Vacation Carryover – Asnuntuck CC:

Criteria: The Congress of Connecticut Community Colleges (4C’s) collective bargaining unit contract provides that non-teaching professionals will take a minimum of three weeks vacation each calendar year and that, in extenuating circumstances, vacation days may be carried over into a new calendar year with the written approval of the president of the college.

Condition: We noted one instance at Asnuntuck Community College in which an employee carried over vacation accruals without proper authorization from the college president.

Effect: The college did not comply with the requirements of the 4C’s collective bargaining unit contract.

Cause: The cause is unknown.

Recommendation: Asnuntuck Community College should take steps to ensure that, in extenuating circumstances, carryover of vacation days is approved by the college president. (See Recommendation 20.)

Agency Response: Asnuntuck CC: “This one instance was an oversight on the part of the Human Resources Department. Communications go out in October of each year advising employees of this requirement of the 4C’s contract. The instance has been reviewed with Human Resources and the college is confident that there will not be a reoccurrence.”

Community College Foundation Audit Reports – Asnuntuck CC and Norwalk CC:

Criteria: Section 4-37f subsection (8) of the General Statutes requires audit reports for foundations affiliated with state agencies to include an opinion that addresses the foundation’s conformance with Sections 4-37e through 4-37i of the

General Statutes and recommends corrective actions to ensure such conformance.

Condition:

Asnuntuck CC: In our prior audit, we included a recommendation that the college should ensure the audit reports of its affiliated foundations address compliance with Sections 4-37e through 4-37i of the General Statutes. We reviewed the Independent Auditor's Report for the Asnuntuck Community College Foundation, Inc. for the fiscal year ended December 31, 2009. We noted that, although the report states that the financial statements are in accordance with related statutes, it does not indicate that the audit was conducted to ensure compliance with those statutes. The report states, "In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asnuntuck Community – Technical College Foundation, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America, and in accordance with Connecticut General Statute (CGS) Sec. 4-37(a) to 4-37(i) inclusive." Furthermore, Sections 4-37a through 4-37d do not relate to audits of foundations. The correct reference would be Sections 4-37e through 4-37i, inclusive.

Norwalk CC: We obtained and reviewed copies of the foundation's audit reports and related documentation for the calendar years ended December 31, 2009 and 2010. Our review of this information disclosed that the foundation did not obtain an opinion from its external auditors addressing the conformance of its operating procedures with the provisions of Sections 4-37e to 4-37i, inclusive, of the General Statutes.

Effect:

The foundations did not fully comply with Section 4-37f subsection (8) of the General Statutes.

Cause:

The cause is unknown.

Recommendation:

Asnuntuck Community College and Norwalk Community College should ensure that the audit reports of their affiliated foundations address compliance with Sections 4-37e through 4-37i of the General Statutes. (See Recommendation 21.)

Agency Response:

Asnuntuck CC: "The college has reviewed this finding with the Independent Auditor of the Asnuntuck Community College Foundation. They indicated that they are aware of the General Statutes and that the use of Sec. 4-37 (a) in the report instead of Sec. 4-37 (e) was a typographical error."

Norwalk CC: "The NCC Foundation is in compliance with the CGS in

regards to operating procedures and filing a yearly audit report. The Foundation files an annual audit report performed by an independent audit firm with the Board of Regents/Trustees and all mandated and required documentation is in place, including the conformance of the operating procedures. The audits are on file at the community college system office in Hartford.”

Auditors’ Concluding

Comments: Norwalk CC: During our audit, we made several requests for the foundation’s independent audit reports on the foundation’s compliance with Sections 4-37e through 4-37i of the General Statutes. No such reports were provided to us.

Payment to a Part-time Lecturer for a Cancelled Course – Gateway CC:

Criteria: Good business practice requires that payment should not be made for a service that was not performed.

Condition: We tested payments to ten part-time lecturers. We noted an instance in which the class that a part-time lecturer was hired to instruct was cancelled prior to the start of the Fall 2010 semester. The part-time lecturer, however, received full payment throughout the semester for this course. The amount of the overpayments totaled \$5,340. The college is currently recovering these funds.

Effect: The college paid for instruction of a class that was cancelled.

Cause: The college does not have a procedure in place to notify the payroll department when a course is cancelled.

Recommendation: Gateway Community College should implement a reliable procedure through which the payroll department is promptly notified when a course is cancelled in order to prevent an overpayment. (See Recommendation 22.)

Agency Response: Gateway CC: “The college has a procedure in place to notify the payroll department when a course is cancelled and believes this occurrence to be an isolated event. The payroll department initiated recovery of the funds prior to the auditors testing and the payment has been fully recovered. The college will continue to review payroll related course cancellation policies and procedures with the Academic Dean’s office to ensure that the payroll department is promptly notified whenever a course cancellation occurs.”

Auditors’ Concluding

Comments: In this instance, the class that the part-time lecturer was hired to teach was cancelled prior to the start of the semester. The individual received full

payment throughout the semester. The college was unaware that the individual was receiving payment for the cancelled course until he notified the college, which occurred after the conclusion of the semester.

Internal Control Questionnaire – Middlesex CC:

<i>Criteria:</i>	State Comptroller's Memoranda No. 2010-15 and 2011-08 require that an established internal control questionnaire be completed by June 30th of each fiscal year. The questionnaire should be maintained by the agency and made available to the Auditors of Public Accounts upon request.
<i>Condition:</i>	We requested the State Comptroller's internal control questionnaires for the fiscal years ended June 30, 2010 and 2011, and determined that Middlesex Community College had not completed the questionnaires for those fiscal years.
<i>Effect:</i>	The college was not in compliance with the State Comptroller's requirement. Furthermore, the omission indicates that the college has not performed a formal evaluation of its internal controls.
<i>Cause:</i>	Control over completion of the questionnaire was insufficient.
<i>Recommendation:</i>	Middlesex Community College should implement procedures to ensure that its internal controls are formally evaluated and documented on an annual basis. (See Recommendation 23.)
<i>Agency Response:</i>	<u>Middlesex CC</u> : "The college agrees that the questionnaire was not completed for either year. Upon review, the college Dean and Director of Finance and Administration has been eliminated from the e-mail list and therefore did not get the annual reminder memoranda listed above. A request has been made to be put on the distribution list and the questionnaire for 2012 is currently being completed."

Accounts Receivable Write-offs:

<i>Background:</i>	Comptroller's Memo 2000-15 provides the requirements for minimum collection procedures related to delinquent accounts. Those requirements dictate that, "a record must be kept for each action taken to collect an account, the name of the person taking the action, and the date the action was taken. This documentary evidence of collection efforts must be available at the agency to support classifying an account as uncollectible." Furthermore, "at least three documented efforts should be made to collect all delinquent accounts over \$25."
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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. In addition, Community College Accounts Receivable Policies state that, in order to comply with Comptroller's Memo 2000-15, three collection attempts must be made for student accounts with balances over \$25 before an account is considered for write-off. Such collection attempts should be documented by either hard copies or readily retrievable electronic files.

The Office of Policy and Management's (OPM) Policy for Uncollectible Accounts requires that state agencies receive approval from OPM to write off accounts greater than \$1,000.

Condition: Asnuntuck CC: We reviewed four accounts receivable write-offs and noted that, in one instance, the college did not comply with community college policies, which are based on Comptroller's Memo 2000-15 and which require that the college make three documented attempts to collect past-due amounts. The college made one documented attempt to collect the past-due amount of \$968. Depending on the amount of be written off, community college policies require two collection attempts by the college and a third collection attempt may be made by a collection agency. Interviews with college personnel indicate that the college makes three collection attempts before sending the account to a collection agency. Our testing indicated that, in two instances, the college did not comply with its own procedures by making three documented collection attempts before sending the account to the collection agency.

Middlesex CC: We reviewed eight accounts receivable that were written off in fiscal years 2010 and 2011. Interviews with college personnel indicate that the bill the student receives at the time of registration is considered the first attempt. A second bill is sent after financial aid awards are posted in mid-October, which is considered the second attempt. However, the college does not keep a hard copy of those bills, and electronic records of the bills are not available in the Banner system. The third notice is sent via certified mail at the end of the semester, and those receipts or returned letters are kept on file. We conclude, therefore, that the college is unable to document its collection attempts, with the exception of the final attempt via certified mail.

In addition, we noted one instance in which the college did not request OPM approval to write off an account in excess of \$1,000. We also noted that the account for this student was returned from the collection agency in April of 2009 as uncollectible because the student was deceased. The request for write-off to the dean was prepared and granted in October of 2009, but the account was not written off in the Banner system until June of 2011.

Three Rivers CC: We noted that the college writes off individual student receivables of less than \$1,000 without the authorization required under Section 3-7 of the General Statutes.

Effect: Middlesex CC was unable to document adherence to required procedures for collection of past-due accounts and Asnuntuck CC was unable to document adherence in one instance. In addition, these colleges were not in compliance with Section 3-7 of the General Statutes or internal procedures.

Cause: Asnuntuck CC: In one case, the student presented a check that was returned by the bank and the college made one attempt at collection. In two cases, the students signed up for an installment payment plan and the college considered that contract to be the first attempt at collection.

Middlesex CC: Documentation to accounts receivable billing is not available in the Banner system and the college does not make hard copies of each bill sent to students.

College personnel stated that it was their understanding that charges for each account related to a student's charges (i.e. tuition, student activity fees, and college service fees) must be greater than \$1,000 to require OPM approval. Our position, and the position of OPM, is that the amount of the entire receivable for an individual student determines whether OPM approval must be obtained.

Three Rivers CC: The college delegated the responsibility for writing off receivables of less than \$1,000 to the employee who administered receivables several years ago.

Recommendation: Asnuntuck Community College and Middlesex Community College should comply with State Comptroller's memo 2000-15, Section 3-7 of the General Statutes, and internal procedures as they relate to the write-off of accounts receivable. (See Recommendation 24.)

Agency Response: Asnuntuck CC: "This finding has been reviewed with the system office. They have indicated that the first notification of an amount due is provided to the student at registration. Based on this information, it appears that the college is in compliance with the Connecticut Community College Collection Policy. They have indicated that the college does not need to change any procedures at this time. If it is determined that the CCC practice is incorrect, then the systematic policies and practices will be adjusted."

Middlesex CC: “The college will maintain electronic copies of the second notice billing statements in the future. The college will also adjust for the interpretation of the receivable on student accounts and continue to maintain conformity to the write off process and procedures.”

Three Rivers CC: “The Dean of Administration (Agency Head) provided delegated authority to the employee who administers the accounts receivables for the college. A compensating control was established that required the Director of Finance to review all write-offs quarterly. This compensating control was evidenced by the director’s signature. This delegation of authority was made several years ago and was deemed valid during previous audits. It should be noted however, that this practice had been revised beginning with the current fiscal year (FY12). All write-offs of receivables \$1,000 or less are now authorized in writing by the Dean of Administration.”

Maintenance Department and Purchasing Functions - Separation of Duties – Northwestern Connecticut CC:

Criteria: Sound internal controls requires a segregation of duties between the requisitioning department and the department responsible for purchasing decisions.

Condition: Purchasing decisions for the maintenance department rest within that department rather than the purchasing department, resulting in a lack of segregation of duties. Although there are situations in which input from the requisitioning department is necessary in order to meet specific requirements, the purchase of routine maintenance, cleaning, and paper supplies and equipment requires little technical expertise.

Effect: Internal controls are compromised when the department submitting the requisition for a purchase also has the authority to select the vendor.

Cause: Although the college has a purchasing department, the maintenance department was allowed to select the vendor for its purchases.

Recommendation: Northwestern Connecticut Community College should structure the purchasing process so that a proper separation of duties exists between the requisitioning department and the department responsible for purchasing decisions. (See Recommendation 25.)

Agency Response: Northwestern Connecticut CC: “Northwestern Connecticut Community College concurs. The college will structure its purchasing process to provide for separation of duties between the requisitioning department and the department responsible for purchasing decisions.”

Purchasing – Account Coding – Northwestern Connecticut CC:

<i>Criteria:</i>	Accurate reporting of expenditures requires that purchases be coded to the correct expense object.
<i>Condition:</i>	Two expenditures for information technology equipment totaling \$44,332 were coded to account 7901, capital office equipment, rather than account 7910, EDP Hardware.
<i>Effect:</i>	The college's financial records did not accurately reflect the purchasing transactions for IT equipment.
<i>Cause:</i>	Human error appears to be the cause.
<i>Recommendation:</i>	Northwestern Connecticut Community College should review practices used to assign account codes. (See Recommendation 26.)
<i>Agency Response:</i>	<u>Northwestern Connecticut CC</u> : "Northwestern Connecticut Community College concurs. The college will review practices used to assign account codes."

Accounts Receivable - Northwestern Connecticut CC:

<i>Criteria:</i>	Student accounts should promptly reflect checks returned for insufficient funds to ensure that a student liable for an unpaid balance is not permitted to register for classes.
<i>Condition:</i>	We reviewed four write-offs of accounts receivable accounts for fiscal year 2010 and found that one student account was not properly administered. A check submitted by a student was returned by the bank in January of 2008 because of insufficient funds, but the student account was not charged the amount \$736 until August 1st. Therefore, when the student covered the check by paying his balance due in cash in January, his account then reflected an overpayment of \$736. The student's financial aid award was posted in February and the student was sent a refund check for the account balance, which included the overpayment of \$736. As a general rule, the Cashier's Office reviews student refund checks to determine whether the refund is valid. However, it appears that a review was not performed in this case. When the returned check was eventually posted on August 1st, the student account showed a balance due of \$736 and a hold was placed on the student's account. Such a hold would prevent a student from registering for the fall semester until the balance due was paid. Due to an oversight or a lack of communication, the returned check posting was reversed by a cashier on

August 29th, allowing the student to register for the fall semester. The student, therefore, incurred additional charges before withdrawing from his courses in October. Total uncollectible charges were \$1,158.75.

Effect: The college sent the unpaid account to a collection agency, and the account balance was ultimately written off as uncollectible.

Cause: Failure to follow established procedures and a lack of communication between various staff members at the college resulted in the improper administration of this student's receivable account. Prompt posting of the charges for the returned check would have prevented the return of \$736 to the student when his financial aid award was posted. Furthermore, the reversal of the returned check charge without proper research allowed the student to register for the fall semester and incur additional charges. Although the student bears some responsibility for understanding the details of his account, procedures have been established to prevent a student from receiving a refund that is not due and to prevent a student who owes a balance from the prior semester from registering and incurring further liabilities. The above-noted errors occurred, in part, because those procedures were not performed.

Recommendation: Northwestern Connecticut Community College should take steps to ensure that returned checks are promptly posted to student accounts. Further, student accounts should be adequately researched before adjustments are made. (See Recommendation 27.)

Agency Response: Northwestern Connecticut CC: "Northwestern Connecticut Community College concurs. The college will meet with the cashiers and emphasize that returned checks are promptly posted to the student accounts."

Termination Payments – Middlesex Community College and Northwestern Connecticut CC:

Criteria: Calculation of faculty contract balance payments at termination should be made using due care and accuracy.

Core-CT provides a Checklist for Terminating an Employee, a set of instructions for various employee terminations.

Condition: During our review of termination payments at Middlesex CC, we noted that the contract balance payments for one faculty member who retired were incorrect. The amount of the overpayment totaled \$6,467.66, with a net overpayment after taxes of \$5,972.88. We determined that the error occurred in the spreadsheet prepared to calculate the faculty member's payments. As a result, we performed additional testing and found that another faculty member's contract balance payments were based on the same spreadsheet and

were also incorrect. That overpayment totaled \$7,311.34, with a net overpayment of \$7,132.12. The college informed the employees of the overpayments and remuneration has been received from the faculty members.

Core-CT provides a Checklist for Terminating an Employee, a set of instructions for various employee terminations. We reviewed leave and attendance records for six employees who terminated from Middlesex CC in the fiscal years ended June 30, 2010 and 2011. We noted that the leave and attendance records for two former employees continued to be credited with sick leave and vacation leave after their termination from the college.

We reviewed leave and attendance records for three employees who terminated from Northwestern CC in the fiscal year ended June 30, 2010. We noted that the leave and attendance records for these former employees continued to be credited for sick and vacation leave after their termination from the college.

Effect: The employees' contract balance payments upon termination were overpaid by \$13,599.78.

Middlesex CC and Northwestern Connecticut CC were not in compliance with Core-CT instructions for terminating these employees.

Cause: The Excel schedule prepared by the payroll office to calculate the contract balance amount paid to the faculty members at retirement omitted two rows of payments.

Middlesex CC and Northwestern Connecticut CC did not follow Core-CT instructions for employees who terminate their employment.

Recommendation: Middlesex Community College should improve internal controls over termination payments. Middlesex CC and Northwestern Connecticut CC should ensure that the steps required to terminate employee leave balances in Core-CT are completed. (See Recommendation 28.)

Agency Response: Middlesex CC: "The college agrees with the cited overpayments caused by an Excel oversight on the calculation spreadsheet. The college has collected the overpayment back from the employees and the COP-9 has been filed. The leave plans have been terminated and staff have been instructed to follow the guidance instructions when terminating employees in the future."

Northwestern Connecticut CC: "Northwestern Connecticut CC concurs. The College will follow the Core-CT instructions for employees who terminate."

Human Resources and Payroll Functions - Separation of Duties – Middlesex CC:

Criteria: Proper internal controls over the human resources and payroll functions require that responsibilities related to those functions reflect an adequate segregation of duties. Furthermore, internal controls are compromised when an individual has access to Core-CT roles that give that individual the ability to hire an employee and the ability to impact that employee's pay.

Condition: During our audit of Middlesex Community College for the fiscal year ended June 30, 2008, we noted that college payroll office employees had write-access to both the Core-CT human resources and payroll systems, which enabled them to add employees to the payroll and pay the same employees . In addition, both a human resources employee and a management employee had this same level of write-access to the Core-CT system. Middlesex CC acknowledged the finding and stated that it had been complying with the Board of Trustees Audit Advisory Committee (AAC) recommendations to ensure that the highest level of compensating controls were in place to minimize its risk levels. The college also had made structural changes in the staff levels to aid in the segregation of duties and would continue to take part in the Audit Advisory Committee recommendations. Effective January, 2010, the system office developed compensating controls outside the human resources/payroll business process to mitigate the risk that a lack of segregation of duties exists, by providing each college with biweekly exception-based audit reports for review by someone outside the human resources/payroll business process.

During the current audit, we interviewed payroll, human resources, and administrative personnel to determine their duties and responsibilities. It was determined that a lack of segregation of duties continues to exist between the payroll office, human resources office, and administration. Although many of the human resources functions have been transferred to the human resources office, other critical Core-CT human resources entry functions remain with the payroll office.

In addition, the Dean of Administration has write-access in Core-CT as a Human Resources (HR) Specialist and a Payroll Specialist. These roles permit the dean to put an employee on the payroll and make payment to that employee. The dean does not use those roles, and they should be changed to read-only access in the payroll and human resources modules; it is appropriate for the dean to maintain the position approver role that he currently has.

Furthermore, the Director of Human Resources has Core-CT roles as Payroll Specialist and Timekeeper Specialist in addition to the role of Human

Resources Specialist. The director was not aware of those conflicting roles and does not use them. Again, the Payroll Specialist and Timekeeper roles should be removed and replaced with read-only access.

Moreover, the Dean of Administration is also the approved reviewer of the system office exception reports noted above. We noted that the Core-CT roles specified above are not compatible with a review of the exception reports. The reviewer should be an individual outside the normal HR/Payroll business process. As noted in the CC System Office Memo of the Audit Advisory Committee, “the reviewer(s) should NOT have access to any of the three Core-CT system HR/Payroll roles discussed above....”

A periodic review of Core-CT roles has not been performed by the college; some employees were either not aware that they were assigned certain roles, had never used their assigned roles, or had roles that prevented a proper segregation of duties.

Effect: The strength of internal controls is compromised by the lack of independence of these two functions. This situation could allow an employee to control the authorization and execution of payroll transactions. These functions are incompatible from an internal controls viewpoint.

Cause: The college has not made it a priority to reassign employee responsibilities that would ensure an adequate segregation of duties. Rather, it has relied on compensating controls. In addition, the college has not undertaken an annual review of Core-CT roles to ensure that role assignments mitigate risk to the fullest extent possible.

Recommendation: Middlesex Community College should make it a priority to review Core-CT human resources, payroll, and time and labor roles and assign responsibilities that will ensure segregation of duties. (See Recommendation 29.)

Agency Response: Middlesex CC: “The college has removed the dual specialist roles from the Dean of Administration, Director of Finance and Human Resources Director and read only access has been granted where applicable. The college is exploring organizational changes to the operational functionality between the human resources and payroll office. The college maintains a strong position that compensating controls are in place and maintained.”

Employee Payments – Northwestern Connecticut Community College:

Criteria: Article 17, Section Three, subsection three, of the Administrative and Residual (NP-5) Bargaining Unit Contract states that, “if an employee works on the holiday as part of his/her regular schedule, the employee shall receive

a compensatory day off plus he/she shall be paid time and one-half for all hours worked on the holiday.”

Condition: An employee who used a compensatory (comp) day, which was earned when the college was open on a regular state holiday, did not receive time and one-half for working the holiday.

Effect: The employee did not receive the additional half-day payment for working on a holiday when the college was open.

Cause: The A & R contract provides that an employee may, by mutual agreement, work any single holiday in exchange for a day off on the day following Thanksgiving, essentially an even swap. However, the day after Thanksgiving became a furlough day in the fiscal year ending June 30, 2010, due to bargaining unit concessions. Therefore, the employee selected September 4th as the alternate compensatory day. The college believed that situation still constituted an even swap rather than an occasion that required the payment of overtime.

Recommendation: Northwestern Connecticut Community College should ensure that it is familiar with the terms of bargaining unit contracts and the effect of agreements supplementing those contracts. (See Recommendation 30.)

Agency Response: Northwestern Connecticut Community College: “Northwestern Connecticut Community College concurs. The college will ensure that supervisors are familiar with the terms of the bargaining unit contracts and the effects of the agreements supplementing those contracts.”

Federal Time and Effort Reporting – Norwalk CC:

Criteria: Title 2 in the Code of Federal Regulations (CFR), Part 220, establishes principles for determining costs applicable to grants, contracts, and other agreements between the federal government and educational institutions.

According to 2 CFR, Part 220, to confirm that charges to a program represent a reasonable estimate of the work performed by the employee for the benefit of the program during the period, an acceptable method of documentation must be in place. This includes the use of statements signed by the employee, principal investigator, or responsible official(s), using suitable means of verification that the work was performed.

Condition: During our audit, we reviewed 63 Norwalk Community College employees whose payroll costs were, at least in part, charged to federal programs. Our testing disclosed that 22 of these employees, with payroll costs charged to

federal programs totaling \$22,411, did not have time and effort certification forms on file. In addition, we noted that the remaining 41 employees tested, with payroll costs charged to federal programs totaling \$134,785, had time and effort certification forms on file that were not signed by the employee or an authorized official certifying that the employee's payroll expenditures were charged to the programs on which the employee actually worked. Furthermore, these forms did not indicate the amount of each employee's payroll costs charged to the federal programs.

Effect: The college did not fully comply with 2 CFR, Part 220 requirements concerning the documentation of payroll costs. This decreases assurance that payroll costs charged to federal programs actually applied to those programs.

Cause: We were informed that the responsibility to ensure that time and effort certification forms were being completed had shifted between departments during the audited period, which caused the completion of these forms to be overlooked.

Recommendation: Norwalk Community College should strengthen controls over its time and effort reporting system for documenting payroll costs charged to federal programs to ensure compliance with the requirements of 2 CFR, Part 220. (See Recommendation 31.)

Agency Response: Norwalk CC: "The college business office will ensure that all time and effort reporting is completed every six months, unless instructed otherwise. Coordination will occur with the Office of Institutional Effectiveness, who administers the college grant reporting, as well as to ensure that time and effort reports are correct. Reports will be kept on file in the business office with a copy to the Office of Institutional Effectiveness and the Human Resources Department."

Information Technology Disaster Recovery – Community Colleges:

Background: The Board of Regents for Higher Education administers centralized databases for the entire community college system. The colleges' administrative software system, Banner, is housed on a server located at the Board of Regents. The Banner system is used to record financial and student academic data for the entire community college system.

Criteria: A disaster recovery plan that addresses the resumption of business operations should a disaster occur is an important planning tool for information technology security.

<i>Condition:</i>	The former system office had initiated steps toward addressing this matter, but the plan was never completed. The Board of Regents for Higher Education is in the process of merging the information technology operations of the community colleges and the state universities. The current disaster recovery plan does not include the community colleges' information technology system.
<i>Effect:</i>	The lack of a formal information technology disaster recovery plan could impair the resumption of the community colleges if a disaster were to occur.
<i>Cause:</i>	The current disaster recovery for the Board of Regents for Higher Education covers the state universities, but does not include the community colleges. The plan can be revised after the merger of the two information technology infrastructures is completed.
<i>Recommendation:</i>	The Board of Regents for Higher Education should revise its current information technology disaster plan to include the community colleges. (See Recommendation 32.)
<i>Agency Response:</i>	<u>Board of Regents for Higher Education</u> : "We concur with the finding. A disaster recovery plan is currently being developed for the community colleges and will be in place by June 2013."

Petty Cash Bank Account Reconciliations – Norwalk CC:

<i>Criteria:</i>	A good internal control system requires monthly reconciliations of accounting records of available fund balances, and the resolution of any discrepancies noted in a timely manner.
<i>Condition:</i>	Our review of the college's petty cash bank account reconciliations for the months of June 2010, June 2011, and December 2011, disclosed that the reconciliations being performed and approved did not clearly show agreement between the petty cash balance in the college's books and the balance in its petty cash bank account. Instead, the reconciliations documented that the balance in the college's petty cash journal reflected the petty cash balance in Banner, the college's information system. Furthermore, our review disclosed that, as part of the college's supporting documentation of its reconciliations, the reconciliation form on the reverse side of its petty cash bank account statement was being completed and included with its monthly petty cash reconciliation package. However, we noted unexplained and undocumented variances between the balance reported on two of these reconciliations and the balance recorded in the college's records. After further inquiry, the college provided us an explanation for these variances, which appeared reasonable. Furthermore, none of these reconciliations were signed

by the employee who prepared them or by a reviewer. We also noted that all three reconciliations contained outstanding checks, amounting to \$321 in aggregate, that have been outstanding for a period ranging from roughly three-and-a-half months to six-and-a-half years.

Effect: The lack of sufficient reconciliations could increase the risk of, and delay the detection of, errors or fraud.

Cause: It appears that the college believed that the reconciliations being performed were sufficient.

Recommendation: Norwalk Community College should perform monthly reconciliations of its petty cash account that clearly show agreement between its books and the balance in its petty cash bank account. Additionally, the college should promptly resolve any outstanding reconciling items noted. (See Recommendation 33.)

Agency Response: Norwalk CC: “The college performed reconciliations of the petty cash account checkbook to the petty cash bank account monthly. This reconciliation was performed by the business office accountant. However the reconciliation of the check book to the general ledger was being performed by the fiscal administrative supervisor in the business office without the tie out to the bank statement. The duties of reconciliation are now solely with the business office accountant and the checkbook, bank statement and general ledger are reconciled together as part of the monthly reconciliations package. This process has been in place since April 2012. The reconciliation package has always reviewed monthly by the Director of Finance and Administration who will be checking to ensure that the checkbook, bank statement and general ledger reports are part of the reconciliation package. The reconciliation package is always submitted to the finance department at the Board of Regents office for review and audit by Price Waterhouse Coopers. The finding will not be repeated.”

Monitoring the Activity of any Faculty Member Who Enters into a Consulting Agreement or Engages in a Research Project with a Public or Private Entity – Community Colleges:

Criteria: Public Act 07-166, Section 12, which was codified as Section 1-84, subsection (r) of the General Statutes, became effective on July 1, 2007. The act requires the board of trustees for each constituent unit of the state system of higher education to establish policies to monitor the activity of any faculty member who enters into a consulting agreement or engages in a research project with a public or private entity.

The act requires that these policies shall:

- Establish procedures for the disclosure, review and management of conflicts of interest relating to any such agreement or project;
- Require the approval by the chief academic officer of the constituent unit, or his or her designee, prior to any such member entering into any such agreement or engaging in any such project, and
- Include procedures that impose sanctions and penalties on any member for failing to comply with the provisions of the policies. Semiannually, the internal audit office of each constituent unit shall audit the unit's compliance with such policies and report its findings to the committee of the constituent unit established pursuant to subdivision (3) of this subsection.

Condition: In discussions with Board of Regents staff, we determined that the development of these policies has not been completed.

Effect: Policies for complying with this public act have not been completed by the community colleges.

Cause: The cause is unknown.

Recommendation: The Board of Regents for Higher Education should complete the policies required by Public Act 07-166, Section 12, to monitor the activity of any community college faculty member who enters into a consulting agreement or engages in a research project with a public or private entity. (See Recommendation 34.)

Agency Response: Board of Regents for Higher Education: "We concur with this finding. A policy governing community college faculty is being drafted which will adapt provisions of the policy already in place for the state universities. The new policy is expected to be presented to the board for adoption in May 2013."

Employee Time sheets – Asnuntuck CC:

Criteria: Time sheets should be reviewed and signed by supervisory personnel in order to provide assurance that payroll charges are appropriate.

Condition: During our review at Asnuntuck Community College, we noted that two time sheets were not signed by an employee's supervisor, although leave time appears to have been appropriately recorded.

Effect: The employee was paid without proper supervisory approval.

Cause: It is unknown why the employee's time sheets were not signed.

Recommendation: Asnuntuck Community College should improve internal controls over time sheet approval. (See Recommendation 35.)

Agency Response: Asnuntuck CC: “The college agrees with this finding and the finding has been reviewed with both the employee and the supervisor. It is important to note that leave time was properly recorded.”

Time sheets of Executive-Level Staff Members – Manchester CC:

Criteria: Adequate internal controls over payroll require that an employee’s time sheet is subject to supervisory review.

Condition: During our testing of payroll procedures at Manchester Community College, we noted that the time sheets for the five deans and the Director of Human Resources/Affirmative Action are not subject to the review of the college president.

Effect: There is no supervisory review of the time sheets of these six staff members.

Cause: The college president delegated the authority for these staff members to sign off on their own time sheets.

Resolution: We discussed this matter with the Dean of Administration. The College President and the Dean of Administration immediately implemented a procedure in which the College President reviews the timesheets of these staff members.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

As noted in a prior section of this report, our audit approach for the Connecticut Community College System involves treating the system as a single entity and performing audit site visits at a sample of colleges within the system. The results of our audit are disclosed in one audit report covering the entire system. The following summarizes the recommendations presented in our prior audit and the current status of those prior recommendations.

The System Office:

- *The Community Colleges System Office should implement a control procedure to complete the Internal Control Questionnaire as required.* In our current audit, we noted that the system office was in compliance with requirements. This recommendation is not being repeated.
- *The Community Colleges System Office should improve internal controls over personal service agreements and ensure that all established policies and procedures are followed.* In our current audit, we noted reoccurrences of this condition. The recommendation is being repeated. (See Recommendation 16.)
- *The Community Colleges System Office should improve its compliance with the Connecticut Community College System's Purchasing Card Policy and Procedure Manual or should consider revising its purchasing card policy to reflect appropriate actual practices.* Our current audit disclosed some instances of noncompliance with the purchasing card policies. The recommendation is being repeated. (See Recommendation 9.)
- *The Community Colleges Board of Trustees should develop and implement a telecommuting policy that pertains to its unclassified employees.* This recommendation is not being repeated.
- *The Community Colleges System Office should ensure that affidavits and certifications related to vendor selection for large state contracts are obtained and in compliance with regulations.* We noted the need for improvement in the current audit; as such, the recommendation is being repeated. (See Recommendation 6.)
- *The Community Colleges System Office should verify that all CFDA numbers on its Schedule of Expenditures of Federal Awards (SEFA) are correct prior to submitting the final report to the State Comptroller's Office.* In our current audit, we noted that the system office was in compliance with requirements. This recommendation is not being repeated.
- *The Community Colleges Board of Trustees should complete the policies required by Public Act 07-166, Section 12, to monitor the activity of any faculty member who enters into a consulting agreement or engages in a research project with a public or private entity.* In our current audit, we noted that the development of these policies has not been completed. The recommendation is being repeated. (See Recommendation 34.)
- *The Community Colleges System Office should continue its efforts to develop a formal, written information technology disaster recovery plan for the Community College System.* Discussions conducted in the current audit noted the need for progress in this area. The recommendation is being repeated. (See Recommendation 32.)

Asnuntuck Community College:

- *Asnuntuck Community College should implement a control procedure to complete the Internal Control Questionnaire as required.* In our current audit, we noted that the college was in compliance with requirements. This recommendation is not being repeated.
- *Asnuntuck Community College should require part-time lecturers to submit time sheets supporting time worked.* We noted the need for improvement in the current audit; as such, the recommendation is being repeated. (See Recommendation 7.)
- *Asnuntuck Community College should improve internal controls over equipment by complying with the requirements of the State Property Control Manual and the Connecticut Community Colleges Fixed Asset Inventory and Accounting Policy.* We noted the need for improvement in the current audit; as such, the recommendation is being repeated. (See Recommendation 5.)
- *Asnuntuck Community College should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes.* In our current audit, we noted several instances of noncompliance. The recommendation is being repeated. (See Recommendation 2.)
- *Asnuntuck Community College should ensure that the audit reports of its affiliated foundation address compliance with Sections 4-37e through 4-37i of the General Statutes.* We noted a similar condition in the current audit. The recommendation is being repeated. (See Recommendation 21.)
- *Asnuntuck Community College should improve internal controls over personal service agreements and ensure that all established policies and procedures are followed.* We noted an improvement in the current audit. The recommendation is not being repeated.

Capital Community College:

- *Capital Community College should require part-time lecturers to submit time sheets supporting time worked.* We noted the need for improvement in the current audit; as such, the recommendation is being repeated. (See Recommendation 7.)
- *Capital Community College should improve internal controls over personal service agreements and ensure that all established policies and procedures are followed.* In our current audit, we noted reoccurrences of this condition. The recommendation is being repeated. (See Recommendation 16.)
- *Capital Community College should improve its bank deposit procedures to comply with the prompt deposit requirements of Section 4-32 of the General Statutes.* In our current audit, we did not note any reoccurrences. The recommendation is not being repeated.
- *Capital Community College should charge the student activity trustee account only for the amount actually approved by the student government for these purchases.* We did not note any exceptions in this area in our current audit. The recommendation is not being repeated.
- *Capital Community College should follow the set of Core-CT instructions for employees who retire.* We tested this area in our current audit and noted no exceptions. The recommendation is not being repeated.
- *Capital Community College should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes.* In our current audit, we noted

several instances of noncompliance. The recommendation is being repeated. (See Recommendation 2.)

- *Capital Community College should strengthen its pre-employment reference check procedures to help ensure that it is more fully aware of the backgrounds of individuals whom it is considering to hire.* We noted an improvement in the current audit. The recommendation is not being repeated.
- *Capital Community College should ensure that the audit reports of its affiliated foundation address compliance with Sections 4-37e through 4-37i of the General Statutes.* We reviewed this in our current audit and noted that the college was in compliance. The recommendation is not being repeated.
- *Capital Community College should promptly report all property losses to the Auditors of Public Accounts and the State Comptroller as required by Section 4-33a of the General Statutes.* We did not note any reoccurrences in the current audit. This recommendation is not being repeated.

Gateway Community College:

- *Gateway Community College should establish a separation of duties between individual colleges' Human Resources and Payroll functions. If such access is determined necessary, compensating controls should be put in place to ensure an adequate segregation of duties.* We noted an improvement in the current audit. The recommendation is not being repeated.
- *Gateway Community College should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes.* We noted a need for improvements in the current audit. The recommendation is being repeated. (See Recommendation 2.)
- *Gateway Community College should ensure that proper authorization is obtained prior to the purchase of goods or services.* We noted a similar condition in the current audit. The recommendation is being repeated. (See Recommendation 14.)
- *Gateway Community College should improve internal controls over personal service agreements and ensure that all established policies and procedures are followed.* Testing performed in our current audit disclosed similar instances of noncompliance. Therefore, the recommendation is being repeated. (See Recommendation 16.)
- *Gateway Community College should improve its compliance with the Connecticut Community College System's Purchasing Card Policy and Procedure Manual or should consider revising its purchasing card policy to reflect appropriate actual practices.* Our current audit disclosed some instances of noncompliance with the purchasing card policies. The recommendation is being repeated. (See Recommendation 9.)
- *Gateway Community College should take steps to improve compliance with Section 1-84 subsection (i) of the General Statutes, which provides, among other things, that no state employee or his immediate family member may enter into any contract with the state, amounting to \$100 or more, unless the contract has been awarded through an "open and public process."* We did not note any reoccurrences in the current audit. This recommendation is not being repeated.
- *Gateway Community College should improve internal controls over student activity trustee account purchases.* We noted an improvement in the current audit. The recommendation is not being repeated.

- *Gateway Community College should improve the timeliness with which student event receipts are turned over to the business office to both ensure their prompt deposit into the bank and comply with the requirements of Section 4-32 of the General Statutes.* Testing conducted in our current audit noted no instances of noncompliance with Section 4-32 of the General Statutes. The recommendation is not being repeated.

Housatonic Community College:

- *Housatonic Community College should improve internal controls over student activity trustee account purchases.* No reoccurrences were noted in the current audit. Therefore, the recommendation is not being repeated.
- *Housatonic Community College should improve the timeliness with which student event receipts are turned over to the business office to both ensure their prompt deposit into the bank and comply with the requirements of Section 4-32 of the General Statutes. Further, the college should reconcile records of student event tickets sold to related cash collections, document such reconciliations, and investigate discrepancies noted.* Testing performed in the current audit noted a similar condition, and the recommendation is being repeated. (See Recommendation 11.)

Manchester Community College:

- *Manchester Community College should implement a control procedure to complete the Internal Control Questionnaire as required.* In our current audit, we noted that the college was in compliance with requirements. This recommendation is not being repeated.
- *Manchester Community College should establish a separation of duties between individual colleges' human resources and payroll functions. If such access is determined necessary, compensating controls should be put in place to ensure an adequate segregation of duties.* We noted an improvement in the current audit. The recommendation is not being repeated.
- *Manchester Community College should follow the set of Core-CT instructions for employees who retire.* No reoccurrences were noted in the current audit; as such, the recommendation is not being repeated.

Middlesex Community College:

- *Middlesex Community College should improve internal controls over personal service agreements and ensure that all established policies and procedures are followed.* Our review of PSAs in the current audit disclosed several exceptions. The recommendation is being repeated. (See Recommendation 16.)
- *Middlesex Community College should establish a separation of duties between individual colleges' human resources and payroll functions. If such access is determined necessary, compensating controls should be put in place to ensure an adequate segregation of duties.* In our current audit, we noted a similar condition. We are repeating the recommendation with some modification. (See Recommendation 29.)
- *Middlesex Community College should review the attendance and leave records for the employees with inaccurate leave balances and make the required adjustments.* In our current audit, we noted exceptions with attendance and leave records. We also noted that inaccuracies in attendance and leave records identified for some employees several years ago

- had not been corrected. The recommendation is being repeated. (See Recommendation 18.)
- *Middlesex Community College should obtain and maintain records that support the proper authorization, before writing off accounts receivable as required by Section 3-7 of the General Statutes. In addition, Middlesex Community College should follow the Community College System's Student Accounts Receivable - Collections and Write-off Procedures related to placing holds on delinquent student accounts. In our current audit, we noted a similar condition. We are repeating the recommendation with some modification. (See Recommendation 24.)*

Northwestern Connecticut Community College:

- *Northwestern Connecticut Community College should improve internal controls over personal service agreements and ensure that all established policies and procedures are followed. Testing performed in the current audit disclosed no instances of noncompliance. The recommendation is not being repeated.*
- *Northwestern Connecticut Community College should improve its bank deposit procedures to comply with the prompt deposit requirements of Section 4-32 of the General Statutes. Testing conducted in our current audit noted instances of noncompliance with Section 4-32 of the General Statutes. The recommendation is being repeated. (See Recommendation 4.)*
- *Northwestern Connecticut Community College should improve internal controls in order to comply with the competitive quotations requirements in the Community Colleges' Agency Purchasing Policies. Our current audit disclosed that the college did not always comply with the Community Colleges' Agency Purchasing Policies. The recommendation is being repeated. (See Recommendation 1.)*
- *Northwestern Connecticut Community College should improve internal controls over student activity trustee account purchases. In our current audit, we noted a similar condition. We are repeating the recommendation. (See Recommendation 17.)*
- *Northwestern Connecticut Community College should review the attendance and leave records for the employees with inaccurate leave balances and make the required adjustments. In our current audit, we noted a similar condition. We are repeating the recommendation with some modification. (See Recommendation 18.)*
- *Northwestern Connecticut Community College should ensure that proper authorization is obtained prior to the purchase of goods or services. In our current audit, we noted an improvement in this area. The recommendation is not being repeated.*
- *Northwestern Connecticut Community College should improve internal controls related to reviewing the appropriateness of charges prior to paying vendors. No reoccurrences were noted in the current audit. The recommendation is not being repeated.*
- *Internal controls over termination payments should be strengthened to ensure accurate payments to employees who terminate at Northwestern Connecticut Community College. No reoccurrences were noted in the current audit; as such, the recommendation is not being repeated.*

Norwalk Community College:

- *Norwalk Community College should improve its time and effort reporting system for documenting payroll costs charged to federal programs. In our current audit, we noted that*

- this condition still exists. The recommendation is being repeated. (See Recommendation 31.)
- *Norwalk Community College should take steps to ensure that proper authorization is obtained prior to the purchase of goods or services.* In our current audit, we noted similar conditions. The recommendation is being repeated. (See Recommendation 14.)
 - *Norwalk Community College should improve its compliance with the Community Colleges' Purchasing Card Policy and Procedure Manual.* In our current audit, we noted instances of noncompliance. The recommendation is being repeated. (See Recommendation 9.)
 - *Norwalk Community College should take steps to improve compliance with Section 1-84 subsection (i) of the General Statutes. In addition, the College should ensure that individuals providing services to the College are properly classified as either employees or independent contractors and paid through the proper process.* These conditions were not noted in the current audit. The recommendation is not being repeated.
 - *Norwalk Community College should ensure that all expenditures charged to Federal grants are valid, supported with appropriate documentation, and consistent with the purposes and terms of the grants.* No reoccurrences were noted in the current audit; as such, the recommendation is not being repeated.
 - *Norwalk Community College should improve its bank deposit procedures to comply with the prompt deposit requirements of Section 4-32 of the General Statutes.* In our current audit, we noted an improvement in this area. The recommendation is not being repeated.
 - *Norwalk Community College should improve internal controls over equipment.* In our current audit, we noted an improvement in this area. The recommendation is not being repeated.
 - *Norwalk Community College should obtain approval from the Board of Trustees prior to providing outside organizations with permanent use of its facilities. Further, written agreements should be in place that detail the terms of such agreements and include provisions for contractor payments to the college for any additional costs incurred by the college as a result of such arrangements.* No reoccurrences were noted in the current audit; therefore, the recommendation is not being repeated.
 - *Norwalk Community College should take steps to ensure that its foundation's audit reports address compliance with Sections 4-37e through 4-37i of the General Statutes and that the foundation establishes a whistleblower policy for its employees.* We are repeating the recommendation with some modification. (See Recommendation 21.)

Three Rivers Community College:

- *Three Rivers Community College should require part-time lecturers to submit time sheets supporting time worked.* We noted the need for improvement in the current audit. The recommendation is being repeated. (See Recommendation 7.)
- *Three Rivers Community College should obtain medical certificates from employees when required by union contract or by the Community College System's personnel policies.* We did not note any exceptions in this area in our current audit. The recommendation is not being repeated.
- *Three Rivers Community College should ensure that proper authorization is obtained prior to the purchase of goods or services.* We reviewed this area in the current audit and noted that improvement is still warranted. The recommendation is being repeated. (See

Recommendation 14.)

- *Three Rivers Community College should improve its compliance with the Community Colleges' "Purchasing Card Policy and Procedure Manual."* In our current audit, we noted an improvement in this area. The recommendation is not being repeated.
- *Three Rivers Community College should improve internal controls over student activity trustee account purchases.* In our current audit, we noted a similar condition. We are repeating the recommendation with some modification. (See Recommendation 17.)
- *Three Rivers Community College should improve internal controls over equipment by complying with the requirements of the State Comptroller's Property Control Manual and the Connecticut Community Colleges' Fixed Asset Inventory and Accounting Policy.* Our current audit noted that the college was in compliance with the Community Colleges' *Fixed Asset Inventory and Accounting Policy*. The recommendation is not being repeated.

Tunxis Community College:

- *Tunxis Community College should implement a control procedure to complete the Internal Control Questionnaire as required.* In our current audit, we noted that the college was in compliance with requirements. This recommendation is not being repeated.
- *Tunxis Community College should require part-time lecturers to submit time sheets supporting time worked.* We noted the need for improvement in the current audit. The recommendation is being repeated. (See Recommendation 7.)
- *Tunxis Community College should improve internal controls over personal service agreements and ensure that all established policies and procedures are followed.* Testing in our current audit disclosed instances of noncompliance. The recommendation is being repeated. (See Recommendation 16.)
- *Tunxis Community College should establish a separation of duties between individual colleges' Human Resources and Payroll functions. If such access is determined necessary, compensating controls should be put in place to ensure an adequate segregation of duties.* Our review in the current audit noted an improvement in this area. The recommendation is not being repeated.
- *Tunxis Community College should improve internal controls over equipment by complying with the requirements of the State Comptroller's Property Control Manual and the Connecticut Community Colleges' Fixed Asset Inventory and Accounting Policy.* Testing performed in the current audit noted noncompliance with requirements. The recommendation is being repeated with modification. (See Recommendation 8.)
- *Tunxis Community College should obtain and maintain records that support the proper authorization, before writing off accounts receivable as required by Section 3-7 of the General Statutes.* Our review in the current audit noted an improvement in this area. The recommendation is not being repeated.
- *Tunxis Community College should improve internal controls over billings and receivables for contract courses.* Our review in the current audit noted an improvement in this area. The recommendation is not being repeated.

Current Audit Recommendations:

1. **The Board of Regents for Higher Education and the community colleges should improve internal controls in order to comply with the competitive quotations requirements of the Community College System's Agency Purchasing Policies.**

Comment:

Instances of noncompliance with the Agency Purchasing Policies were noted at Northwestern Connecticut Community College, Norwalk Community College, and Three Rivers Community College.

2. **The Board of Regents for Higher Education and the community colleges should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes.**

Comment:

Our testing disclosed that, in some dual employment situations, there was a lack of certification that no conflict existed between the positions held and instances of dual employment forms not being properly completed at Asnuntuck Community College, Capital Community College, Gateway Community College, Housatonic Community College, Middlesex Community College, and Norwalk Community College.

3. **Norwalk Community College should ensure that expenditures charged to grants received from its foundation are consistent with the purposes and terms of the grants. Additionally, the college should take steps to ensure compliance with Section 1-84 subsection (c) of the General Statutes.**

Comment:

We noted several instances in which the college charged expenditures to funds received from its foundation that were inconsistent with the intended use of those funds.

4. **The Board of Regents for Higher Education and the community colleges should improve their bank deposit procedures to comply with the prompt deposit requirements of Section 4-32 of the General Statutes.**

Comment:

Our testing at Gateway Community College, Northwestern Connecticut Community College, and Tunxis Community College disclosed instances in which funds received were not deposited within 24 hours as required by Section 4-32 of the General Statutes.

- 5. The Board of Regents for Higher Education and the community colleges should improve internal controls over inventory.**

Comment:

Through our review, we found instances of outdated campus maps, unlocated equipment, incomplete inventory records, and missing bar codes at Asnuntuck Community College, Housatonic Community College, Middlesex Community College, and Norwalk Community College.

- 6. The Board of Regents for Higher Education should ensure that affidavits and certifications are obtained in compliance with regulations related to community college purchasing.**

Comment:

Various certifications and affidavits are required under Sections 4-252 subsections (b) and (c), and Section 4a-81 of the General Statutes. We noted instances of noncompliance with these requirements at the community colleges former system office.

- 7. The Connecticut Community College System should implement a policy that requires all part-time lecturers to submit signed time sheets to their supervisors for the supervisor's signature and transmittal to the payroll department as a means of documenting services performed. Alternatively, the community colleges should implement a system that requires, for each term, independent documented certification that part-time lecturers completed their course work for which they were appointed.**

Comment:

We noted that there was no procedure in effect at certain colleges to certify that lecturers had performed the services in their contracts.

- 8. Tunxis Community College should improve internal controls related to equipment used by the dental hygiene program.**

Comment:

We noted numerous instances of general disorganization in our review of equipment in the college's dental hygiene program.

- 9. The Board of Regents for Higher Education and colleges should ensure compliance with the Community College System's Purchasing Card Policy and Procedure Manual.**

Comment:

Instances of noncompliance with the Purchasing Card Policy and Procedure Manual were noted at the former Community Colleges System Office, Asnuntuck Community College, Capital Community College, Gateway Community College, Manchester Community College, and Norwalk Community Colleges.

- 10. Gateway Community College should improve internal controls over the receipts process and ensure that all deposit documents are in agreement with their supporting Banner documentation.**

Comment:

We noted two instances in which the cash and checks amounts per the deposit record prepared by the college were not in agreement with supporting Banner documentation. Although, in each instance, the total bank deposit was not affected by these discrepancies, this indicates that proper cash balancing procedures are not always being followed.

- 11. Gateway Community College and Housatonic Community College should strengthen controls over student-run revenue generating events and improve compliance with the State of Connecticut's Accounting Procedures Manual for Activity and Welfare Funds.**

Comment:

Our review of student event receipts at these colleges disclosed weaknesses related to inconsistencies in internal records and the untimely preparation of event financial reports.

- 12. Housatonic Community College and Norwalk Community College should strengthen controls over the payroll and human resources functions by ensuring that employment contracts are signed by all appropriate parties in a timely manner.**

Comment:

We noted numerous instances in which employee appointment forms were not signed by the college and/or the employee prior to the start of the appointment period.

- 13. Manchester Community College should issue billings related to the Great Path Academy magnet school in a timelier manner.**

Comment:

We noted that two quarterly billings were issued between four and seven months after the end of the billing period.

- 14. The Board of Regents for Higher Education should obtain proper authorizations prior**

to ordering goods or services that were previously administered by the community colleges system office. Also, these colleges should ensure that proper authorization is obtained prior to the purchase of goods or services. Furthermore, Norwalk Community College should ensure that written personal service agreements are signed by all relevant parties prior to the commencement of those services.

Comment:

We noted several instances in which goods or services were received prior to authorization of the purchase requisition and purchase order at the community colleges former system office, Gateway Community College, Norwalk Community College, and Three Rivers Community College.

- 15. The Board of Regents for Higher Education and the community colleges should improve internal controls related to part-time lecturer and educational assistant employment contracts. Controls over the time sheets of educational assistants should also be improved.**

Comment:

We noted instances in which contracts for educational assistants and part-time lecturers were not signed in a timely manner at Manchester Community College, Middlesex Community College, and Three Rivers Community College. We also noted instances of inconsistent processing of time sheets for educational assistants.

- 16. The Board of Regents for Higher Education should improve internal controls over personal service agreements previously administered by the community colleges system office. Furthermore, the colleges should ensure that all established policies and procedures related to PSAs are followed.**

Comment:

Weaknesses in the administration of PSAs were noted at the community colleges former system office, Capital Community College, Gateway Community College, Manchester Community College, Middlesex Community College, Three Rivers Community College, and Tunxis Community College.

- 17. The Board of Regents for Higher Education and the community colleges should improve internal controls over student activity trustee account purchases.**

Comment:

We noted the need for improvement in student activity trustee account purchases at Asnuntuck Community College, Northwestern Connecticut Community College, Three

Rivers Community College, and Tunxis Community College.

- 18. The community colleges should improve internal controls over leave and attendance. Furthermore, Middlesex Community College should make it a priority to review leave records for all part-time employees who may have been affected by a Core-CT system error.**

Comment:

Our audit disclosed errors related to 11-month employees at Middlesex Community College and posting errors at Northwestern Connecticut Community College. We also noted that inaccuracies in leave balances due to a programming error in Core-CT, identified in 2005, have not been adjusted at Middlesex Community College.

- 19. Northwestern Connecticut Community College should review the equipment purchases related to the nursing program and make corrections to inventory records to ensure their accuracy.**

Comment:

In our review of the equipment records of the college's new nursing program, we noted numerous errors in recordkeeping.

- 20. Asnuntuck Community College should take steps to ensure that, in extenuating circumstances, carryover of vacation days is approved by the college president.**

Comment:

We noted an instance in which an employee carried over vacation accruals without receiving the president's authorization, which is required by the applicable collective bargaining unit contract.

- 21. Asnuntuck Community College and Norwalk Community College should ensure that the audit reports of their affiliated foundations address compliance with Sections 4-37e through 4-37i of the General Statutes.**

Comment:

The audit reports of the affiliated foundations did not address compliance with foundation-related statutes.

- 22. Gateway Community College should implement a reliable procedure through which the payroll department is promptly notified when a course is cancelled in order to prevent an overpayment.**

Comment:

We noted an instance in which a part-time lecturer was paid to teach a course that was cancelled prior to the start of the Fall 2010 semester. The lecturer received full payment for the course. Recovery of funds was initiated by the college after the lecturer notified the college following the conclusion of the Fall 2010 semester that he had been paid in error.

- 23. Middlesex Community College should implement procedures to ensure that its internal controls are formally evaluated and documented on an annual basis.**

Comment:

The college did not complete the State Comptroller's Internal Control Questionnaire for either of the fiscal years ended June 30, 2010 or 2011.

- 24. Asnuntuck Community College and Middlesex Community College should comply with State Comptroller's memo 2000-15, Section 3-7 of the General Statutes and internal procedures as they relate to the write-off of accounts receivable.**

Comment:

We noted instances in which each college was unable to document compliance with state requirements or community college policies related to the write-off of receivables.

- 25. Northwestern Connecticut Community College should structure the purchasing process so that a proper separation of duties exists between the requisitioning department and the department responsible for purchasing decisions.**

Comment:

Decisions for routine purchases for the maintenance department are made by that department, rather than by the purchasing department. This results in a lack of segregation of duties.

- 26. Northwestern Connecticut Community College should review practices used to assign account codes for purchasing transactions.**

Comment:

We noted two expenditures that were charged against the incorrect account.

- 27. Northwestern Connecticut Community College should take steps to ensure that returned checks are promptly posted to student accounts. Furthermore, student accounts should be adequately researched before adjustments are made.**

Comment:

Failure to follow established procedures and a lack of communication between various staff members at the college resulted in the improper administration of one student's receivables account.

- 28. Middlesex Community College should improve internal controls over termination payments. Middlesex Community College and Northwestern Connecticut Community College should ensure that the steps required to terminate employee leave balances in Core-CT are completed.**

Comment:

Our audit disclosed two instances in which a payment to a former faculty member at Middlesex Community College was based on incorrect information prepared by the college. This resulted in an overpayment in each instance. We also noted instances at Middlesex Community and Northwestern Connecticut Community College in which the attendance and leave records for former employees continued to be credited for leave time after the employees had retired.

- 29. Middlesex Community College should make it a priority to review Core-CT human resources, payroll, and time and labor roles and assign duties that will ensure the segregation of duties.**

Comment:

We noted that several employees had write-access under several roles in Core-CT that weakens segregation of duties between the human resources and payroll functions.

- 30. Northwestern Connecticut Community College should ensure that it is familiar with the terms of bargaining unit contracts and the effect of agreements supplementing those contracts.**

Comment:

Our review of payroll disclosed an instance in which an employee was not compensated according to the bargaining unit contract for a compensatory day that was earned when the college was open on a regular state holiday.

- 31. Norwalk Community College should strengthen controls over its time and effort reporting system for documenting payroll costs charged to federal programs to ensure compliance with the requirements of 2 CFR, Part 220.**

Comment:

Among the issues we noted in our review of federal grants at the college were numerous instances in which the required time and effort certification was not on file for a particular employee, the certification was not signed by a responsible official, and the amount of an employee's payroll costs charged to a federal grant was not noted on the certification.

- 32. The Board of Regents for Higher Education should revise its current information technology disaster plan to include the community colleges.**

Comment:

The Board of Regents for Higher Education is in the process of merging the information technology operations of the community colleges and the state universities. The current disaster recovery plan does not include the community colleges' information technology system.

- 33. Norwalk Community College should perform monthly reconciliations of its petty cash account that clearly show agreement between its books and the balance in its petty cash bank account. Additionally, the college should promptly resolve any outstanding reconciling items noted.**

Comment:

Our audit of several petty cash reconciliations disclosed procedural errors, instances of undocumented variances between amounts included on the reconciliations, reconciliations that were not signed by the preparer and outstanding checks included in the reconciliations that were not resolved in a timely manner.

- 34. The Board of Regents for Higher Education should complete the policies required by Public Act 07-166, Section 12 to monitor the activity of any community college faculty member who enters into a consulting agreement or engages in a research project with a public or private entity.**

Comment:

In discussions with Board of Regents staff, we learned that the current policy does not include faculty of the community colleges.

- 35. Asnuntuck Community College should improve internal controls over time sheet approval.**

Comment:

We noted two instances in which an employee's time sheet was not signed by the supervisor.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the Connecticut Community College System for the fiscal years ended June 30, 2010 and 2011. This audit was primarily limited to performing tests of the system's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the system's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the system are complied with, (2) the financial transactions of the system are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the system are safeguarded against loss or unauthorized use. The financial statement audits of the Connecticut Community College System for the fiscal years ended June 30, 2010 and 2011, 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 the Connecticut Community College System complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

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

Management of the Board of Regents for Higher Education is responsible for establishing and maintaining internal control over the Connecticut Community Colleges' financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts, and grants. In planning and performing our audit, we considered the Connecticut Community Colleges' internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Connecticut Community Colleges' financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of expressing an opinion on the effectiveness of the board's internal control over those control objectives. Accordingly, we do not express an opinion on the effectiveness of the board's internal control over those control objectives.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct on a timely basis, unauthorized, illegal or irregular transactions, or breakdowns in the safekeeping of any asset or resource. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions and/or material

noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that would be material in relation to the Connecticut Community Colleges' financial operations will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance with requirements was for the limited purpose described in the first paragraph of this section and not designed to identify all deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the Connecticut Community Colleges' financial operations, safeguarding of assets, or compliance with requirements that we consider to be material weaknesses, as defined above. However, we consider the following deficiencies, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be significant deficiencies: Recommendation 3 – Use of Private Grant Funds – Norwalk CC; Recommendation 5 – Property Control at Asnuntuck Community College, Housatonic Community College, Middlesex Community College, and Norwalk Community College; Recommendation 8 – Property Control – Dental Hygiene Program – Tunxis Community College; Recommendation 19 – Property Control – Nursing Program – Northwestern Connecticut Community College; Recommendation 22 – Payment to a Part-time Lecturer for a Course that was Cancelled – Gateway Community College; Recommendation 25 – Maintenance Department and Purchasing Functions – Separation of Duties - Northwestern Connecticut Community College; and Recommendation 29 – Human Resources and Payroll Functions – Separation of Duties – Middlesex Community College. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Connecticut Community College System complied with laws, regulations, contracts and grant agreements, 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 system's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which we reported to the system's management in the accompanying Condition of Records and Recommendations sections of this report.

The Board of Regents for Higher Education's responses to the findings identified in our audit are described in the accompanying Condition of Records section of this report. We did not audit those responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the Board of Regents for Higher Education's management, 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 the Connecticut Community College System during the course of our examination.



Timothy M. LePore
Principal Auditor

Approved:



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts