

# **Legislative Regulation Review Committee**

2009-012a

Department of Public Utility Control

**DEPARTMENT REVIEW OF AUDIT  
REPORTS**

*IMPORTANT: Read instructions on bottom of Certification Page before completing this form. Failure to comply with instructions may cause disapproval of proposed Regulations.*

STATE OF CONNECTICUT  
**REGULATION**  
 OF

Exhibit A  
 Page 1 of 3 pages

NAME OF AGENCY

DEPARTMENT OF PUBLIC UTILITY CONTROL

Concerning

SUBJECT MATTER OF REGULATION

Docket No. 07-06-53 – DPUC Promulgation of  
 Regulations to Amend Section 16-8-4(e) Concerning  
 Review of Management Audit Draft Reports

SECTION \_\_\_\_\_

**Notice of Intent to Adopt Regulations**

In accordance with section 4-168(a) of the Connecticut General Statutes, notice is hereby given that the Department of Public Utility Control proposes to amend subsection (e) of Section 16-8-4 of the Regulations of Connecticut State Agencies by replacing the existing version with the following language:

§16-8-4(e) Draft report review. Before the final management audit report is issued, the consulting firm or management audit team shall present a draft report to the auditee for the sole purpose of permitting the auditee to verify the accuracy of the facts contained in the draft report. Other than the Department, no person or party, including the auditee and the Office of Consumer Counsel, shall view or otherwise be privy to the auditor's proposed conclusions and recommendations. At any time during the audit, and upon the Department's request, the auditor shall provide the Department a copy of any draft report. The Department may (1) verify the accuracy of facts contained in any draft report; (2) ensure a draft report's conformity with department regulations and with the scope of the audit; or (3) discuss with the auditor the contents of any draft report including the proposed conclusions and recommendations. The Department shall review draft reports within a reasonable period of time enabling the publication of the final audit report.

**Statement of purpose:** The Department is amending this regulation to update and clarify the procedure for review of draft management audit reports of public service companies.

**Statutory authority:** Conn. Gen. Stat. §§16-6b and 16-8(b)(3).

**Summary:** The proposed amendment clarifies that while the auditee may make pertinent factual corrections to a draft management audit report, only the Department would be privy to, and has the authority to discuss or comment on, the auditor's proposed conclusions and recommendations. Section 16-8(b)(5) of the Connecticut General Statutes provides that if the auditor determines that any of the operating procedures or any other internal workings of the auditee are inefficient, improvident, unreasonable, negligent or in abuse of discretion, the Department may, after notice and opportunity for a hearing, order the auditee to adopt such new or altered practices and procedures as the Department finds necessary to promote efficient and adequate service to meet the public convenience and necessity. Section 16-8 of the Connecticut General Statutes requires audits to be performed by "an independent management consulting firm." Given the structure of this statute, the auditor should have real independence. The auditor's independence would be compromised if the auditee is allowed to discuss the recommendations or conclusions with the auditor. Therefore,

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the proposed amendment clarifies that the Department, not the auditee, has the authority to comment on recommendations and conclusions of the draft audit report. Passage of this amendment to the regulation will increase the auditor's independence. Additionally, the proposed amendment requires the Department to review draft management audit reports within a reasonable period of time.

**Legal effects:** Under the proposed amendment, the auditee may make pertinent factual corrections to a draft audit report, but the auditee would not be privy to any proposed conclusions or recommendations. Prior to the issuance of the final management audit report, only the Department, not the auditee or any other person or party, has the authority to discuss or comment on the auditor's proposed conclusions or recommendations. Additionally, the proposed amendment requires the Department to review draft management audit reports within a reasonable period of time

Be it known that the foregoing:

Regulations  Emergency Regulations

are:

Adopted  Amended as hereinabove stated  Repealed

by the aforesaid agency pursuant to:

Section 16-6b, 16-8(b)(3) of the General Statutes.

Section \_\_\_\_\_ of the General Statutes, as amended by Public Act No. \_\_\_\_\_ of the \_\_\_\_\_ Public Acts.

Public Act No. \_\_\_\_\_ of the Public Acts.

After publication in the Connecticut Law Journal on August 25, 2009, of the notice of the proposal to:

Adopt  Amend  Repeal such regulations

(If applicable):  And the holding of an advertised public hearing on \_\_\_\_\_ day of \_\_\_\_\_

WHEREFORE, the foregoing regulations are hereby:

Adopted  Amended as hereinabove stated  Repealed

Effective:

When filed with the Secretary of the State.

(OR)

The \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_

In Witness Whereof:	DATE October 7, 2009	SIGNED (Head of Board, Agency or Commission) <i>[Signature]</i>	OFFICIAL TITLE, DULY AUTHORIZED Chairman
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Approved by the Attorney General as to legal sufficiency in accordance with Sec. 4-169, as amended, C.G.S.:	SIGNED <i>[Signature]</i> 10/15/09	OFFICIAL TITLE, DULY AUTHORIZED ASSOC. ATTY. GENERAL
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Approved

Disapproved

Disapproved in part, (Indicate Section Numbers disapproved only)

Rejected without prejudice.

By the Legislative Regulation Review Committee in accordance with Sec. 4-170, as amended, of the General Statutes.	DATE	SIGNED (Clerk of the Legislative Regulation Review Committee)
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Two certified copies received and filed, and one such copy forwarded to the Commission on Official Legal Publications in accordance with Section 4-172, as amended, of the General Statutes.

DATE	SIGNED (Secretary of the State.)	BY
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INSTRUCTIONS

- One copy of all regulations for adoption, amendment or repeal, except emergency regulations, must be presented to the Attorney General for his determination of legal sufficiency. section 4-169 of the General Statutes.
- Seventeen copies of all regulations for adoption, amendment or repeal, except emergency regulations, must be presented to the standing Legislative Regulation Review Committee for its approval. Section 4-170 of the General Statutes.
- Each regulation must be in the form intended for publication and must include the appropriate regulation section number and section heading. Section 4-172 of the General Statutes.
- Indicate by "(NEW)" in heading if new regulation. Amended regulations must contain new language in capital letters and deleted language in brackets. Section 4-170 of the General Statutes.