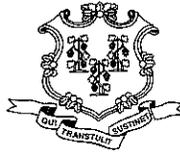


STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL

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JOHN C. GERAGOSIAN

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Testimony in Favor of Raised HB 5546

March 17, 2014

We would like to thank the Finance, Revenue, and Bonding Committee for raising HB 5546, An Act Implementing Certain Recommendations of the Auditors of Public Accounts. We are strongly in favor of this legislation.

During the course of auditing state and quasi-public agencies, our auditors discover issues that merit the attention of the General Assembly. This bill implements several of the changes that were recommended in our annual report. That report can be accessed on our website (<http://www.cga.ct.gov/apa/>).

Section 1 corrects an inconsistency in state statutes regarding our office's access to confidential tax information at the Department of Revenue Services in whistleblower investigations.

The General Statutes, as currently written, clearly grant the Auditors of Public Accounts access to confidential taxpayer information when performing its auditing duties in accordance with Section 2-90. However, the auditors are also required to conduct reviews of whistleblower complaints under Section 4-61dd. The Commissioner of the Department of Revenue Services has denied our office access to this same taxpayer information when conducting investigations under Section 4-61dd, citing the restrictive language contained in subsection (b)(2) of Section 12-15. It should be noted that, while our office is authorized to access confidential information maintained by state agencies when conducting our audits, we are also required by Section 2-90 to maintain the confidentiality of such information in the same manner and to the same extent as the custodial state agency. Furthermore, if our office fails to protect this information, we are subject to the same penalties as would apply to the custodial state agency.

Section 2 allows the UConn Health Center to utilize the state's Tax Intercept Program to collect amounts due on delinquent patient accounts.

Section 12-742 of the General Statutes establishes a process for the withholding of state income tax refunds of those persons or entities owing debts to the state. This process is commonly referred to as the State Tax Intercept Program.

For example, the UConn Health Center ultimately writes off approximately \$4,000,000 in patient accounts receivable per year. We have recommended to the management of the health center in our most recent audit that it participate in the program to enhance collection efforts. Health center management has responded by indicating that there is uncertainty as to whether the health center is permitted to utilize the program.

Section 3 eliminates a redundant audit requirement related to the Capital Region Development Authority (CRDA).

The audit requirements as set forth by Section 32-605 of the General Statutes are redundant in that they call for separate and potentially duplicative audits by the Auditors of Public Accounts and by outside audit firms. Section 32-605 of the General Statutes, as amended by Public Act 12-147, states that the board of directors of the Capital Region Development Authority shall annually contract for a financial audit of the authority. This statute goes on to say that, in lieu of the audit required under section 1-122 of the general statutes, the directors of the Capital Region Development Authority shall annually contract with a person, firm or corporation for a compliance audit. Section 32-605 (c) of the General Statutes states that the books and accounts of the Capital Region Development Authority shall be subject to annual audits by the Auditors of Public Accounts. Section 1-122 of the General Statutes calls for the Auditors of Public Accounts to conduct a biennial compliance audit of each quasi-public agency's activities during the preceding fiscal year.

In practice, the authority has been contracting with an outside audit firm to perform an annual financial audit and the Auditors of Public Accounts has been performing a compliance audit of the authority. However, the audit requirements as put forth in the statute could result in unnecessary duplication of effort unless they are changed.

Section 4 eliminates the redundant requirement that our office audit the Rentschler Stadium Enterprise Fund.

Section 32-657 subsection (g) of the General Statutes originally required an independent auditing firm to conduct a comprehensive annual audit of the Rentschler Stadium Enterprise Fund and other accounts holding state monies associated with the stadium facility. Public Act 08-185, effective June 12, 2008, deleted the provisions requiring an independent auditing firm to conduct the annual audit and required instead that the Auditors of Public Accounts conduct such audit.

Public Act 12-147, effective July 1, 2013, provided the Capital Region Development Authority (CRDA) with the management responsibility for Rentschler Field. Given that CRDA is required by subsection (d) of Section 32-605 of the General Statutes to have an independent financial statement audit conducted in accordance with generally accepted auditing standards, that audit would have to include the operations of the stadium. The requirement that the Auditors of Public Accounts also complete the same type of audit is an unnecessary duplication of effort.

For the fiscal year ended June 30, 2013, an independent auditing firm performed the required audit of the CRDA financial statements and conducted a separate audit of the Rentschler Field financial statement. The Auditors of Public Accounts would continue to conduct a biennial

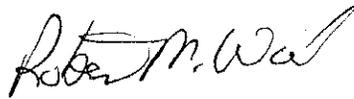
compliance audit of the Capital Region Development Authority pursuant to Section 1-122 of the General Statutes, which would maintain our oversight over Rentschler.

In summary, Section 1 will allow our office to fully conduct a whistleblower investigation in those rare circumstances that access to individual tax information is necessary to such an investigation. Section 2 will allow the UCONN Health Center to use the state's Tax Intercept Program to more efficiently collect delinquent patient accounts. Sections 3 and 4 will allow our office to be more efficient by eliminating duplicative financial statement audits for certain quasi-public agencies.

Thank you again for raising this important legislation. As always, we are available to you to answer any questions you may have about this legislation or the work our office does.



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts