

STATE OF CONNECTICUT



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Auditors of Public Accounts Testimony Transportation Committee Forum August 20, 2019

Good morning Senator Leone, Representative Lemar, Senator Martin, Representative Devlin and members of the Transportation Committee. Thank you for inviting our office to participate in this forum on the Connecticut Port Authority.

Our office released the first audit of the Connecticut Port Authority on May 17, 2019, covering the fiscal years 2016 and 2017. The audit revealed a lack of written procedures, bank account control deficiencies, misclassification of an employee (intern) as a consultant, and noncompliance with reporting requirements.

Lack of Written Procedures

We found that the port authority did not adopt procedures addressing affirmative action, personnel practices, use of surplus funds, and the distribution of loans, grants, and other financial assistance during the audited period. We recommended that the Connecticut Port Authority develop and implement formal written procedures regarding these areas of concern. The port authority provided us with various draft policies; however, we were not able to determine whether the board approved any of these policies.

Bank Account Control Deficiencies

In March 2017, the Connecticut Port Authority opened two bank accounts for general operating purposes. It used one for deposits and the other for vendor payments. The maintenance of accounting records for bank accounts and the timely reconciliation of those records to bank statements are basic elements of internal control.

We found that the Connecticut Port Authority did not maintain accounting records detailing the transactions and balances of its bank accounts during the audited period. The port authority could not perform bank reconciliations, because there were no accounting records to reconcile.

When we requested accounting records and bank reconciliations for the audited period, they were not available. We reported this control weakness as it existed during the audited period.

The port authority subsequently hired an accounting firm, which retroactively entered accounting transactions from the point the bank accounts were opened, and performed reconciliations after our request for such records in September 2017.

Since our audit, the port authority hired an office manager (terminated effective July 10, 2019) and a fiscal administrative assistant to maintain accounting records. The authority kept these records using an Excel spreadsheet, performed reconciliations, and also purchased and trained its staff to use QuickBooks as its main accounting system. When we requested certain QuickBooks reports, the port authority told us the reports may not be complete or accurate. The authority also informed us that it was waiting for assistance from an outside QuickBooks specialist. In our current fieldwork, we continue to note recordkeeping problems related to the port authority's expenditures. Receipts and supporting documentation are missing for some transactions, and other transactions lacked sufficient supporting documentation.

Employee Misclassification as a Consultant

During the audited period, the Connecticut Port Authority hired a worker (intern) and paid him as a consultant. Based on the job description and functions performed by the temporary worker, it appears that the port authority misclassified the employee.

We recommended that the Connecticut Port Authority take corrective action as necessary to address the effects of misclassification of a temporary employee as a consultant. We note that this condition exists with two other interns during the current audit period.

Noncompliance with Reporting Requirements

The Connecticut Port Authority did not submit the reports required by Section 1-123. Those include an annual comprehensive report on agency operations to the Governor and the Auditors of Public Accounts and quarterly financial and personnel status reports to the Legislative Office of Fiscal Analysis. We recommended that the port authority submit those required reports.

Since our audit, the port authority submitted its 2018 annual report and quarterly reports for the quarters ended 3/3/18 – 3/31/19.

Port Authority Audit for Fiscal Years 2018/2019 and Complaint

Our initial audit raised concerns related to the internal controls of the port authority. In addition, our office received a complaint in late May related to mismanagement and misuse of funds.

As a result, our office decided to immediately conduct the next regular audit of the port authority (for the fiscal years 2018 and 2019). We began that engagement on July 10, 2019. We also are continuing to review the issues raised in the May complaint.

Since this work is ongoing and has not been through our office's management review process, we are unable to speak to any definitive conclusions today. We will make every effort to report on these issues in the near future.

We would be happy to answer any questions.