

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
DEPARTMENT OF ADMINISTRATIVE SERVICES  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2012*

**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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April 15, 2015

### **AUDITORS' REPORT DEPARTMENT OF ADMINISTRATIVE SERVICES FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2012**

We have audited certain operations of the Department of Administrative Services (DAS) in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2011 and 2012. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions.
2. Evaluate the department's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department. For the areas audited, we identified:

1. Deficiencies in internal controls,
2. Apparent noncompliance with legal provisions, and
3. Need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Department of Administrative Services.

## **COMMENTS**

### **FOREWORD**

The Department of Administrative Services operates primarily under the provisions of Title 4a, Chapter 57, of the Connecticut General Statutes (CGS).

It should be noted that under Public Act 11-51, effective July 1, 2011, a significant agency reorganization took place, which absorbed the functions of certain other agencies into DAS. The former Department of Information Technology became the Bureau of Enterprise Systems and Technology (BEST) under DAS. In addition, a portion of the former Department of Public Works became the Bureau of Properties and Facilities Management under DAS.

Under Public Act 09-07, the State Marshal Commission, the State Insurance Risk and Management Board, the State Properties Review Board, and the Office of the Claims Commissioner were consolidated under DAS, but retained their independent decision-making authority.

A description of the major functions of the department for the audited period is presented below.

### **Office of the Commissioner**

The Office of the Commissioner sets the policy and direction of the agency and provides legal support and oversight of DAS operations. The major functions of the Office of the Commissioner include:

- Legislative liaison
- Legal support and oversight of DAS operations
- Compliance with state and federal requirements

## **Strategic Services**

Strategic Services conducts agency-wide and state-wide projects and studies to:

- Set, track and evaluate the DAS business plan
- Conduct research in business operations
- Assess and report upon organizational effectiveness using established criteria
- Find cost savings

## **Human Resources**

The department provides statewide human resource services within DAS and to other agencies, including recruiting and testing, personnel development, and Workers' Compensation administration. In addition, the department's Small Agency Resource Team (SmART) provides direct services to more than twenty of the smaller state agencies in the areas of affirmative action, human resources, and payroll.

## **Procurement**

The department is charged with facilitating the purchase and provision of supplies, materials, equipment, and contractual services, per CGS 4a-51 for executive branch state agencies. DAS carries out these functions through the Strategic Procurement Division by establishing state contracts and administering a variety of other related functions. Those other functions include: the Supplier Diversity Program, Surplus Property management, Contractor Prequalification Program, and the P-Card Program.

## **Business Services**

The Business Services Division's responsibility is to provide comprehensive financial services in the areas of budget, accounts payable, accounts receivable, purchasing, and property management to DAS and other small state agencies, including the Office of the Governor and the Office of the Lieutenant Governor. It also provides accounting support to revenue-producing units.

## **Collection Services**

The primary responsibility of the Collection Services Division is to maximize revenue by investigating, billing and collecting for services provided by the Departments of Developmental Services, Social Services, Mental Health and Addiction Services and Children and Families; whose facilities and programs span the state.

## **Communications Office**

The Communications Office performs a variety of services for the department, including:

- Marketing and media services to all DAS business centers and consulting services to other state agencies
- Writing and designing DAS publications and news releases
- Media contact

### **Fleet Operations**

The department is responsible for ensuring the efficient, cost-effective and orderly use of motor vehicles used for state business. The department's duties with respect to its fleet of automobiles include: the purchase of motor vehicles, agency vehicle assignment, mileage report tracking, accident reporting and service, and maintaining repair facilities.

### **Executive Management**

Dr. Martin W. Anderson succeeded Brenda L. Sisco in May 2010 and served in the capacity of interim commissioner until January 2011, when Donald J. DeFronzo was appointed by Governor Dannel Malloy and served until January 2015. In January 2015, Governor Malloy appointed Melody A. Currey as commissioner. She currently serves in that position.

### **Significant Legislation**

Notable legislative changes, which took effect during the audited period, are presented below:

- Public Act 11-51 – Section 42 of the act dissolved the Department of Public Works (DPW) and the Department of Information Technology (DOIT) and transferred the authority and responsibilities of those agencies to DAS with the exception of DPW construction-related functions and operations, which were transferred to a new Department of Construction Services (DCS). The effective date of this provision was July 1, 2011.
- Public Act 11-33 – Section 1 subsection (b) indicates that on or before January 1, 2012, the commissioner of the Department of Administrative Services shall develop an employee training program to instruct state employees on workplace violence awareness, prevention, and preparedness. Any full-time employee as defined in section 5-196, employed by the state prior to January 1, 2012, shall be required, not later than six months from the date of hire, to attend the training described as a condition of his or her employment.

## **RÉSUMÉ OF OPERATIONS**

### **General Fund**

General Fund receipts for the 2011 and 2012 fiscal years, as recorded by the State Comptroller, totaled \$66,382,419 and \$70,351,597, respectively.

A summary of those receipts by category is as follows:

	<u>Fiscal Year</u>		
	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Recoveries of the Costs of:	\$	\$	\$
Public Assistance	38,512,963	38,302,021	39,074,917
Hospitals	23,966,359	22,010,609	22,415,936
Title IV-E and Non IV-E Programs	2,738,929	3,022,178	2,520,725
Other Receipts:			
Refunds of Expenditures from Prior Years	1,226,975	1,810,191	3,137,386
Miscellaneous Recoveries	<u>1,043,033</u>	<u>1,237,420</u>	<u>3,202,633</u>
Total Receipts	<u>\$67,488,259</u>	<u>\$66,382,419</u>	<u>\$70,351,597</u>

The Collections Unit also performed claims submission for federal Medicaid, Medicare, Social Security, private insurance and self-pay program billings. Approximately 97 percent of the total claims for the three fiscal years under review were from the Medicaid Title XIX program. The Medicaid program, which was established pursuant to Title XIX of the Social Security Act, provides medically-related care and services to needy persons. The state received fifty percent reimbursement from the federal government for claims accepted and paid under the Title XIX program. The Collections Unit reported total claims of \$1,178,826,406, \$1,164,439,751 and \$1,077,601,923 for the fiscal years ended June 30, 2010, 2011 and 2012, respectively, from the following inpatient and outpatient medical assistance programs:

	<u>Fiscal Year</u>		
	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Department of Developmental Services:			
Waiver	\$ 731,698,618	\$ 778,787,846	\$ 699,223,954
In-patient Care Facility	246,091,071	244,225,810	240,667,341
Birth to Three	<u>38,962,820</u>	<u>17,430,565</u>	<u>12,621,079</u>
Total Claims Reported for DDS	<u>\$1,016,752,509</u>	<u>\$1,040,444,221</u>	<u>\$ 952,512,374</u>
Department of Mental Health and Addiction Services:			
In-patient	17,590,688	14,899,643	15,779,024
Out-patient	1,348,573	1,071,466	628,216
Targeted Case Management	<u>11,507,321</u>	<u>7,131,870</u>	<u>11,824,893</u>
Total Claims Reported for DMHAS	<u>30,446,582</u>	<u>23,102,979</u>	<u>28,232,133</u>
Department of Veterans Affairs:			
In-patient	<u>14,125,489</u>	<u>16,472,623</u>	<u>16,773,789</u>
Department of Children and Families:			
In-patient	24,026,441	23,771,104	35,001,369
Private Non-Medical Institutions	<u>47,904,585</u>	<u>33,180,058</u>	<u>29,197,200</u>
Total Claims Reported for DCF	<u>71,931,026</u>	<u>56,951,162</u>	<u>64,198,569</u>

Department of Social Services:

School-Based Child Health	<u>45,570,800</u>	<u>27,468,766</u>	<u>15,885,058</u>
Total Claims	<u>\$1,178,826,406</u>	<u>\$1,164,439,751</u>	<u>\$1,077,601,923</u>

A comparative summary of DAS expenditures from General Fund appropriations for the fiscal years ended June 30, 2010, 2011 and 2012, is presented below:

	<u>2009-2010</u>	<u>Fiscal Year</u> <u>2010-2011</u>	<u>2011-2012</u>
	\$	\$	\$
Budgeted Appropriations:			
Personal Services and Employee Benefits	46,147,636	46,135,558	66,887,707
Purchased and Contracted Services	6,170,385	6,002,514	6,317,793
Other Services	12,268,992	11,864,258	12,799,629
Rental and Maintenance – Equipment	64,885	72,137	350,965
Motor Vehicle Costs	33,216	46,790	152,115
Premises and Property Expenses	49,510	7,661	41,832,204
Information Technology	231,400	160,101	12,540,882
Communications	41,668	36,764	2,313,260
Purchased Commodities	57,627	97,048	363,819
Other Charges	120,168	63,482	282,555
Fixed Charges	31,168	-	423,693
Capital Outlays – Equipment	-	7,541	1,233,325
Capital Outlays – Buildings/Improvements	-	-	<u>25,000</u>
Total General Fund Expenditures	<u>\$65,216,655</u>	<u>\$64,493,854</u>	<u>\$145,522,947</u>

A dramatic increase in expenditures for fiscal year 2012 resulted from the merger of the Department of Public Works (DPW) and the Department of Information Technology (DOIT) with DAS.

A comparative summary of DAS expenditures from other fund types for the fiscal years ended June 30, 2010, 2011, and 2012, is presented below:

	<u>2009-2010</u>	<u>Fiscal Year</u> <u>2010-2011</u>	<u>2011-2012</u>
	\$	\$	\$
Other Funds:			
Special Revenue – Transportation	8,985,661	6,464,733	11,159,963
Capital Equipment Purchase Fund	97,907	32,553	1,208,034
Capital Improvements and Other Purposes	-	-	147,291
Federal and Other Restricted Accounts	<u>265,397</u>	<u>356,947</u>	<u>69,396,785</u>
Total Special Revenue Fund Expenditures	<u>\$9,348,965</u>	<u>\$6,854,233</u>	<u>\$81,912,073</u>

As explained for the previous table, the significant increase in expenditures during 2012 was due to the merger of DPW and DOIT with DAS.

**Workers' Compensation Claims**

In accordance with Section 4-77a of the General Statutes, appropriations for the payment of Workers' Compensation awards were made directly to the Departments of Developmental Services, Mental Health and Addiction Services, Correction, Transportation, Emergency Services and Public Protection, and Children and Families, while the appropriations for the payment of Workers' Compensation claims for all other budgeted state agencies were administered by the Department of Administrative Services.

A summary of net expenditures charged against the aforementioned seven agencies' Workers' Compensation appropriations for the fiscal years ended June 30, 2010, 2011, and 2012, is presented below:

	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
General Fund:	\$	\$	\$
Developmental Services	16,201,763	15,416,102	15,894,870
Mental Health and Addiction Services	12,128,927	10,448,408	11,255,045
Correction	32,084,597	26,984,567	26,836,715
Emergency Services and Public Protection	4,475,689	4,004,508	4,283,660
Children and Families	9,698,917	9,345,490	11,035,823
Administrative Services	<u>27,065,795</u>	<u>26,248,383</u>	<u>26,460,483</u>
Total General Fund	<u>101,655,688</u>	<u>92,447,458</u>	<u>95,766,596</u>
Transportation Fund:			
Transportation	7,685,448	6,553,361	7,456,102
Motor Vehicles	<u>543,433</u>	<u>470,626</u>	<u>620,186</u>
Total Transportation Fund	<u>8,228,881</u>	<u>7,023,987</u>	<u>8,076,288</u>
 Total All Funds	 <u>\$109,884,569</u>	 <u>\$99,471,445</u>	 <u>\$103,842,884</u>

**Department of Administrative Services - General Services Revolving Fund**

During the audited period, DAS administered the Department of Administrative Services – General Services Revolving Fund. This fund is authorized by Section 4a-75 of the General Statutes, and is used to account for the financing and billing of goods or services provided by the Department of Administrative Services to other departments and agencies. The working capital of the fund is maintained by charges to agencies and institutions for commodities and services furnished to them by the various operations of the Business Services Division. Cash receipts and disbursements for the fund during the audited period were as follows:

	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Cash Balance, Beginning of Year	\$(42,450,238)	\$(26,588,058)	\$(23,941,698)
Receipts	28,305,963	25,815,549	26,236,146

Transfers and Vouchers	<u>(79,047)</u>	<u>(265,281)</u>	<u>(285,508)</u>
Total	(14,223,322)	(1,037,790)	(2,008,940)
Disbursements	<u>12,364,736</u>	<u>22,903,909</u>	<u>27,902,248</u>
Cash Balance, End of Year	<u>\$(26,588,058)</u>	<u>\$(23,941,699)</u>	<u>\$(29,911,188)</u>

For the fiscal years ended June 30, 2010 and 2011, DAS identified a net operating loss of \$1,797,130 and \$2,086,322, respectively. For the fiscal year ended June 30, 2012, a net operating loss of \$194,559 resulted. The revolving fund's reported fund equity as of June 30, 2012, was approximately \$26,951,502. The negative cash balance of \$29,911,188 represents a liability on the department's revolving fund financial statements for amounts due to other funds. The primary factors affecting the cash balance of the department's revolving fund were car pool purchases and vehicle rental rates charged to customer agencies.

The Department of Administrative Services – General Services Revolving Fund, as an internal service fund, is expected to operate on a cost reimbursement basis. It is recognized within generally accepted governmental accounting standards that user charges need not cover the full cost of providing goods or services to other state agencies or units, and that transfers from other funds or units to subsidize in part the operations of an internal service fund do not negate the use of this fund type. Internal service funds should operate on a breakeven basis over time, inclusive of such transfers. Subsequent to the audited period, it was noted that the revolving fund had posted a net operating profit.

#### **Department of Administrative Services – Technical Services Revolving Fund**

During the audited period, DAS also administered the Department of Administrative Services' Technical Services Revolving Fund. This fund is authorized under Section 4d-9 of the General Statutes for the purchase, installation, and utilization of information systems for budgeted agencies of the state.

	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
Cash Balance, Beginning of Year	\$ 7,454,812	\$ 5,826,928	\$ 5,803,423
Receipts	10,279,043	8,717,339	8,432,236
Transfers and Vouchers	<u>(5,435,559)</u>	<u>(2,724,853)</u>	<u>(1,851,360)</u>
Total	12,298,296	11,819,414	12,384,299
Disbursements	<u>6,471,368</u>	<u>6,015,991</u>	<u>7,380,332</u>
Cash Balance, End of Year	<u>\$ 5,826,928</u>	<u>\$ 5,803,423</u>	<u>\$ 5,003,967</u>

#### **Trustee Accounts in the Custody of the Commissioner of Administrative Services**

The commissioner of the Department of Administrative Services has designated the Collection Services Division to act as trustee for the accounts of certain people, subject to the following criteria:

Estate Administrator Accounts – pursuant to Section 4a-15 of the General Statutes, the Estate Administrator, appointed by the commissioner of the Department of Administrative Services,

may act in a fiduciary capacity in connection with the property of any minor, incapable, incompetent or deceased person who is or has been receiving financial aid from the state.

Legal Representative Accounts – pursuant to Section 4a-16 of the General Statutes, these accounts are established for deceased persons for whom a court has designated the commissioner of the Department of Administrative Services to administer the funds.

Representative Payee Accounts – pursuant to Section 4a-12 subsection (a) of the General Statutes, the majority of the accounts administered by the DAS Collection Services Division are for patients and/or residents of state humane institutions, for whom the payer of funds due these persons has agreed to permit DAS to act as a conduit of those funds. These arrangements usually involve DAS being named representative payee for the Social Security Administration, Veterans' Administration, and other benefit providers. The primary distinction between accounts in this category and the other categories is that these accounts are the result of agreements while those in the Estate Administrator and Legal Representative categories have been designated by court proceedings.

Receipts for the Legal Representative Accounts in the Custody of the Commissioner totaled \$3,885,107 and \$3,772,341 during the fiscal years ended June 30, 2011, and 2012, respectively. Collections from claims against decedent estates to provide for the reimbursement of state costs, pursuant to Section 4a-16 of the General Statutes, amounted to \$3,885,005 and \$3,772,341 during the fiscal years ended June 30, 2011, and 2012, respectively. In addition, interest was earned on account assets transferred to and invested in the State Treasurer's short-term investment funds. The interest generated by those investments totaled \$103 and \$71 for the fiscal years ended June 30, 2011, and 2012, respectively.

Disbursements from the Legal Representative Accounts totaled \$3,960,375 and \$3,826,958 during the fiscal years ended June 30, 2011 and 2012, respectively. Disbursements for the reimbursement of state claims against decedent estates amounted to \$3,707,883 and \$3,321,722, during the fiscal years ended June 30, 2011 and 2012, respectively. Other categories of disbursements included funeral and burial expenses and expenses of last illness, pursuant to Section 17b-84 and Section 4a-16 of the General Statutes.

The Legal Representative Accounts' assets totaled \$421,830, and \$621,265 as of June 30, 2011, and 2012, respectively. The assets consisted of cash balances of \$377,366 and \$576,802 and investments of \$44,464 and \$44,464 in the Treasurer's Short-Term Investment Fund during the fiscal years ended June 30, 2011, and June 30, 2012, respectively.

The Collection Services Division also has custody of certain other cash and noncash assets that are held in trust for accounts in the Legal Representative category. Legal Representative Accounts' assets inventoried and on hand included coins, stocks and bonds, insurance policies, savings account passbooks, as well as other personal property.

Receipts for the Representative Payee Accounts consisted primarily of revenues derived from Social Security benefit payments received by the state on behalf of individuals residing in state humane institutions. The receipts for the Representative Payee Accounts totaled:

<u>2010-2011</u>	<u>2011-2012</u>
\$ 9,946,745	\$ 9,680,272

In addition, interest was earned on account assets transferred to and invested in the State Treasurer's short-term investment funds as follows:

<u>2010-2011</u>	<u>2011-2012</u>
\$ 4,614	\$ 3,440

Disbursements from the Representative Payee Accounts are primarily expenditures for the costs associated with the board, care, treatment and personal expense allowances associated with patients in state humane institutions. The disbursements for Representative Payee Accounts totaled:

<u>2010-2011</u>	<u>2011-2012</u>
\$ 10,053,710	\$ 9,625,018

The Representative Payee Accounts' assets consisted of cash balances and total investments in the Treasurer's Short-Term Investment Fund and were as follows:

<u>2010-2011</u>	<u>2011-2012</u>
\$ 2,155,507	\$ 2,210,762

#### **Other Matters – Disclosure of Consolidated Agency Audit Recommendations**

The Department of Administrative Services provided administrative functions for a multitude of agencies as a result of agreements and several public acts. The department provides personnel, payroll, affirmative action, and business office functions for those consolidated agencies. The primary objective of the consolidation was to bring those administrative functions under one roof in order to achieve greater consistency and uniformity in the application of fiscal and personnel-related rules, laws and regulations.

While the consolidated agencies had some or all of their administrative functions performed within DAS, they remained legally separate entities with their own management and appropriations. As such, they were subject to separate audit by the Auditors of Public Accounts in accordance with Section 2-90 of the Connecticut General Statutes.

Of interest in our current review are those consolidated agency audits with recommendations that involve the administrative functions performed by DAS. A review of those recommendations disclosed service provider-related conditions that required or will require the combined efforts of DAS and their client agencies to resolve.

We have incorporated, where appropriate, such conditions of significance to this audit within the State Auditors' Findings and Recommendations section of the report.

**Other Matters – Letter to the Governor – Over-reimbursement from Medicaid**

A letter from the State Auditors dated January 14, 2013 to Governor Malloy identified internal control deficiencies at the Department of Administrative Services – Collection Services Division, which resulted in claims amounting to \$3,430,400 being erroneously submitted for federal reimbursement. DAS concurred with the findings and adjustments for all of the claims were processed by DAS in late November and early December of 2012. As a result, monies were returned to the Medicaid program in the form of credits against subsequent claims.

Internal controls over DAS data entry of claims into its system were deemed inadequate. DAS staff indicated that the system continually claims federal reimbursement for patients of the Department of Children and Families (DCF) if a discharge is not manually entered into the system. In addition, DAS did not have procedures in place to reconcile census information received from DCF to information entered into the system. Upon bringing the matter to the attention of DAS officials, procedures were put in place to address the deficiencies.

**Other Matters – Unoccupied Leased Space**

A matter was referred to us regarding the misuse of state resources. The former Department of Public Works (DPW), now the Department of Administrative Services - Division of Construction Services, entered into an original lease agreement with a tenant for the sixth and seventh floors of 960 Main Street in Hartford on April 25th, 2001. On May 24, 2002, DPW exercised its option to lease an additional office space on the tenth and eleventh floors of 960 Main Street. The original plan for the 10th and 11th floors was to have the Department of Banking (DOB) occupy the space. However, upon a review of all leases by former DPW Commissioner Fleming, the DOB decided not to occupy the 10th and 11th floors. The space was also reviewed as a potential expansion opportunity for Capital Community College. However, after the space was designed and the money had been allocated, the expansion project was halted when the Community College System decided to reassess all of the space they utilize.

As a result, from May 24, 2002 through September 21, 2012, the space remained unoccupied, costing the state approximately \$11,000,000 over a ten-year period. DAS indicated that the in-house legal unit and the Office of the Attorney General looked into terminating the lease but were unable to do so because of the existing terms.

## STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Department of Administrative Services disclosed certain matters of concern requiring disclosure and agency attention.

### General Statutory Compliance

The following recommendations pertain to conditions regarding a lack of compliance with certain statutory reporting and regulatory requirements. Some of the reporting requirements have not been met in some time, apparently due to statutory obsolescence. It appears that certain state regulations were either non-existent or not updated due to a lack of timely oversight.

### Reporting Requirements

*Criteria:* Subsection (c) of Section 4b-136 of the General Statutes indicates that each state agency and each department, board, commission, institution, or other agency of the state listed in the exceptions to the term "state agency" in section 4b-130 shall report biannually to the council on the frequency, character, and resolution of workplace violence incidents.

Subsection (b) of Section 4d-12 of the General Statutes indicates that there is established an information and telecommunication systems executive steering committee consisting of the commissioner of the Department of Administrative Services, the secretary of the Office of Policy and Management, the comptroller, the treasurer and the chairperson of the board of trustees of each constituent unit of the state system of higher education, or their designees. The commissioner of the Department of Administrative Services, or a designee, shall serve as chairperson of the committee. The Department of Administrative Services shall serve as staff to the committee. The committee shall (1) review and approve or disapprove the annual information and telecommunication systems strategic plan developed under section 4d-7, state agency estimates of expenditure requirements for information and telecommunication systems established under section 4d-11, and major telecommunication initiatives; (2) review, in consultation with the Department of Administrative Services, and approve or disapprove variances to (A) the list of approved architectural components for information and telecommunication systems for state agencies, (B) the strategic plan, and (C) appropriations for information and telecommunication systems; and (3) advise the Department of Administrative Services on the organization and functions of the department regarding information and telecommunication systems. The committee shall submit a report on each approved variance to the General

Assembly. Such a report shall include the reasons for the variance and the results of a cost-benefit analysis on the variance.

Subsection (b) of Section 5-219a of the General Statutes indicates that each state agency shall include an analysis of personnel hirings for the preceding year in its annual report to the Governor. Such a report shall indicate the extent to which volunteer experience was taken into account in determining the qualification of applicants for state employment.

Subsection (b) of Section 10a-151d of the General Statutes indicates that the Department of Administrative Services shall annually report to the General Assembly concerning all purchasing requests received by the department from the constituent unit of the state system of higher education, including but not limited to, for each such request, the type of item requested, the date on which the request for such purchase was received by the department and the date on which the purchase order for such purchase was issued.

Sections 46a-78 and 46a-81o of the General Statutes indicate that agencies shall include in their annual reports to the Governor, the activities undertaken in the past year to effectuate the legislation pertaining to various forms of discrimination.

*Condition:* Report information required in accordance with Sections 4b-136, 4d-12, 5-219a, 10a-151d, 46a-78 and 46a-81o did not appear to be submitted.

*Effect:* The absence of information provided to the intended recipients may negatively impact the decisions made at that level.

*Cause:* Since the mergers of other agencies with the department, it appeared that higher priorities took precedence over reporting requirements.

*Recommendation:* The Department of Administrative Services should evaluate the reporting responsibilities within Sections 4b-136, 4d-12, 5-219a, 10a-151d, 46a-78 and 46a-81o of the General Statutes and either comply with its provisions or pursue legislative change if statutory obsolescence is determined. (See Recommendation 1.)

*Agency Response:* “DAS takes its reporting responsibilities seriously, and continuously evaluates such responsibilities in an effort to fully comply with all statutory mandates.

- 4b-136 – DAS agrees with this recommendation, and has taken corrective action to ensure that the agency regularly reports all incidents of workplace violence to the Statewide Security Management Council via its new electronic reporting mechanism, which went live for agencies’ use at the beginning of FY 14.
- 4d-12 - DAS agrees that the Information and Telecommunications Executive Steering Committee has not submitted a report on agency variance requests in FY 11 or FY 12. With agency mergers, the reassignment of IT responsibilities throughout the state, and the loss of agency resources in this area, the committee has focused on assisting agencies statewide with critical IT and telecommunication projects. As the committee has not yet been able to focus on updating enterprise architectural standards, it has not expended resources tracking variances from such standards.
- 5-219a – The reporting requirement identified above, mandating that each state agency include an analysis of personnel hirings that includes information about the extent to which volunteer experience was taken into account, was repealed in Public Act 13-247, Section 355.
- 10a-151d – Section 6 of P.A. 14-202 repealed this obsolete DAS reporting requirement.
- 46a-78 and 46a-81o – The information described in these sections is voluminous and contained in the agency’s Affirmative Action Plan, filed annually with the Commission on Human Rights and Opportunities. DAS will ensure that such a plan will be referenced in the agency’s annual report to comply with 46a-78 and 46a-81o.”

## **State Regulations**

*Criteria:*

Section 4a-52 of the General Statutes indicates that the commissioner of the Department of Administrative Services shall adopt regulations for a variety of procurement-related purposes.

Section 4a-61 indicates that the commissioner of the Department of Administrative Services, with the advice of the commissioner of the Department of Economic and Community Development, shall adopt regulations in accordance with Chapter 54, establishing procedures for the award of contracts concerning minority business enterprises by the state or any political subdivision of the state other than a municipality.

Subsection (o) of Section 4b-23 indicates that the commissioner of the Department of Administrative Services shall adopt regulations, in consultation with the secretary of the Office of Policy and Management and the State Properties Review Board setting forth the procedures, which DAS and said office and board shall follow in carrying out their responsibilities concerning state leasing of offices, space, or other facilities.

Proper business practices include periodically updating guidance to reflect current practices.

*Condition:* The state regulations required under Section 4b-23 did not appear to exist. It was additionally noted that the language within the state regulations required by Sections 4a-52 and 4a-61 appeared outdated.

*Effect:* The absence of up-to-date regulations may result in inefficiencies and misunderstandings in those respective areas.

*Cause:* The mergers of state agencies appear to have contributed to the delay in the adoption and modification of state regulations under DAS purview.

*Recommendation:* The Department of Administrative Services should comply with Section 4b-23 of the General Statutes and adopt state regulations or pursue legislative change. In addition, DAS should modify state regulations under Sections 4a-52 and 4a-61 to reflect its current processes. (See Recommendation 2.)

*Agency Response:* “DAS has sought and obtained a legislative change to C.G.S. § 4b-23; Section 2 of Public Act 14-202 eliminated the requirement for DAS to adopt regulations on this topic.

Pursuant to Governor Malloy’s Executive Order 37, in the winter of 2013, DAS undertook a comprehensive review of all DAS regulations, including regulations under the authority of the agency’s new units and divisions. In total, DAS reviewed 885 separate regulations, covering 87 statutory sections or subject areas. In the 2014 legislative session, DAS successfully sought the elimination of 165 separate regulations, covering 25 subject areas that were determined to be unnecessary or obsolete. Numerous regulations were identified as in need of updates or modifications in the review process, and DAS is proceeding to prioritize and modify those regulations, within existing agency resources.”

## **Boards, Commissions and Committees**

The following recommendations address a number of issues, some of which directly involve DAS, while others appear to involve DAS as an interested party.

### **Inactive Committees**

*Criteria:* Section 4-61t of the General Statutes established a Committee on Career Entry and Mobility, appointed by the commissioner of the Department of Administrative Services and chaired by the commissioner or a designee. The committee was to include a number of representatives from other agencies. The committee was established to determine how career counseling and training opportunities can best be provided and made available with the funds allotted. The committee was also to develop mechanisms to communicate information about state employment opportunities to state employees and persons with disabilities who wish to become state employees; advise the commissioner of the Department of Administrative Services concerning broader usage of classification titles affecting upward mobility and entry level employment of persons with disabilities; and an effective procedure for reporting compliance to the legislature.

Section 4-61aa of the General Statutes established a committee to encourage the state to employ persons with disabilities. The commissioner of the Department of Administrative Services is to appoint the members of the committee, which shall be chaired by the commissioner, or a designee. The committee is to include representation from seven other identified state agencies. The committee is to advise and develop written guidelines for the commissioner of the Department of Administrative Services and the executive heads of other state agencies regarding the adaptation of employment examinations and alternative hiring processes for, and the reasonable accommodation of, persons with disabilities; and review the program established under subsection (b) of Section 4-61u and compliance with the provisions of Section 46a-70 concerning persons with physical disabilities.

*Condition:* DAS informed us that the Committee on Career Entry and Mobility and the Committee to Encourage Employment by the State of Persons with Disabilities have not been active for many years.

*Effect:* The intended purposes of such committees are not being met.

- Cause:* We were informed that a shortage of resources contributed to the inactivity.
- Recommendation:* The Department of Administrative Services should either continue to pursue the repeal of the statutory mandate or reconstitute the Committee on Career Entry and Mobility and the Committee to Encourage Employment by the State of Persons with Disabilities in accordance with Sections 4-61t, and 4-61aa of the General Statutes, respectively. (See Recommendation 3.)
- Agency Response:* “Section 9 of Public Act 13-225 repealed C.G.S. § 4-61t and the Committee on Career Entry and Mobility. The same Public Act made significant modifications to the Committee established under C.G.S. § 4-61aa, putting the committee under the authority and control under the state Americans with Disability Act Coordinator, changing the committee’s function, and making the committee’s work subject to the request of the state Americans with Disability Act coordinator.”

### **Compliance with CGS 1-225**

- Criteria:* Subsection (a) of Section 1-225 of the General Statutes indicates that each public agency must make its meeting minutes available no later than seven days after the date of the session, and post such minutes on the public agency’s website. Subsection (b) of said section indicates that each public agency of the state shall file, not later than January 31<sup>st</sup> of each year in the office of the Secretary of the State, the schedule of regular meetings of such public agency for the ensuing year and shall post such schedules on the public agency's website.
- Condition:* We noted that the State-wide Security Management Council, the Information and Telecommunication Systems Executive Steering Committee, the Commission for Educational Technology, the Employees’ Review Board, and the State Properties Review Board do not appear to have their meeting schedules filed with the Office of the Secretary of the State.
- Effect:* The lack of such reporting does not comply with the applicable statutes and does not provide proper notification to the public of scheduled meetings.
- Cause:* It appears that proper oversight within the boards, commission, and council was lacking.

*Recommendation:* The Department of Administrative Services should encourage the Statewide Security Management Council, the Information and Telecommunication Systems Executive Steering Committee, the Commission for Educational Technology, the Employees' Review Board, and the State Properties Review Board to comply with Section 1-225 of the General Statutes. (See Recommendation 4.)

*Agency Response:* "DAS agrees that there may have been some lapse in filing of meeting minutes for these panels in the past. The relevant staff has been advised of the FOIA meeting requirements, and procedures have been put into place to assure compliance going forward.

It should be noted that Section 1-225 of the General Statutes makes a distinction between "regular" and "special" meetings. For special meetings, there is no requirement that there be an annual filing and posting of the meeting schedules. The panels cited in this audit finding, other than the State Properties Review Board, have not agreed to a regular schedule of meetings and so their meetings are in the nature of "special" meetings that do not require the annual filing and posting. Should they agree to such a schedule, it will be filed and posted."

## **Board Vacancies**

*Criteria:* Section 4d-80 of the General Statutes indicates that there is established a Commission for Educational Technology within the Department of Administrative Services. The commission shall consist of: (1) The commissioner of the Department of Administrative Services or a designee, the commissioner of the Department of Education and the president of the Board of Regents for Higher Education or their designees, the State Librarian or a designee, the chairperson of the Public Utilities Regulatory Authority or a designee, the chief executive officers of the constituent units of the state system of higher education or their designees; (2) one member each representing the Connecticut Conference of Independent Colleges, the Connecticut Association of Boards of Education, the Connecticut Association of Public School Superintendents, the Connecticut Educators Computer Association, and the Connecticut Library Association; (3) a secondary school teacher designated by the Connecticut Education Association and an elementary school teacher designated by the Connecticut Federation of Educational and Professional Employees; and (4) four members who represent business and have expertise in information technology, one each appointed by

the Governor, the Lieutenant Governor, the speaker of the House of Representatives, and the president pro tempore of the Senate.

Section 5-201 of the General Statutes indicates that there shall be an Employees' Review Board consisting of seven members, at least one of whom shall be an attorney with experience in administrative or labor law. Each member shall have substantial current experience as an impartial arbitrator of labor-management disputes. The Governor is responsible for making such appointments.

Section 6-38b of the General Statutes indicates that there is established a State Marshal Commission, which shall consist of eight members appointed as follows: (1) The Chief Justice shall appoint one member who shall be a judge of the Superior Court; (2) the speaker of the House of Representatives, the president pro tempore of the Senate, the majority and minority leaders of the House of Representatives and of the Senate shall each appoint one member; and (3) the Governor shall appoint one member who shall serve as chairperson. No member of the commission shall be a state marshal, except that two state marshals appointed by the State Marshals Advisory Board in accordance with section 6-38c shall serve as ex-officio, nonvoting members of the commission.

- Condition:* We noted that the Commission for Educational Technology currently consists of 15 members while its enabling legislation requires seventeen. We additionally noted that the Employees' Review Board currently consists of five members while its enabling legislation requires seven. The State Marshal Commission currently consists of six members while its enabling legislation requires eight.
- Effect:* The effectiveness of the boards' or commissions' actions may be hampered due to the absence of required members' input.
- Cause:* It appears that the appointing authorities have not taken action to fill board and commission vacancies despite notification.
- Recommendation:* The Department of Administrative Services should encourage the Commission for Educational Technology, the Employees' Review Board, and the State Marshal Commission to continue to pursue the respective appointing authorities to make proper timely appointments. (See Recommendation 5.)
- Agency Response:* "Section 255 of Public Act 13-247 made significant changes to the membership of the Commission for Educational Technology. All

nineteen statutorily required members of the Commission are appointed and serving.

It is not DAS's role or authority to appoint members of the Employees' Review Board or the State Marshal Commission. DAS notifies these entities and the appointing authorities when appointments are expiring and when vacancies exist, and encourages the appointing authorities to act; however, DAS does not have appointment authority itself nor does DAS have any enforcement authority over the appointments. Please note that there are currently no vacancies on the State Marshal Commission."

### **Supported Agencies**

Section 60 of Public Act 05-251 created the Small Agency Resource Team (SmART) unit within DAS, whereby the department would be responsible for providing the personnel, payroll, and affirmative action functions on behalf of certain smaller agencies.

The following recommendation pertains to the transfer of certain business office type functions from numerous agencies to the department.

### **Lack of Formal Memoranda of Understanding with Supported Agencies**

*Criteria:* General business practice suggests that the lines of responsibility in the performance of certain functions between entities should be mutually agreed upon and signed by both parties.

*Condition:* Upon our review, we noted that the Department of Agriculture continued to be served by DAS for payroll, personnel, and affirmative action functions as well as other business office functions, yet did not have a mutually signed agreement in place to identify the specific responsibilities between the respective entities during the audited period. In March 2014, subsequent to the audited period, a mutually signed agreement was provided.

While DAS services provided to the Offices of the Governor and the Lieutenant Governor well precede Public Act 2005-251, we noted that there is no formal agreement in place defining the business function responsibilities between these entities.

*Effect:* The absence of a mutual understanding as to the lines of responsibility in the performance of certain functions may lead to ineffectiveness or inefficiencies between the entities.

*Cause:* While the department appears to have pursued the respective entities for formal signed agreements as to the lines of responsibility for the various business office functions performed, it does not appear that such have been formally executed.

*Recommendation:* The Department of Administrative Services should pursue formal agreements with the Offices of the Governor and the Lieutenant Governor to clearly identify the lines of responsibility in performing personnel, payroll, affirmative action, and business office functions. (See Recommendation 6.)

*Agency Response:* “DAS agrees that it has cured the condition identified above with respect to the Department of Agriculture by pursuing and executing an MOU with that agency in March 2014. DAS disagrees that formal MOUs with the Offices of the Governor and the Lieutenant Governor are legally required or necessary. DAS has had long-standing relationships with these offices – providing support and services separate and apart from and long before the passage of Public Act 05-251. Further, the Offices of the Governor and Lieutenant Governor are not “state agencies” as defined by statute; therefore C.G.S. 4a-5b – which requires memoranda of understanding with agencies for whom DAS provides these services – does not apply.”

*Auditors’ Concluding  
Comments:*

While it is understood that the Office of Governor and the Office of the Lieutenant Governor are not defined as state agencies from a statutory perspective, there is still a need for the department and those entities to have a mutual understanding as to the functions that are being performed. An example of such functions is the Department of Administrative Services’ maintenance of asset management records on behalf of both entities. This should be commemorated in writing.

## **DAS Payroll/Personnel and the SmART Unit**

Several issues have been noted which either directly involve the department or its oversight capacity as it pertains to the SmART Unit.

Section 60 of Public Act 05-251 created the Small Agency Resource Team (SmART) unit within DAS, whereby the department would be responsible for providing the personnel, payroll, and affirmative action functions on behalf of certain smaller agencies.

## **Compliance with Medical Certificate Requirements**

- Criteria:* Section 5-247-11 of the State Regulations, several collective bargaining contracts, and the DAS Managers' Guide require the submission of an acceptable medical certificate signed by a licensed physician or other practitioner whose method of healing is recognized by the state to substantiate the use of sick leave for a period of more than five consecutive working days. The medical certificate should be presented to the agency upon the employee's return to work.
- Condition:* We noted that in six out of twenty-four instances we tested in various SmART agencies, the department did not have a medical certificate on file supporting the employee's use of more than five consecutive sick leave days.
- Effect:* There is a lack of compliance with the applicable state personnel regulation and collective bargaining contracts as well as an increased risk that sick leave abuse may go undetected.
- Cause:* We were informed by the department that, in general, the certificates could not be located.
- Recommendation:* The Department of Administrative Services should take steps to ensure compliance with Section 5-247-11 of the State Regulations and applicable collective bargaining agreements by monitoring sick leave usage on a biweekly basis for purposes of determining which employees are required to provide medical certificates and subsequently pursuing collection of such from the employees affected. (See Recommendation 7.)
- Agency Response:* "DAS agrees with this recommendation. Since December 2012, DAS payroll staff has run bi-weekly reports to identify any employees who have used more than five consecutive sick leave days. DAS has also implemented a practice of sending annual notices to managers and supervisors (at DAS and at the smaller agencies served by DAS) reminding them of their obligations under the agencies' attendance policies and the importance of notifying Human Resources about employees' absences as soon as possible."

## **Monitoring of Dual Employment**

- Criteria:* Section 5-208a of the General Statutes indicates that no state employee shall be compensated for services rendered to more than

one state agency during a biweekly pay period unless the appointing authority of each agency or his designee certifies that the duties performed are outside the responsibility of the agency of principal employment, that the hours worked at each agency are documented and reviewed to preclude duplicate payment and that no conflicts of interest exist between services performed. 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 a 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.

DAS General Letter 204 – Dual Employment, last revised in 1999, provides direction to state agencies in complying with Section 5-208a of the General Statutes. It indicates that DAS will provide agencies with semiannual Automated Personnel System (APS) reports on employees holding multiple positions. It should be noted that APS has since been replaced by the Core-CT Human Resources Management System (HRMS). Such reports should be used by state agencies to assist in identifying dual employment instances and tracking dual employment forms. It also states that, in conjunction with the decentralized program, annual post audits will be conducted to ensure compliance with the guidelines for dual employment.

The personal data of employees required by employers should be held in the most secure manner possible. Furthermore, such data should only be collected when necessary to reduce the risk of exposure or loss.

*Condition:*

Upon our review of DAS General Letter 204, we noted that the policy was outdated. The Automated Personnel System (APS) was replaced by Core-CT HRMS in May 2006. Semiannual reports are no longer provided to agencies and annual post audits are no longer conducted by DAS.

As noted in our prior audit report, the dual employment request form contains, among other information, the employee's social security number and home address. It appears that this form is unchanged.

As a result of our review of SmART agencies, we noted two instances for the Department of Consumer Protection in which appropriate documentation for authorization of dual employment was unavailable.

*Effect:* In the absence of proper monitoring and guidance regarding dual employment arrangements, duplicate payments and conflicts of interest may go undetected.

The department is at increased risk of exposure of sensitive information through the unnecessary collection and storage of potentially sensitive information.

*Cause:* It appears that a lack of administrative oversight has contributed to the condition.

*Recommendation:* The Department of Administrative Services should promote compliance with Section 5-208a of the General Statutes by revising its instructions to state agencies via General Letter No. 204 regarding dual employment to reflect the current practice and system. Such procedures should re-establish the DAS practice of providing semiannual reports of employees with multiple positions to state agencies to discern if true dual employment arrangements exist and need to be addressed.

Additionally, the department should redesign the dual employment request form to eliminate the unnecessary collection and storage of sensitive data. (See Recommendation 8.)

*Agency Response:* “DAS agrees with this recommendation. In May 2014, in consultation with various stakeholders, DAS revised General Letter 204 regarding dual employment to reflect the current law and system. The revised dual employment request form, which does not require the employee’s social security number or home address, was also issued at that time.”

## **Compensatory Time Issues**

*Criteria:* General guidelines for the earning and use of compensatory time are set by collective bargaining agreements and the DAS Managers’ Guide. Such guidelines include supervisory approval in advance to earn compensatory time and the periodic expiration of unused compensatory time balances.

Management Personnel Policy 06-02 indicates that an agency head may grant compensatory time for extra time worked by managers if the manager or confidential employee receives written authorization in advance and the amount of extra time to be worked is significant in terms of total and duration. The authorization must include the employee's name and outline the reason(s) for compensatory time. Proof of advance authorization must be retained in the employee's personnel file for audit purposes.

The Office of Policy and Management's Office of Labor Relations released General Letter 2009-11-P-5 on May 18, 2009 indicating that employees under the Administrative and Residual Employees (P-5) Bargaining Unit Contract shall be allowed to bank up to 100 hours of compensatory time. New compensatory time shall not be accumulated until their bank is less than 100 hours.

*Condition:*

Upon our completion of departmental testing, we noted that expired compensatory time remained on one employee's leave time records. Our expanded testing revealed an additional seven employees with expired compensatory time. We were informed that DAS payroll staff does not manually adjust an employee's records for expired compensatory time.

In addition, we noted that:

- Prior authorization was not located for compensatory time earned by five employees.
- Four appointed state employees (EX 05 pay plan) were improperly earning compensatory time.

As part of our review of SmART agencies, we noted the following:

- One Commission on Culture and Tourism employee under the Administrative and Residual bargaining unit had a compensatory leave balance that exceeded 100 hours at certain times during fiscal year 2011.
- One Department of Agriculture employee who had earned and used compensatory time was not eligible for it.
- One ineligible Office of the Victim Advocate employee improperly earned 60 hours of compensatory time.
- One Office of the Chief Medical Examiner employee used 1.5 hours of compensatory time, yet it was not deducted from the compensatory leave balance.

In a separate audit of the Department of Agriculture for fiscal years 2010 and 2011, it was noted that two managers who earned compensatory time did not have written authorization to accrue that time in nine instances totaling 23 hours. The two managers also had 47 instances of earning compensatory time in increments that were not considered significant extra time, totaling 68 hours.

*Effect:* In the absence of adequate oversight and written managerial preapproval of overtime and compensatory time, there is a greater risk for impropriety and loss to occur.

*Cause:* We were informed by department staff that inconsistencies in the compensatory time and overtime preapproval procedures of various SmART agencies contributed to the condition.

*Recommendation:* The Department of Administrative Services should strengthen its administrative oversight to ensure that advance authorization of compensatory time to be earned for eligible employees is properly documented and that expired compensatory time is promptly removed from applicable employees' leave balances in accordance with the various collective bargaining agreements and the DAS Managers' Guide for the employees of the respective agencies they serve. (See Recommendation 9.)

*Agency Response:* "DAS agrees with the finding and has already implemented procedures whereby payroll staff is responsible for notifying Human Resources personnel if employees are claiming to accrue compensatory time without prior written approval. In addition, DAS has begun issuing periodic reminders to DAS managers and staff regarding the compensatory time and overtime preapproval process. DAS is working with the small agencies it serves to develop similar policies and reminders at those agencies. DAS will continue its efforts to develop post-audit measures to identify and correct errors in a more timely fashion."

### **Timesheet-Related Issues**

*Criteria:* Proper internal control dictates that timesheets should be signed by the employee and supervisor at the end of each pay period to attest to the hours charged to accrued leave and the actual hours worked.

*Condition:* Our review of 65 SmART agency employee timesheets for fiscal year 2012 noted that:

- Three timesheets were not signed by the employee.

- Two timesheets were not signed by the supervisor.
- One timesheet could not be located.

An audit of the Department of Agriculture for fiscal years 2010 and 2011 noted that upon review of 40 timesheets:

- Three were not approved by the supervisor or signed by the employee. Two of the timesheets included overtime worked and compensatory time earned.
- In addition, 18 timesheets were not signed by the employee, of which 13 included overtime worked and/or compensatory time earned.

*Effect:* The lack of attestation by an employee and approval by the supervisor increases the risk that employees may not be properly paid for time worked and that inaccurate attendance and leave records may result.

*Cause:* It appears that a general lack of administrative oversight has contributed to the conditions noted. Specifically, we found that there were inconsistencies in the procedures followed by the department's payroll staff regarding the existence of white-outs and cross-outs on employee timesheets.

*Recommendation:* The Department of Administrative Services should take greater care to review the propriety of timesheet data from SmART agencies prior to processing for payment. (See Recommendation 10.)

*Agency Response:* "DAS agrees with this recommendation. Because the issues noted by the auditors appear to be endemic to paper timesheets, DAS has worked diligently to transition DAS and the small agencies it serves away from paper timesheets. As of the spring of 2014, DAS and all of the agencies served by DAS, except the Department of Housing and DECD, utilize Core-CT self-service; the Department of Housing and DECD utilize a different electronic time processing system application and DAS has been working with them to transition to Core-CT."

### **Accrual Record-Related Issues**

*Criteria:* Collective bargaining agreements and the DAS Managers' Guide dictate the rules applicable to accrual rates and maximum vacation leave balances that employees may carry. Monthly accruals are

only allowed to bring the employee to the applicable maximum vacation leave balance.

Office of Labor Relations General Notice 2011-03 indicates that employees who did not come in at the specified time are not covered by the Governor's action with regard to snowstorms and thus full applicable leave charges would be required for the day.

The NP-3 Administrative Clerical Bargaining Unit indicates that upon an employee's return to work, advanced sick leave shall be recovered by deducting one-half of the employee's monthly sick leave accrual until fully repaid.

*Condition:*

As part of our departmental payroll sample testing, we noted the following accrual issues:

- One employee received accruals for sick and vacation for a month in which the employee was out on a leave of absence for an aggregate of more than five working days.
- Six employees at or near the vacation accrual maximum had approximately 92 hours of vacation leave time charged by adjustment with a commensurate increase to applicable sick leave or personal leave balances to apparently allow for full additional vacation accruals to be earned each month. Additionally, three employees had a total of approximately 30 hours of personal leave time charged by adjustment to apparently avoid such time from lapsing at year end.

As part of our SmART payroll sample testing, we noted the following issues:

- One Department of Consumer Protection employee was advanced 120 hours of sick leave. The arrangement was to recoup the advance at a rate of five hours of sick leave each month. The reduction/recoupment stopped after 40 hours were recovered from the employee.
- One Office of the Child Advocate employee charged 5.5 hours of vacation and 2.5 hours to Governor's weather closing on her timesheet rather than 8 hours to vacation.
- Two employees in the Offices of the Governor and the Lieutenant Governor separated in August 2010 and January 2011, respectively, yet sick and vacation accruals continued on record for four to five months after their separation.

- One employee in the Office of the Victim Advocate who transferred from a full-time position into a part-time position did not have her personal leave time prorated.
- One employee in the Office of the Chief Medical Examiner used 8 hours of personal leave time, yet this was not deducted from the personal leave time balance.
- Two employees in the Offices of the Lieutenant Governor and the Child Advocate had incorrect vacation balances, as it appeared that both employees were being under-accrued at eight hours rather than receiving ten hours of vacation time.
- One employee in the Office of Protection and Advocacy for Persons with Disabilities was found to have an incorrect vacation accrual and vacation leave balance reported in Core-CT. Upon our notification, DAS determined that the employee's vacation balance was over-accrued by approximately 143 hours.

*Effect:* Improper accrual rates or missed postings of leave charges to records can increase the likelihood of an improper payout or unauthorized use of accrued leave time.

*Cause:* It appears that a lack of oversight contributed to the condition.

*Recommendation:* The Department of Administrative Services should evaluate the propriety of making accrual adjustments to increase sick leave balances to offset the potential loss of monthly accruals for employees at maximum vacation leave balances. The department should also make a concerted effort with affected agencies to correct the accrual and posting errors/oversights noted for certain employees. (See Recommendation 11.)

*Agency Response:* "DAS agrees in part. DAS will take steps to educate staff and managers at DAS and the SmART agencies it serves that sick time cannot be converted into vacation time or personal leave absent documentation that the designation of sick time was not appropriate. To the extent that employees may seek appropriate authorization to convert vacation time to available personal leave or vice versa, DAS is not aware of any regulation or policy that prohibits such actions; however, DAS will remind all personnel that such changes require supervisory approval. With regard to the other accrual and posting errors identified, DAS will continue to notify personnel about the proper time and labor codes to use and will develop procedures for conducting random audits of employees' rates of accrual and accrual usage."

### **Payouts at Separation**

- Criteria:* Proper internal control dictates that separation payment calculations should be subject to supervisory review.
- Condition:* Upon our review of payroll transactions, we noted certain incorrect payouts at separation as follows:
- One Department of Agriculture employee received a prorated longevity payment upon retirement in excess of what was earned.
  - One Office of the Victim Advocate employee was overpaid at termination by two hours of vacation.
- Effect:* Employees are being overpaid at separation. Upon our notification, DAS was able to recover one of the overpayments thus far.
- Cause:* There appeared to be a lack of oversight in this area.
- Recommendation:* The Department of Administrative Services should take greater care in ensuring the accuracy of payments at separation with supervisory review of calculations. (See Recommendation 12.)
- Agency Response:* “DAS agrees with this recommendation. In October 2012, DAS instituted a process whereby all separation payment calculations are reviewed by at least two people for verification of accuracy.”

### **Inaccurate Credited State Service**

- Criteria:* Section 5-196, subdivision (25) of the General Statutes defines “state service” as occupancy of any office or position or employment in the service of the state, but not of local governmental subdivisions thereof, for which compensation is paid.
- Condition:* As part of our review of SmART agency payroll transactions, we noted that two Governor’s Office employees appeared to have incorrect/questionable amounts of state service recorded in Core-CT. One employee appeared to be credited with eight years more service than entitled. For the other employee, DAS indicated further research was needed to determine the correct amount of state service. We discovered that the employee was accruing five extra vacation days effective every January 1st despite the insufficient number of years of state service indicated in Core-CT.

It was later identified that an override was initiated by DAS with no evident justification to allow for these additional days.

*Effect:* Inaccurate state service data can result in incorrect accrual rates and undue credit towards determining pension compensation levels upon retirement.

*Cause:* It appears that the errors resulted from a lack of oversight.

*Recommendation:* The Department of Administrative Services should determine the propriety of the recorded years of state service for the employees noted and make adjustments as necessary. (See Recommendation 13.)

*Agency Response:* “DAS disagrees in part with this finding. The two employees in question had prior state service in the Legislative branch, which count towards overall years of service for purposes of retirement and accrual calculations. However, because Legislative Management does not use Core-CT HRMS, their past service was not originally reflected in the Core-CT records. Therefore, DAS had to work with the Office of the State Comptroller to verify the time served. DAS agrees that the first employee referenced was improperly credited with service time that he should not have been credited. Since this employee transferred to a quasi-public agency in 2012, DAS does not have access to his Core-CT records to update them; therefore DAS notified his employing agency to make the necessary updates to Core-CT. With regard to the second employee, DAS disagrees that she was improperly permitted to accrue five extra vacation days per year; this employee was in fact eligible to accrue the extra vacation days. DAS will ensure that this employee’s Core-CT records accurately reflect her total years of state service.”

### **Propriety of Accrual Adjustments and Payments upon Death of an Employee**

*Criteria:* Section 5-253 of the General Statutes indicates that upon the death of any state employee, a lump sum payment shall be made (a) for equivalent time off due to the employee for authorized extra hours of work credited in accordance with existing personnel regulations and (b) for all of the employee's accumulated vacation allowance which shall be an amount equal to the salary to be received had he remained in the service until the expiration of such vacation period. Such payment shall be made upon the establishment of a valid claim; therefore, in the following order of precedence: first, to the surviving beneficiary or beneficiaries, if any, lawfully

designated by the employee under the state employees' retirement system; second, if there is no such designated beneficiary, to the estate of the deceased.

Section 5-247-11 of the Regulations of State Agencies indicates that an acceptable medical certificate, which must be on the form prescribed by the commissioner of the Department of Administrative Services and signed by a licensed physician or other practitioner whose method of healing is recognized by the state will be required of an employee by the appointing authority to substantiate a request for sick leave of any duration when evidence indicates reasonable cause for requiring such a certificate.

Collective bargaining agreements and the DAS Managers' Guide indicate that personal leave days and other earned time not taken when an employee leaves state service shall not be included in computations for lump sum payments for accrued and unused vacation time.

Proper internal control dictates that policies be put in place to encourage consistent actions and accurate results.

*Condition:* We noted that a deceased employee's beneficiaries received payment based on a vacation balance that exceeded the maximum allowed for the employee under collective bargaining. Upon notification, the department was successful in pursuing recovery of the excess, totaling \$1,503.

Since the response to the prior audit report, DAS has been working to establish a policy for the proper implementation of Section 5-253 of the General Statutes and its effects on a deceased employee's accrual balances and longevity. This process has not been completed.

*Effect:* Until such policy is established, there is an increased likelihood of misinterpretation regarding the implementation of the statute.

*Cause:* It does not appear that DAS was able to resolve this prior audit issue.

*Recommendation:* The Department of Administrative Services should comply with applicable collective bargaining agreements and the DAS Managers' Guide regarding adjustments and the proper payout of leave time for deceased employees, and establish a policy to ensure that longevity calculations for deceased employees are determined consistently. (See Recommendation 14.)

*Agency Response:* “DAS agrees that it successfully recovered an overpayment of \$1,503 incorrectly paid to a deceased employee’s beneficiary when it was discovered that the payment was based on a vacation balance that exceeded the maximum allowed under the applicable collective bargaining agreement. However, this is a standard payroll issue, unrelated to the lack of clarity in the statewide policy related to the calculation of accruals for deceased employees. DAS agrees that the state needs a clear policy on how to calculate a deceased employee’s accrual balances and longevity for purposes of payouts and pension benefits, and will continue to work with the Office of the Comptroller and other stakeholders to finalize and implement such a policy.”

### **Unauthorized Telecommuting Arrangement**

*Criteria:* Subsection (b) of Section 5-248i of the General Statutes indicates that any employee of a state agency may be authorized by the head of such state agency to participate in a telecommuting or work-at-home assignment. Approval of such an assignment must be granted only when it is determined to be in compliance with the guidelines developed by the commissioner of the Department of Administrative Services. Any assignment shall be on a temporary basis only, and may be terminated as required by agency operating needs.

*Condition:* As a result of a whistleblower investigation conducted by our office, it was noted that an employee had a temporary work-at-home arrangement that was not supported in writing and did not have the approval of the commissioner of the Department of Administrative Services. We noted that the specific timeframe during 2012 in which the employee worked at home could not be identified.

*Effect:* Since the work-at-home arrangement was not documented or approved by the agency head, it is not clear whether such an arrangement was appropriately considered for cost-effectiveness or whether it truly met the needs of the agency.

*Cause:* It appears that administrative oversight was lacking in this particular instance.

*Recommendation:* The Department of Administrative Services should comply with Subsection (b) of Section 5-248i of the General Statutes and the

guidelines for telecommuting and work-at-home assignments. (See Recommendation 15.)

*Agency Response:* “DAS agrees that formal telecommuting arrangements must be memorialized in writing and approved by the agency-head, as set forth in General Letter 32. DAS asserts, however, that telecommuting, as defined by the General Letter, refers only to an “arrangement whereby an employee regularly works from home or other approved location on a pre-scheduled basis for part of his or her workweek;” as, essentially, a new work schedule. Each “arrangement” is typically for a six month duration. Telecommuting does not encompass situations where an employee may work from home or at a different work location on an infrequent or *ad hoc* basis, in order to more efficiently complete specific jobs tasks or work products without normal work setting interruptions, such as the situation that was identified in the whistleblower complaint.”

*Auditors’ Concluding Comments:*

Since DAS does not regard the specific work-at-home activity noted above as falling under the auspices of the state’s telecommuting guidelines, it should not have been condoned. In the absence of an approved telecommuting agreement, an alternate work location would not be formally approved.

## **System-wide Accountability and Control**

The following recommendation describes a condition that extends beyond a single operational area. The recommendation describes the need to identify operational and financial risks on an ongoing basis and to take steps to mitigate those risks. The continual process of risk assessment and mitigation expands in importance as the department’s operations grow in size and complexity.

## **Risk Management**

*Criteria:* Sound business practice dictates that risks must be managed through a system of controls. Effective risk management requires that risks be identified through an ongoing risk assessment process undertaken by staff skilled in such processes, that a plan is developed and implemented to mitigate identified risks, and that the implemented plan elements be monitored and reviewed to determine their level of success. The information obtained through this process may then be fed into the risk assessment process to determine whether plan modifications are required.

- Condition:* DAS does not have a dedicated and ongoing risk assessment and mitigation function, nor does it have formal monitoring procedures in place.
- This condition is evidenced by the number of repeat and new recommendations included in this and prior audit reports.
- Effect:* The department is exposed to a higher risk that it will not achieve its operational objectives. Risks that could have been anticipated and avoided by periodic assessments may result in operational ineffectiveness, additional costs and liabilities, and exposure to fraud.
- Cause:* The department does not have a formal, dedicated risk assessment and mitigation function. The necessary and appropriate resources were not allocated by the department to ensure that a risk assessment and mitigation process was performed during the audited period.
- Recommendation:* The Department of Administrative Services should develop or acquire a formal risk assessment and mitigation function with the objective of identifying and addressing those risks that could negatively impact its operational objectives. The risk assessment and mitigation function should be independent, formal, and ongoing. (See Recommendation 16.)
- Agency Response:* “DAS agrees that the agency does not currently have staff dedicated to providing risk assessment or auditing functions. While it is certainly preferable to have resources dedicated to such functions, it is not statutorily mandated for the agency, and DAS has not had the resources in recent years to establish such a unit.”

### **Physical and Electronic Security of Assets**

The recommendations found in this section address the controls of electronic security of assets. When applied to the recommendations in this section, data security describes the means of ensuring that data is kept safe from loss or corruption while stored or transmitted and that access to the data is adequately controlled.

### **Approval and Monitoring of Privileged Core-CT Roles**

- Criteria:* Sound business practice requires that the ability to change payroll and personnel data be restricted to only those employees whose direct job responsibilities require such access. Such access should be granted only after a review to determine that the employee for whom the access has been requested has the requisite

responsibilities. Access granted over sensitive areas should be reviewed to ensure that employees with access continue to have job responsibilities that require it.

*Condition:* As part of our prior audit testing, we noted that twelve employees between the department's Business Services Division and the Human Resources SmART Unit appeared to have access rights in excess of their business needs. In revisiting this area, we found that nine employees appeared to have access rights in excess of their positions' needs. Upon notification to the department, seven were corrected and two others were supported for "super user" status.

It appeared evident that no additional monitoring activities had taken place and that none were scheduled.

*Effect:* The state remains at an increased risk of liability that may arise out of unauthorized or inappropriate changes made to employee records through user rights granted to those who do not need them or retained by those who no longer need them. Controls designed to prevent or detect unsafe business practices are significantly weakened.

*Cause:* The department has not implemented a continuing periodic monitoring and review procedure concerning roles that have the ability to make changes to payroll or personnel records. Business areas with fiscal, payroll and personnel responsibilities have been allowed to act as their own gatekeepers with respect to access rights. A lack of management oversight contributed to this condition.

*Recommendation:* The Department of Administrative Services should take the necessary steps to develop and implement a continuing periodic monitoring and review procedure regarding Core-CT roles that have the ability to make changes to payroll or personnel records at any level to ensure that said roles remain required by those to whom they are granted. (See Recommendation 17.)

*Agency Response:* "DAS's Core-CT staff has taken numerous steps in recent years to improve Core-CT security, and to ensure that only appropriate individuals have the ability to make changes in critical data. For example, after conducting a statewide review in the fall of 2013, DAS implemented a regular review process to ensure that employees are not granted multiple Core-CT access roles that create a potential conflict of interest, and that there are internal agency controls in place to avoid any such potential conflicts.

Additionally, a top DAS Core-CT manager reviews all requests statewide each time new HR or Time and Labor roles in Core-CT are requested, to ensure that the roles are appropriate based on existing roles and on job titles. Please note that Payroll and Benefits-related roles in Core-CT are not approved for assignment by DAS; rather, that is the responsibility of the Office of the State Comptroller. DAS agrees that it should take steps to develop and implement a continuing, periodic monitoring and review process of DAS-employee roles to ensure that the roles remain required by those to whom they are granted, and will work to develop such a process.”

### **Terminated Staff with Active Core-CT Logon IDs**

<i>Criteria:</i>	The department utilizes a CO-1092 Security Application Form to control employee access to Core-CT.
<i>Condition:</i>	It was noted that 22 terminated DAS employees appeared to have active Core-CT access as of August 13, 2013.
<i>Effect:</i>	Risk of unauthorized access to data is increased when access to systems is not promptly terminated for separating employees.
<i>Cause:</i>	We were informed that it would appear that agency liaisons were not properly submitting timely requests for termination of access.
<i>Recommendation:</i>	The Department of Administrative Services should reemphasize its policy for terminating access to Core-CT for separating employees. (See Recommendation 18.)
<i>Agency Response:</i>	“DAS agrees with this finding, although there have been no incidents involving separated employees gaining unauthorized access to Core-CT. DAS will add a reminder to notify the Core-CT security liaison to delete the employee’s Core-CT access to its checklist for processing employees’ separation from the agency.”

### **Workers’ Compensation**

The DAS Workers’ Compensation Division is responsible for administering the State of Connecticut’s Workers’ Compensation Program under Section 31-284a of the General Statutes. All workers’ compensation claims are reported and internally processed through individual state agencies. DAS contracts with a third-party claim administration company for all claim adjusting services, the physician provider directory, and all supporting managed care services to the program. Upon our review of this area, we noted an apparent lack of statutory compliance.

**Compliance with CGS 4a-80**

- Criteria:* Under Section 4a-80 of the General Statutes, each public agency, when contracting to purchase goods or services or when leasing real or personal property, shall require each person contracting with the state to provide such person's Social Security number or federal employer identification number, or both, if available, to such agency or the reason or reasons for the unavailability. The numbers or reasons shall be obtained by any agency as part of the administration of taxes by the commissioner of the Department of Revenue Services (DRS) for the purpose of establishing the identification of persons affected by such taxes.
- Each public agency shall, on or before August 1st annually, furnish to the DRS commissioner, on a compatible magnetic tape file or in some other form acceptable to the commissioner, a list of all persons furnishing goods or services or leasing real or personal property to such agency during the preceding state fiscal year.
- Section 4a-77 of the General Statutes defines "person" as indicated in Section 4a-80 as an individual, partnership, society, association, joint stock company, corporation, limited liability company, estate, receiver, trustee, assignee, referee, or any other person acting in a fiduciary or representative capacity, whether appointed by a court or otherwise.
- Condition:* For the audited period, DAS did not report the tax-related data for entities contracted and paid via a state account by the third-party administrator (TPA) for providing workers' compensation-related services.
- Since DAS utilizes a third-party administrator to contract with entities and make payments with state funds for the costs incurred attributed to the Workers' Compensation Program, it would appear that the tax-related data of those providing such workers' compensation services would need to be reported in accordance with the statute's apparent intent.
- Effect:* The lack of providing such data would appear to have a negative effect on the efforts of DRS in pursuing state tax-related revenue.
- Cause:* DAS has indicated that since the third-party administrator is a contractor and not the state, DAS is not required to submit the data identified within the statute for those entities contracted and paid by the TPA. DAS has indicated in response to the prior audit

condition that it would pursue an official opinion from the Office of the Attorney General.

*Recommendation:* The Department of Administrative Services should continue to pursue an official opinion from the Office of the Attorney General to obtain clarification as to whether tax-related data for those entities contracted by the DAS Workers' Compensation Program's third-party administrator and paid for with state funds needs to be obtained and submitted to the Department of Revenue Services in order to comply with the intent of Section 4a-80 of the General Statutes. (See Recommendation 19.)

*Agency Response:* "DAS disagrees with this recommendation. The plain language of C.G.S. §4a-80 states that agencies must provide social security or FEIN numbers to the Department of Revenue Services ("DRS") for "each person contracting with the state." No law or policy exists that supports an interpretation that this information must be provided to DRS for those *other* than those contracting with the state, nor does the legislative history of this statute indicate such intent. As there is no ambiguity in §4a-80, DAS does not believe a request for a formal opinion from the Office of the Attorney General is necessary or appropriate. DAS provided this same response when the Auditors of Public Accounts issued this finding in its prior audit."

*Auditors' Concluding Comments:*

In the absence of a third-party administrator, DAS would be making payments directly to those providing workers' compensation-related services. Thus, it would appear that the intent of the statute is to report the applicable tax-related data despite the use of a third-party administrator, especially since the TPA is utilizing the state's workers' compensation checking account in making such payments.

### **DAS Workers' Compensation Selective Duty Program**

*Criteria:* The State of Connecticut Workers' Compensation – DAS Selective Duty Program policy states that the Department of Administrative Services will reimburse the employing state agency the employee's earned wages, which includes base pay, premium holiday wage and any regularly scheduled weekend and shift differential earned during the selective duty work period. Any other compensation such as longevity, overtime earnings, bonuses, stipends and retroactive pay earned by the employee during the selective duty work period will be compensated by the employing state agency.

The Department of Administrative Services will also reimburse the employing state agency for paid holidays occurring during the selective duty assignment period.

*Condition:* Incidental to our testing of expenditures for the audited period, we noted that one transaction involving reimbursement for selective duty assignment to the employing agency appeared to not include payment for holidays. Based upon this, we extended our sample to include eight additional selective duty transactions and noted that seven had holidays occurring but were not reimbursed to the respective employing agencies.

*Effect:* The employing agencies were under-reimbursed for their respective employees participating in the Selective Duty Program.

*Cause:* The department claims that they did have a number of staff handling the DAS Selective Duty Program. As a result, it would appear that different interpretations of the policy were made, which led to inaccurate reimbursement to the respective agencies with employees participating in the program.

*Recommendation:* The Department of Administrative Services should abide by the Workers' Compensation – DAS Selective Duty Program policy by reimbursing employing agencies for the paid holidays in the periods the respective employees participated. (See Recommendation 20.)

*Agency Response:* "DAS agrees with this recommendation and will implement procedures to ensure that employing agencies receive reimbursement for payment of paid holidays for employees participating in the Workers' Compensation Selective Duty Program."

## **Fleet Operations**

The DAS Fleet Operations Division serves state agencies by providing them with reliable, cost- and fuel-efficient motor vehicles to serve their business needs, and by maintaining those state vehicles. The recommendation in this section addresses the monitoring of timely resolution of motor vehicle complaints.

## **Complaints Concerning Fleet Vehicles**

- Criteria:* Department of Administrative Services (DAS) General Letter No.115 – Policy for Motor Vehicles Used for State Business states that DAS is responsible for:
- Directing that complaints concerning state vehicles, drivers and passengers are investigated and appropriate action is taken.
- In addition, it states that an Agency Transportation Administrator (ATA) is responsible for:
- Promptly investigating complaints concerning state vehicles, drivers, and passengers and notifying the director of DAS Fleet Operations of the outcome of the investigation; and
  - Absent extenuating circumstances, the ATA shall notify the director of DAS Fleet Operations of the outcome of the investigation within 30 days of receiving the complaint.
- Condition:* We found that for seven out of ten complaints reviewed, the ATA had taken longer than 30 days to notify the director of DAS Fleet Operations of an outcome. In addition, it was noted that DAS was not monitoring for compliance with this policy.
- Effect:* A serious complaint may not be addressed in a timely manner, which may subject the state to potential liability.
- Cause:* The lack of communication between DAS Fleet Operations and other state agencies regarding complaints concerning state vehicles.
- Recommendation:* The Department of Administrative Services should take the necessary steps to ensure that all complaints are investigated by the Agency Transportation Administrator within the 30 days allowed by DAS General Letter No. 115 and that appropriate action has been taken. (See Recommendation 21.)
- Agency Response:* “DAS disagrees with this finding. DAS does direct agencies to investigate complaints and take appropriate action whenever a complaint is received. Within 48 hours of receipt, DAS forwards complaints to the appropriate Agency Transportation Administrator (ATA), along with an automated email that includes all the details received relating to the complaint, a directive to

investigate the complaint and the email address for the ATAs to respond with their investigation findings. As time allows, DAS Fleet administration reminds agencies of complaints that are older than 30 days. DAS does not have the authority or responsibility to conduct investigations or to discipline employees of other agencies for violations of General Letter 115. To the extent that agencies fail to respond promptly to such complaints or fail to notify DAS about the outcome of such investigations, such failings are more properly attributed to the agencies, not DAS.”

*Auditors’ Concluding*

*Comments:*

Since DAS is responsible for overseeing the state investigation of such complaints, it would appear prudent to completely follow through in determining the resolution of outstanding investigations, up to and including, written referral to the affected agency heads. For those agencies remaining negligent in completing such investigations, DAS should report such matters under Section 4-33a of the General Statutes.

## **Procurement**

The DAS Procurement Services Division provides bidding and contracting services for other state agencies through its web-based contracting portal. It also is responsible for construction contractor prequalification, the supplier diversity program, the purchasing card program and other acquisition services. The recommendations in this section address the propriety of the Procurement Services Division in procuring for personal services; the lack of review for the accuracy of the reverse auction rebates received; the federal surplus property distribution program; and the construction contractor prequalification program.

### **Accuracy of the Reverse Auction Rebate**

*Background:*

Under a memorandum of understanding (MOU) signed March 18, 2011, the Department of Administrative Services agreed to terms with the Capitol Region Council of Governments (CRCOG) regarding the process of reverse auctions and use of CRCOG’s reverse auction program vendor.

As part of the contract with the reverse auction program vendor, all reverse auction contract awarded vendors are obligated to pay a two percent fee for the business they acquire under the contract. This two percent fee must be submitted to the reverse auction program vendor. One percent of that fee is to be remitted to CRCOG. CRCOG, in turn, is to submit half of the one percent to DAS.

- Criteria:* The MOU indicates that DAS and CRCOG have shared responsibilities in monitoring vendor compliance with the reverse auction program vendor-pay fee model for all DAS bids and to review the reverse auction program vendor's rebate reports submitted for accuracy and communicate back any errors noted.
- Condition:* It was noted that DAS did not appear to be properly monitoring the purchasing activity on contract awards issued under the reverse auction process to determine the rebate due. DAS failed to determine the purchasing card activity for the vendors awarded contracts under this process. In addition, DAS also did not have a method of determining the usage of contracts by municipalities, quasi-public agencies, and non-profit organizations, which would have an impact on the amounts to be rebated.
- Effect:* Since DAS has not been adequately monitoring contract usage by various entities, there is a higher risk that the state could be under-rebated by CRCOG without detection.
- Cause:* We were informed that the program is new and certain risks were unforeseen.
- Recommendation:* The Department of Administrative Services should establish internal controls to determine the rebate due from the reverse auction process and initiate an accounts receivable account with the DAS Business Services Division. (See Recommendation 22.)
- Agency Response:* "DAS agrees with this recommendation. DAS conducted 10 reverse auctions since we adopted the use of this purchasing tool in June of 2011. Of these 10 auctions, 3 resulted in a "no award," where the agency did not get any compliant vendors and therefore did not award a contract. Of the 7 remaining auctions, 5 resulted in purchasing savings to the state (savings totaling about \$207,230) and 2 did not yield significant savings as a result of the auction process. Given these varied results, the agency has not frequently used the reverse auction tool since the fall of 2012. To date based on the limited use of the auction tool, DAS has received approximately \$2,718 in rebate fees (established per the contract's terms that the agency split the 1 percent rebate with CRCOG). Notwithstanding our agency's limited use of this tool, DAS will establish internal controls to ensure that when auctions are utilized, we have an established process to monitor spend against the contract, fees due and fees received."

*Auditors' Concluding*

*Comments:*

While we recognize the agency's intended efforts above, it should be emphasized that the process to be established to monitor the amount spent against the contract should also include municipalities, quasi-public agencies, and non-profit organizations.

**Federal Surplus Property Distribution**

*Background:*

In accordance with the provisions of Public Law 94-519 and implementing regulations, the General Services Administration (GSA) is required to review the operations of each state agency for surplus property. A review was conducted in 2012 to determine whether the federal surplus program was operating in accordance with public law 94-519, the Federal Management Regulations (FMR), the Donation Handbook, and the agency's state plan of operation.

*Criteria:*

The Federal Management Regulations generally provide the requirements that need to be met for compliance. Specifically, the Code of Federal Regulations (CFR) 41-102-37.140 to 41-102-37.17 defines a state plan of operation as a document that is developed under state law and approved by the General Services Administration in which the state sets forth a plan for the management and administration of the State Agencies for Surplus Property (SASP) in the donation of property. It also identifies who is responsible for developing, certifying, and submitting the plan, as well as, approving it.

*Condition:*

As part of the Federal 2012 Connecticut State Review of the Federal Surplus Property Distribution program, the following significant requirements and recommendations were noted:

- Update the state plan as identified and submit changes to GSA for approval.
- Ensure that persons responsible for eligibility and compliance receive formal GSA-sponsored eligibility and compliance training.
- Work with the regional GSA office to determine why the agency's beginning and ending inventory figures do not reasonably match the amounts that appear on GSA's RCS55 report.
- Seek additional sources of program revenue that might be derived from expanding the department's donee base, participating in the overseas program, serving as a property center for federal agencies, etc.

- Aggressively pursue additional opportunities to screen and secure property
- Ensure the federal surplus program is audited as required by the department's state plan and submit a copy of the audit report to GSA within 30 days of receipt of the final copy.

*Effect:* Without an updated state plan, there is a higher risk of non-compliance with federal requirements.

*Cause:* It appears that the condition was due in part to a lack of managerial oversight.

*Recommendation:* The Department of Administrative Services should update the state plan for the Federal Surplus Property Distribution Program and address the requirements and recommendations as directed by the General Services Administration. (See Recommendation 23.)

*Agency Response:* "DAS agrees with the recommendation to update the state plan for the Federal Surplus Distribution Program and is drafting updates. As this plan requires state legislative action, our goal is to finalize the updates, provide the required public notice and bring it to the legislature in the 2016 session. DAS has already addressed the other recommendations from the GSA's 2012 review of the program. Specifically, DAS staff have completed GSA-sponsored eligibility and compliance training, in person and via webinars; DAS is working with the regional GSA office to determine why the state and federal inventory data do not match (indications are that the federal report is not accurate); and DAS has talked with other states about program expansions, has explored additional sources of program revenue, and has pursued additional opportunities to screen and secure property, including increasing communications and creating a Federal Surplus website to increase program visibility."

### **Construction Contractor Prequalification Program – Contractor Evaluation Form**

*Background:* Under subsection (b) of Section 4a-101 of the General Statutes, the department is to establish a standard contractor evaluation form that each awarding authority shall complete for each prequalified contractor who performed work on a contract.

*Criteria:* Section 4a-101-1 of the Regulations of State Agencies identifies the categories and criteria that must be included as part of the standard contractor evaluation form.

- Condition:* We noted that certain criteria as identified in Section 4a-101-1 of the Regulations of State Agencies did not appear to be found in the standard contractor evaluation form used by the department.
- Effect:* In the absence of including all the required criteria in the standard contractor evaluation form, there is the risk that certain pertinent data regarding the contractor will not be considered by the awarding authority, thus potentially subjecting the state to a higher risk of liability/loss.
- Cause:* We were informed that the department felt an evaluation form created and used by the former Department of Public Works was sufficient.
- Recommendation:* The Department of Administrative Services should revisit its contractor evaluation form and Section 4a-101-1 of the Regulations of State Agencies to determine which needs to be amended. (See Recommendation 24.)
- Agency Response:* “DAS accepts this recommendation and is working closely with the Division of Construction Services to update the elements identified in the contractor evaluation form.”

## **Business Office**

The Business Office provides financial services in the areas of budget, accounts payable, accounts receivable, purchasing, and property management for the department and administratively consolidated agencies.

## **Methodology for Rate Development and Adjustments**

- Background:* The Department of Administrative Services operates an internal service fund called the General Services Revolving Fund (GSRF), which is used to account for revenues and expenditures related to several fee-for-service functions provided to other state agencies. The largest of those functions is fleet operations.
- Pursuant to Section 4-77 of the General Statutes, billing rates for activities such as the services provided by DAS through GSRF should be included in the budget preparation documents distributed by the Office of Policy and Management (OPM) each year.
- Criteria:* The federal regulation presented as Office of Management and Budget Circular A-87 (OMB A-87) establishes cost principles for the validity of charges against federal funds. The principles state

that the “cost of services provided by one agency to another within the governmental unit may include allowable direct costs of the service plus a pro rate share of indirect costs” (OMB A-87, App A, ¶G). In order to accomplish this, direct costs must be accurately determined.

The principles require that for “each internal service fund or similar activity with an operating budget of \$5 million or more, the plan shall include... a description of the procedures (methodology) used to charge the costs of each service to users, including how billing rates are determined; a schedule of current rates; and, a schedule comparing total revenues (including imputed revenues) generated by the service to the allowable costs of the service, as determined under this and other appendices of this part, with an explanation of how variances will be handled” (OMB A-87, App C, ¶E(3)).

The principles also require that each “billed central service activity must separately account for all revenues (including imputed revenues) generated by the service, expenses incurred to furnish the service, and profit/loss” (OMB A-87, App C, ¶G(1)).

A working capital reserve of up to 60 days is allowed for internal service funds (OMB A-87, App C, ¶G(2)). The OMB Circular A-87 Implementation Guide (ASMB C-10) offers guidance with respect to the working capital reserve and indicates that the number of days of cash reserve must be supported by a cash flow analysis.

The revision of Accountability Directive Number 1 published in December 1996 by the Office of the State Comptroller was in effect for the audited period. Pursuant to the Directive, the “management personnel of each state agency are responsible for establishing and maintaining an effective internal control structure.” The directive also states that “management must anticipate that certain procedures will become obsolete and modify internal control procedures in response to those changes.”

*Condition:*

The department did not provide documentation showing that direct costs attributable to fleet management or other internal service fund activities were adequately tracked for services provided by personnel with more than one project responsibility within the department.

The rate structure and policy in place does not contain any references to the handling of variances such as the over or under recovery of costs. Department personnel stated that no adjustments

had been made due to variance; the department did not provide documentation that rebates or surcharges had been applied based on over or under recovery of costs in a given year. Except for general fleet and state police vehicles rates, which were approved by the Office of Policy and Management in fiscal year 2013, the rates for other revolving fund activities have remained static since 2006.

We were not provided any documentation indicating that a working capital reserve cash flow analysis had been performed to determine whether excessive working capital was retained in the fund.

*Effect:* The conditions reveal potential non-compliance with federal regulations. Such non-compliance could result in loss of revenue through the application of fines, penalties and grant reductions imposed by federal agencies. Furthermore, the rate development methodology currently in use by the department could potentially produce a new rate structure that is non-compliant.

*Cause:* The department cited a lack of resources and staffing issues as contributing factors. We note that the department has made an effort to improve its processes through the recent hiring of a consultant.

*Recommendation:* The Department of Administrative Services should formalize rate development procedures and policies that contain only practices compliant with applicable federal and state laws and regulations.

In addition, the department should analyze the financial condition of the General Services Revolving Fund and perform the necessary reconciliation of revenues to actual costs to determine whether an adjustment is required due to excessive or insufficient cost recovery, or excessive working capital reserves. If an adjustment is required, the department should apply one of the methods described in OMB A-87. (See Recommendation 25.)

*Agency Response:* “DAS agrees with this recommendation and has made significant progress in ensuring that the General Services Revolving Fund is fully compliant with federal law. Specifically, in April 2014, DAS received approval from the Office of the State Comptroller to make the General Services Revolving Fund a non-lapsing SID. This approval allows DAS to properly handle variances in the fund and rate-development process, such as the over or under recovery of costs from year to year. Prior to this change, adjustments for under/over recoveries would not have carried over into the

subsequent fiscal years, preventing the ability to adjust rates accordingly. Beginning with FY15, DAS will reconcile revenues to actual costs.”

## **Cost Recovery**

*Criteria:* The federal regulation presented as Office of Management and Budget Circular A-87 (OMB A-87) establishes cost principles for the validity of charges against federal funds. For internal service funds, the regulation requires the annual submission of a cost allocation plan that includes a schedule comparing total revenues generated by each service to the allowable costs of each service (OMB A-87, App C, ¶D(1) and ¶E(3)(b)(1)).

The cost principles also state that “where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation” (OMB A-87, App B, ¶8(h)(4)). The personnel activity reports must be after-the-fact, account for the total activity of the employee, coincide with pay periods, and be signed by the employee (OMB A-87, App B, ¶8(h)(5)).

The revision of Accountability Directive Number 1 published in December 1996 by the Office of the State Comptroller was in effect for the audited period. Pursuant to the directive, management personnel of each state agency are responsible for establishing and maintaining an effective internal control structure.

*Condition:* The direct costs of the General Services Revolving Fund attributable to employee compensation were not based on employee assertions through personnel activity reports. The costs appeared to be based on budgetary estimations. The department did not provide documentation of approval from either state or federal sources to determine direct employee compensation costs in this manner.

*Effect:* Employee costs could be charged to activities accounted for by GSRF when, in fact, the employee’s efforts were not associated with those activities. Any rates developed with inaccurate information would be subject to increased risk of overall inaccuracy. The billing for and payment of such costs would be in violation of the provisions of OMB Circular A-87.

*Cause:* The department did not have an adequate system in place to ensure that employee costs that have been charged to the activities

accounted for by the General Services Revolving Fund are based on the level of effort applied to each activity.

*Recommendation:* The Department of Administrative Services should take the necessary steps to implement a system to adequately verify and document that employees charged to the General Services Revolving Fund work on fund-related activities as required by OMB Circular A-87. (See Recommendation 26.)

*Agency Response:* “DAS has taken the necessary steps to correct this finding. Specifically, DAS has reviewed all position coding and requested to move positions from the Revolving Fund to the General Fund where appropriate. Costs for revolving fund support will be allocated through SWCAP, which will eliminate the need to recode positions on an annual basis.”

### **Technical Services Revolving Fund**

*Background:* Section 4d-9 of the General Statutes established the Technical Services Revolving Fund in the Department of Administrative Services for the purchase, installation and utilization of information systems for budgeted agencies of the state.

*Criteria:* Section 4d-9 of the General Statutes indicates that the commissioner of the Department of Administrative Services and the secretary of the Office of Policy and Management shall jointly be responsible for the administration of the Technical Services Revolving Fund. The commissioner and the secretary shall develop appropriate review procedures and accountability standards for said fund and measures for determining the performance of the fund.

*Condition:* We were directly and indirectly informed by both the department and OPM that review procedures, accountability standards, and measures for determining the performance of the fund were not available.

*Effect:* In the absence of such procedures, standards, and measures, there would appear to be a greater risk for impropriety to occur.

*Cause:* The department indicated that procedures, standards, and measures may have been established upon codification of the statute. However, they are not currently available.

*Recommendation:* The Department of Administrative Services and the Office of Policy and Management should comply with Section 4d-9 of the General Statutes by developing appropriate review procedures and accountability standards for the Technical Services Revolving Fund, as well as measures for determining the performance of the fund. (See Recommendation 27.)

*Agency Response:* “DAS states that C.G.S. § 4d-9 requires updating, as the Technical Services Revolving Fund is no longer used for the purposes identified in the statute. DAS will discuss with the Office of Policy & Management whether modifications to this statute can be proposed. Since Fiscal Year 2010, the Technical Services Revolving Fund now includes expenditures and revenues associated with the Inmate Payphone Commission, the Telephone Billing Management System funded through the telecommunications surcharge, some pass-through IT expenditures, and statewide e-licensing/permitting issuance services. All of these expenditures and revenues are subject to regular review procedures by the agency; specifically through GAAP, SWCAP, CSFR reports provided annually to the Office of the State Comptroller and regular pay phone revenue reports issued to the Judicial Branch, Department of Correction and OPM. DAS will work with OPM to determine if additional review procedures, standards or measures are needed for this Fund.”

### **Capital Equipment Data Processing Revolving Fund**

*Criteria:* Under Section 4d-10 of the General Statutes, the commissioner is authorized to establish and administer a fund to be known as the Capital Equipment Data Processing Revolving Fund, which shall be used for the purchase of data processing equipment and related items necessary to maintain or improve the state’s data processing functions. The commissioner is authorized to expend funds necessary for all reasonable direct expenses relating to the administration of said fund.

*Condition:* We were informed that the Capital Equipment Data Processing Revolving Fund has not had any activity since 2009. In addition, it was indicated that funding was swept via legislation in 2009 and 2010.

*Effect:* Statutory language exists for a fund that is no longer active.

*Cause:* It appears that the department did not consider repealing the statutory language related to the fund when it became inactive.

*Recommendation:* The Department of Administrative Services should consider requesting the rescission of Section 4d-10 of the General Statutes. (See Recommendation 28.)

*Agency Response:* “DAS agrees with the condition above, but does not believe this is properly the subject of an Audit finding for the agency. This condition does not create any risk of loss to the state, nor does it relate to non-compliance with state statute, agency accountability, or proper agency controls.”

### **Accounting Controls over Receipts**

*Criteria:* The State Accounting Manual requires that a receipts journal be maintained by all agencies receiving money.

Where feasible, each of the following duties should be assigned to a different employee:

- Opening incoming mail and recording receipts in a receipts journal
- Depositing receipts
- Issuing licenses, permits, certificates, etc., to the remitter

The chief fiscal officer, business manager, or other similar employee is responsible for the periodic preparation, where feasible, of an accountability report, or cash proof of the total receipts as recorded in the cash receipts journal of the agency. These reports are prepared to compare the monies received to what should have been accounted for.

Per Office of the State Comptroller Memorandum 2011-05, each agency is responsible for posting their deposits in the Core-CT system as soon as the confirmation process is complete, or no later than four (4) business days from the accounting date of the deposit. In addition, all deposits of an accounting period must be posted before the close of the accounts receivable module, which is usually five days after the end of the month.

Section 4-32 of the General Statutes indicates that any state department receiving money or revenue for the state shall, within twenty-four hours of its receipt, account for and, if the total of the sums received amounts to five hundred dollars or more, pay the same to the Treasurer or deposit the same in the name of the state

depositories designated by the Treasurer under such regulations as the Treasurer prescribes.

*Condition:*

Our sample of 40 Core-CT revenue transactions for the 2011 and 2012 fiscal years revealed that 157 checks were not deposited in compliance with Section 4-32 of the General Statutes. The deposits ranged from 1 to 15 days late and totaled \$814,405.

In a separate review of the check register maintained for the Division of Collection Services, we tested 30 check entries to evidence of deposit and noted that 20 were not deposited in accordance with Section 4-32 of the General Statutes. The deposits ranged from 1 to 8 days late and totaled \$280,151.

We also noted that, during fiscal year 2011 the department had 74 transactions, equaling 3.6 percent of its total revenue transactions, which took longer than four business days to record in Core-CT. The deposits that took longer than four business days to record in Core-CT totaled \$3,758,416. These transactions were not recorded in accordance with the Office of the State Comptroller's Memorandum 2011-05 or Section 4-32 of the General Statutes.

We also found that, during fiscal year 2012, the department had 33 transactions, equaling 1.5 percent of its total revenue transactions, which took longer than four business days to record in Core-CT. The deposits that took longer than four business days to record in Core-CT totaled \$789,236. These transactions were not recorded in accordance with the Office of the State Comptroller's Memorandum 2011-05 or Section 4-32 of the General Statutes.

In our review of the State Surplus Property Program, we noted that certain items, such as jewelry, are transferred to a vendor, where the value of such is assessed and periodically sold at the vendor's auctions. The proceeds from such sales are sent to the employee within the Surplus Unit who initially provided the items to the vendor to be auctioned. The same individual who accounts for these assets takes the proceeds check and deposits it. No receipts log is kept at the Surplus Unit for such revenue. The individual then determines the coding split of the proceeds and sends the deposit ticket to the business office for recording in Core-CT.

*Effect:*

The lack of proper accountability and segregation of duties over receipts increases the risk of undetected loss and non-compliance with timely depositing requirements.

*Cause:* It appears that the department's consideration of proper internal controls was lacking.

We were informed by Collection Services Division staff that a waiver to the timely deposit and recording requirements was on file. However, it appeared that the waiver dated back many years and did not appear to be renewed by the Office of the State Treasurer. As of March 5th, 2014, the department has requested an updated waiver from the Office of the State Treasurer.

*Recommendation:* The Department of Administrative Services should establish internal controls over receipts as identified within the State Accounting Manual and comply with Section 4-32 of the General Statutes by depositing and recording revenue in a timely manner or obtaining a waiver to said requirements from the Office of the State Treasurer. (See Recommendation 29.)

*Agency Response:* "DAS agrees that some checks received by the Division of Collection Services were not able to be deposited within 24 hours in accordance with Section 4-32, however DAS Collection Services had a waiver on file from the Office of the State Treasurer to allow the agency more time to make such deposits. Upon the Auditors' recommendation, DAS requested an updated waiver from the Office of the Treasurer for this purpose, which DAS received on July 1, 2014.

With regard to the other deposits made between 1-15 days late, DAS believed it had appropriate waivers on file from the Office of the State Treasurer, and were later notified that these waivers must be more specifically written to apply to DAS transactions in addition to transactions that we handle for our SmART agency clients. DAS will draft these waiver requests more specifically in the future to ensure it has proper authority to make such deposits relating to DAS agency transactions outside the 24-hour statute.

DAS disagrees in part with the information in the "condition" section above relating to segregation of duties within the Surplus Property Program. DAS does segregate functions to provide proper controls. Currently, DAS has one employee handle the checks from sales in the Surplus Property Program that are addressed to the Property Distribution Center (PDC) in Wethersfield. This employee goes directly to the bank to deposit the checks, and promptly provides the deposit slip to another employee who reconciles each check against the recorded Surplus Property sales. DAS believes this process provides proper controls and ensures compliance with the statutes. The Surplus Property

unit is run with only one full-time employee and two other employees who split their time between Surplus and other DAS programs. Therefore, further segregating receipt and deposit functions for checks from the Wethersfield PDC would require an additional trip to Hartford each time checks were received in Wethersfield, would waste valuable and scarce resources in the unit, and would jeopardize the unit's ability to timely deposit receipts per C.G.S. 4-32. For Surplus checks received in Hartford, a separate employee is able to receive those checks, make a copy of the checks, and bring the copies directly to the Business Office, which initials and dates the copies. Those records are then sent back to the employee who, again, reconciles the checks against the sales. DAS agrees that it should maintain a receipts log in the Surplus unit, and it will promptly develop one."

### **Lease Revenue**

- Background:* Section 4b-38, subsection (a), of the General Statutes allows the commissioner to lease state-owned land or buildings for private use when not needed for state use and when such action appears desirable to produce income or is otherwise in the public interest.
- Criteria:* Maintaining orderly records of lease revenues due and received as well as monitoring and enforcing the terms of active lease agreements are good business practices.
- Condition:* Upon our review of lease agreements, we noted one in which the department appears to have been under billing the tenant for many years. Schedule D of the lease agreement, which provides the rental rates for the property, was not available upon our initial request to the department. It was eventually located and provided for our review. We noted that the department has not billed the proper amount since the inception of the lease agreement. The lease between the tenant and the state was a twenty-year lease that started in 1989 and ended in 2008. Our testing of fiscal years 2011 and 2012 found that the tenant was leasing space from the state without an agreement or amendment to extend the term of its current lease agreement. Based on Schedule D of the lease agreement, it appears the state has lost \$420,867 in revenue from the tenant since inception. Subsequent to our review, we received a 1997 amendment to the lease, which did not extend the lease term but allowed for a reduction in the monthly lease rate. However, we also noted that this amendment did not appear to be approved by the Office of the Attorney General, thus making it invalid.

- Effect:* Lack of accountability over lease billing/revenue could increase the risk of an undetected loss of revenue due to the state.
- Cause:* The lack of reconciliation between the DAS Business Services and the DAS Properties and Facilities Management Divisions for leases executed and their applicable terms appears to have contributed to the condition.
- Recommendation:* The Department of Administrative Services Business Services Division should reconcile with the leasing database maintained by the DAS Properties and Facilities Management Division on a monthly basis to ensure that all executed leases are billed in accordance with their applicable terms. (See Recommendation 30.)
- Agency Response:* “DAS agrees that the DAS Business Office should reconcile with the leasing database maintained by the DAS Properties and Facilities Management unit on a monthly basis to ensure that all executed leases are billed in accordance with their applicable terms; the DAS Business Office will implement this recommendation. DAS disagrees with the condition described above stating that DAS has underbilled a tenant for many years, resulting in a state loss of \$420,867. DAS has properly billed and collected all monies due from this tenant, pursuant to a modification of the original lease agreement. DAS agrees that the lease modification documents – executed in 1997, prior to DAS’s assumption of leasing responsibilities – were imperfect. Nonetheless, this modification represented the legal agreement of the parties; it was supported by the available documentation and also through the consistent course of dealing between the parties. The State is not due any rent payments beyond those billed to date from this tenant. DAS has executed a new lease with this tenant. The new lease is proceeding through the State approval process and will address the deficiencies in the 1997 lease documents when fully approved.”

### **Expenditure-Related Issues**

- Background:* Under subsection (c) of Section (60) of Public Act 05-251, the Department of Administrative Services became responsible for providing the business office functions of certain agencies. In addition, the department also handles such functions on behalf of the Offices of the Governor and the Lieutenant Governor.
- Criteria:* Subsection (a) of Section 4-98 of the General Statutes indicates that “except for such emergency purchases as are made by a

budgeted agency under regulations adopted by the commissioner of the Department of Administrative Services, no budgeted agency or any agent thereof shall incur any obligation, by order, contract or otherwise, except by the issue of a purchase order or any other documentation approved by the Comptroller, necessary to process the transaction transmitted by the budgeted agency or its agents to the commissioner and the Comptroller, provided the amount to be charged against the appropriation for a budgeted agency in any year for a purchase order for a current expenditure shall be the amount anticipated to be spent in such year”.

Through memoranda of understanding, the Department of Administrative Services has identified lines of responsibility between DAS and the consolidated agencies they serve.

*Condition:*

Upon our testing of expenditure transactions covering the department and the agencies they serve for the audited period, we noted the following:

Ordering Goods/Services from Vendor without an Approved Purchase Order:

- Two out of 23 DAS-specific transactions
- 39 out of 130 consolidated agency transactions

Other Significant Issues Noted:

For DAS-specific testing:

- For two out of 31 transactions involving contracts, we noted differences between invoice rates paid and contractual rates issued.
  - A vendor charged and was paid for the services of a supervisor level position, yet the supervisor rate was not part of the vendor’s contract award with the state.
  - A vendor appeared to be overcharging the State Insurance and Risk Management Board for claim service fees involving automobile and highway liability on an invoice from fiscal year 2011. It appears the department overpaid by \$2,496 based upon rates within the contract for the time period covered.

For Consolidated Agencies Testing (180 transactions):

- For two transactions involving the Commission on Human Rights and Opportunities and the Connecticut Siting Council, we noted instances in which prices from the vendor invoices were difficult to verify to state contract terms. Due to our inquiry with the DAS Strategic Procurement division and its subsequent contact with the applicable vendors, it was noted that the state had overpaid the vendor in each case. The overpayments of \$390 and \$608 were recovered by the affected state agencies.
- For one Board of Firearms and Permit Examiners transaction, we noted that the vendor received payment for work he was not under state contract to perform.

*Effect:* Obligating the state without having a timely approved purchase order in place could result in the failure to receive expected services. Noncompliance with statutory requirements could result in the agency exceeding its appropriation.

In the absence of verification of prices and services charged by vendors to state contract award terms, there is an increased risk of overpayment by the state.

*Cause:* It appears that the department has not fully exercised its authority to ensure compliance with statutory and contractual purchasing provisions.

*Recommendation:* The Department of Administrative Services should ensure compliance with Section 4-98 of the General Statutes by having a properly approved purchase order in place prior to ordering goods and services from vendors. In addition, greater care should be exercised to ensure that the vendor pricing of goods/services are verified to applicable contract awards. (See Recommendation 31.)

*Agency Response:* “DAS agrees that having approved purchase orders in place prior to ordering goods and services, and verifying vendor pricing to applicable contract awards is necessary. With regard to the two DAS-specific testing items, DAS agrees that in one instance, the vendor charged and the state paid a supervisor rate for services provided by a supervisor, even though the supervisor rate was not expressly included in the underlying contract. DAS received all the services for which it paid, but the applicable rate was not listed in the contract documents. With regard to the State Insurance and Risk Management (SIRMB) condition, DAS agrees. Upon review, it was discovered that a modification to the fee agreement with the

third party claim service, recognizing a 1.1 percent CPI adjustment, was not properly incorporated into master contract for this service. The SIRMB and DAS staff supporting the Board will ensure that any modification to the terms of its contracts going forward be coordinated with DAS Procurement Services to ensure that they are properly incorporated into the master contract(s). Further, DAS and SIRMB will determine whether and how it may be able to recover the overpayment from 2011.

With regard to the conditions related to SmART agency client transactions, DAS believes that primary responsibility for ensuring compliance with these purchasing statutes resides with managers and supervisors in the client agencies. DAS does remind client agency staff of the applicable rules and their obligations to follow them when we discover irregularities. Nonetheless, DAS will develop a new procedure to attempt to decrease the occurrences of agencies obtaining goods and services prior to issuing a purchase order. DAS agrees that it has recovered the slight overpayments made to vendors on behalf of the Commission on Human Rights & Opportunities and the Connecticut Siting Council.”

### **Purchasing Cardholder Statements**

*Criteria:*

The purchasing card holder work rules provide that the purchase log envelope was developed and intended for the convenience of reconciliation and ease of auditing. Its use is strongly recommended. However, it is indicated that agency procedures may differ from this process if compensating controls are already in place.

The monthly cardholder statements from the purchasing card (P-Card) system, Payment Net, identify each transaction made with the purchasing card during the billing cycle. This is to be reconciled against the purchase log envelope. The monthly cardholder statements and supporting documentation are kept within each applicable purchasing card log envelope.

*Condition:*

The department’s internal policy for purchase log envelopes and cardholder statements indicates that the cardholder and supervisor can sign either the purchase log envelope or the cardholder statement to show evidence of approval.

In addition, it was noted in testing that the column of the purchase log envelope indicating whether the purchase involved a state contract was not always completed or had non-related data in the field.

*Effect:* In the absence of evidence of review and approval of the monthly cardholder statements, there is the risk that improper use of the purchasing card or an inaccurate charge by the vendor may be overlooked.

*Cause:* While it appears that the department has good intentions in streamlining the process, the internal policy established may hinder a thorough review of the actual purchasing card transactions on the cardholder statements and related supporting documentation.

*Recommendation:* The Department of Administrative Services internal policy should require that the cardholder and supervisor sign the monthly cardholder statement attesting to the proper use of the purchase card and the accuracy of the charges on the statement. In addition and at a minimum, the purchase log envelope should be signed by the cardholder to acknowledge whether a state contract award was applicable to each of the purchases made during the month. (See Recommendation 32.)

*Agency Response:* “DAS disagrees with this finding. DAS’s policies and practices are fully compliant with all laws and policies, have been approved by the Office of the Comptroller’s P-Card Audit Team, and provide appropriate protections and the ability to thoroughly audit actual p-card transactions of cardholders. Both supervisors and cardholders reconcile actual receipts with the p-card statements monthly, and sign to confirm that review. This review includes an assessment that all p-card rules have been followed, including but not limited to the requirement that statewide contracts have been used where required; there is no separate requirement that contract numbers be included on the p-card envelopes. To further ensure integrity in the program, the DAS Business Office also separately reviews and verifies the p-card statements with receipts (DAS Fleet Operations performs this additional review with regard to fleet operations p-card receipts). Also, the Office of the State Comptroller performs regular audits of p-card usage and the agency’s review procedures.”

*Auditors’ Concluding  
Comments:*

To further clarify, the forms utilized to document the adherence to internal controls over the P-Card process are either not always completed or inaccurately done. This would include the signature fields of those attesting and approving such forms, as well as the field which requests a response as to whether a state contract was utilized for the particular purchase.

## **Inventory and Property Control**

*Criteria:* Section 4-36 of the Connecticut General Statutes requires that “Each state agency shall establish and keep an inventory account in the form prescribed by the Comptroller, and shall, annually, on or before October first, transmit to the Comptroller a detailed inventory, as of June thirtieth, of all of the following property owned by the state and in the custody of such agency: (1) Real property, and (2) personal property having a value of one thousand dollars or more.” The methods prescribed by the Comptroller are published in the State Property Control Manual. Chapter three of this manual includes reporting requirements and categorical inclusions for the various valuations reported on the Asset Management/Inventory Report/GAAP Reporting Form (CO-59).

The manual also requires that “all internally prepared property control accounting records, and other related property management data shall be reconciled to the Core-CT Asset Management Module [to ensure] the accounting data maintained is valid.”

Under memoranda of agreement, the department became responsible for asset management reporting and accountability on behalf of certain agencies.

Sound business practice dictates that sufficient care should be taken to ensure that any data considered for reporting purposes is complete.

Sound management practice dictates that a review process designed to detect significant errors and/or omissions should be undertaken prior to the approval of any report.

*Condition:* The department overstated its DASS1 (General Services Revolving Fund) CO-59 by \$680,950 because it reported land and buildings that should have been reported on DASM1 (General Fund) CO-59 during fiscal year 2011.

The department submitted its original CO-59 on October 31, 2012 to the Office of the State Comptroller. The original CO-59 shows a grand total for real and personal property of \$30,018,355. The department re-submitted a second CO-59 to the Office of the State Comptroller, which was not included in the Comptroller’s Annual Report. The second submission shows a total of \$3,788,529. The department overstated its DASM1 CO-59 by \$26,229,826 during fiscal year 2012.

We noted that the department made a last-minute adjustment to its equipment line from \$7,791,739 to \$7,800,196 yielding a difference of \$8,457 that was not carried over to the personal property subtotal and grand total line of the CO-59. The department has the proper back-up documentation for land and buildings but the department reported it under DASS1 instead of DASM1. The department overstated its DASS1 CO-59 by \$10,750,510 during fiscal year 2012.

Our testing of expenditure transactions revealed that the department failed to report on the installation of a bus shelter and improvements to Woodbine Street and 25 Sigourney Street parking lots on its site improvement line of the CO-59. The department understated DASM1 CO-59 by \$20,796 during fiscal year 2012.

*Effect:* The inventory report submitted by the department appears to be significantly misstated. The department is not compliant with the policies established by the Office of the State Comptroller. The department is at greater risk of non-compliance with state and federal regulations that depend upon the reasonable representation of inventory information. The department is also at greater risk of undiscovered loss due to inaccurate inventory information.

*Cause:* A lack of management oversight contributed to the conditions noted.

*Recommendation:* The Department of Administrative Services should take greater care to abide by the State Property Control Manual in the accounting and reporting of assets. (See Recommendation 33.)

*Agency Response:* “DAS acknowledges that it cross-reported land and buildings between DASM1 and DASS1. DAS had just undergone a major reorganization in 2011, whereby it became responsible, among other things, for ownership and management of state properties and facilities. DAS corrected these reports via revised CO-59s filed in FY13. The agency also acknowledges that the installation of a bus shelter and improvements to Woodbine Street and 25 Sigourney Street parking lots were not recorded. DAS will make the necessary adjustments.”

## **Inventory Valuation and Reporting of Intangible Assets**

*Background:* The Governmental Accounting Standards Board (GASB) issued Statement 51 (GASB 51) in June of 2007. GASB 51 addressed the inclusion of intangible capital assets for reporting purposes.

GASB 51 provided general guidelines regarding the types of assets to be included and the portion of the development cycle to be included in the valuation of intangible capital assets. For the State of Connecticut, GASB 51 became effective for the financial statement for the fiscal year ended June 30, 2010.

The Office of the State Comptroller (OSC) maintains the policies and procedures for the recording and reporting of the inventory of capital assets in its State Property Control Manual. This manual included provisions for the recording and presentation of internally developed software prior to the publication of GASB 51. In preparation for application of the requirements of GASB 51, OSC created new asset categories, issued a new inventory report form, and issued a memorandum containing general guidelines to allow state agencies to comply with the requirements of GASB 51.

*Criteria:*

GASB 51 requires governmental entities to recognize intangible capital assets in their financial reports. Such intangible assets include internally developed computer software and third-party licensed software that meet the governmental entities' capitalization threshold. Internally developed software should be valued using the development stage approach, which includes activities such as design, configuration, coding, installation and testing of the software.

GASB 51 also states that outlays increasing the capacity, efficiency, or useful life of the computer software should be capitalized. Outlays for routine maintenance or annual licensing should not be capitalized.

The State Property Control Manual published by the Office of the State Comptroller states that "agency developed software which the state has ownership to and is capitalized and reportable on the CO-59 and classified under the software category must be recorded within the Asset Management Module of Core-CT."

This manual also establishes the level of capitalization at \$1,000 per item or unit of inventory.

*Condition:*

The requirement for valuation of capitalized internally generated software was not new for fiscal year 2012. Our review of departmental operations revealed that the DAS Information Systems Group developed and/or significantly modified several software systems that should have been considered for inclusion as capitalized internally generated software. Our review of the CO-

59 reports made available to us revealed that no such valuations were included.

*Effect:* The inventory valuations of intangible software assets included on the inventory report submitted by the department appear to be significantly misstated. The valuation methodologies employed by the department do not appear to be consistent or fully compliant with GASB 51.

*Cause:* During the audited period, it did not appear that staff assigned to prepare the CO-59 report was sufficiently knowledgeable to perform this task. A lack of management oversight contributed to the conditions noted.

*Recommendation:* The Department of Administrative Services should work with the Office of the State Comptroller to determine the specific criteria for valuation of intangible software assets in a manner that is compliant with GASB 51. The department should use the determined criteria to develop formal policies and procedures for said valuations. Finally, department management should become sufficiently familiar with the reporting requirements to review the reports in a manner that would detect significant errors or omissions. (See Recommendation 34.)

*Agency Response:* “DAS agrees with this finding and will work with the Office of the State Comptroller to determine the specific criteria for valuing intangible software assets, including internally-developed software that meet the capitalization threshold. DAS has recently established a new procedure and policy for properly including such assets in the agency’s inventory.”

### **Incomplete Asset Management Records**

*Criteria:* The State Property Control Manual states that assets should be assigned a department-specific identification number, that the records regarding the asset in Core-CT should be amended to include this information, that the identification number should be affixed to the item in some manner, and that the numbers should be affixed in a consistent manner that makes the number visible for inventory purposes without disturbing the function of the asset.

The State Property Control Manual indicates that purchased software not owned by the state should be included in the department’s software inventory. The property control record must contain a certain amount of data, including the location, cost,

and identification number of the CPU device. For local area network applications, the department only needs to reference the file server, not the individual computers if the department has installed a central copy of the software.

The manual also indicates that an asset acquired by donation is generally capitalized if it meets the established criteria, at its estimated fair market value at the time of acquisition. If additional expenses are incurred, these costs should be considered as part of the total cost of the asset. The cost should reflect any expense incurred, and the value should reflect the fair market value.

*Condition:*

During our examination of the department's inventory records, we performed tests to determine whether the records were an accurate reflection of the department's physical inventory on hand. Out of the 40 inventory items traced to their physical location, two of those items did not have identification tags. Additionally, we found two tagged items in a closet that were not on the department's inventory report. We also found one item on the department's inventory report that belonged to the Office of Policy Management. The department no longer maintains OPM's inventory. We noted that one item had an identification tag that did not match the tag number referenced on the inventory system.

The department's software inventory records do not identify the location and identification number of the CPU in which each software program resides as prescribed within the State Property Control Manual.

As part of a separate audit of the Office of the Governor for fiscal years ended June 30, 2011 and 2012, it was noted and referred that 60 items of furniture were donated to the office in 2010. However, documentation regarding the source of the donation was not available and reasonable fair market value was not assessed by DAS to determine whether capitalization was necessary for such items. The items, which included Hitchcock chairs and mahogany desks, were entered into the asset management system at one dollar each.

As part of a separate audit of the Department of Agriculture for fiscal years ended June 30, 2010 and 2011, certain issues arose with asset management. Upon review of 25 inventory items on the department's inventory records, it was noted that one item valued at \$870 could not be located and one item valued at \$9,652 was improperly tagged. In addition, ten randomly selected items from

inspection of the department's premises revealed that two items were not recorded in the Core-CT Asset Management module.

*Effect:* Deficiencies in the control over the equipment inventory results a decreased ability to properly safeguard assets and decreases the accuracy of financial reporting.

*Cause:* The department did not adequately implement its process to ensure complete and accurate inventory recordkeeping.

*Recommendation:* The Department of Administrative Services should continue to take the necessary steps to ensure that asset management records completely and accurately reflect the equipment inventory for which it is responsible. (See Recommendation 35.)

*Agency Response:* "DAS agrees. All identified items have been corrected or will be corrected in DAS's 2014 CO-59. With regard to the furniture in the Governor's Capitol offices, these items were the property of the non-profit corporation, the Executive Chambers Conservancy, Inc., until that organization dissolved and the property legally reverted to the State of Connecticut. DAS will secure appraisals for these items to determine their fair market value, and will capitalize them if required."

### **Collection Services – Recovery Unit**

The DAS Collections Recovery Unit is responsible for collecting funds due to the State of Connecticut from decedent estates or the recipients of unearned income/assets from lawsuits, personal injury insurance claims or inheritances.

When an individual applies for state aid with the Departments of Social Services, Mental Health and Addiction Services, Children and Families, or Developmental Services, or has been sentenced to incarceration by a Connecticut court, the individual is liable for the full amount of assistance received, cost of care, or cost of incarceration.

The Recovery Unit identifies individuals or their legally liable relatives who owe the state money and places a claim on the estate or lien with the attorney for the lawsuit/claim.

### **Accountability over Legal Representative and Estate Assets**

*Criteria:* Section 4a-16 of the General Statutes indicates that when any person supported or cared for by the state under a program of public assistance or in an institution maintained by the Department of Developmental Services or Department of Mental Health and

Addiction Services, or when an inmate of the Department of Correction, or when any child committed to the Commissioner of Social Services or Commissioner of Children and Families dies leaving only personal estate, including personal assets owing and due the estate after death, not exceeding the aggregate value, as described in section 45a-273, the Commissioner of Administrative Services or the commissioner's authorized representative shall, upon filing with the probate court having jurisdiction of such estate a certificate that the total estate is under the aggregate value, as described in section 45a-273, and the claim of the state, together with the expense of last illness not exceeding three hundred seventy-five dollars and funeral and burial expenses in accordance with section 17b-84, equals or exceeds the amount of such estate, be issued a certificate by said court that the commissioner is the legal representative of such estate only for the following purpose. The commissioner shall have authority to claim such estate, the commissioner's receipt for the same to be a valid discharge of the liability of any person turning over the same, and to settle the same by payment of the expense of last illness not exceeding three hundred seventy-five dollars, expense of funeral and burial in accordance with section 17b-84 and the remainder as partial or full reimbursement of the claim of the state for care or assistance rendered to the decedent. The commissioner shall file with said probate court a statement of the settlement of such estate as herein provided.

Proper internal control dictates that the areas of custody and recordkeeping over assets should be segregated.

*Condition:* Upon our review of the administration over estate cases in which the department acts as a legal representative, we noted the following repeated exception:

- We noted that the team leader in the Legal Representative Unit within the Collection Services Division maintains the inventory records for the physical assets received by the department as part of estate closings, has access to the safe where such physical estate assets are maintained, and is responsible for the liquidation of such assets.

*Effect:* The risk of loss is greater when a lack of accountability or segregation of duties exists.

*Cause:* Although efforts were made, the department did not reach full resolution of the prior audit matter.

*Recommendation:* The Department of Administrative Services should place more effort in ensuring that proper accountability exists over its legal representative case assets for liquidation by segregating the duties regarding custody and recordkeeping. (See Recommendation 36.)

*Agency Response:* “DAS agrees with this finding. Although we have taken corrective action to address this issue as a result of the prior audit recommendation, we will continue to revise our procedures to ensure that proper segregation of duties exists regarding the custody and recordkeeping of Legal Representative case assets.”

### **Trust Account Reconciliations**

*Background:* When an individual applies for state aid with the Departments of Social Services, Mental Health and Addiction Services, Children and Families, Developmental Services or has been sentenced to serve a term of incarceration by a Connecticut court, the individual is liable for the full amount of assistance received and the cost of care or incarceration. Under Sections 4a-12, 4a-15 and 4a-16 of the General Statutes, the Department of Administrative Services acts as the trustee for the accounts of certain of these individuals under such assistance.

*Criteria:* Basic accounting principles suggest that subsidiary accounts should be reconciled on a regular basis to the control accounts.

*Condition:* DAS’ Collection Services database records did not appear to be available or properly reconciled to their respective trustee cash accounts. While it appears that bank reconciliations are prepared on a monthly basis for both accounts, there is no overall reconciliation of the database records to cash in the respective trustee checking and Short Term Investment Fund (STIF) accounts.

*Effect:* Unexplained variances may exist and go undetected without a periodic complete reconciliation performed on both trustee accounts. The assets for fiscal year ended June 30, 2012, consisting of cash and investments, totaled \$565,300 and \$2,862,895 for the Legal Representative Trustee Account and the Representative Payee Trustee Account, respectively.

*Cause:* It appears that DAS was not fully cognizant of the extent of reconciliation that is needed for the trustee accounts.

*Recommendation:* The Department of Administrative Services should establish and implement procedures to ensure that the database records under the Division of Collection Services are properly reconciled to their respective trustee cash control accounts on a periodic basis. Unexplained variances should be investigated and resolved. (See Recommendation 37.)

*Agency Response:* “DAS agrees with this finding. The DAS Business Office will meet with the Collections Unit to ensure the individual trustee accounts are regularly reconciled.”

## **Statewide Human Resources**

The department’s Statewide Human Resources Management Division conducts human resource planning, policy leadership and consultation with state agencies on human resource matters. It also manages the job classifications used for state workers and sets pay levels for state jobs.

## **Employment Testing Application**

*Criteria:* Development of an information technology-based system should employ a systematic methodology. Said methodology should include steps to ensure that the system is useable, duplicable, and sustainable. The steps should include full technical and user documentation, disaster recovery plans, and a projected upgrade path. Steps should be taken to ensure that data is maintained in a secure fashion and that any changes to data are tracked, logged, and monitored. When such systems are used to perform critical functions, the systems are typically developed and maintained by information systems professionals.

In June of 2008, Governor M. Jodi Rell issued Executive Order 19 mandating that all state agencies comply with the Department of Information Technology (DOIT) Policy for the Management of State Information Technology Projects. The DOIT policy calls for state agencies to employ a System Development Methodology to “ensure that information systems developed by the State of Connecticut meet state and agency mission objectives, are compliant with the current and planned Enterprise-Wide Technical Architecture (EWTA), and are easy to maintain and cost-effective to enhance.”

*Condition:* The software used for the scoring process was written and is maintained by the person who actually performs the scoring activity. That person is not an information technology professional

by job description or training. The application was written in a computer language that is no longer typically used for development. The raw data file is maintained in an editable format, which allows changes to be made without tracking or monitoring. Untracked changes to the raw data file are made routinely.

No user documentation was provided. The only technical documentation mentioned by the employee who wrote the program are comments embedded within the code. No upgrade path was provided; the employee who wrote the program stated that there was currently no upgrade path under consideration.

*Effect:* The department is at risk that, should the system presently in use fail, employment test scoring would need to be conducted using less accurate and efficient means, such as hand scoring. The likelihood of such a catastrophic system failure increases significantly with the passage of time.

Further maintenance or development in the system currently used by the department would put the department at risk of prolonged inefficient and ineffective use of state financial and technical resources through continued reliance on an arcane hardware and software methodology insufficiently supported.

*Cause:* The department did not sufficiently allocate the necessary and appropriate financial and technical resources to ensure that employment test scoring was conducted in the most efficient and effective manner possible.

*Effect:* Maintaining and upgrading the scoring software currently in use is dependent upon a single person. The department is at increased risk that its ability to score employment examinations electronically could be significantly curtailed, if not eliminated, if that employee left state service. Additionally, since the job description and training of the person who wrote the software does not include software development, it does not appear that the employee is being utilized in the most efficient manner possible.

Allowing untracked direct editing of the raw data file could also allow unauthorized or unintended changes to occur to the data and could impact overall test results and ranking of candidates.

*Cause:* The department did not sufficiently allocate the necessary and appropriate financial and technical resources to ensure that employment test scoring was conducted in the most efficient and

effective manner possible. The department did not take the necessary steps to ensure that the raw data file containing the results of scoring could not be directly edited.

*Recommendation:* The Department of Administrative Services should engage in the activities necessary to update the information system used to score employment test answer sheets such that said system is compliant with applicable state directives, such as Governor Rell’s Executive Order 19. The system should also meet state and agency objectives, be compliant with the current and planned Enterprise-wide Technical Architecture, easy to maintain, and cost-effective to enhance.

Any required editing should be accomplished through the use of a separate routine that tracks such changes and records both the user who makes the change and the authority under which such changes are made. (See Recommendation 38.)

*Agency Response:* “DAS does not agree that Executive Order 19 applies to a small self-contained system such as the one at issue; nevertheless, DAS agrees that it is preferable to update the information system used to score employment test answer sheets. DAS has purchased a new commercial test form scanner and software for this purpose. DAS has also explored the possibility of purchasing an information system that could perform all of the scoring and statistical analysis currently being done on the existing system; however, no such systems appear to be available on an off-the-shelf basis. Accordingly, DAS is working to develop a new, up-to-date, scoring program internally.”

### **Statewide Compensatory Time Policy**

*Criteria:* Statewide policy should be periodically reviewed and updated to eliminate outdated material and provide clarity where necessary to provide more assurance that the intended compliance will result.

*Condition:* We were informed by the department that one section of the Management Personnel Policy 06-02, Compensatory Time for Employees Exempt from Collective Bargaining, is outdated. We additionally noted that the definition of “approved work location” within the policy was lacking.

An email sent by the Statewide Human Resources Division in June 2010 to all human resources directors was to clarify, in part, that an

employee's home is not an "approved work location" for purposes of earning compensatory time.

*Effect:* The lack of a clear written policy increases the risk that the intended compliance will not occur.

*Cause:* It appears that the department did not yet have an opportunity to update the policy.

*Recommendation:* The Department of Administrative Services should update and clarify language within the Management Personnel Policy 06-02, Compensatory Time for Employees Exempt from Collective Bargaining, to reflect intended compliance. (See Recommendation 39.)

*Agency Response:* "DAS agrees with this finding and is currently in the process of drafting a revised compensatory time policy and soliciting comments on such policy from state agency personnel officers."

## **RECOMMENDATIONS**

Our prior report on the fiscal years ended June 30, 2008, 2009, and 2010, contained a total of 31 recommendations. Of those recommendations, eight have been implemented, satisfied, or otherwise regarded as resolved. Thirty-nine recommendations are new or modified and repeated. The status of the prior recommendations is presented below.

### *Status of Prior Audit Recommendations:*

- DAS should evaluate the reporting responsibilities within Sections 4a-6, 4a-67a, and 5-200a of the General Statutes and either comply with its provisions or pursue legislative change if statutory obsolescence is determined. This recommendation has been modified to reflect current conditions. (See Recommendation 1.)
- DAS should comply with Sections 4a-52, 4a-61, and 31-284a of the General Statutes and adopt/modify its state regulations to reflect its current processes. This recommendation has been modified to reflect current conditions. (See Recommendation 2.)
- DAS should either continue to pursue the repeal of the statutory mandate or reconstitute the Committee on Career Entry and Mobility, the Committee to Encourage Employment by the State of Persons with Disabilities, and the Quality Control Committee in accordance with Sections 4-61t, 4-61aa, and 5-237b of the General Statutes, respectively. This recommendation has been modified to reflect current conditions. (See Recommendation 3.)
- DAS and the Office of the Governor should collaborate to ensure that a Senior Executive Service Board is created and made operational in accordance with state law or seek legislative relief from those requirements. This recommendation has been resolved.
- DAS should pursue a formal agreement with the Offices of the Governor and the Lieutenant Governor as well as other agencies served by the department to clearly identify the lines of responsibility in performing personnel, payroll, affirmative action, and business office functions. This recommendation has been modified to reflect current conditions. (See Recommendation 6.)
- DAS should take steps to ensure compliance with Section 5-247-11 of the State Regulations and applicable collective bargaining agreements by monitoring sick leave usage on a biweekly basis for purposes of determining which employees are required to provide medical certificates and subsequently pursuing collection of such from the employees affected. This recommendation is being repeated. (See Recommendation 7.)
- DAS should promote compliance with Section 5-208a of the General Statutes by revising its instructions to state agencies via General Letter No. 204 regarding dual

employment to reflect the current practice and system. Such procedures should re-establish the DAS practice of providing semiannual reports of employees with multiple positions to state agencies to discern if true dual employment arrangements exist and need to be addressed.

Additionally, the department should redesign the dual employment request form to eliminate the unnecessary collection and storage of sensitive data. This recommendation has been modified to reflect current conditions. (See Recommendation 8.)

- DAS should strengthen its administrative oversight to ensure the propriety of the earning and usage of overtime and compensatory time by the employees of the respective agencies they serve. This recommendation has been modified to reflect current conditions. (See Recommendation 9.)
- DAS should ensure compliance with Section 5-237-1 (a) (4) of the State Regulations by obtaining annual service ratings for all permanent employees and abide by all provisions of the Performance Assessment and Recognition System Handbook when awarding managerial merit increases and bonuses. This recommendation has been resolved.
- DAS should take greater care to review the propriety of timesheet data from SmART agencies prior to processing for payment. This recommendation has been modified to reflect current conditions. (See Recommendation 10.)
- As part of its administrative function over SmART agencies, the DAS SmART Unit should ensure that employee exit interview forms are completed and placed within the applicable separating employee's personnel file. When the separating employee refuses to participate in the interview or complete the form, the reasons for such should be documented and kept on file. This recommendation has been resolved.
- DAS should implement a procedure to have the payroll supervisor or a designee confirm the accuracy of retroactive and separation payment calculations performed by other payroll staff. This recommendation has been modified to reflect current conditions. (See Recommendation 12.)
- DAS should comply with applicable collective bargaining unit agreements and the Manager's Guide regarding adjustments to leave time for deceased employees, and establish a policy to ensure that longevity calculations for deceased employees are determined consistently. This recommendation has been modified to reflect current conditions. (See Recommendation 14.)
- DAS should develop or acquire a formal risk assessment and mitigation function with the objective of identifying and addressing those risks that could negatively impact its operational objectives. The risk assessment and mitigation function should be

independent, formal, and ongoing. This recommendation is being repeated. (See Recommendation 16.)

- DAS should complete its work on policy and controls over data security and data transfer protocols as quickly as possible. The department should take the necessary steps to ensure that it directs external vendors to utilize secure transfer protocols to the extent allowed in all associated contracts and agreements. This recommendation has been resolved.
- DAS should take the necessary steps to develop and implement a continuing periodic monitoring and review procedure regarding Core-CT roles that have the ability to make changes to payroll or personnel records at any level to ensure that said roles remain required by those to whom they are granted. The department should ensure that any of its employees who have the liaison role do not work in areas that have direct fiscal, payroll or personnel responsibilities. This recommendation has been modified to reflect current conditions. (See Recommendation 17.)
- DAS should seek an official opinion from the Office of the Attorney General to obtain clarification as to whether tax-related data for those entities contracted by the DAS Workers' Compensation Program's third party administrator and paid for with state funds needs to be obtained and submitted to the Department of Revenue Services in order to comply with the intent of Section 4a-80 of the General Statutes. This recommendation has been modified to reflect current conditions. (See Recommendation 19.)
- The DAS Procurement Services Division should comply with Chapter 55a of the General Statutes by not involving itself with the procurement of personal service contractors.

The department should also either seek a formal opinion from the Office of the Attorney General or request that the General Assembly further clarify the intent of Section 4a-50 of the General Statutes in relation to the authorization provided to the Office of Policy and Management within the procurement-related statutes found in Chapters 50 and 55a and to the definitions as found within Chapter 62 of the General Statutes. This recommendation has been resolved.

- DAS should establish a control process to ensure the accuracy of the rebates received. Additionally, the department should institute policies to maximize the rebate earned by monitoring the levels of individual card usage and eliminating those P-Cards that no longer have a valid purpose. This recommendation has been resolved.
- DAS should, within existing resources, work with state and federal entities to acquire sufficient knowledge to develop rates for the various services it provides through its internal service fund (the DAS Revolving Fund) that accurately recover the costs associated with those services in a manner that is compliant with applicable federal regulation and state directive. The department should then develop and implement

procedures that will allow the rate development process to be duplicated annually. Finally, the department should review its rate development process annually to ensure that it remains compliant with the applicable federal regulations and state directive. This recommendation has been modified to reflect current conditions. (See Recommendation 25.)

- DAS should continue to meet with the Office of the State Comptroller to reconcile the differences in profitability noted in the presentations by the two agencies of the financial statements for the revolving fund maintained by DAS. The department should, within existing resources, design and implement controls to ensure the accuracy of its cost data and accompanying cost recovery rates. This recommendation has been modified to reflect current conditions. (See Recommendation 26.)
- DAS should develop and implement controls and allocate sufficient personnel to prepare accurate financial reports that comply with applicable standards and directives. This recommendation has been resolved.
- DAS should establish internal controls over receipts as identified within the State Accounting Manual and comply with Section 4-32 of the General Statutes by depositing and recording revenue in a timely manner or obtaining a waiver to said requirements from the Office of the State Treasurer. This recommendation has been modified to reflect current conditions. (See Recommendation 29.)
- DAS should ensure compliance with Section 4-98 of the General Statutes by having a properly approved purchase order in place prior to ordering goods and services from vendors.

The department should also comply with state contractual provisions regarding proper bid submission and obtaining the proper number of quotes from vendors prior to issuing purchase orders. This recommendation has been modified to reflect current conditions. (See Recommendation 31.)

- DAS should prepare a formal, written policy and procedure for the preparation of the annual CO-59 report and supporting documentation. The department should take the necessary steps to ensure that staff members have the knowledge necessary to perform the tasks assigned to them. The department should take the necessary steps to ensure that its unit managers review documents and reports sufficiently to detect significant errors and omissions prior to approval. This recommendation has been modified to reflect current conditions. (See Recommendation 33.)
- DAS should work with the Office of the State Comptroller to determine the specific criteria for valuation of intangible software assets in a manner that is compliant with GASB 51. The department should use the determined criteria to develop formal policies and procedures for said valuations. The department should ensure that all staff assigned to the task of asset inventory valuation are sufficiently knowledgeable

to perform the task either through education or prior demonstration of the requisite knowledge. Finally, department management should become sufficiently familiar with the reporting requirements to review the reports in a manner that would detect significant errors or omissions. This recommendation has been modified to reflect current conditions. (See Recommendation 34.)

- DAS should develop a written policy with regard to the use of the Capital Equipment Purchase Fund. As part of that policy, the department should develop and maintain documentation containing updated useful life estimates for asset types typically in the possession of the department. This recommendation has been resolved.
- DAS should continue to take the necessary steps to ensure that its asset management records completely and accurately reflect the equipment inventory for which it is responsible. This recommendation has been modified to reflect current conditions. (See Recommendation 35.)
- DAS should place more effort in ensuring that proper accountability exists over its legal representative case records and assets for liquidation by maintaining adequate physical control over its records; segregating the duties regarding custody and recordkeeping of estate assets; recording a full description of the estate asset on the inventory record to include stock certificate or bond numbers; utilizing the competitively bid contract vendor at the Office of the State Treasurer to liquidate the older and out-of-country bonds and certificates that have been long retained at the department; and updating the department's procedures regarding the referral of estate assets to the State Surplus Property Unit for disposition to reflect the current practice. This recommendation has been modified to reflect current conditions. (See Recommendation 36.)
- DAS should establish and implement procedures to ensure that the database records under the Division of Collection Services are properly reconciled to their respective trustee cash control accounts on a periodic basis. Unexplained variances should be investigated and resolved. This recommendation has been modified to reflect current conditions. (See Recommendation 37.)
- DAS should engage in the activities necessary to update the information system used to score employment test answer sheets such that said system is compliant with applicable state directives, such as Governor Rell's Executive Order 19. The system should also meet state and agency objectives, be compliant with the current and planned Enterprise-wide Technical Architecture, easy to maintain, and cost-effective to enhance.

Any required editing should be accomplished through the use of a separate routine that tracks such changes and records both the user who makes the change and the authority under which such changes are made. This recommendation is being repeated. (See Recommendation 38.)

*Current Audit Recommendations:*

1. **The Department of Administrative Services should evaluate the reporting responsibilities within Sections 4b-136, 4d-12, 5-219a, 10a-151d, 46a-78 and 46a-81o of the General Statutes and either comply with its provisions or pursue legislative change if statutory obsolescence is determined.**

Comment:

It was noted that the reporting requirements of certain statutes were not met for the audited period.

2. **The Department of Administrative Services should comply with Section 4b-23 of the General Statutes and adopt state regulations or pursue legislative change. In addition, DAS should modify state regulations under Sections 4a-52 and 4a-61 to reflect its current processes.**

Comment:

It was noted that certain state regulations required by statute were either non-existent or outdated.

3. **The Department of Administrative Services should either continue to pursue the repeal of the statutory mandate or reconstitute the Committee on Career Entry and Mobility and the Committee to Encourage Employment by the State of Persons with Disabilities, in accordance with Sections 4-61t and 4-61aa of the General Statutes, respectively.**

Comment:

It was noted that the Committee on Career Entry and Mobility and the Committee to Encourage Employment by the State of Persons with Disabilities were not operating during the audited period.

4. **The Department of Administrative Services should encourage the State-wide Security Management Council, the Information and Telecommunication Systems Executive Steering Committee, Commission for Educational Technology, the Employees' Review Board, and the State Properties Review Board to comply with Section 1-225 of the General Statutes.**

Comment:

It was noted that certain meeting schedules were not on file with the Office of the Secretary of the State for the audited period as required by statute.

5. **The Department of Administrative Services should encourage the Commission for Educational Technology, the Employees' Review Board, and the State Marshal Commission to continue to pursue the respective appointing authorities to make proper timely appointments.**

Comment:

It was noted that certain board/commissions did not possess the full complement of members during the audited period.

6. **The Department of Administrative Services should pursue formal agreements with the Offices of the Governor and the Lieutenant Governor to clearly identify the lines of responsibility in performing personnel, payroll, affirmative action, and business office functions.**

Comment:

It was noted that payroll, personnel, and other business office functions are being provided to the Offices of the Governor and the Lieutenant Governor by DAS without a formal agreement identifying the lines of responsibility.

7. **The Department of Administrative Services should take steps to ensure compliance with Section 5-247-11 of the State Regulations and applicable collective bargaining agreements by monitoring sick leave usage on a biweekly basis for purposes of determining which employees are required to provide medical certificates and subsequently pursuing collection of such from the employees affected.**

Comment:

A number of instances were noted in which medical certificates were not on file supporting certain SmART agency employee use of more than five consecutive sick leave days.

8. **The Department of Administrative Services should promote compliance with Section 5-208a of the General Statutes by revising its instructions to state agencies via General Letter No. 204 regarding dual employment to reflect the current practice and system. Such procedures should re-establish the DAS practice of providing semiannual reports of employees with multiple positions to state agencies to discern whether true dual employment arrangements exist and need to be addressed.**

**Additionally, the department should redesign the dual employment request form to eliminate the unnecessary collection and storage of sensitive data.**

Comment:

DAS General Letter No. 204 regarding dual employment appears outdated, and semi-annual reports of employees with multiple positions are not provided to state agencies by DAS as identified in the policy.

The dual employment request form still requests unnecessary information, such as the employee's Social Security number and home address.

9. **The Department of Administrative Services should strengthen its administrative oversight to ensure that advance authorization of compensatory time to be earned for eligible employees is properly documented and that expired compensatory time is promptly removed from applicable employee leave balances in accordance with the various collective bargaining agreements and the DAS Managers' Guide for the employees of the respective agencies they serve.**

Comment:

We noted a number of instances in which compensatory time earned by employees had expired, yet remained on leave time records. Additional instances were noted in which prior authorization was lacking for certain departmental and SmART agency employees earning compensatory time. We also found a certain number of ineligible employees earning compensatory time.

10. **The Department of Administrative Services should take greater care to review the propriety of timesheet data from SmART agencies prior to processing for payment.**

Comment:

A number of timesheets were noted as either unsigned by the employee or not approved by the supervisor.

11. **The Department of Administrative Services should evaluate the propriety of the practice of making accrual adjustments to increase sick leave balances to offset the potential loss of monthly accruals for employees at maximum vacation leave balances. The department should also make a concerted effort with affected agencies to correct the accrual and posting errors/oversights noted for certain employees.**

Comment:

We noted that accrual adjustments were being made for employees who were near their respective maximum vacation accrual levels along with other miscellaneous accrual-related issues. Previously charged sick time was adjusted to vacation time to

avoid the lapsing of vacation time earned for a particular month. In so doing, sick leave balances were increased for the potential loss of vacation accruals.

- 12. The Department of Administrative Services should take greater care in ensuring the accuracy of payments at separation with supervisory review of calculations.**

Comment:

We noted a couple of instances in which overpayments of vacation accruals and longevity were made to employees at separation.

- 13. The Department of Administrative Services should determine the propriety of the recorded years of state service for the employees noted and make adjustments as necessary.**

Comment:

It was noted that two employees of the Office of the Governor appeared to have incorrect/questionable amounts of state service credited in Core-CT.

- 14. The Department of Administrative Services should comply with applicable collective bargaining agreements and the DAS Managers' Guide regarding adjustments and the proper payout of leave time for deceased employees, and establish a policy to ensure that longevity calculations for deceased employees are determined consistently.**

Comment:

We noted that a deceased employee's beneficiaries received payment based on a vacation balance that exceeded the maximum allowed for the employee under collective bargaining.

While DAS has been working to establish a policy for the proper implementation of Section 5-253 of the General Statutes and its effects on a deceased employee's accrual balances and longevity, the process has not yet been completed.

- 15. The Department of Administrative Services should comply with subsection (b) of Section 5-248i of the General Statutes and the guidelines for telecommuting and work-at-home assignments.**

Comment:

It was noted that one employee had a temporary work-at-home arrangement that was not supported in writing and did not have the approval of the Commissioner of the Department of Administrative Services.

- 16. The Department of Administrative Services should develop or acquire a formal risk assessment and mitigation function with the objective of identifying and addressing those risks that could negatively impact its operational objectives. The risk assessment and mitigation function should be independent, formal, and ongoing.**

Comment:

The department does not have a dedicated and ongoing risk assessment and mitigation function, nor does it have formal monitoring procedures in place.

- 17. The Department of Administrative Services should take the necessary steps to develop and implement a continuing periodic monitoring and review procedure regarding Core-CT roles that have the ability to make changes to payroll or personnel records at any level to ensure that said roles remain required by those to whom they are granted.**

Comment:

Upon our review, we noted that nine employees appeared to have access rights in excess of the needs of their respective positions.

- 18. The Department of Administrative Services should reemphasize the policy for terminating access to Core-CT for separating employees.**

Comment:

Upon our review, we noted that 22 terminated DAS employees appeared to have active Core-CT access as of August 13, 2013.

- 19. DAS should continue to pursue an official opinion from the Office of the Attorney General to obtain clarification as to whether tax-related data for those entities contracted by the DAS Workers' Compensation Program's third party administrator and paid for with state funds needs to be obtained and submitted to the Department of Revenue Services in order to comply with the intent of Section 4a-80 of the General Statutes.**

Comment:

It was noted that the department did not report the tax-related data to the Department of Revenue Services for those entities contracted and paid via a state account by the third party administrator for workers' compensation-related services.

- 20. The Department of Administrative Services should abide by the Workers' Compensation – DAS Selective Duty Program policy by reimbursing employing**

**agencies for the paid holidays in the periods the respective employees participated.**

Comment:

We noted instances in which reimbursement to agencies with employees participating in the DAS Selective Duty Program did not include paid holidays as indicated by policy.

- 21. The Department of Administrative Services should take the necessary steps to ensure that all complaints are investigated by the Agency Transportation Administrator within the 30 days allowed by DAS General Letter No. 115 and appropriate action has been taken.**

Comment:

We found that for seven out of ten complaints reviewed concerning state vehicles, the ATA had taken longer than 30 days to notify the Director of DAS Fleet Operations of an outcome. It was noted that DAS was not monitoring these for compliance with DAS General Letter No. 115.

- 22. The Department of Administrative Services should establish internal controls to determine the expected rebate due from the reverse auction process and initiate an accounts receivable account with the DAS Business Services Division.**

Comment:

It was noted that DAS did not appear to be properly monitoring the purchasing activity on contract awards issued under the reverse auction process to determine the appropriate rebate due. DAS failed to determine the purchasing card activity for the vendors awarded contracts under this process. In addition, DAS did not have a method of determining the usage of contracts by municipalities, quasi-public agencies, and non-profit organizations, which would have an impact on the rebated amounts.

- 23. The Department of Administrative Services should update the state plan for the Federal Surplus Property Distribution Program and address the requirements and recommendations as directed by the General Services Administration.**

Comment:

As part of the Federal 2012 Connecticut State Review of the Federal Surplus Property Distribution program, certain deficiencies were noted with recommendations for improvement which were not acted on by DAS at the time of our review.

- 24. The Department of Administrative Services should revisit its contractor evaluation form and Section 4a-101-1 of the Regulations of State Agencies to determine which needs to be amended.**

Comment:

It was noted that certain criteria as identified in Section 4a-101-1 of the Regulations of State Agencies did not appear to be included as part of the department's standard contractor evaluation form.

- 25. The Department of Administrative Services should formalize rate development procedures and policies that contain only practices compliant with applicable federal and state laws and regulations.**

**In addition, the department should analyze the financial condition of the General Services Revolving Fund and perform the necessary reconciliation of revenues to actual costs to determine whether an adjustment is required due to excessive or insufficient cost recovery, or excessive working capital reserves. If an adjustment is required, the department should apply one of the methods described in OMB A-87.**

Comment:

At the time of our review, the department did not provide documentation showing that direct costs attributable to fleet management or other internal service fund activities were adequately tracked for services provided by personnel with more than one project responsibility within the department.

The rate structure and policy in place does not contain any references to the handling of variances, such as the over or under recovery of costs. Except for the rates for fleet and state police vehicles, which were approved by the Office of Policy and Management in fiscal year 2013, the rates for other revolving fund activities have remained static since 2006.

We were not provided any documentation indicating that a working capital reserve cash flow analysis had been performed to determine whether excessive working capital was retained in the fund.

- 26. The Department of Administrative Services should take the necessary steps to implement a system to adequately verify and document that employees charged to the General Services Revolving Fund work on fund-related activities as required by OMB Circular A-87.**

Comment:

The direct costs of the General Services Revolving Fund attributable to employee compensation were not based on employee assertions through personnel activity reports. The costs appeared to be based on budgetary estimations.

- 27. The Department of Administrative Services and the Office of Policy and Management should comply with Section 4d-9 of the General Statutes by developing appropriate review procedures and accountability standards for the Technical Services Revolving Fund, as well as measures for determining the performance of the fund.**

Comment:

We were informed that review procedures, accountability standards, and measures for determining the performance of the fund were not available.

- 28. The Department of Administrative Services should consider requesting the rescission of Section 4d-10 of the General Statutes.**

Comment:

We were informed that the Capital Equipment Data Processing Revolving Fund has not had any activity since 2009. In addition, it was indicated that funding was swept via legislation in 2009 and 2010.

- 29. The Department of Administrative Services should establish internal controls over receipts as identified within the State Accounting Manual and comply with Section 4-32 of the General Statutes by depositing and recording revenue in a timely manner or obtaining a waiver to said requirements from the Office of the State Treasurer.**

Comment:

We noted numerous instances of late deposits or late recording of revenue on Core-CT. We also found a lack of segregation of duties within the State Surplus Property Program.

- 30. The Department of Administrative Services Business Services division should reconcile with the leasing database maintained by the DAS Properties and Facilities Management Division on a monthly basis to ensure that all executed leases are billed in accordance with their applicable terms.**

Comment:

We noted one lease in which the tenant appeared to be under-billed for a twenty-year period with the agreement expiring in 2008. The lost revenue totaled \$420,867. It

was noted that during 2011 and 2012, the tenant continued to occupy the space without an agreement to extend its lease.

- 31. The Department of Administrative Services should ensure compliance with Section 4-98 of the General Statutes by having a properly approved purchase order in place prior to ordering goods and services from vendors. In addition, greater care should be exercised to ensure that the vendor pricing of goods/services are verified to applicable contract awards.**

Comment:

We noted numerous instances in which goods or services were ordered from a vendor prior to the approval of a purchase order. In addition, we noted other miscellaneous issues, including overpayments to vendors due to non-contract rates being charged and rates for goods on vendor invoices which could not be linked to contract terms.

- 32. The Department of Administrative Services internal policy should require that the cardholder and supervisor sign the monthly cardholder statement attesting to the proper use of the purchase card and the accuracy of the charges on the statement. In addition and at a minimum, the purchase log envelope should be signed by the cardholder to acknowledge whether a state contract award was applicable to each of the purchases made during the month.**

Comment:

We noted that the department's internal policy for purchase log envelopes and cardholder statements indicated that the cardholder and supervisor can sign either the purchase log envelope or the cardholder statement evidencing approval.

In addition, it was noted in testing that the column of the purchase log envelope indicating whether the purchase involved a state contract was not always completed or had non-related data in the field.

- 33. The Department of Administrative Services should take greater care to abide by the State Property Control Manual in the accounting and reporting of assets.**

Comment:

We noted a number of significant inaccuracies in the figures reported on the various Asset Management/Inventory Report/GAAP Reporting Forms (CO-59) submitted for the audited period.

The department failed to report on a \$10,000 easement with a telecommunication vendor.

The department did not include the installation of a bus shelter and improvements to Woodbine Street and 25 Sigourney Street parking lots on the site improvement line of the CO-59. The CO-59 was understated by \$20,796 in this case for fiscal year 2012.

- 34. The Department of Administrative Services should work with the Office of the State Comptroller to determine the specific criteria for valuation of intangible software assets in a manner that is compliant with GASB 51. The department should use the determined criteria to develop formal policies and procedures for said valuations. Finally, department management should become sufficiently familiar with the reporting requirements to review the reports in a manner that would detect significant errors or omissions.**

Comment:

We noted that DAS-developed software was not accounted for as capitalized internally generated software and not reported as part of the CO-59.

- 35. The Department of Administrative Services should continue to take the necessary steps to ensure that asset management records completely and accurately reflect the equipment inventory for which it is responsible.**

Comment:

We noted exceptions pertaining to the accountability of assets. Software inventory records did not identify the location and the identification number of the CPU in which each software program resides. Sixty items of furniture donated to the Office of the Governor was not assessed for reasonable fair market value and instead were entered at one dollar each.

- 36. The Department of Administrative Services should place more effort in ensuring that proper accountability exists over its legal representative case assets for liquidation by segregating the duties regarding custody and recordkeeping.**

Comment:

We noted that the team leader in the Legal Representative Unit of the Collection Services Division maintains the safe inventory records for the physical assets received by the department as part of estate closings, has access to the safe where such assets are kept, and is responsible for the liquidation of such assets.

- 37. The Department of Administrative Services should establish and implement procedures to ensure that the database records under the Division of Collection Services are properly reconciled to their respective trustee cash control accounts on a periodic basis. Unexplained variances should be investigated and resolved.**

Comment:

DAS Collection Services' database records did not appear to be available or properly reconciled to their respective trustee cash accounts. While it appears that bank reconciliations are prepared on a monthly basis for both accounts, there is no overall reconciliation of the database records to cash in the respective trustee checking and Short Term Investment Fund (STIF) accounts.

- 38. The Department of Administrative Services should engage in the activities necessary to update the information system used to score employment test answer sheets such that said system is compliant with applicable state directives, such as Governor Rell's Executive Order 19. The system should also meet state and agency objectives, be compliant with the current and planned Enterprise-wide Technical Architecture, be easy to maintain, and be cost-effective to enhance.**

**Any required editing should be accomplished through the use of a separate routine that tracks such changes and records both the user who makes the change and the authority under which such changes are made.**

Comment:

The software employed by the department for scoring state exams is maintained outside of its information technology unit by the employee who performs the scoring activity. Neither the job description nor training of the employee includes software development. The software lacks user documentation and was written in a computer language no longer used for software development. The department is at an increased risk that the exam scoring process is not sustainable with its current exam scoring software.

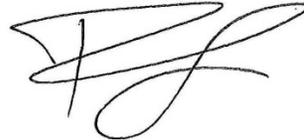
- 39. The Department of Administrative Services should update and clarify language within the Management Personnel Policy 06-02, Compensatory Time for Employees Exempt from Collective Bargaining, to reflect intended compliance.**

Comment:

We were informed by the department that one section of the Management Personnel Policy 06-02, Compensatory Time for Employees Exempt from Collective Bargaining, is outdated. We additionally noted that the definition of "approved work location" within the policy was lacking. An email sent by the State Human Resources Division in June 2010 to all human resource directors statewide was to clarify, in part, that an employee's home is not an "approved work location" for purposes of earning compensatory time.

**CONCLUSION**

In conclusion, we wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Department of Administrative Services during the course of this examination.



Dennis R. Collins Jr.  
Principal Auditor

Approved:



John C. Geragosian  
Auditor of Public Accounts



Robert M. Ward  
Auditor of Public Accounts