

STATE OF CONNECTICUT



*AUDITORS' REPORT
CONNECTICUT COMMISSION ON CULTURE AND TOURISM
FOR THE FISCAL YEARS ENDED JUNE 30, 2007, 2008 AND 2009*

AUDITORS OF PUBLIC ACCOUNTS

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June 14, 2011

**AUDITORS' REPORT
CONNECTICUT COMMISSION ON CULTURE AND TOURISM
FOR THE FISCAL YEARS ENDED JUNE 30, 2007, 2008 AND 2009**

We have examined the financial records of the Connecticut Commission on Culture and Tourism for the fiscal years ended June 30, 2007, 2008 and 2009. This report on that examination consists of the following Comments, Recommendations and Certification. Financial statement presentation and auditing are being done on a Statewide Single Audit basis to include all State agencies. This audit has been limited to assessing the Commission's compliance with certain provisions of financial related laws, regulations, contracts and grants and evaluating the Commission's internal control structure policies and procedures established to ensure such compliance.

COMMENTS

FOREWORD:

The Connecticut Commission on Culture and Tourism (hereinafter referred to as the Commission or CCT) operates under the provisions of Title 10, Chapter 184b, Sections 10-392 through 10-425 of the General Statutes. The primary responsibility of the Commission is to preserve and promote Connecticut's cultural and tourism assets in order to enhance the quality of life and economic vitality of the State.

The principal programs, activities and responsibilities of the Commission include:

- 1) Marketing and promoting Connecticut as a destination for leisure and business travelers through the development and implementation of a strategic state-wide marketing plan and provision of visitor services to enhance the economic impact of the tourism industry;
- 2) Promoting the arts;
- 3) Recognizing, protecting, preserving and promoting historic resources;
- 4) Interpreting and presenting Connecticut's history and culture; and

- 5) Promoting Connecticut as a location in which to produce digital media and motion pictures and to establish and conduct business related to the digital media and motion picture industries to enhance these industries' economic impact in the state.

Organizational Structure:

During the audit period, the Commission was comprised of the following divisions:

Executive Director's Office
Arts Division
Film Division
Historic Preservation and Museums Division
Tourism Division

The passage of Public Act 09-3, June Special Session, made changes throughout to transfer responsibility for the Film Division and tax credit program from the Connecticut Commission on Culture and Tourism (CCT) to the Department of Economic and Community Development (DECD). It transfers to DECD the CCT's powers and duties concerning digital media and motion picture promotion activities. It also requires state agencies and institutions that contract for digital media or film productions to send copies of their requests for proposals to DECD, rather than CCT.

The Commission's business office and human resource functions are administered by the Department of Administrative Services' (DAS) Small Agency Resource Team.

Jennifer Aniskovich was appointed Executive Director of the Commission, effective January 2, 2004, and served until her resignation on January 18, 2007. Karen Senich was appointed Acting Executive Director, effective January 19, 2007, and served in that capacity for the remainder of the audit period. Christopher L. Bergstrom was appointed Executive Director on March 30, 2011

Membership of the Commission:

As stated in Section 10-393 of the General Statutes, the Commission shall consist of thirty-five voting commissioners and nonvoting ex-officio members. As of June 30, 2009, the following were members and there were three vacancies:

Appointed by the Governor:
Carolyn F. Cicchetti
Anne Elvgren
Sandra Evoy
Walter M. Fiederowicz
Fritz Jellinghaus
Lawrence D. McHugh
Edward McKeon

Michael P. Price, Chair

Legislative Appointments:

Frank Borres
Charles F. Bunnell
Arthur Diedrick
Philip Eliasoph, Ph.D.
Betty Hale
Daniel Heffernan
Harvey Hubbell V
Herbert Jay
Greg Johnson
Reneson Loisel
Edward Marcus
Guy Ortoleva
Paul Pozzi
Leo Redgate
Clement Roy
Rita M. Schmidt
Ann Elizabeth Sheffer
Will K. Wilkins
Ted Yudain

Ex Officio Members:

Nicholas Bellantoni, Ph.D.
Bruce Fraser
Helen Higgins
John Hollander
Walter Woodward, Ph.D.

In addition to the members listed above, the following also served as commissioners during the audit period: Michael Kintner, Douglas Teeson, Karen Arnold, Jack Condlin, Angelo Faenza, Carl Feen, Steven Gardiner, Adam Grabinski, Astrid Hanzalek, George Krivda and Timothy Orcutt.

Historic Preservation Council:

In accordance with Section 10-409 of the General Statutes, there is established within the Commission, a Historic Preservation Council. The Historic Preservation Council shall consist of twelve members to be appointed by the Governor. As of June 30, 2009, the following were members:

Timothy R. Beeble, Chair
Dr. Nicholas Bellantoni
Richard Buel, Ph.D.
Sharon P. Churchill, Esq., Vice-Chair

Louise G. Costello
Katherine W. Green
Richard L. Hughes III
Jean R. Kelley
Dr. Jack A. Robbins
Matthew Schreck, Esq.
Donald Wills
Walter Woodward, Ph.D.

In addition to the members listed above, the following also served as members during the audit period: Wayne Gannaway, Barbara V. Schley, Laurence Shaffer and Bruce Stave, Ph.D.

SIGNIFICANT LEGISLATION:

During the 2007 Session of the General Assembly, several legislative changes were adopted. The most significant changes were the creation of a \$4 Million grant pool for culture, tourism and the arts and several modifications and additions to the recently enacted tax credit programs for film production and digital film. Other changes are as follows:

Public Act 07-236, Section 1, effective July 1, 2007, expanded the film productions tax credits by explicitly including videos, sound recordings and certain interactive websites as eligible productions.

Public Act 07-220, Section 1, effective July 12, 2007, required that all seven appointments to the agency representing tourism must now possess both “knowledge and experience” in the tourism industry.

Public Act 07-250, Section 19, effective upon passage and applicable to income years commencing on or after January 1, 2008, added a second tax credit program for rehabilitating certified historic commercial and industrial properties for residential use to include rehabilitations to certified historic properties for both residential and commercial purposes.

During the 2008 Session of the General Assembly, the following significant legislation was enacted as follows:

Public Act 08-142, Section 1, effective June 5, 2008, made the benefits of multiple transfers and an expanded tax pool available to include those film productions which had applied for tax credits under Section 12-217jj of the Connecticut General Statutes but had not yet been issued credits.

Public Act 08-78, Section 1, effective July 1, 2008, established a separate maintenance account dedicated to the repair, conservation and cleaning of art works commissioned and purchased for state buildings as part of the “one percent for art” allocations.

Public Act 08-89, Section 1, effective upon passage and no later than October 1, 2008, directed the Commission to establish a Sports Advisory Board to advise on the most effective ways to utilize state resources to promote, attract and market in state professional and amateur sports and sporting events and to advise how to coordinate the use of state-owned facilities to enhance sports related tourism.

Public Act 08-101, Section 12, effective October 1, 2008, in a cooperative effort with the Department of Transportation, allows promotional signs, displays, and advertising devices for a short-term duration near limited access state highways to promote special events such as the Travelers Tournament Players Championship Golf and the Pilot Pen Tennis Tournaments.

During the 2009 Session of the General Assembly, the following significant legislation was enacted as follows:

Public Act 09-03 (HB6802), Section 1, effective upon passage, appropriated funds for state agencies and programs for FY 10 and 11 including language that transferred the administration of the film division’s three tax credit programs and digital media and motion picture promotion activities from the Connecticut Commission on Culture and Tourism to the Department of Economic and Community Development. The bill eliminated funds for statewide marketing and reduced the agency’s operating budget to \$18,090,877, including a reduction of grant funds to \$3.5M, for FY10 and FY11.

Public Act 09-229, Section 28, effective from passage, included language that changed the formula for distributing money raised by a \$40 fee levied on the recording of municipal land documents. Funds from the fee are used as grants under the Community Investment Account (CIA). The Act made changes to the Community Investment Account resulting in an annual net revenue gain to the State of approximately \$6.9 million in FY 10 and 11. The new measure allots 20 percent each to the Connecticut Commission on Culture and Tourism for historic preservation, the Connecticut Housing Finance Authority (CHFA) for affordable housing, the Department of Environmental Protection (DEP) for municipal open space and uses the remaining 40 percent for direct grants to dairy farmers through the Department of Agriculture.

RESUMÉ OF OPERATIONS:

General Fund:

Receipts:

General Fund receipts for the fiscal years examined are summarized below:

	Fiscal Year Ended June 30,		
	2007	2008	2009
Sales	\$ 3,603	\$ 3,903	\$ 3,969
All other	5,633	16,094	67,907
Total General Fund Receipts:	<u>\$ 9,236</u>	<u>\$ 19,997</u>	<u>\$ 71,876</u>

Both increases in receipts during the 2007-2008 and 2008-2009 fiscal years were due to an increase in refunds of prior year expenditures.

Expenditures:

A summary of General Fund expenditures during the audited period follows:

	Fiscal Year Ended June 30,		
	2007	2008	2009
Personal services	\$ 3,017,128	\$ 3,100,001	\$ 3,481,284
Contractual services	4,619,167	6,022,540	5,381,840
Commodities	97,612	633,251	50,796
Grants and aid	16,093,418	22,672,929	19,394,780
Capital Outlay	0	5,476	0
Total Expenditures	<u>\$ 23,827,325</u>	<u>\$ 32,434,197</u>	<u>\$ 28,308,700</u>

Expenditures for personal services increased during the 2008-2009 fiscal year because of the hiring of three division directors.

Expenditures for contractual services increased during the 2007-2008 fiscal year due to an increase in expenditures for management consulting services, including multi-media public relations services. Expenditures for commodities increased during the 2007-2008 fiscal year mainly as a result of moving to a new location.

Of the amount reported for grants, \$1,971,805, \$2,284,324, and \$2,202,148 for the fiscal years ended June 30, 2007, 2008 and 2009, respectively, were for the basic cultural resources grants program. Section 10-400 of the General Statutes authorizes the Commission to provide grants, loans, or advances to individuals and organizations for the development, promotion, and maintenance of artistic and cultural activities. In addition, \$14,100,000, \$20,615,025 and \$17,173,787 for the fiscal years ended June 30, 2007,

2008 and 2009, respectively, were for grants to approximately thirty specific grantees as designated in the Commission's budget.

Special Revenue Funds:

Federal and Other Restricted Accounts Fund:

Receipts:

Federal and Other Restricted Accounts Fund receipts for the fiscal years examined are summarized below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Federal Grants:	\$ 611,746	\$1,310,123	\$ 1,828,792
Non-Federal Aid	5,497,665	4,616,572	3,900,986
Grant Transfers – Non-Federal	70,500	24,400	0
Administration – Human Resources	118,000	0	0
All other	<u>2,743</u>	<u>2,083</u>	<u>781</u>
Total Receipts:	<u>\$ 6,300,654</u>	<u>\$5,953,178</u>	<u>\$ 5,730,559</u>

Federal grant collections resulted from agreements or grants between the federal government and the Commission for the administration of programs and activities for historic preservation and arts programs financed in part by the federal government. The increase in federal grants during the 2007-2008 and 2008-2009 fiscal years is due primarily to the timing of the collection of receivables.

The decrease in non-federal Aid for the 2007-2008 and 2008-2009 fiscal years was due to a decrease in revenue collected from conveyance recording fees collected from towns.

Expenditures:

A summary of expenditures during the audited period follows:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Federal:			
Personal services	\$ 529,961	\$ 590,187	\$ 738,240
Contractual services	77,008	84,560	112,114
Commodities	353	8,713	2,563
Grants	404,405	746,752	739,699
Capital Outlays	<u>0</u>	<u>0</u>	<u>0</u>
Total Federal Accounts	1,011,727	1,430,212	1,592,616
Non-Federal	<u>908,142</u>	<u>1,524,680</u>	<u>1,906,462</u>
Total Expenditures	<u>\$1,919,869</u>	<u>\$2,954,892</u>	<u>\$3,499,078</u>

Personal services increased during the 2008-2009 fiscal year primarily due to the hiring of two individuals. Non-federal expenditures increased for both 2007-2008 and 2008-2009 fiscal years primarily due to increased funding available for historic preservation activities due to the passage of Public Act 05-228, effective July 1, 2005, codified in Section 4-66aa of the Connecticut General Statutes.

Other Special Revenue Funds:

The Commission used a tax exempt proceeds fund to account for proceeds of capital project funds that have been allocated for artwork to be included as part of state building construction projects. Under the provisions of Section 4b-53 of the General Statutes, the Commission is authorized to select the artists and artwork style to be included as part of larger construction or renovation projects of state buildings. The Commission can set aside up to twenty-five percent of the funds that have been allocated for construction-related artwork for use in purchasing artworks of distinguished Connecticut artists, for the establishment of a bank of major works of art and for repair of all works acquired under Section 4b-53 of the General Statutes. A summary of financial transactions of the various operating components of this special revenue fund follows:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Artwork Buildings	\$ 13,884	\$ 44,511	\$103,494
Art Collection	(9,139)	5,360	869
Total Expenditures	<u>\$ 4,745</u>	<u>\$ 49,871</u>	<u>\$104,363</u>

Expenditures for the above artwork programs were also accounted for in the Federal and Other Restricted Accounts Fund.

The Commission also used a special revenue fund entitled “Capital Equipment Purchase Fund” to purchase office equipment and electronic data processing equipment. Expenditures totaled \$14,205, \$48,409, and \$2,700 for the fiscal years ended June 30, 2007, 2008 and 2009, respectively.

The Commission also used another special revenue fund entitled “Grants to Local Governments and Others” for state restoration fund grants to non-profits. Expenditures totaled \$68,737, \$1,527,019, and \$480,318 for the fiscal years ended June 30, 2007, 2008, and 2009, respectively. These expenditures were used to preserve/restore historic structures.

Capital Projects Funds:

Expenditures from capital project funds totaled \$93,004 for the fiscal year ended June 30, 2007 and were primarily for improvements to the Agency’s museums. There were no expenditures for the fiscal years ended June 30, 2008 and 2009.

Connecticut Arts Endowment Fund:

The Commission's Connecticut Arts Endowment Trust Fund operates under the provisions of Sections 10-406 through 10-408 of the General Statutes. This Fund is financed from the proceeds of state bonds that serve as the principal balance of the Arts Endowment Fund. The interest earnings for the current year become available for state matching grants to eligible arts organizations for the subsequent year. A summary of financial transactions for the audited period follows:

	<u>2007</u>	<u>As of June 30,</u> <u>2008</u>	<u>2009</u>
Book Value, beginning of year:	\$15,405,463	\$15,406,514	\$15,510,595
Shares Purchased	978,940	16,264,007	2,100,517
Shares Redeemed	(977,889)	(16,194,364)	(2,052,100)
Gain/(Loss) on Shares Redeemed	0	34,438	0
Net Investment Income Earned	733,988	803,762	852,200
Net Investment Income Distributed	(733,988)	(803,762)	(852,200)
Book Value, end of year:	<u>\$15,406,514</u>	<u>\$15,510,595</u>	<u>\$15,559,012</u>

The fair market value of Trust Fund assets at June 30, 2009, was \$15,662,131.

CONDITION OF RECORDS

Our testing of the Commission's records identified the following areas that warrant comment.

Historic Preservation Council – Attendance:

Criteria: Section 10-409 of the General Statutes, requires that any member who fails to attend three consecutive meetings or who fails to attend fifty per cent of all meetings held during a calendar year shall be deemed to have resigned from office.

Condition: Our review of the minutes for the Historic Preservation Council revealed that one member has missed three consecutive meetings on four separate occasions over the four fiscal years reviewed. In addition, for the three calendar years reviewed, this member has failed to attend fifty per cent of all the meetings held that year. Despite the poor attendance, this Council member continues to serve on the Historic Preservation Council.

Effect: The attendance requirement was not enforced for this particular member although explicitly stated as being required for all members of the Council.

Cause: The Commission did not believe that the attendance requirement applied to this particular member.

Recommendation: The Commission should enforce all the stated requirements for all members of the Historic Preservation Council, including the attendance requirements. (See Recommendation 1.)

Agency Response: "Council members are gubernatorial appointees. While the statute imposes a strict attendance policy, it is the Governor's office who must ultimately enforce the rule. CCT will remind all current council members of the requirement. CCT has a standard practice (form letter) of notifying absentee council members but will ensure that the letter is also sent to the Governor's office. There was an instance of a Council member missing three consecutive meetings and she was sent the letter advising her that her absences constituted her resignation. The Council member in question complained to the Governor's office and the Governor's office reinstated that person.

Additionally, it is the opinion of CCT that ex-officio members (those who sit on the Council by virtue of their position or title) are exempt from this rule. The ex-officio members sit on the

Council by virtue of the title – removal of the state archaeologist, for example, from the council would mean that the specifically designated ex-officio position would no longer be a part of the Council. CCT could not force the appointing authority of, in my example the state archaeologist to replace that person in that role.”

*Auditors’ Concluding
Comment:*

Section 10-409 of the General Statutes, explicitly requires that any member who fails to attend three consecutive meetings or who fails to attend fifty per cent of all meetings held during a calendar year shall be deemed to have resigned from office. If this can not be effectively enforced by the Commission, a change to the requirement should be legislated.

Arts Grants – Grant Monitoring:

Criteria:

Section 4-231(a)(1) of the Connecticut General Statutes requires that each non-state entity that expends a total amount of state financial assistance equal to or in excess of one hundred thousand dollars in any fiscal year of such non-state entity, shall have either a single audit or a program-specific audit made for such fiscal year. Section 4-232(b)(1) of the Connecticut General Statutes requires that a non-state entity file copies of its audit report with state grantor agencies no later than 30 days after the completion of such report, if possible, but not later than six months after the end of the audit period.

Condition:

The Commission could not provide State Single Audit Reports for two grantees for both the 2008 and 2009 fiscal years and one grantee for the 2008 fiscal year, which involved five grantee payments. Therefore, the Commission was unaware of and did not follow up on any questioned costs or findings that may have been reported.

Effect:

Failure to perform timely monitoring of grantees weakens control over grant programs. The Commission has less assurance that expenditures made by grantees were used for allowable activities.

Cause:

Grantee monitoring is not being enforced uniformly.

Recommendation:

The Commission should obtain and review the grantee’s audit reports, including the State Single Audit Reports, to ensure that any questioned costs and/or findings reported are addressed and corrective action is being made. (See Recommendation 2.)

Agency Response:

“During the time period of this audit, all audits were sent to DAS (CCT is a member of the SMART agency unit). The audits were

sent by CCT's former fiscal administrative officer who retired July 2009. As a result of this finding, CCT has instituted a procedure to track and retain all audits through the use of its grants management software. This will ensure receipt of the State Single Audits and retention in a central location within CCT, as well as compliance with any reporting requirements."

Art in Public Spaces – Project Fiscal Monitoring

Criteria: Sound business practices warrant that amounts shown on an individual spreadsheet can be traced to the centralized or master spreadsheet. In addition, all projects should be accounted for on a consistent basis.

Condition: Based upon our review of the current procedures and documentation in accounting for the Arts in Public Spaces projects, the following deficiencies were noted:

- Individual project reported amounts could not be traced to the centralized (master) projects report in all cases.
- Only new projects initiated at the Commission are documented on the centralized projects report.
- The old projects administered at the State Library and transferred over to the Commission cannot be reconciled.

Effect: Failure to determine existing project balances and reflect these on a centralized tracking worksheet results in a lack of the ability to adequately monitor these projects. In addition, discrepancies between the individual project records and the amounts reflected on the centralized tracking system again results in the inability to adequately monitor these projects.

Cause: We were informed that, although an outside accountant was retained to reconcile the projects transferred over from the State Library to the Commission, he was unable to do so against the State Library's tracking worksheet and they do not believe these will ever be reconciled. Therefore, these projects remain segregated from those projects initiated once the Commission took over.

Recommendation: The Commission should incorporate all projects within a centralized tracking worksheet and should be able to verify that these amounts agree to the individual projects. (See Recommendation 3.)

Agency Response: “CCT began incorporating all projects into the central tracking worksheet after the last finding by the auditor. As a result of the last finding and as a result of the recommendations of the last auditor, CCT retained an outside accountant to attempt to reconcile the records from the State Library and create the central tracking worksheet. The accountant could not reconcile the records; the last auditor indicated that CCT needs to make good faith efforts to resolve the matter, which CCT did. CCT does not have any accountants or business professionals on its staff.

Management will continue to work with the program manager to ensure that all current and future projects are accurately tracked. All public art and Art in Public Spaces programs are run by a single staff person. There is no business office or secretarial support for this program.”

Strategic Initiative Grants – Final Reports:

Criteria: CGS Section 10-400 states that the Commission may enter into contracts to provide grants, loans or advances to individuals, organizations or institutions, public or private, that are engaged in or plan to engage in artistic and cultural programs or activities within the state, or that are engaged in or plan to engage in the promotion, development or encouragement of artistic and cultural programs or activities within the state. The Commission maintains several such grant programs with differing requirements and criteria, one of which is the Strategic Initiative Grants program.

The standard grant contract used to award strategic initiative grants requires that a final report be submitted within 60 days of the funding period and any unexpended funds must be returned to the Commission.

Sound business practices warrant that definitive dollar amounts should be explicitly approved by the Commission’s Board members (Board) and stated in the board meeting minutes in order to determine that grant moneys distributed were properly authorized.

Condition: Based upon our review of fifteen strategic initiative grants, the following deficiencies were noted:

- Final reports from nine grantees were not received or

received late contrary to the requirement that they be returned within 60 days after the funding period end date.

- Unexpended funds totaling \$334 were not returned to the Commission.
- Additional amounts totaling \$160,000 were awarded to three grantees but were not explicitly approved by the Board nor stated in the board meeting minutes.

Effect: Failure to perform timely monitoring of grantees weakens control over grant payments. Amounts may be awarded that are not approved by the Board. Unexpended funds are not being returned as required by the contract.

Cause: We were informed that, although final reports are requested and grantees are reminded that they are due, the Commission has difficulty getting these from some grantees. In some cases, a change in the grantee's personnel can cause a delay in receiving final reports.

The Commission obtained the Board's approval to allow any additional funds available to be awarded but did not explicitly state the exact dollar amount once the additional available funds were known.

Recommendation: The Commission should require that grant amounts are approved and properly monitored and enforce stipulations in the grant contracts. All unexpended or surplus funds should be returned regardless of the amount. (See Recommendation 4.)

Agency Response: "The Commission (board) of CCT votes to approve all grants and the exact dollar amount of each grant along with the purpose or project funded is always provided to the Commission.

Management will work with the program manager to ensure that final reports are received timely and that they are reviewed to ensure compliance with the grant contract. CCT will pursue return of all unexpended funds.

CCT will continue to use its grants management system to ensure receipt of final reports.

Beginning in FY 2010, CCT created a staff committee to examine the final reports and information requested and to ensure the thorough review of all final reports received.

After the last audit, CCT instituted the policy to hold payment on a new grant to a grantee who owes a final report. CCT will continue to enforce that policy.”

Auditors’ Concluding

Comment:

For three grantees, additional amounts totaling \$160,000 were awarded but were not explicitly approved by the Full Commission nor were these additional amounts stated in the board meeting minutes.

Tourism Grants – Recordkeeping and Monitoring:

Criteria:

Section 10-394(b) of the General Statutes requires that each regional tourism district shall ensure that no more than twenty percent of the total annual grant amount is used for administrative costs.

Section 10-397(e) of the General Statutes requires that each regional tourism district shall, on or before January first of each year, submit to the Commission an independent public audit (IPA) report.

The State of Connecticut Office of Policy and Management (OPM) requires that, after they have conducted the initial review of the State Single Audit report, a corrective action plan is required. The grantor agency is responsible for monitoring the resolution process for the findings that directly relate to the grantor agency’s programs.

The standardized CCT Grant Contracts with the Tourism Districts require that grantees provide a written program evaluation narrative and financial (final) report within sixty days after the end of the funding period and any unspent funds to be returned to the Commission concurrently with the final reports.

Tourism District Guidelines for Budgets require that no district should plan to carry forward an amount in excess of 16 percent (2 months) of the budgeted year’s annual allocation. A narrative explanation of any prior year carry forward, or any budgeted carry forward in the current year, must be included.

Condition:

The Commission processed legislatively mandated grants to the five regional tourism districts totaling \$4,500,000, \$4,500,000, and \$4,275,000 for the fiscal years ended June 30, 2007, 2008 and 2009, respectively.

A fully executed grant contract was not available for our review for two of the five tourism district contracts reviewed. Therefore, we were unable to ascertain if the grant payments were supported for these two grant contracts.

Final reports were not on hand for one of the five tourism districts reviewed. We could not determine if expenditures remained within the 20 percent administrative costs and if there were any unexpended funds.

Audit reports were available but were not reviewed for any findings and/or questioned costs. If findings were noted, the Commission did not monitor the resolution process for the findings that directly related to their programs.

The grant contract's requirements for unexpended funds and the Commission's Guidelines for Budgets for any funds carried over are contradictory. The grant contract stipulates that any unspent funds will be returned, whereas the guidelines allow the districts to carry over funds as long as they are under 16 percent (two months) of the budgeted year's annual allocation.

Effect: Failure to perform timely monitoring of grantees' final reports or failure to monitor grantees' audited financial reports and follow-up on reported audit findings weakens control over grant programs. The Commission has less assurance that administrative expenditures were within the 20 percent cost allowance, were used for allowable activities, and whether there were any unexpended funds that should have been returned. Contradictory terms outlined in the grantee's grant contract and in Budget Guidelines regarding the carry over of fund balances allowed are ambiguous and allow the grantee use of state resources where these funds could be used elsewhere.

Cause: We were informed that the responsibility for reviewing the audit reports and any applicable findings was unclear. The cause could not be determined for the lack of all of the final reports and the lack of a fully executed contract.

Recommendation: The Commission should strengthen internal controls over the recordkeeping and monitoring of the tourism district grants. The guidelines and grant contract terms for tourism grants should agree. (See Recommendation 5.)

Agency Response: "CCT will institute a new monitoring system for the tourism

district grants, which are legislatively directed. During this audit period, the budget guidelines and State Single Audits were overseen by the agency's fiscal administrative officer who retired July 2009, with the assistance of a tourism division staff member. He was not able to assist in the audit either by answering questions or producing his files.

CCT was statutorily precluded from reviewing the districts' budgets during calendar year 2010, but the new policy and procedures will be instituted immediately.

CCT will review contracts and guidelines to ensure uniformity and statutory compliance.

The audit reports for the districts are received by OPM for review. OPM then sends notice to CCT on the findings. OPM previously advised CCT that it was not required to take action on the notices it received from OPM."

*Auditors' Concluding
Comment:*

The State of Connecticut Office of Policy and Management requires that, after they have conducted the initial review of the State Single Audit report, a corrective action plan is required. The grantor agency is responsible for monitoring the resolution process for the findings that directly relate to the grantor agency's programs.

Asset Management – Physical Inspections:

Background:

The Connecticut Commission on Culture and Tourism began utilizing the Core-CT Asset Management system during fiscal year 2009.

Criteria:

The State of Connecticut Property Control Manual states that agencies are responsible for maintaining an adequate inventory control and accountability system to record and control their capitalized and controllable assets. A detailed record should be kept for each individual item, including tag number plus the location of the item.

The Property Control Manual requires that a complete physical inventory of all property must be taken by the end of each fiscal year to ensure that property control records accurately reflect the actual inventory on hand within the current fiscal year.

The State Property Distribution Center is the legally authorized agent for the disposal of surplus state property. The Property

Control Manual requires state agencies to report any personal property that becomes surplus to agency needs, unserviceable, obsolete or otherwise unusable, to the Property Distribution Center. Surplus assets should be removed from the agency's active assets report.

Condition:

Our review of 28 assets, selected from the Core-CT Capital Asset Report, indicated that the tag number assigned to eight assets did not appear to be assigned by the Commission. For six of these assets, the tag number appears to be Core-CT generated and we could not determine how the tag numbers were generated for the other two. In addition, our review of the Core-CT Physical Inspection Report indicates that these eight assets were not physically inspected during the fiscal year 2009-2010. Further review revealed that, for the 143 assets listed on the Core-CT Capital Asset Report and Physical Inspection Report, 44 appeared to have an erroneous tag number and 61 assets appeared to have not been physically inspected during fiscal year 2009-2010.

Our review of the 28 assets also revealed that 10 assets could not be located and four controllable assets were reported as capital assets.

From the 28 assets reviewed, an asset was included on the Core-CT Capital Asset Report incorrectly. A group of furniture with a cost of \$314,695 was listed under one tag number (ADMIN0585). As we were unable to determine which furniture was included in this group, we could not determine if each piece was tagged and if it should be included on the Core-CT Capital Asset Report.

Our review of five assets selected from a physical inspection of the agency's premises revealed that one asset totaling \$1,670 was not included on the Core-CT Capital Asset Report, but was included on the Core-CT Disposed Asset Report. No documentation could be found to support surplus of the asset.

Our review of five assets selected from the Property Distribution Center list for surplus assets revealed that two assets totaling \$3,640 had not been removed from the Core-CT Capital Asset Report and one was also included on the Core-CT Disposed Asset Report.

Effect:

Without unique tag numbers for each asset, it is not possible to verify which assets were physically inspected. The probability of an asset being reported twice increases. The report is unreliable and the control over assets decreases.

Cause: When the Commission began utilizing the Core-CT Asset Management system, they did not follow the guidelines as set forth in the State of Connecticut Property Control Manual for the control and maintenance of assets.

Recommendation: The Connecticut Commission on Culture and Tourism should comply with the State of Connecticut Property Control Manual and perform complete physical inspections. (See Recommendation 6.)

Agency Response: “During the audit period, all inventory and asset management was performed by CCT’s former fiscal administrative officer who worked with DAS and the Comptroller’s office. He retired July 2009 and thus, was unable to assist in the audit either by answering questions or producing his files.

CCT has no official successor for this role; instead, the office of the Executive Director has been forced to take over business related functions and has made every effort to ensure compliance with all state mandates. Additionally, the Executive Director’s assistant has been trained to ensure compliance.”

Asset Management – CO-59 Reporting:

Criteria: Section 4-36 of the General Statutes requires that each state agency establish and keep an inventory account in the form prescribed by the State Comptroller. The agency is required to transmit annually, on or before October first, to the Comptroller a detailed inventory, as of June thirtieth, of all property, real or personal (value of one thousand dollars or more), owned by the state and in custody of such agency.

The Property Control Manual states that the value of land and buildings acquired through purchase should be determined by the contract price plus other ancillary related costs such as taxes, other liens assumed, title search costs, legal fees, surveying, filling, grading, drainage and other costs of preparation for the use intended. Land and buildings acquired by donation or escheatment should be valued at its estimated fair market value at time of acquisition. If additional expenses are incurred, these costs should be considered as part of the total cost of the asset.

The Property Control Manual requires state agencies to submit an annual report to the State Comptroller of all capitalized real and personal property. The report must be submitted by October 1st

and must reflect the sum total of the physical inventory as of June 30th.

Condition:

Our review of the CO-59 Asset Management / Inventory Report for the fiscal years ended June 30, 2007, 2008 and 2009 revealed that:

- Ninety-seven percent (97%) and 83% of the additions amount for the fiscal years ended June 30, 2007 and 2008, respectively, were not supported with the appropriate backup documentation.
- The additions, deletions, and current balance amounts of \$9,000, \$0 and \$3,438,090, respectively presented for Fine Art, are incorrectly reported for fiscal year 2008-2009. Four pieces of artwork valued at \$32,000 (\$8,000 each) that were added to the art inventory list were not included in the additions. Artwork valued at \$12,600 was appraised for \$10,000; the amount of decrease (\$2,600) was not included. Artwork valued at \$20,000 was removed erroneously, although this artwork remains a state asset.
- The Materials' ending balance, shown as \$560,353 and \$634,979 for the fiscal years 2007-2008 and 2008-2009, respectively, were reported incorrectly as the Commission did not include the correct inventory amounts for all of the museums. The incorrect amounts reported also caused the Commission's calculations for the additions and deletions amounts to be incorrect.
- The Land and Buildings' ending balances, shown as \$434,843 and \$1,235,672, respectively, for fiscal year 2008-2009, were reported incorrectly as the Commission did not include the fair market value for land and buildings that were acquired at no cost.
- The Asset Management/Inventory Reports were not submitted in a timely manner for fiscal years 2007-2008 and 2008-2009.
- Controllable assets, or assets valued at less than \$1,000, were included inappropriately with the amounts reported as capital assets for both fiscal years 2007-2008 and 2008-2009.

Effect: The Asset Management / Inventory Reports, which were forwarded to the Office of the State Comptroller to account for the state's assets, are an inaccurate assessment of the Commission's assets.

Cause: It appears that the Commission did not follow the procedures within the Property Control Manual and was unable to locate the documentation needed to support amounts reported on the Asset Management / Inventory Reports.

Recommendation: The Department of Administrative Services and the Connecticut Commission on Culture and Tourism should strengthen its controls over the completion of the Asset Management / Inventory Report to ensure that the amounts reported are properly supported and comply with the requirements as set forth in the State of Connecticut Property Control Manual. (See Recommendation 7.)

Agency Response: "During the audit period, all inventory and asset management was performed by CCT's former fiscal administrative officer who worked with DAS and the Comptroller's office. He retired July 2009 and thus, was unable to assist in the audit either by answering questions or producing his files.

CCT has no official successor for this role; instead, the office of the executive director has been forced to take over business related functions and has made every effort to ensure compliance with all state mandates.

Since his retirement, CCT and DAS have been working together to ensure compliance."

State Accountability Directive Number One:

Criteria: The State Comptroller's Accountability Directive Number One requires all state agencies to perform an internal control self assessment to be completed by June 30th of each fiscal year.

Condition: Although a self-assessment was prepared for the fiscal years ended June 30, 2007, 2008 and 2009, the federal funds and data processing sections were not completed.

Effect: The Commission was not in compliance with the State Comptroller's Accountability Directive Number One in its entirety, thereby increasing the risk that internal control weaknesses could go undetected.

Cause: Although DAS prepared the assessment, they did not complete the federal funds and data processing sections for the period under review because the DAS staff believed that these sections should be completed by the Commission.

Recommendation: The Connecticut Commission on Culture and Tourism and the Department of Administrative Services should ensure that the State Comptroller's Accountability Directive Number One is fully completed in future years. (See Recommendation 8.)

Agency Response: "During the audit period, the self-assessment was performed by CCT's former fiscal administrative officer who worked with DAS. He retired July 2009 and thus, was unable to assist in the audit either by answering questions or producing his files.

CCT has no official successor for this role; instead, the office of the executive director has been forced to take over the business related functions and has made every effort to ensure compliance with all state mandates.

CCT will work DAS to ensure compliance and understanding by both agencies of their respective responsibilities."

Cash Receipts - Non-Compliance with Deposit Reporting Requirements

Background: The Department of Administrative Services has been posting deposits for the Connecticut Commission on Culture and Tourism since January of 2006.

Criteria: Section 4-32 of the Connecticut General Statutes requires that revenue and cash receipts be accounted for within 24 hours and deposited if totaling at least five-hundred dollars. Total daily receipts of less than five-hundred dollars may be held until the receipts total five-hundred dollars, but not for a period of more than seven calendar days.

The Office of the State Treasurer clarified the deposit reporting timeframes to the state agencies in a memorandum dated January 6, 2006. The memorandum requires that the confirmation and journalizing steps should be completed by the end of the day in which the deposit information is received by the agencies through the Core-CT accounting system.

The Office of the State Treasurer granted the Connecticut Commission on Culture and Tourism a five-day waiver for the

reporting of deposits that covered the audit period for fiscal years ending June 30, 2007, 2008 and 2009.

The State Accounting Manual requires that a receipts journal be maintained by all agencies receiving revenue/cash that indicates the date and source of the receipt.

Condition: Our review of 30 deposit transactions revealed the following:

Twelve deposits totaling \$6,642 were not accounted for in the Core-CT general ledger in a timely manner. We found that they were posted to the general ledger between one to 10 days late after the deposit information was received through the Core-CT accounting system.

Source documentation could not be found for one receipt in the amount of \$159 and the incorrect receipt date was recorded for one receipt in the amount of \$500. Thus, it could not be determined if the corresponding deposits were made in a timely manner.

Effect: Untimely reporting of receipts deprives the state use of these funds. The Department of Administrative Services and the Connecticut Commission on Culture and Tourism are not in compliance with the provisions of Section 4-32 of the General Statutes, the waivers granted by the Office of the State Treasurer, and the State Accounting Manual.

Cause: We were informed that, because of the volume of transactions for the approximately 20 different agencies the DAS Business Unit must process, and the fact that the DAS Business Unit does not always receive the necessary documentation in a timely manner from CCT, they can not always post the transactions to Core-CT in a timely manner.

Recommendation: The Department of Administrative Services and the Connecticut Commission on Culture and Tourism should strengthen their internal control procedures to ensure that receipts are recorded, deposited, and accounted for accurately and in a timely manner. (See Recommendation 9.)

Agency Response: “During the audit period, deposits and retention of receipts were processed by CCT’s former fiscal administrative officer who worked with DAS. He retired July 2009 and thus, was unable to assist in the audit either by answering questions or producing his files.

CCT has no official successor for this role; instead, the office of

the executive director has been forced to take over all business related functions and has made every effort to ensure compliance with all state mandates. CCT will, however, continue to work with DAS to ensure compliance.”

Cash Receipts – Incorrect Account Codes

Criteria: The State Accounting Manual requires agencies to use the proper Core-CT coding (chartfields) for financial transactions.

Condition: Our review of 30 revenue transactions revealed that incorrect chartfields were posted to Core-CT for two receipts totaling \$815.
Our review of the federal drawdowns revealed that inappropriate chartfields were posted to Core-CT for two drawdowns totaling \$310,156.

Effect: The State’s financial statements don’t accurately reflect the revenue balances, which in turn may cause incorrect financial decisions by management.

Cause: It appears to be an oversight by the Department of Administrative Services.

Recommendation: The Department of Administrative Services should strengthen their internal controls to ensure that financial transactions are recorded to the appropriate Core-CT accounting codes. (See Recommendation 10.)

Agency Response: “Coding of transactions into Core-CT is performed by DAS. CCT will continue to work with DAS to ensure proper coding of all transactions.”

Petty Cash – Missing Supporting Documentation

Criteria: The State Accounting Manual requires that a petty cash journal or register in which all receipts and expenditures are recorded be maintained to provide complete accountability.

Section 11-8b of the Connecticut General Statutes states that public records shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules and regulations adopted by the State Library Board. Such public records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

Condition: Our review of the petty cash account revealed that the petty cash journals for both fiscal year 2006-2007 and 2007-2008 could not be located. Therefore, amounts on the annual petty cash report could not be verified.

Effect: The likelihood of inappropriate expenditures being made and not detected by management on a timely basis increases.

Cause: The current petty cash custodian inherited the responsibilities of the account when the past custodian retired on July 1, 2009. The current petty cash custodian is not aware of any other petty cash ledgers other than the one in her possession, which essentially begins with fiscal year 2008-2009.

Recommendation: The Commission should maintain its petty cash records in accordance with the State Accounting Manual in order to provide complete accountability. These records should also be delivered by the outgoing employee to their successors and maintained for the required period of time in accordance with its approved retention schedule. (See Recommendation 11.)

Agency Response: “During the audit period, petty cash records were maintained by CCT’s former fiscal administrative officer. He retired July 2009 and thus, was unable to assist in the audit either by answering questions or producing his files.

CCT has no official successor for this role; instead, the office of the executive director has been forced to take over the petty cash records and numerous other business related functions and has made every effort to ensure compliance with all state mandates.

CCT will ensure that petty cash records are maintained in accordance with the State’s Accounting Manual and that all records are maintained in accordance with the agency’s approved records retention schedule.”

Electronic Data Processing – Disaster Recovery Plan:

Criteria: Sound business practices include provisions that organizations have comprehensive disaster recovery plans in place to enable critical operations to resume activity within a reasonable period after a disaster.

Condition: The Commission does not have a formal written disaster recovery plan in place.

Effect: In the event of a disaster, the Commission’s ability to operate satisfactorily and serve its constituents is diminished without a comprehensive formal written disaster recovery plan.

Cause: The Commission’s staff believed that a formal plan had been developed with the Department of Information Technology’s guidance. However, they were unable to provide us with this formal written disaster recovery plan.

Recommendation: The Commission should develop a formal written comprehensive disaster recovery plan. (See Recommendation 12.)

Agency Response: “After the last audit, the Commission communicated with DOIT regarding developing an MOU for disaster recovery at which point we were advised that all of our applications connected to DOIT’s Citrix Access Platform were backed up daily by DOIT and were covered under DOIT’s disaster recovery plan.

CCT also determined that the information (content) included in its tourism website was part of the Citrix Access Platform. The actual website hosting company confirmed that the contents of CCT’s site and databases were backed up and kept at an off –site location.

CCT also obtained the disaster recovery plan for the [two] film databases which were also hosted outside of DOIT. The film division is no longer part of CCT.

As a result of the finding and the discussions with DOIT, CCT notified the Auditors of Public Accounts of these results and created a list of all applications and the recovery plan under which they fall; however, we are unable to locate that written document. Thus, we will immediately re-create that document. “

OTHER MATTERS

Office Support Systems, LLC. – Misappropriations of Funds:

We were informed by the Connecticut Commission on Culture and Tourism’s (CCT) Executive Director, Karen Senich, that during the Fiscal Year Ended June 30, 2007, a state contractor, Office Support Systems, LLC, had misappropriated money from the CCT. The contractor’s activities under this state contract were investigated, litigated, and full restitution has been made.

Office Support Systems, LLC was awarded a state contract, #06PSX0407, on January 23, 2007, through January 22, 2009, for the fulfillment of vacation packets and kits utilizing the 1-888-CT-VISIT Hotline. The CT Commission on Culture and Tourism directly funded this account with the Colchester Post Office, from which Office Support Systems, LLC paid to mail the material. Although the postal account permit was under the contractor's name, these funds were not to be used for personal or business use by Office Support Systems, LLC and/or the contractor. The state has had previous contracts with Office Support Systems since 1999.

The misappropriation of funds was discovered as a result of the Colchester Postmaster questioning a refund request made by the contractor on May 31, 2007 in the amount of \$17,968. Further, the Post Office records revealed that the contractor had requested and received eleven questionable refunds dating back to 2002, which were made out to the contractor's name and not the company name, Office Support Systems, LLC. The total amount for these eleven refund checks was \$151,721. However, it appears that only this last refund request in the amount of \$17,968 was questioned, which led to CCT being contacted.

An employee of the US Postal Service explained that these refunds were requested over the years by the contractor through a letter with his signature requesting a withdrawal/refund check from the United States Postal Service. Procedures were such that a voucher would be filled out, which would be approved (authorized) by the supervisor (Postmaster) and then this would be submitted to the US Postal Services Accounting Service Center. A check would be issued in his name and mailed to the contractor at the Post Office box rented by him.

A criminal complaint was made on June 6, 2007, and an investigation was initiated. The contractor was subsequently arrested on April 23, 2008 and charged with six counts of 1st degree larceny and three counts of 2nd degree larceny. The contractor was sentenced to four years in jail, suspended after three months served and ordered to three years probation. Restitution was made January 15, 2009, in the amount of \$116,392.

The difference between the eleven questionable refunds and restitution paid was due to the last refund request being returned as an "accounting error" on July 12, 2007, and confirmed cancelled on July 31, 2007, through the US Post Office and the first refund was legitimately due, as this amount was initially paid out of his business account to the US Postmaster of Colchester, CT, on May 16, 2002, and deposited into this account.

The contractor's contract was allowed to expire and a new vendor was found. As of the fall of 2009, CCT no longer contracts for these services or has a postal account. These requests are now handled in-house by a CCT employee who receives these requests, as all the "800" calls come in directly to the CCT. In addition, CCT shares the requests for information with the districts that then send out the information.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

The following fourteen recommendations were presented in our prior audit report for the Connecticut Commission on Culture and Tourism:

- The Commission and DAS should work together to strengthen internal controls over compensatory time. This recommendation has been resolved.
- The Commission should improve property control, should institute procedures to ensure that all inventory items are reported on Core-CT, should institute procedures to ensure that the inventory reported to the State Comptroller is submitted in a timely manner and is properly supported and should consider having appraisals done on the remaining museum collections and fine arts inventory. This recommendation has been repeated to reflect current conditions. (See Recommendations 6 and 7.)
- The Commission should comply with the State Accountability Directive Number One by performing the applicable sections of the annual internal control self-assessment. This recommendation has been repeated to reflect current conditions. (See Recommendation 8.)
- The Commission should develop a formal written comprehensive disaster recovery plan. This recommendation has been repeated. (See Recommendation 12.)
- The Commission should submit a records retention schedule to the Connecticut State Library. This recommendation has been resolved.
- The Commission and DAS should work together to strengthen internal controls to ensure that funds are committed prior to purchasing goods and services, and account codes and receipt dates are correctly recorded. This recommendation has been resolved.
- The Commission should continue to maintain a log of parking tickets and verify that charges are authorized prior to payment. This recommendation has been resolved.
- The Commission should establish policies and procedures to ensure compliance with Section 4b-53 of the General Statutes and the related regulations. This recommendation has been repeated to reflect current conditions. (See Recommendation 3.)
- The Commission and DAS should strengthen internal control procedures to ensure that receipts are recorded, deposited and accounted for in a timely manner. This recommendation has been repeated. (See Recommendation 9.)

- The Commission should complete written contracts for Endowment Fund awards. This recommendation has been resolved.
- The Commission should establish written criteria and procedures for the awarding of strategic initiative grants, should allow all potential applicants the opportunity to apply for strategic initiative grants, should institute procedures to ensure the proper funding source is used, and should ensure grants are properly monitored and that any grant stipulations are referenced in the grant contract. This recommendation has been repeated to reflect current conditions. (See Recommendation 4.)
- The Commission should identify federal grant amounts in its grant contracts to ensure that the grantee complies with state and federal laws and regulations. This recommendation has been resolved.
- The Commission should strengthen internal controls over the monitoring of grants. This recommendation has been repeated to reflect current conditions. (See Recommendation 2.)
- The Commission should strengthen internal controls over the monitoring of grants to the tourism districts. This recommendation has been repeated to reflect current conditions. (See Recommendation 5.)

Current Audit Recommendations:

- 1. The Commission should enforce all the stated requirements for all members of the Historic Preservation Council, including the attendance requirements.**

Comment:

Our review of the minutes for the Historic Preservation Council revealed that one member has missed three consecutive meetings on four separate occasions over the four fiscal years reviewed. In addition, for the three calendar years reviewed, this member has failed to attend fifty per cent of all the meetings held that year. Despite the poor attendance, this Council member continues to serve on the Historic Preservation Council.

- 2. The Commission should obtain and review the grantee's audit reports, including the State Single Audit Reports, to ensure that any questioned costs and/or findings reported are addressed and corrective action is being made.**

Comment:

Our review disclosed that the Commission could not provide State Single Audit Reports for two grantees for both the 2008 and 2009 fiscal years and one grantee for the 2008 fiscal year, which involved five grantee payments. Therefore, the Commission was unaware of and did not follow up on any questioned costs or findings that may have been reported.

3. **The Commission should incorporate all projects within a centralized tracking worksheet and should be able to verify that these amounts agree to the individual projects.**

Comment:

Our review disclosed that individual projects reported amounts could not be traced to the centralized (master) projects report in all cases, that only new projects initiated at the Commission are documented on the centralized projects report and that old projects administered at the State Library and transferred over to the Commission cannot be reconciled.

4. **The Commission should require that grant amounts are approved and properly monitored and enforce stipulations in the grant contracts. All unexpended or surplus funds should be returned regardless of the amount.**

Comment:

Our review of fifteen strategic initiative grants disclosed that final reports from nine grantees were not received or were received late. Unexpended funds totaling \$334.79 were not returned to the Commission and additional amounts totaling \$160,000 were awarded to three grantees but were not explicitly approved by the Board members nor stated in the board meeting minutes.

5. **The Commission should strengthen internal controls over the recordkeeping and monitoring of the tourism district grants. The guidelines and grant contract terms for tourism grants should agree.**

Comment:

Our review of the five tourism district grants disclosed that a fully executed grant contract was not available for review for two of the five contracts reviewed. Final reports were not on hand for one of the five tourism districts reviewed and we could not determine if expenditures remained within the 20 percent administrative costs allowed and if there

were any unexpended funds. Audit reports were available but were not reviewed for any findings and/or questioned costs. The grant contract's requirements for unexpended funds and the Commission's Guidelines for Budgets for any funds carried over are contradictory as the grant contract stipulates that any unspent funds will be returned whereas the guidelines allow the districts to carry over funds as long as they are under 16 percent of the budgeted year's annual allocation.

6. The Connecticut Commission on Culture and Tourism should comply with the State of Connecticut Property Control Manual and perform complete physical inspections.

Comment:

Our review of 28 assets disclosed that tag numbers assigned to eight did not appear to be assigned by the Commission and, based upon a review of the Core-CT Physical Inspection Report, these eight were not physically inspected. Further review of the Core-CT Capital Asset Report and Physical Inspection Report revealed that 44 assets appeared to have an erroneous tag number and 61 assets appeared to have not been physically inspected during the 2009-2010 fiscal year. Ten assets could not be located and four controllable assets were reported as capital assets. A group of furniture was tagged under one tag number and we were unable to determine which furniture was included in the group. Our review of five assets physically inspected revealed that one asset was not included on the Core-CT Capital Asset Report but was included on the Core-CT Disposed Asset Report. Additionally, five assets selected from the Property Distribution Center list for surplus assets revealed that two assets had not been removed from the Core-CT Capital Asset Report and one was also included on the Core-CT Disposed Asset Report.

7. The Department of Administrative Services and the Connecticut Commission on Culture and Tourism should strengthen its control over the completion of the Asset Management/Inventory Report to ensure that the amounts reported are properly supported and comply with the requirements as set forth in the State of Connecticut Property Control Manual.

Comment:

Our review of the CO-59 Asset Management/Inventory Report for the fiscal years ended June 30, 2007, 2008 and 2009 disclosed the following deficiencies: Addition amounts for fiscal years 2006-2007 and 2007-2008 were not supported; the additions, deletions and current balance for Fine Art were incorrectly reported for fiscal year 2008-2009; the Materials' ending balances for the fiscal years 2007-2008 and 2008-2009 were

reported incorrectly and these incorrect amounts also caused the Commission's calculations for addition and deletion amounts to be incorrect; the Land and Building's ending balances for fiscal year 2008-2009 were reported incorrectly, as the Commission did not include the fair market value for land and buildings that were donated or acquired at no cost; and controllable assets were included inappropriately with the amounts reported as capital assets for both fiscal years 2007-2008 and 2008-2009. In addition, the Asset Management/Inventory Reports were not submitted in a timely manner for fiscal years 2007-2008 and 2008-2009.

- 8. The Connecticut Commission on Culture and Tourism and the Department of Administrative Services should ensure that the State Comptroller's Accountability Directive Number One is fully completed in future years.**

Comment:

Although a self-assessment was prepared for the fiscal years ended June 30, 2007, 2008 and 2009, the federal funds and data processing sections were not completed.

- 9. The Department of Administrative Services and the Connecticut Commission on Culture and Tourism should strengthen their internal control procedures to ensure that receipts are recorded, deposited and accounted for accurately and in a timely manner.**

Comment:

Our review of 30 deposit transactions revealed twelve deposits totaling \$6,642 were posted to the general ledger between one and ten days late. In addition, source documentation could not be found for one receipt in the amount of \$159 and the incorrect receipt date was recorded for one receipt in the amount of \$500. Therefore, it could not be determined if the corresponding deposits were made in a timely manner.

- 10. The Department of Administrative Services should strengthen their internal controls to ensure that financial transactions are recorded to the appropriate Core-CT accounting codes.**

Comment:

Our review of 30 revenue transactions revealed that the incorrect chartfields were posted to Core-CT for two receipts totaling \$815. Additionally, our review of the federal drawdowns revealed that

inappropriate chartfields were posted to Core-CT for two drawdowns totaling \$310,156.

- 11. The Commission should maintain its petty cash records in accordance with the State Accounting Manual in order to provide complete accountability. These records should also be delivered by the outgoing employee to their successors and maintained for the required period of time in accordance with its approved retention schedule.**

Comment:

Our review of the petty cash account revealed that the petty cash journals for fiscal years 2006-2007 and 2007-2008 could not be located. Therefore, the annual petty cash report for these years could not be verified.

- 12. The Commission should develop a formal written comprehensive disaster recovery plan.**

Comment:

The Commission does not have a formal written disaster recovery plan in place.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the Connecticut Commission on Culture and Tourism for the fiscal years ended June 30, 2007, 2008 and 2009. This audit was primarily limited to performing tests of the agency's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the agency are complied with, (2) the financial transactions of the agency are properly initiated, authorized, recorded, processed, and reported, on consistent with management's direction, and (3) the assets of the agency are safeguarded against loss or unauthorized use. The financial statement audits of the Connecticut Commission on Culture and Tourism for the fiscal years ended June 30, 2007, 2008 and 2009, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Connecticut Commission on Culture and Tourism complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

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

In planning and performing our audit, we considered the Connecticut Commission on Culture and Tourism's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the agency's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the agency's internal control over those control objectives.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance requirements was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the agency's ability to properly initiate, authorize, record, process, or report financial data reliably, consistent with management's direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the agency's internal control. We consider the following deficiencies, described in detail in the accompanying "Condition of Records" and "Recommendations" sections of this report, to be significant deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 3, Art in Public Spaces – Project Fiscal Monitoring; Recommendation 4, Strategic Initiative Grants – Final Reports; Recommendation 5, Tourism Grants – Recordkeeping and Monitoring; Recommendation 6, Asset Management - Physical Inspections; and Recommendation 7, Asset Management – CO-59 Reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with certain provisions of laws, regulations, contracts, and grant agreements or the requirements to safeguard assets that would be material in relation to the agency's financial operations, noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions, and/or material financial misstatements by the agency being audited will not be prevented or detected by the agency's internal control.

Our consideration of the internal control over the agency's financial operations, safeguarding of assets, and compliance with requirements, was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are considered to be material weaknesses.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Connecticut Commission on Culture and Tourism complied with laws, regulations, contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the agency's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an

opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which we reported to agency management in the accompanying “Condition of Records” and “Recommendations” sections of this report.

The Connecticut Commission on Culture and Tourism’s response to the findings identified in our audit are described in the accompanying “Condition of Records” section of this report. We did not audit the Connecticut Commission on Culture and Tourism’s response and, accordingly, we express no opinion on it.

This report is intended for the information and use of agency management, the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

CONCLUSION

We wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Connecticut Commission on Culture and Tourism during this examination.

Christine J. Delaney
Principal Auditor

Approved:

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts