

STATE OF CONNECTICUT

**AUDITORS' REPORT
CONNECTICUT HISTORICAL COMMISSION
FOR THE FISCAL YEARS ENDED JUNE 30, 1999 AND 2000**

**AUDITORS OF PUBLIC ACCOUNTS
KEVIN P. JOHNSTON ♦ ROBERT G. JAEKLE**

Table of Contents

INTRODUCTION	1
COMMENTS:	1
Foreword.....	1
Membership of the Commission.....	2
Résumé of Operations.....	2
General Fund	2
Special Revenue Funds.....	4
Capital Project Funds.....	4
Program Evaluation	4
CONDITION OF RECORDS	5
GAAP Reporting.....	5
Cash Management – Drawdown of Federal Receivables	5
RECOMMENDATIONS	7
CERTIFICATION	8
CONCLUSION	10

June 5, 2001

**AUDITORS' REPORT
CONNECTICUT HISTORICAL COMMISSION
FOR THE FISCAL YEARS ENDED JUNE 30, 1999 AND 2000**

We have examined the financial records of the Connecticut Historical Commission for the fiscal years ended June 30, 1999 and 2000. 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 Historical Commission operates under the provisions of Title 10, Chapter 177, Sections 10-321 through 10-321g of the General Statutes. The primary responsibility of the Commission is to protect Connecticut's cultural resources (historic, architectural and archaeological properties), including six Agency-administered historic sites open to the public: Old New-Gate Prison and Copper Mine, East Granby; Henry Whitfield Museum, Guilford; Sloane-Stanley Museum, Kent; Prudence Crandall Museum, Canterbury; Viets Tavern, East Granby; and Amos Bull House, Hartford.

The principal programs, activities and responsibilities of the Commission include: 1) Statewide historic preservation planning; 2) National/State Registers of Historic Places; 3) State/Federal preservation grants-in aid; 4) State/Federal environmental review; 5) certification of local governments as preservation partners; 6) local historic district/property designations; 7) archaeological preserve designations and archeological permit issuance; 8) historic cemetery preservation; 9) funding for cultural property owners; 10) State/Federal tax credits for historic

Auditors of Public Accounts

rehabilitations; 11) historic structure special considerations in State Building Code and Americans with Disabilities Act; 12) lead paint abatement for historic structures; 13) documentation/designation of Connecticut African American Freedom Trail; 14) documentation of General Rochambeau's Revolutionary War Trail in Connecticut; and (15) as State Historic Preservation Officer, the Commission's director is Connecticut's preservation liaison with the federal government.

John W. Shannahan served as Director of the Commission during the audited period.

Membership of the Commission:

As stated in Section 10-321 of the General Statutes, the Commission shall consist of 12 members appointed by the Governor. As of June 30, 2000, the following were members:

Timothy R. Beeble
Christopher Collier, Ph.D.
Kevin G. Ferrigno
Katherine W. Green
Barbara A. Hudson
Richard L. Hughes III
Harold D. Juli, Ph.D.
Jean R. Kelley
Edwin R. Ledogar
Marsha Lotstein

Two vacancies

In addition to the above members, the following persons served on the Commission during the audited period:

Eva M. Potts
Richard Buel Jr., Ph.D.

RÉSUMÉ OF OPERATIONS:

General Fund

General Fund receipts totaled \$688,041 and \$414,387 for the fiscal years ended June 30, 1999 and 2000, respectively. A comparison of receipts during the audited period and the fiscal year ended June 30, 1998, follows:

	<u>Fiscal Year Ended June 30,</u>		
	<u>1998</u>	<u>1999</u>	<u>2000</u>
Revenue and Other Receipts:			
Cottages or residences	\$ 7,770	\$ 4,874	\$ 3,724
Other	<u>4,742</u>	<u>5,959</u>	<u>3,295</u>
Total Revenue and Other Receipts	<u>12,512</u>	<u>10,833</u>	<u>7,019</u>
Restricted Contributions:			
Federal	485,209	591,994	335,399
Other than Federal	<u>93,950</u>	<u>85,214</u>	<u>71,969</u>
Total Restricted Contributions	<u>579,159</u>	<u>677,208</u>	<u>407,368</u>
Total General Fund Receipts	<u>\$591,671</u>	<u>\$688,041</u>	<u>\$414,387</u>

Revenues from cottages and residences decreased during the fiscal years ended June 30, 1998 and 1999, due to the vacancy of one of the Commission's housing units in October 1998. During the 1998-1999 and 1999-2000 fiscal years, "Restricted contributions – Federal" varied because of the timing of drawdowns against Federal receivables. "Restricted Contributions - Other than Federal" decreased during the fiscal years ended June 30, 1999 and 2000, mainly because the Henry Whitfield House was closed to the public for renovations from June 1999 to August 2000.

A comparison of General Fund expenditures for the audited period and the fiscal year ended June 30, 1998, is presented below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>1998</u>	<u>1999</u>	<u>2000</u>
Budgeted Accounts:			
Personal services	\$755,342	\$777,672	\$947,252
Contractual services	113,238	133,245	182,507
Commodities	12,306	16,051	17,403
Sundry Charges	110	16,919	517
Equipment	<u>2,000</u>	<u>2,000</u>	<u>1,000</u>
Total Budgeted Accounts	<u>882,996</u>	<u>945,887</u>	<u>1,148,679</u>
Restricted Accounts:			
Federal		714,443	733,622
669,709			
Other than Federal	<u>74,467</u>	<u>67,658</u>	<u>74,841</u>
Total Restricted Accounts	<u>788,910</u>	<u>801,280</u>	<u>744,550</u>
Total General Fund Expenditures	<u>\$1,671,906</u>	<u>\$1,747,167</u>	<u>\$1,893,229</u>

The increase in budgeted expenditures for personal services in fiscal year 1999-2000 was due primarily to the payment of accrued leave at separation for four employees. The increase in contractual services in fiscal year 1998-1999 was due to the creation of a website for the Connecticut African American Freedom Trail. The increase in contractual services in the 1999-2000 fiscal year was due to the documentation of General Rochambeau's Revolutionary war march and the historic

resource inventory project. The increase in sundry charges in fiscal year 1998-1999 was due to a grant for the fabrication and installation of a marker to the African Americans buried in Hartford's Ancient Burying Ground from funds appropriated from the Freedom Trail. The decrease in Federal expenditures during fiscal year 1999-2000 was due primarily to the timing of indirect overhead and employee fringe benefit costs. The decrease in "Restricted Accounts - Other than Federal" during fiscal year 1998-1999 was due to a decrease in the commodities purchased for resale and repair materials.

Special Revenue Funds

Expenditures from special revenue funds totaled \$118,214 and \$151,127 during the fiscal years ended June 30, 1999 and 2000, respectively. These expenditures were primarily for State restoration fund grants to non-profit organizations. Receipts from special revenue funds during the fiscal year ended June 30, 1999 totaled \$217 and were for refunds of expenditures. There were no special revenue fund receipts during the fiscal year ended June 30, 2000.

Capital Project Funds

Expenditures from capital project funds totaled \$1,250 and \$37,869 during the fiscal years ended June 30, 1999 and 2000, respectively. These expenditures were for digging electrical trenches for a new phone system in the 1998-1999 fiscal year and stabilization of the Kent Iron Furnace at the Sloane-Stanley Museum in the 1999-2000 fiscal year.

PROGRAM EVALUATION:

In accordance with Section 10-321 of the Connecticut General Statutes, the Commission may administer the National Register of Historic Places Program. The National Register identifies historically significant districts, sites, buildings, structures and objects according to the National Register criteria.

We reviewed the Commission's procedures and various timeframes for listing a place on the National Register. We reviewed ten National Register study requests that were received by the Commission during the audited period. We determined whether required acknowledgements, evaluations, notifications and forms were prepared promptly. Our review indicated that the Commission appeared to be listing places on the National Register in a timely manner.

CONDITION OF RECORDS

We found various areas in need of attention and corrective actions. These areas are described in the following sections:

GAAP Reporting:

Criteria: The State Accounting Manual and the State Comptroller's Generally Accepted Accounting Principles (GAAP) closing and reporting instructions to all State agencies specify the procedures and time frame for completing reporting forms.

Condition: Our review of the GAAP Reporting Form "Compensated Absences" submitted by the Commission for the fiscal years ended June 30, 1999 and 2000, disclosed that for the 1999-2000 fiscal year the average hourly salary was understated by \$2 and the total number of accumulated leave hours was understated by 19 hours.

Effect: The State's GAAP basis financial statements could contain misstatements.

Cause: The Commission did not follow the instructions and included the hourly salary of employees who do not earn vacation and sick leave hours in its computation of the average hourly salary. The error in accumulated vacation leave hours was due to clerical error.

Recommendation: The Commission should institute procedures to ensure that GAAP forms are prepared in accordance with instructions. (See Recommendation 1.)

Auditee's Response: "The Commission agrees with this finding. The understated average hourly salary of employees was attributed to an over reliance on computer generated GAAP report by the BOSS Time and Attendance System.

In the future, the agency will do a manual calculation of the GAAP report as well as institute a review process before submittal of the final report to the GAAP Reporting Unit."

Cash Management - Drawdown of Federal Receivables:

Background: The United States Department of the Interior National Park Service awards a grant to the State for funds appropriated from the Historic Preservation Fund based upon an approved grant application submitted by the

Connecticut Historical Commission. The State Comptroller makes appropriations to State agencies based upon this grant award and establishes a Federal receivable. As grant funds are expended, drawdowns should be made against the Federal receivable. The Commission makes the drawdowns based upon its Historic Preservation Fund expenditures.

Criteria: Sound business practice dictates that drawdowns against Federal Receivables should be requested in a timely manner.

Condition: We noted that the Commission performed quarterly drawdowns of expenditures totaling \$560,073 and \$669,007 for the fiscal years ended June 30, 1999 and 2000, respectively against the Federal receivables from two months to ten months after the end of the quarter.

Effect: The delays in drawdowns against payments resulted in the State's loss of the use of these funds for considerable periods of time. We estimate that lost interest from these delays amounted to approximately \$26,000 based on the State Treasurer's monthly Short-Term Investment Fund rate of return.

Cause: The Commission had difficulty accessing the Federal Smartlink System.

Recommendation: The Commission should institute procedures to ensure that drawdowns are requested in a timely manner. (See Recommendation 2.)

Auditee's Response: "The Commission agrees with this finding. The Commission recognizes the Auditors concern regarding the reimbursement of the State by the Federal Government. The federal requirement for the drawdown is a minimum of once per federal fiscal year and it is done on a reimbursement basis. However, the Commission's written procedures require agency staff to compile the appropriate financial records and calculate the federal reimbursement on a quarterly basis. This has been consistently completed. The Commission staff has however, been unable to use the electronic system (Smartlink System) that the U.S. Department of the Interior has implemented. It is not compatible with the agency's Internet provider's system, so the staff has continued to use a paper (hardcopy) request system which has resulted in the delays noted by the Auditor. The Commission staff will address this in two ways: (1) staff will request reimbursement from the federal account as soon as possible after the completion of a quarterly financial report and (2) staff will attempt to implement the "Smartlink" electronic transfer system when the Commission has a new Internet provider, anticipated for early summer 2001."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- All receipts should be deposited and accounted for in accordance with the provisions of Section 4-32 of the General Statutes. – Our current review revealed that receipts were deposited in a timely manner and the Commission has obtained a five-business-day waiver for the reporting of deposits. This recommendation has been resolved.
- The Commission should institute procedures to ensure that the inventory reported to the State Comptroller is complete and accurate. The Commission should use the lower of cost or market rules to value Merchandise for Sale and have appraisals done on museum collections and fine arts as required by the State of Connecticut Property Control Manual. – Our current review revealed that corrective action has been taken on the preparation of the Fixed Assets/Property Inventory Report. Appraisals were performed at two of the museums and will continue, as funds are available. This recommendation has been resolved.

Current Audit Recommendations:

- 1. The Commission should institute procedures to ensure that GAAP forms are prepared in accordance with instructions.**

Comment:

Our review of the GAAP Reporting Form - Compensated Absences submitted by the Connecticut Historical Commission for the fiscal years ended June 30, 1999 and 2000, disclosed that the Agency understated the average hourly salary of the commission's employees by \$2.00 and understated the number of accumulated vacation leave hours for all employees by 19 hours for the fiscal year ended June 30, 2000.

- 2. The Commission should institute procedures to ensure that drawdowns are requested in a timely manner.**

Comment:

We noted that the Commission performed quarterly drawdowns against the Federal receivables from two months to ten months after the end of the quarter.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Connecticut Historical Commission for the fiscal years ended June 30, 1999 and 2000. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grants, 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 grants applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Connecticut Historical Commission for the fiscal years ended June 30, 1999 and 2000, 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 generally accepted auditing standards and the standards applicable to financial-related 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 Historical Commission complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grants and to obtain a sufficient understanding of the internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Compliance:

Compliance with the requirements of laws, regulations, contracts and grants applicable to the Connecticut Historical Commission is the responsibility of the Connecticut Historical Commission's management.

As part of obtaining reasonable assurance about whether the Agency complied with laws, regulations, contracts, and grants, 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 for the fiscal years ended June 30, 1999 and 2000, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial or less than significant instances of noncompliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

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

The management of the Connecticut Historical Commission is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants applicable to the Agency. In planning and performing our audit, we considered the Agency's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Agency's financial operations in order to determine our auditing procedures for the purpose of evaluating the Connecticut Historical Commission's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives.

However, we noted certain matters involving the internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the Agency's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grants. We believe the following findings represent reportable conditions: GAAP Reporting and Cash Management.

A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants or the requirements to safeguard assets that would be material in relation to the Agency's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Agency being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over the Agency's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. However, we believe that neither of the reportable conditions described above is a material or significant weakness.

This report is intended for the information of 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

In conclusion, we wish to express our appreciation for the courtesies and cooperation extended to our representatives by the officials and personnel of the Connecticut Historical Commission during the course of our examination.

Lisa G. Daly
Associate Auditor

Approved:

Robert G. Jaekle
Auditor of Public Accounts

Kevin P. Johnston
Auditor of Public Accounts