STATE OF CONNECTICUT

AUDITORS’ REPORT
CONNECTICUT HISTORICAL COMMISSION
FOR THE FISCAL YEAR ENDED JUNE 30, 2003 AND
THE PERIOD ENDED AUGUST 19, 2003

AUDITORS OF PUBLIC ACCOUNTS
KEVIN P. JOHNSTON ♦ ROBERT G. JAEKLE
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January 17, 2006

AUDITORS' REPORT
CONNECTICUT HISTORICAL COMMISSION
FOR THE FISCAL YEAR ENDED JUNE 30, 2003 AND
THE PERIOD ENDED AUGUST 19, 2003

We have examined the financial records of the Connecticut Historical Commission for the fiscal year ended June 30, 2003 and the period ended August 19, 2003. 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.

Pursuant to Public Act 03-06 of the June Special Session of the 2003 General Assembly, effective August 20, 2003, the Connecticut Historical Commission was merged with the State Commission on the Arts, the Office of Tourism, the Connecticut Tourism Council, the Connecticut Film, Video and Media Commission and the Connecticut Film, Video and Media Office into the Connecticut Commission on Arts, Tourism, Culture, History and Film. Public Act 04-02 of the May Special Session of the 2004 General Assembly renamed the successor agency the Connecticut Commission on Culture and Tourism, effective May 12, 2004. This report on the audited period ended August 19, 2003, is the last reporting period for which a separate report will be issued on the Connecticut Historical Commission. Subsequent reports will be issued on the combined successor agency.
FOREWORD:

The Connecticut Historical Commission operates under the provisions of Title 10, Chapter 177, Sections 10-320b through 10-320j 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 and State Registers of Historic Places;
3) State and Federal preservation grants-in aid;
4) State and Federal environmental review;
5) Certified Local Government Program;
6) Local historic district/property designations;
7) Identification, evaluation and protection of the State’s archaeological heritage and State Archaeological Preserves;
8) Cultural resource surveys and advisory assistance;
9) State and Federal tax credits for historic rehabilitations;
10) Historic structure special considerations in State Building Code and Americans with Disabilities Act;
11) Lead paint abatement for historic structures;
12) Study of minority and women’s history; and
13) As the 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 until his retirement on May 31, 2003. Paul Loether was appointed Acting Director effective June 1, 2003.

Membership of the Commission:

As stated in Section 10-320b of the General Statutes, the Commission shall consist of 12 members appointed by the Governor. As of August 19, 2003, the following were members:

Timothy R. Beeble
Nicholas Bellatoni
Richard Buel, Ph.D.
Sharon P. Churchill, Esq.
Christopher Collier, Ph.D.
Katherine W. Green
RÉSUMÉ OF OPERATIONS:

General Fund:

General Fund receipts totaled $1,124,167, $1,224,228, and $855 for the fiscal years ended June 30, 2002 and 2003, and the period ended August 19, 2003, respectively. General Fund receipts during the audited period and the prior fiscal year, are presented below for comparative purposes:

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Period Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/02</td>
<td>6/30/03</td>
</tr>
<tr>
<td>Revenue and Other Receipts:</td>
<td></td>
</tr>
<tr>
<td>Rent on cottages or residences</td>
<td>$ 3,586</td>
</tr>
<tr>
<td>Sales</td>
<td>4,315</td>
</tr>
<tr>
<td>Other</td>
<td>516</td>
</tr>
<tr>
<td>Total Revenue and Other Receipts</td>
<td>8,417</td>
</tr>
<tr>
<td>Restricted Contributions:</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>908,519</td>
</tr>
<tr>
<td>Other than Federal</td>
<td>207,231</td>
</tr>
<tr>
<td>Total Restricted Contributions</td>
<td>1,115,750</td>
</tr>
<tr>
<td>Total General Fund Receipts</td>
<td><strong>$1,124,167</strong></td>
</tr>
</tbody>
</table>

During the 2002-2003 fiscal year, “Restricted contributions – Federal” decreased significantly primarily due to the timing of drawdowns against the Federal receivables. “Restricted Contributions - Other than Federal” increased during the 2002-2003 fiscal year, mainly because the Agency received restricted funds to continue operating its museums pursuant to Public Act 02-07 of the May Special Session of the General Assembly.
Auditors of Public Accounts

General Fund expenditures for the audited period and the prior fiscal year, are presented below for comparative purposes:

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Period Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/02</td>
<td>6/30/03</td>
</tr>
</tbody>
</table>

Budgeted Accounts:
- Personal services $991,830 $552,708 $72,240
- Contractual services 89,611 83,940 3,063
- Commodities 17,902 9,462 0
- Sundry Charges 1,367 0 0
- Equipment 1,000 1,000 0
  Total Budgeted Accounts 1,101,710 647,110 75,303

Restricted Accounts:
- Federal 610,844 637,535 0
- Other than Federal 164,021 476,798 0
  Total Restricted Accounts 774,865 1,114,333 0

Total General Fund Expenditures $1,876,575 $1,761,443 $75,303

“Budgeted Accounts” decreased primarily due to a decrease in personal services for the following reasons. Two of the Agency’s four museums remained closed during most of 2003. As a result, summer workers were not hired, hours of work were reduced, and there were layoffs. In addition, funding for payroll costs for the museums that were open was paid from the restricted museum operations account. This also explains the expenditure increase in “Restricted Accounts – Other than Federal.”

Special Revenue Funds:

Expenditures from special revenue funds totaled $229,261 during the fiscal year ended June 30, 2003. These expenditures were primarily for State restoration fund grants to non-profit organizations.

Public Act 04-2 of the May Special Session of the 2004 General Assembly authorized the establishment of new special revenue funds relative to grants and restricted accounts. During the 2003-2004 fiscal year, the State Comptroller established the “Grants and Restricted Accounts Fund” to account for certain Federal and other revenues that are restricted from general use and were previously accounted for in the General Fund as “Federal and Other Grants.” Revenues and expenditures from Federal and Other Restricted Accounts from July 1, 2003 through August 19, 2003, totaled $173 and $52,339, respectively.

Capital Project Funds:

Expenditures from capital project funds totaled $165,774 during the fiscal year ended June 30, 2003. These expenditures were primarily for repairs to the Kent Iron Furnace at the Sloane-Stanley Museum. There were no expenditures for the period ended August 19, 2003.
CONDITION OF RECORDS

Our review of the records of the Connecticut Historical Commission revealed the following areas that warrant comment.

Improvement of Property Inventory:

Background:

Pursuant to Public Act 03-06 (June Special Session), effective August 20, 2003, the Connecticut Historical Commission (CHC) was merged with the State Commission on the Arts, the Office of Tourism, the Connecticut Tourism Council, the Connecticut Film, Video and Media Commission and the Connecticut Film, Video and Media Office into the Connecticut Commission on Arts, Tourism, Culture, History and Film. Public Act 04-02 (May Special Session) renamed the successor agency the Connecticut Commission on Culture and Tourism (CCT), effective May 12, 2004.

Criteria:

Section 4-36 of the Connecticut General Statutes requires that each State Agency establish and keep an inventory account in the form prescribed by the State Comptroller. The State Property Control Manual requires that all State agencies have polices and procedures in place to ensure that the State’s property, plant and equipment are properly managed.

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, owned by the State and in the custody of such department.

Condition:

The Connecticut Commission on Culture and Tourism was unable to provide us with a current equipment and property inventory listing as of July 2005.

Our review of the Connecticut Historical Commission’s CO-59 Fixed Assets/Property Inventory Report for the fiscal year ended June 30, 2003, disclosed the following:

- Of the $221,008 reported for furnishings and equipment, $29,356 was unsupported.
- Buildings additions and deletions of $5,059 and $2,075, respectively, were unsupported.
- Expenditures for site improvements and historical treasures totaling $14,485 and $1,675, respectively, were omitted from the Inventory Report.
Auditors of Public Accounts

- The Commission’s reported values appear unreliable for various works of art and historical treasures. Many items have not been appraised since 1982.
- The CO-59 Fixed Assets/Property Inventory Report was not submitted in a timely manner.

Effect:
Deficiencies in the control over the equipment inventory result in a decreased ability to properly safeguard State assets. The Agency is not in compliance with the requirements of the State Property Control Manual and the Agency’s report of inventory to the State Comptroller was unsupported.

Cause:
We were informed that lack of staff due to retirements and layoffs and the merger of the agencies have delayed the updating of an inventory and property control system. With respect to the CO-59, it appears that supporting documentation was misplaced. We were informed that the Commission has had difficulties locating qualified appraisers and allocating budgeted funds needed for the anticipated appraisal costs of the works of art and historical treasures.

Recommendation:
The Agency should establish an inventory property control system, 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 have appraisals done on museum collections and fine arts as required by the State of Connecticut Property Control Manual. (See Recommendation 1.)

Agency Response: “The Agency agrees with the recommendation. With the merger of the Historical Commission into the newly created Commission on Culture & Tourism (CCT), new inventory property control procedures have been developed, and we anticipate that reports will be completely documented and submitted to the State Comptroller in a timely manner. We also anticipate that adequate resources will be identified and made available to conduct necessary appraisals of museum and fine arts collections.”

Revenue:

Criteria:
Section 4-32 of the General Statutes requires that an agency shall account for receipts within twenty-four hours and if the total receipts are five hundred dollars or more, deposit the same within twenty-four hours of receipt. Total daily receipts of less than $500 may be held until the receipts total $500, but not for a period of more than seven calendar days. The Office of the State Treasurer granted the Commission a five business day waiver for the reporting of deposits.
**Condition:**
Our review of twenty-six transactions disclosed five cash receipts totaling $795 that were deposited between one and two days late and one receipt totaling $10.00 that was accounted for one day late. In addition, the Agency could not provide us with the bank deposit slip for two receipts totaling $56.47.

**Effect:**
In these instances the Agency was not in compliance with the provisions of Section 4-32 of the General Statutes and the Agency’s waiver. This deprives the State of the timely receipt and use of revenue.

**Cause:**
We were informed that due to lack of staff at the museums, deposits were made on a weekly basis through night deposits that are posted the following day.

**Recommendation:**
All receipts should be deposited and accounted for in accordance with the provisions of Section 4-32 of the General Statutes or in accordance with waivers as provided by the State Treasurer. (See Recommendation 2.)

**Agency Response:**
“The Agency agrees that all receipts should be deposited and accounted for in accordance with the provisions of Section 4-32 of the General Statutes, as modified by any waivers from the State Treasurer, and we consistently make every effort to ensure that we are in compliance. The former Historical Commission had in place a five-day waiver for the reporting of deposits to accommodate the remote locations and weekend hours of their museum operations. CCT was granted a renewal of this waiver. We anticipate continuing renewals of the waiver, and will abide by the provisions they allow.”

**Compensatory Time:**

**Criteria:**
The Department of Administrative Services (DAS) Management Personnel Policy 80-1 states that compensatory time must be authorized in advance by the Agency Head or designee and the amount of extra time worked must be significant in terms of total and duration.

Collective bargaining contracts for both the Administrative and Residual (P5) and the Engineering, Scientific and Technical (P4) employees state that an exempt employee who is required by the State to perform extended service outside the normal workweek to complete a project or for other State purposes shall be authorized to receive compensatory time off.
**Condition:** We reviewed the annual attendance records for one manager and eleven exempt union employees and noted that seven employees had accrued less than one hour of compensatory time in sixty-three instances totaling thirty-five hours. We reviewed a total of twenty-two timesheets in which compensatory time was earned and noted that on eight timesheets there was no documentation that the compensatory time had been authorized in advance by a supervisor.

**Effect:** Employees are receiving compensatory time accruals for insignificant amounts of time contrary to bargaining unit contracts and DAS’ Management Personnel Policy 80-1. Without proper oversight and documentation the Agency has less assurance that the services it has compensated its employees for have actually been received.

**Cause:** During the audit period, the Agency did not have procedures in place regarding the minimum accrual amount of compensatory time. The Agency did not have a procedure in place for documenting prior approval of compensatory time for all divisions of the Agency.

**Conclusion:** Effective September 1, 2004, the Connecticut Commission on Culture and Tourism established compensatory time policies and procedures that specify that compensatory time must be accrued in one hour increments. The Agency’s procedures also include the use of an authorization form to document prior supervisory approval.
RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The Commission should comply with Section 4-36 of the Connecticut General Statutes by maintaining its inventory accounts as prescribed by the Comptroller. It should also institute procedures to ensure that the inventory balances reported to the Comptroller are both accurate and adequately supported. This recommendation is being repeated and has been incorporated into current audit recommendation 1.

Current Audit Recommendations:

1. The Agency should establish an inventory property control system, 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 have appraisals done on museum collections and fine arts as required by the State of Connecticut Property Control Manual.

Comment:

The Connecticut Commission on Culture and Tourism was unable to provide us with a current equipment and property inventory listing as of July 2005. Balances reported on the CO-59 Fixed Assets/Property Inventory Report were unsupported. Current appraisals of collections of artwork and historical treasures were not performed.

2. All receipts should be deposited and accounted for in accordance with the provisions of Section 4-32 of the General Statutes or in accordance with waivers as provided by the State Treasurer.

Comment:

Our review of twenty-six transactions disclosed five cash receipts totaling $795 that were deposited between one and two days late and one receipt totaling $10.00 that was accounted for one day late. In addition, the Agency could not provide us with the bank deposit slip for two receipts totaling $56.47.
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 year ended June 30, 2003 and the period ended August 19, 2003. 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 year ended June 30, 2003 and the period ended August 19, 2003, 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 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 year ended June 30, 2003 and the period ended August 19, 2003, 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 a certain matter involving the internal control over the Agency’s financial operations, safeguarding of assets, and/or compliance that we consider to be a reportable condition. 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 finding on inventory represents a reportable condition.

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 the reportable condition 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
Principal Auditor

Approved:

Robert G. Jaekle
Auditor of Public Accounts

Kevin P. Johnston
Auditor of Public Accounts