

STATE OF CONNECTICUT

**AUDITORS' REPORT
CONNECTICUT COASTLINE PORT AUTHORITY
FOR THE FISCAL YEARS ENDED
JUNE 30, 1997, 1998 AND 1999**

AUDITORS OF PUBLIC ACCOUNTS
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May 17, 2000

**AUDITORS' REPORT
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FOR THE FISCAL YEARS ENDED JUNE 30, 1997, 1998 AND 1999**

We have examined the financial records of the Connecticut Coastline Port Authority as maintained by the Department of Transportation for the fiscal years ended June 30, 1997, 1998 and 1999. Financial statement presentation and auditing are done on a Statewide Single Audit basis to include all State agencies. This audit examination has been limited to assessing the Authority's compliance with certain provisions of laws, regulations, contracts and grants and evaluating the Authority's internal control structure policies and procedures established to ensure such compliance. This report on that examination consists of the Comments, Condition of Records, Recommendations and Certification which follow.

COMMENTS

FOREWORD:

The Connecticut Coastline Port Authority was established on July 1, 1993, under the provisions of Public Act 93-413, which were codified primarily as Sections 32-425 through 32-434 of the General Statutes. The Authority is a body politic and corporate constituting a public instrumentality and political subdivision of the State created for the performance of an essential public and governmental function. The Authority is a quasi-public agency subject to the requirements included in Sections 1-120 through 1-125 of the General Statutes.

The Authority was created to promote the economic development of the port areas of Bridgeport, New Haven and New London through, among other objectives, planning, coordinating and marketing in support of the entities operating the ports together with establishment of foreign-trade zones.

The responsibilities of the Authority include - providing economic development planning, identifying new opportunities for the ports, encouraging year-round use of water-related industries, ensuring competitiveness of port resources, analyzing the potential for private investment in the ports, analyzing the types of industries that could use the ports, determining port-related capital spending needs, recommending investment in port infrastructures, and other related goals and objectives.

The Authority is empowered to solicit, receive and accept aid, grants or contributions of money, property or labor, or other things of value, to be used and applied to carry out the purposes of Sections 32-425 to 32-434, inclusive. The Authority is also empowered to hire employees and to engage consultants, attorneys and other professionals as may be necessary. The Authority is authorized by Section 32-429 of the General Statutes to appoint an executive director to serve as the chief administrative and operational officer of the Authority.

Board of Directors and Administrative Officials:

The Authority is governed by a seventeen-member Board of Directors. Membership includes the Commissioner of the Department of Transportation, who serves as chairperson, and the Commissioner of the Department of Economic and Community Development, who are ex officio voting members, six directors appointed by the Governor and six directors appointed by the President Pro Tempore of the Senate, the Speaker of the House of Representatives and the majority and minority leaders of the Senate and the House, respectively. Additionally, three port professionals, who serve as ex-officio nonvoting members, are designated by the authorities as shown below. The terms of board members are coterminous with the terms of the appointing authorities.

As of June 30, 1999, the directors of the Authority were as follows:

Ex Officio:

James F. Sullivan, Commissioner of Transportation, Chairperson
James F. Abromaitis, Commissioner of Economic and Community Development

Appointed by the Governor:

Richard M. Brown
Matthew Nemerson
Jannette J. Parker
Lillian J. Phillip
Harold E. Shear
Martin Toyen

Appointed by the Legislative Leaders:

Joseph C. Savino
Bert Kaplan
Daniel McInerney
Gabriel Biafore
Herbert H. Steinhardt
Jean Castagno

Ex Officio and Nonvoting:

Martin Tristine, designated by the Chairman of the Bridgeport Port Authority
Orest T. Dubno, designated by the Chairman of the New Haven Harbor Cooperative
Richard MacMurray, designated by the Chief Executive Officer of the City of New London

The following also served on the Board of Directors during the audited period:

Ex-Officio:

J. William Burns, Commissioner of the Department of Transportation
 Peter N. Ellef, Commissioner of the Department of Economic and Community Development

Appointed by the Legislative Leaders:

Phillip L. Smith

Personnel of the Department of Transportation provided administrative and other services to the Authority. The Authority did not employ an executive director or any other staff during the audited period.

RÉSUMÉ OF OPERATIONS:

During the audited period, the Authority's expenditures were included in appropriations of the Special Transportation Fund administered by the Department of Transportation. Section 32-426, subsection (f), of the General Statutes authorizes the Commissioner of Transportation to provide administrative or other services to the Authority within available appropriations. No appropriations were made to the Authority itself nor was it responsible for the management of any funds.

The Department of Transportation established an appropriation account for the Authority's operations in the 1994-1995 fiscal year. Expenditures from that account totaled \$9,191, \$10,813 and \$8,890 during the fiscal years ended June 30, 1997, 1998 and 1999, respectively, as shown in the schedule below.

<u>Schedule of Expenditures</u>			
<u>Fiscal Year Ended June 30,</u>			
	<u>1997</u>	<u>1998</u>	<u>1999</u>
	\$	\$	\$
Contractual Services:			
Advertising and marketing	4,566	5,200	990
Dues and subscriptions	175	250	1,705
Travel	890	1,759	1,993
Conference costs	1,200	1,446	201
Fees for outside professional services	1,466	971	1,538
All other contractual services	<u>0</u>	<u>220</u>	<u>1,176</u>
Total Contractual Services	8,678	9,846	7,603
Commodities:	<u>513</u>	<u>967</u>	<u>1,287</u>
Total Expenditures	<u>\$ 9,191</u>	<u>\$10,813</u>	<u>\$ 8,890</u>

Advertising and marketing consisted mainly of the production and distribution of brochures featuring the ports. Dues and subscriptions were primarily expenditures for trade magazines and other industry printed material. Conference costs were the result of board members attendance at maritime events. The fees for outside professional services were comprised mainly of mileage reimbursements to Board members for attendance at Board meetings.

PROGRAM EVALUATION:

Section 2-90 of the General Statutes authorizes the Auditors of Public Accounts to perform evaluations of agency operations. We conducted a review of the operations of the Connecticut Coastline Port Authority. The objective of our program evaluation was to review the six-year plus history of the Authority to determine if the Authority's organization and operations have been effective or if changes appear warranted. We reviewed the minutes of the Authority, reviewed financial information, conducted interviews with individuals with the Department of Transportation and Connecticut Coastline Port Authority, and reviewed other pertinent documents.

The Connecticut Coastline Port Authority was established in 1993 to promote the economic development of the port areas of Bridgeport, New Haven and New London through, among other objectives, planning, coordinating and marketing in support of the local port entities. The Authority does not own or operate any port resources; its primary legislative purpose is to promote economic activity at the ports. At the time of the Authority's establishment, the economy of the State was not robust and the general consensus was that the Authority was needed to help bring additional business to the ports. Another objective of the Authority was to ensure that the ports operated, in essence, as a single port by improving their competitive position through unified marketing strategies. Under this concept each of the three ports concentrates on certain activities that reflect their unique strengths. For example, the Port of Bridgeport specializes in the handling of fruit, the Port of New Haven in petroleum and steel, and the Port of New London in wood products. Given these objectives, the first few years of the Authority appear to have been productive ones. Board members toured port authorities in the region, participated in maritime shows and conferences and made recommendations for infrastructure improvements. In addition, a brochure, promoting the "Port of Connecticut" (the collective term used to describe the three major ports of the State), was produced and distributed and a promotional display was created for exhibit at trade shows.

After these initial successes, however, problems began to appear. One of the problems concerns the issue of funding. The authorizing legislation of the Authority does not provide for a separate appropriation for the Authority, but does permit it to solicit funds from any source, including any department or agency of the State or Federal Government. For various reasons, the Authority has not done so. The only resource available to the Authority since its inception has been a small yearly allotment of about \$10,000 per fiscal year provided by the Department of Transportation out of its appropriation for the Bureau of Aviation and Ports. The amount of this allotment has been a source of continual debate within the Board. Some Board members have stated that more resources are needed to properly carry out the Authority's responsibilities, with estimates of the required amount ranging from \$30,000 to \$200,000 per fiscal year. Some Board members have expressed an interest in hiring an executive director; one of whose jobs would be to increase the resources available to the Authority by soliciting funds from permitted sources. Without adequate funding, the Authority may be limited in its effectiveness.

The issue of the Authority's relationship to the Department of Transportation also has been discussed at numerous Board meetings. Some Board members would like to see the Authority's chairperson to be independent of the Department of Transportation. The Authority would then function as a clearinghouse of port related projects. It is felt the Authority can then more freely pursue shipping-based alternatives to land-based transportation of goods, such as feeder port service that is an alternative to highways, as well as other projects that have the goal of revitalizing water transportation.

Another impediment to the effective functioning of the Authority concerns poor attendance at Board meetings. The Board meets ten times per year. We found that on a number of occasions during the audited period there were not enough voting board members attending to permit a quorum to be obtained. Even more important, the attendance at meetings by board members averaged just 56 percent of the total membership during the fiscal years reviewed. In addition, at the time of our review (January 2000), two positions on the board were vacant. Various reasons have been cited for the lack of participation, but whatever the reasons, the effectiveness of the Authority suffers when it does not have full input by its Board members.

The last major issue concerns the current statutory powers granted the Authority, which are inadequate if the Authority is to deal with potentially major port issues. These major issues include - addressing the need of substantial resources to make infrastructure and harbor improvements; maximizing the use of private and public funding, including the aggressive pursuit of Federal funds and, enhancing the potential for the ports to work with each other, in competition with the ports of neighboring States, rather than against each other. Lastly, there is the question of the Connecticut Coastline Port Authority's somewhat undefined relationship to the many local port entities. In addition to the State Pier in New London, there exists the Bridgeport Port Authority, the New London Port Authority, the New Haven Harbor Cooperative and other local and private entities, all having port-related responsibilities.

Our review of the Board minutes found that there is no great desire within the Board to see the Authority continue in its present state. The last several years of the Authority appear to have been frustrating ones. In recent editions of the Auditors of Public Accounts - *Annual Report to the Connecticut General Assembly* our office noted that "In practice, the Authority is little more than an advisory board. Its proper function should be examined by the General Assembly." Accordingly, we make the following recommendation:

Criteria: The Connecticut Coastline Port Authority was established in 1993 by Public Act 93-413 to promote the economic development of the port areas of Bridgeport, New Haven and New London through, among other objectives, planning, coordinating and marketing in support of the entities operating the ports.

Condition: Our review found that while the Authority has attempted to carry out its responsibilities, it is restrained by the legislative intent of operating only in a marketing or promotional capacity, which has been limited in its effectiveness due to a low level of resources and to the Authority's lack of true organizational independence from the Department of Transportation. Board members' attendance at meetings has been poor. In addition, the Authority's limited powers has left it unable to deal effectively with pending major port issues and with the numerous local port entities.

Effect: The effectiveness of the Connecticut Coastline Port Authority has been limited. After several years of existence there is still continual debate as to what the proper function, role, and activities of the Connecticut Coastline Port Authority should be.

Cause: Many causes have contributed to this condition. The most prominent causes appear to be the lack of adequate resources for the Authority, the Authority's lack of true organizational independence from the Department of Transportation, Board members' poor attendance at the Authority's meetings, and the Authority's limited statutory powers to deal with major pending port issues and with the local port entities.

Recommendation: The Connecticut Coastline Port Authority should request that the General Assembly examine the role and function of the Authority and make changes to the legislation that created it. (See Recommendation 1.)

Auditee Response: "The Department agrees with the preliminary finding noted, however, the Department benefits from the existence of the Connecticut Coastline Port Authority in its present state. As stated in the Auditors' findings, the Authority does advise the Department on port matters, particularly in the area of economic development and marine terminal improvement needs. The Authority voting members are currently preparing an economic analysis, which will serve as a platform for developing a request to the General Assembly to make changes in the enabling legislation. As an ex officio member, the Department will consider the Auditors' recommendation when the legislation is raised."

Auditors Concluding

Comments: The Commissioner of Transportation, who also serves as Chairperson of the Connecticut Coastline Port Authority, drafted the above response.

CONDITION OF RECORDS

Our review disclosed certain areas requiring improvement or attention as discussed below.

Statutory Compliance:

Our review of compliance with statutory requirements disclosed the following:

- Criteria:* Section 32-434 of the General Statutes requires submission of quarterly reports on the Authority's activities to designated committees of the General Assembly. Section 32-433 of the General Statutes requires submission of an annual report. Section 32-426 subsection (c) of the General Statutes requires the Authority's directors to annually elect one member as Board secretary.
- Condition:* The Authority did not prepare quarterly reports for eight of the 12 quarters for the three fiscal years audited. The Authority did not prepare an annual report for the fiscal year ended June 30, 1998. The Board's secretary has been elected only twice, the last time in September 1997.
- Effect:* The Authority did not comply with the statutory requirements.
- Cause:* The cause appears to be a lack of oversight on the part of the Authority to comply with these statutory requirements.
- Recommendation:* The Authority should comply with the statutory requirements governing the preparation of quarterly and annual reports, and the annual election of the Board secretary. (See Recommendation 2.)
- Agency Response:* "The Department agrees with the preliminary finding noted. As an ex officio member, we will take action to ensure that the Connecticut Coastline Port Authority complies with the statutory requirements governing its operation. Specifically, a quarterly report form and an annual report form will be provided to the Secretary. The Authority meeting agendas will be amended to include the approval of the reports and the annual election of a Secretary and remain on the agendas until a quorum is formed to approve these events."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The meeting minutes of the Board of Directors should reflect compliance with statutory requirements and parliamentary procedure. Our current review found substantial improvement has been made and therefore we consider the Recommendation to be implemented.
- The Authority should comply with statutory requirements governing its operations. Our current review found some improvement in this area. By-laws have been adopted and a letter of appointment was obtained for the one Authority Board member for which no letter was previously on file. However, our current review found continual noncompliance with the statutory requirement pertaining to the preparation of quarterly reports and annual reports, and with the annual election of a secretary of the Board of Directors. According, the Recommendation is being repeated in a modified form. (See Recommendation 2.)

Current Audit Recommendations:

- 1. The Connecticut Coastline Port Authority should request that the General Assembly examine the role and function of the Authority and make changes to the legislation that created it.**

Comment:

Our review found that while the Authority has attempted to carry out its responsibilities, it is restrained by the legislative intent of operating only in a marketing or promotional capacity, which has been limited in its effectiveness due to a low level of resources and to the Authority's lack of true organizational independence from the Department of Transportation. Board members' attendance at meetings has been poor. In addition, the current statutory powers of the Authority do not permit it to deal effectively with pending major port issues and with the numerous local port entities.

- 2. The Authority should comply with the statutory requirements governing its operations.**

Comment:

The Authority did not produce quarterly reports in eight of 12 quarters during the audited period. The Authority did not produce an annual report for the fiscal year ended June 30, 1998. A member of the Board of Directors was not annually elected secretary as required.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Connecticut Coastline Port Authority, as maintained by the Department of Transportation, for the fiscal years ended June 30, 1997, 1998, and 1999. This audit was primarily limited to performing tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the Authority's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the Authority are complied with, (2) the financial transactions of the Authority are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Authority are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Transportation for the fiscal years ended June 30, 1997, 1998, and 1999, 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 Coastline Port Authority 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 Coastline Port Authority is the responsibility of the Connecticut Coastline Port Authority's management.

As part of obtaining reasonable assurance about whether the Authority 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 Authority's financial operations for the fiscal years ended June 30, 1997, 1998, and 1999, 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 Coastline Port Authority 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 Authority. In planning and performing our audit, we considered the Authority's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Authority's financial operations in order to determine our auditing procedures for the purpose of evaluating the Connecticut Coastline Port Authority'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.

Our consideration of the internal control over the Authority's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be material or significant weaknesses. 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 failure to safeguard assets that would be material in relation to the Authority's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Authority being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control that we consider to be material or significant weaknesses.

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

We wish to express our appreciation for the cooperation and courtesy extended to our representatives by the Connecticut Coastline Port Authority and by the officials and staff of the Department of Transportation during this examination.

Matthew Rugens
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

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