

STATE OF CONNECTICUT

**AUDITORS' REPORT
CONNECTICUT PORT AUTHORITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 and 2001**

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

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June 19, 2002

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We have examined the financial records of the Connecticut Port Authority as maintained by the Department of Transportation for the fiscal years ended June 30, 2000 and 2001. 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 Port Authority was established on July 1, 1993 as the Connecticut Coastline Port Authority, under the provisions of Public Act 93-413, which were codified primarily as Sections 32-425 through 32-434 of the General Statutes. The name of the Authority was changed to the Connecticut Port Authority effective July 6, 2001, under the provisions of Public Act 01-143, passed during the 2001 session of the General Assembly, which also increased the responsibility of the Authority. 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 initially 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. With the enactment of Public Act 01-143 of the 2001 Regular Session of the General Assembly, effective July 6, 2001, the Authority is now responsible for promoting economic development for all ports in the State.

Auditors of Public Accounts

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 of the General Statutes, 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, both of whom 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, 2001, 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
Jannette J. Parker
Martin Toyen

Appointed by the Legislative Leaders:

Joseph C. Savino Herbert H. Steinhardt
Bert Kaplan Joseph Riccio
Daniel McNerney 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

There were three vacancies on the Board of Directors at June 30, 2001.

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

Appointed by the Governor:

Matthew Nemerson
Lillian J. Phillip

Appointed by the Legislative Leaders:

Gabriel Biafore

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.

Compliance Audit:

Section 1-122 of the General Statutes requires each quasi-public State agency to annually contract for an audit to determine whether the agency has complied with its regulations concerning affirmative action, personnel practices, the purchase of goods and services, the use of surplus funds and the distribution of loans, grants and other financial assistance. Because the Connecticut Port Authority does not receive its own funding, and does not employ its own personnel, the Authority did not have such an audit performed 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 \$6,923 and \$10,429 during the fiscal years ended June 30, 2000 and 2001, respectively, as summarized below, with the fiscal year ended June 30, 1999 presented for comparison purposes.

	<u>Schedule of Expenditures</u>		
	<u>Fiscal Year Ended June 30,</u>		
	<u>1999</u>	<u>2000</u>	<u>2001</u>
	\$	\$	\$
Contractual Services:			
Advertising and marketing	990	0	0
Dues and subscriptions	1,705	738	950
Travel	1,993	1,621	1,923
Conference costs	201	2,140	2,452
Fees for outside professional services	1,538	1,352	1,706
All other contractual services	<u>1,176</u>	<u>0</u>	<u>397</u>
Total Contractual Services	7,603	5,851	7,428
Commodities:	<u>1,287</u>	<u>1,072</u>	<u>3,001</u>
Total Expenditures	<u>\$ 8,890</u>	<u>\$ 6,923</u>	<u>\$ 10,429</u>

Dues and subscriptions were primarily expenditures for trade magazines and other industry printed material. Travel and 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.

CONDITION OF RECORDS

No exceptions were noted during our review of the Connecticut Port Authority's records.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The Connecticut 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. Our current review found that the Authority took steps to generate legislative changes relative to the Authority, and legislative changes were made under Public Act 01-143, effective July 6, 2001. We consider the Recommendation to be implemented; however, we note that the Authority still receives only a minimal amount of funding through the Department of Transportation; it has not been given any additional financial resources. As noted in our prior report, without adequate funding, the Authority may be limited in its effectiveness.
- The Authority should comply with the statutory requirements governing its operations. This Recommendation was a repeat in the prior audit, in a modified form. Our current review found considerable improvement in this area. The Authority produced all required quarterly and annual reports. A member of the Board of Directors was elected secretary. However, we found that the Board of Directors continues to have a high percentage of their meetings failing to meet the requisite members in attendance to constitute a quorum. The Authority has demonstrated its concern with Board of Directors attendance and has taken measures to improve upon it. We consider this Recommendation to be implemented.

Current Audit Recommendations:

No recommendation resulted from our current review.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Connecticut Port Authority, as maintained by the Department of Transportation, for the fiscal years ended June 30, 2000 and 2001. 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, 2000 and 2001, 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 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 Port Authority is the responsibility of the Connecticut 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, 2000 and 2001, 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*.

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

The management of the Connecticut 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 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 Port Authority and by the officials and staff of the Department of Transportation during this examination.

Mark Dickerson
Associate Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

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