

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
CONNECTICUT RESOURCES RECOVERY AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009*

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

## TABLE OF CONTENTS

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<b>INTRODUCTION</b> .....	1
<b>SCOPE OF AUDIT</b> .....	1
<b>COMMENTS</b> .....	2
Foreword.....	2
Board of Directors and Administrative Officials.....	2
State of Connecticut Loans and Special Capital Reserve Fund.....	3
Other Examinations .....	4
Résumé of Operations.....	4
Mid – Connecticut Project .....	4
Bridgeport Project.....	6
Wallingford Project.....	7
Southeast Project.....	7
Summary of Revenues, Expenses and Net Income .....	8
Statement 18 of the Governmental Accounting Standards Board .....	9
<b>CONDITION OF RECORDS</b> .....	10
Accountability of Inventory Assets .....	10
<b>RECOMMENDATIONS</b> .....	11
<b>CERTIFICATION</b> .....	12
<b>CONCLUSION</b> .....	14

September 3, 2010

**AUDITORS' REPORT  
CONNECTICUT RESOURCES RECOVERY AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

We have made an examination of the books, records and accounts of the Connecticut Resources Recovery Authority (CRRA or the Authority), as provided in Section 2-90, Section 1-122 and Section 22a-263 of the General Statutes, for the fiscal year ended June 30, 2009.

**SCOPE OF AUDIT:**

This audit was primarily limited to performing tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grants, including but not limited to a determination of whether the Authority has complied with its regulations concerning the following areas:

- Affirmative action
- Personnel practices
- Purchase of goods and services
- Use of surplus funds
- Distribution of loans, grants and other financial resources

We also considered the Authority's internal control over its financial operations and its 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 Authority's financial operations and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objects. Our consideration of internal control included the five areas identified above.

Our audit included a review of a representative sample of the Authority's activities during the audited period in the five areas noted above and a review of other such areas as we considered necessary. The financial statement audit of the Authority, for the fiscal year ended June 30, 2009, was conducted by the Authority's independent public accountants.

This report on our examination consists of the following Comments, Condition of Records, and Recommendations which follow.

## COMMENTS

### FOREWORD:

The Connecticut Resources Recovery Authority operates primarily under the provisions of Sections 22a-257 through 22a-285k of the General Statutes. The Authority is a public instrumentality and political subdivision of the State, established and created as a public benefit corporation under the provisions of the Solid Waste Management Services Act (Title 22a, Chapter 446e of the General Statutes).

The function of the Authority is to implement effective systems and facilities for solid waste management and large-scale resources recovery in order to achieve maximum environmental and economic benefits for the people and municipalities of the State of Connecticut. The Authority is to provide solid waste management services to municipalities, regions and persons within the State by receiving solid wastes at its facilities on a contractual basis. Revenue produced from such services and recovered resources are to provide for the support of the Authority and its operations on a self-sustaining basis. Unrestricted net assets are available to finance future operations or to be returned through reduced tip fees or rebates. The Board of Directors of the Authority may also designate unrestricted net assets for special purposes.

Under the provisions of Section 22a-262 of the General Statutes, the Authority is authorized to utilize, through contractual arrangements, private industry to implement some or all of the solid waste management plan and such other activities it considers necessary.

### Board of Directors and Administrative Officials:

Section 22a-261c of the General Statutes provides for a Board membership of eleven directors; three appointed by the Governor; two appointed by the president pro tempore of the Senate; two appointed by the Speaker of the House of Representatives; two appointed by the minority leader of the Senate; and two appointed by the minority leader of the House of Representatives. In addition, no director may be a member of the General Assembly nor shall more than two directors appointed by the Governor be a member of the same political party.

As of June 30, 2009, the directors of the Authority were as follows:

Appointed by the Governor:

Michael A. Pace, Chair  
Linda Savitsky  
Timothy C. Griswold

Appointed by Legislative Leaders:

Alan Desmarais  
Michael J. Jarjura  
Mark A. Lauretti  
Theodore H. Martland  
James Miron  
Raymond J. O'Brien  
David Damer

Section 22a-261(g) of the General Statutes provides that if the legislative body of a municipality that is the site of an Authority facility passes a resolution requesting the Governor to appoint a resident of such municipality to be an ad hoc member, the Governor shall make such appointment upon the next vacancy for the ad hoc members representing such facility. The Governor shall appoint with the advice and consent of the General Assembly ad hoc members to represent each facility operated by the Authority provided at least one-half of such members shall be chief elected officials of municipalities, or their designees. Each facility shall be represented by two such members. The facilities to be represented are the Mid-Connecticut, Bridgeport, Southeast and Wallingford Projects.

As of June 30, 2009, there were four Governor-appointed ad hoc members and five vacancies:

Stephen Edwards	Bridgeport Project
Warren C. Howe Jr.	Wallingford Project
Geno J. Zandri Jr.	Wallingford Project

Ad hoc members are empowered to vote solely on matters pertaining to the projects they represent.

Thomas Kirk was appointed as President of the Authority on November 21, 2002, and served in that capacity throughout the audited period.

### **State of Connecticut Loans and Special Capital Reserve Fund:**

As described in our previous report, the Authority suffered a significant financial hardship as a result of a failed agreement between the Authority's Mid-Connecticut Project and Enron. Subsequent to the bankruptcy of Enron, the General Assembly passed Public Act 02-46 in an effort to help ease the financial situation of the Authority's Mid-Connecticut Project. Public Act 02-46 authorized a loan by the State to the Authority of up to \$115,000,000 to support the repayment of the Authority's debt for the Mid-Connecticut facility and to minimize the amount of tipping fee increases chargeable to the towns which use the Mid-Connecticut facility. In the following year the General Assembly passed Public Act 03-5, which authorized a loan by the State to the Authority for \$22,000,000 of the \$115,000,000 through June 30, 2004. The \$22,000,000 authorized included a previous authorization of \$2,000,000 from fiscal year 2003. During March 2004, the State further approved a \$20,000,000 loan to the Authority for fiscal year 2005.

As of June 30, 2007, the Authority had drawn down \$21,500,175 of the authorized State loans and after repayments had a principal balance of \$13,320,000 outstanding. The Authority makes monthly loan repayments comprising both principal and interest payments. The monthly interest rate on the State loans equals the monthly State Treasurer's Short Term Investment Fund rate plus 25 basis points, and is capped at six percent. The Authority has not made a drawdown on State loans since December 2004. On October 26, 2006, the Authority's Board of Directors authorized the full repayment of the State loans from the escrow established for such purposes. On February 15, 2008, the Authority paid the State Loans in full.

The Authority's debt for the Mid-Connecticut facility is secured by revenues from the participating member towns under service agreements that commit the towns to deliver a minimum amount of waste to the facility each year. In addition, the non-defeased Mid-Connecticut project bonds are further secured by municipal bond insurance and by the Special Capital Reserve Fund (SCRF) of the State of Connecticut whereby the State is obligated to maintain a minimum capital reserve for the bonds to the extent the Authority uses monies in the special capital reserve fund to pay debt service on the Authority's outstanding bonds. As of June 30, 2008 and June 30, 2009 the Authority had approximately \$15,290,000 in Mid-Connecticut bonds outstanding, of which \$15,290,000 was 1996 Series A Bonds, secured by the State's Special Capital Reserve Fund.

**Other Examinations:**

As noted previously in this report, the financial statements of the Authority have been subject to annual audits by independent public accountants (IPAs). We have excerpted data from these audited financial statements that we present in the project discussions in the following section of this report.

Along with their audit report on the Authority's financial statements, the IPAs issued a separate management letter to the CRRA Board of Directors on September 24, 2009. They identified matters which appeared to require the strengthening of internal controls or presented opportunities for improved operating efficiency. They are summarized as follows:

- The Authority staff was not able to readily find copies of authorized contracts for some of the Authority's arrangements. These contracts are important documents and could become critical in the event of a disagreement with a contractor or customer.
- We understand that some administrator accounts are being shared and there is no formal, documented review of administrative activity by management.

**RÉSUMÉ OF OPERATIONS:**

The Authority's financial operations are comprised of four comprehensive solid waste disposal systems and a General Fund. Each of the operating systems has a unique legal, contractual, financial and operational structure described as follows:

**Mid-Connecticut Project:**

The main components of this project are located in Hartford and consist of a waste processing facility, power block facility and regional recycling center located in Hartford. There are four operating transfer stations located in Torrington, Essex, Watertown and Ellington, and landfills in Hartford and Ellington. The Mid-Connecticut Project was certified for commercial operation on October 25, 1988.

The waste processing facility, owned by the Authority, converts municipal solid waste into "refuse derived fuel" (RDF) by removing ferrous metals; screening and removal of process residues consisting of glass, grit, and other inert materials; and then shredding the trash. The shredded mixture is then blown into boilers located in the power block facility. The Mid-

Connecticut Project is the only facility in Connecticut to utilize the RDF technology. The waste processing facility and the Hartford landfill are operated by the Metropolitan District Commission under contract with the Authority. The power block facility and energy generating facility are operated by Covanta Energy Corp., under contract with the Authority during the audited period.

In conjunction with the deregulation of the State's electric industry, the Authority acquired energy generating assets that include four peaking jet turbines, two steam turbines, and certain land and other assets from the Connecticut Light and Power Company. Operating and maintenance agreements were entered into with the Northeast Generation Services Company to operate the jet turbines and with Covanta Mid-Conn, Inc. to operate the steam turbines.

On October 25, 2007, per count order, the Authority reduced the Mid-Connecticut Project tip fee for municipalities for the remainder of fiscal year 2008. The hauler's rate remained at \$69/ton for the entire year. The Mid-Connecticut Project tip fee was reduced to \$62 per ton for the period January 1- June 30, 2009. Below are selected revenue amounts extracted from the audited financial statements along with processed municipal solid waste (MSW) tonnage and member town tipping fees.

<u>Fiscal Year</u>	<u>2008-2009</u>	<u>2007-2008</u>
MSW tonnage processed	800,894	734,656
Member and other service charges	\$53,363,000	\$54,142,000
Energy generation	\$30,773,000	\$28,773,000
Member town tipping fee per ton	\$72.00/62.00	\$69.00

The permitted rated capacity of this project is 888,888 tons of MSW per year.

The Mid-Connecticut Project includes two intermediate processing facilities (IPF) located in Hartford. At these facilities, recyclable materials are delivered from member towns, separated and then sold to end markets. One facility processes newsprint, corrugated cardboard and office paper. The second processes glass, plastic and metal containers. The Authority owns the container processing portion of the Regional Recycling Center, and leases the paper processing portion. A new combined recycling facility, replacing the container only processing facility, opened in May 2007. This new facility was designed and built by FCR. Under FCR's agreement with CRRA, FCR paid the entire cost of the project.

Financial transactions of both recycling facilities are accounted for within the Mid-Connecticut Project fund. To date, the Authority has not charged member towns a tip fee for recyclables brought to the two facilities. The recycling operation is not financially self-sustaining, as operations are subsidized by service charges (MSW tipping fees) and energy generation revenue of the Mid-Connecticut Project. CRRA has responsibility for all debt issued in the development of the Mid-Connecticut system.

There are four transfer stations owned by the Authority. The Torrington transfer station opened in March 1988. The Essex transfer station opened in October 1988. The Ellington transfer station opened in August 1990 and the Watertown transfer station opened in December

1990. The Authority leases the land for the Essex transfer station and the paper-processing portion of the Regional Recycling Center and owns the land for the Resources Recovery Facility.

The Hartford landfill, owned by the City of Hartford, is leased to the Authority. The landfill contains a methane gas extraction and collection system, which had been installed to reduce the odors and emissions produced. The Hartford landfill closed in 2008. The Authority owns the Ellington landfill, which was closed in 1998.

**Bridgeport Project:**

The Bridgeport trash-to-energy project utilizes "mass burn" technology. In contrast with the Mid-Connecticut project, there is no shredding of trash and there is minimal separation of ferrous metals. The "mass burn" technology is much simpler than the RDF technology described in the preceding section of this report.

The Project is owned by the Authority and operated by Bridgeport Resco Company, L.P., a subsidiary of Wheelabrator Environmental Systems, Inc. The Resources Recovery Facility is leased to the Bridgeport Resco Company, L.P. under a long-term arrangement. The Bridgeport Resco Company, L.P. has beneficial ownership of the facility through this arrangement and is obligated to pay for the costs of the facility including debt service (other than the portion allocable to Authority purposes, for which the Authority is responsible). The Authority derives its revenues from service fees charged to member municipalities and other system users. The Authority pays the Bridgeport Resco Company, L.P. a contractually determined disposal fee.

The Authority has no rights to electricity sales revenue derived from this project; therefore, electric revenue is not shown in the financial and operating summary below. The project has an annual rated capacity of 821,250 tons of municipal solid waste.

<u>Fiscal Year</u>	<u>2008-2009</u>	<u>2007-2008</u>
MSW tonnage processed	Terminated 1/1/09	742,073
Member and other service charges	\$26,280,000	\$47,186,000
Member town tipping fee per ton	\$80.00	\$76.00

The Authority also owns eight transfer stations that feed into the Bridgeport project; these stations are located in Darien, Fairfield, Greenwich, Milford, Norwalk, Shelton, Trumbull and Bridgeport. The Bridgeport Resco Company, L.P. operates all eight transfer stations. There are other municipally-owned stations that also feed into the Bridgeport project. Ash from the Bridgeport project was delivered to a landfill in Shelton, until February 1998. Currently, ash residue is disposed of at the Putnam landfill under contract with Wheelabrator.

There are two advisory boards that provide oversight to the operations of the Bridgeport project. The Southwest Regional Recycling Operating Committee (SWEROC) is a separate governmental entity as authorized under Section 22a-221a of the General Statutes; SWEROC provides oversight for the recycling operations of the Bridgeport project member towns. The Greater Bridgeport Solid Waste Advisory Board, also known as the "Interlocal", provides advice regarding the operations of the Bridgeport waste-to-energy plant. The "Interlocal" was created in accordance with the municipal service agreements.

**Wallingford Project:**

The project consists of a Resources Recovery Facility, owned by the Authority and operated by Covanta Projects of Wallingford, L.P., and a leased landfill in Wallingford. This project started commercial operation on May 26, 1989. The Resources Recovery Facility is leased to Covanta Projects of Wallingford under a long-term arrangement. The private vendor has beneficial ownership of the facility through this arrangement. The vendor is responsible for operating the facility and servicing the debt (other than the portion allocable to Authority purposes for which the Authority is responsible). The project's revenues are primarily service fees charged to users and fees for electrical energy generated. The Authority pays the vendor a contractually determined service fee. The operating contract has provisions for revenue sharing with the vendor if prescribed operating parameters are achieved. This plant is designed to process 153,300 tons of municipal solid waste per year utilizing the "mass burn" technology.

<u>Fiscal Year</u>	<u>2008-2009</u>	<u>2007-2008</u>
MSW tonnage processed	146,854	143,326
Member and other service charges	\$8,694,000	\$8,826,000
Energy generation	\$8,276,000	\$11,189,000
Member town tipping fee per ton	\$60.00	\$59.00

The Wallingford Project Policy Board provides advice to the Authority with regard to the operation of the Wallingford project. The Board was created in accordance with the municipal service agreements.

**Southeast Project:**

The Southeast Project consists of a "mass burn" Resources Recovery Facility in Preston and a landfill in Montville which has been closed. The Resources Recovery Facility began operation in 1992 and is owned by the Authority and leased to American Ref-Fuel of Southeastern Connecticut. The private vendor has beneficial ownership of the facility through this arrangement. The vendor is responsible for operating the facility and servicing the debt (other than the portion allocable to Authority purposes, for which the Authority is responsible). The Authority derives revenues from service fees charged to participating municipalities and pays the vendor a service fee for the disposal service.

The permit capacity of this project is 251,850 tons of municipal solid waste per year. The tipping fee for this project is set by Southeastern Connecticut Regional Resources Recovery Authority (SCRRA), which operates in accordance with Sections 7-273aa to 7-273pp of the General Statutes. Currently, ash residue is disposed of at the Putnam Landfill under contract with Wheelabrator.

## *Auditors of Public Accounts*

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Selected revenue and tonnage amounts, as shown below, have been obtained from the audited financial statements. Electric energy and nonmember town revenues accrue to the private vendor with certain contractually prescribed credits to the service fee for these revenue types.

<u>Fiscal Year</u>	<u>2008-2009</u>	<u>2007-2008</u>
MSW tonnage processed	262,259	258,209
Member and other service charges	\$9,255,000	\$10,955,000
Energy generation	\$15,519,000	-
Member town tipping fee per ton	\$60.00	\$60.00

### **Summary of Revenues, Expenses and Net Income:**

Revenues, expenses and net income for the Authority for the audited period, as compared to the previous fiscal year, were as follows:

	<u>2008-2009</u>	<u>2007-2008</u>
Operating revenues:		
Service charges: Members	\$ 77,236,000	\$ 86,455,000
Service charges: Others	26,838,000	33,308,000
Energy sales	54,568,000	54,460,000
Ash disposal and other revenues	<u>13,061,000</u>	<u>15,765,000</u>
Total operating revenues	<u>171,703,000</u>	<u>189,988,000</u>
Operating Expenses:		
Solid waste operations	134,944,000	151,887,000
Depreciation/amortization	17,398,000	18,184,000
Maintenance and utilities	1,168,000	3,862,000
Landfill closure/post-closure	10,507,000	5,114,000
Project administration	11,481,000	10,091,000
Distribution to member towns	<u>26,675,000</u>	<u>-</u>
Total operating expenses	<u>200,951,000</u>	<u>189,138,000</u>
Operating (loss) income	(29,248,000)	850,000
Non-operating (expenses) and income	<u>6,437,000</u>	<u>9,851,000</u>
<b>Net Income (Loss)</b>	<b><u>\$ 22,811,000</u></b>	<b><u>\$ 10,701,000</u></b>

Operating revenues decreased by \$18.3 million or 9.6% during fiscal year 2009 from fiscal year 2008 and decreased by \$4.1 million or 2.1% during fiscal year 2008 from fiscal year 2007. The fiscal year 2009 decrease is primarily due to a \$15.7 million decrease in member and contract deliveries, a \$2.2 million decrease in ash disposal reimbursement, and a \$511,000 decrease in other operating revenues. The fiscal year 2008 decrease is primarily due to a \$6.0 million decrease in member and contract deliveries and a \$1.3 million decrease in other operating revenues, partially offset by a \$3.1 million increase in energy sales.

Operating expenses increased by \$12.6 million or 7.4% during fiscal year 2009 primarily due to a \$26.7 million distribution to the Wallingford Project member towns and a \$5.4 million increase in landfill closure and post-closure costs, offset by a \$16.9 million decrease in solid waste operations and a \$2.7 million decrease in maintenance and utilities. Operating expenses decreased by \$31.7 million or 15.6% during fiscal year 2008 primarily due to a \$29.5 million decrease in landfill closure and post-closure costs as a result of a settlement agreement executed in fiscal year 2007 in association with the Hartford landfill, and the impact of increased projected costs at all five landfills, decreased legal services-external of \$3.3 million offset by a \$1.5 million increase in maintenance and utilities.

**Statement 18 of the Governmental Accounting Standards Board:**

Governmental Accounting Standards Board (GASB) Statement 18 requires owners and operators of Municipal Solid Waste Landfills to accrue total closure and postclosure costs over the life of the landfill. These owners and operators must be legally liable for these costs. This Statement is effective for fiscal years beginning after June 15, 1993. It defines closure and postclosure costs as those costs expected near or after the date each landfill stops accepting waste. These costs include, but are not limited to, the following: equipment to be installed, facilities to be constructed, final cover to be applied, monitoring to be performed and maintenance after closure of the landfill. Accruals for closure and postclosure costs are based on the following formula:

$$\frac{\text{Estimated Total Current Cost} \times \text{Cumulative Capacity Used}}{\text{Total Estimated Capacity}} - \text{Amount Previously Recognized} = \text{Accrual}$$

Estimated accrued closure and postclosure costs, for the fiscal year ended June 30, 2009, was \$10,507,000. This compares to estimated costs of \$5,114,000 for the previous fiscal year. The increase from year to year was apparently due to significantly higher closure and post-closure costs for the Shelton landfill and a minor increase in projected costs for the Hartford and Ellington landfills. On December 31, 2008 the Hartford landfill stopped accepting waste; thus all Hartford landfill closure and post-closure care costs were recognized as of June 30, 2009.

## CONDITION OF RECORDS

Our examination of the records of the Connecticut Resources Recovery Authority disclosed certain areas requiring attention, which are detailed in this section of the report.

### **Accountability of Inventory Assets:**

*Criteria:* Sound internal control standards dictate that, in order to maintain accountability, a complete periodic physical inventory should be conducted to determine if actual inventory on hand reflects that which is recorded on the inventory records. The Connecticut Resources Recovery Authority's (CRRA) Policy and Procedure No. 280 states that, "[the] staff accountant will conduct a test count sampling on a quarterly basis. The objectives are to test the inventory system managed by CRRA operators and to ensure that inventory items are neatly organized and exist."

*Condition:* For fiscal year 2009, we reviewed the physical inventories over eight quarters for three operating vendors. The purpose of the review was to determine whether CRRA conducted sample test counts of their operating vendor's quarterly physical inventories. Our review found that sample test counts were not performed by the Authority for six of the 24 quarters.

*Effect:* A reduction in the Authority's monitoring of its operating vendor's physical inventories increases the risk that inventory items will not be properly organized and/or safeguarded.

*Cause:* Authority staff shortages appear to have contributed to the condition noted above.

*Recommendation:* The Authority should allocate the necessary resources to ensure that sample test counts are performed on all its operating vendor's quarterly physical inventories.

*Agency Response:* "The Authority concurs with this finding. The Authority has reevaluated and reallocated its resources for the quarterly sample test counts performance. As a result, the quarterly test counts have been resumed during Spring 2010 and will be continued on a quarterly basis."

## RECOMMENDATIONS

*Prior Audit Recommendations:*

- Our prior audit covering fiscal year 2008 contained no recommendations.

*Current Audit Recommendations:*

- 1. The Authority should allocate the necessary resources to ensure that sample test counts are performed on all its operating vendor's quarterly physical inventories.**

Comment:

Although gains have been made toward getting the operating vendors to successfully perform a physical inventory over the spare parts inventory, the Authority has not yet been able to place reliance on the valuation of its spare parts inventory due to discrepancies in counts noted.

## INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 and Section 1-122 of the General Statutes we have conducted an audit of Connecticut Resources Recovery Authority activities for the fiscal year ended June 30, 2009. This audit was primarily limited to performing tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, including but not limited to a determination of whether the Authority 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, grant agreements and other financial resources, and to understanding and evaluating the effectiveness of the Authority's internal control policies and procedures for ensuring that the provisions of certain laws, regulations, contracts and grant agreements applicable to the Authority are complied with. The financial statement audit of the Connecticut Resources Recovery Authority, for the fiscal year indicated above, was conducted by the Authority's independent public accountants.

We conducted our audit in accordance with the requirements of Section 2-90 and Section 1-122 of the General Statutes. In doing so, we planned and performed the audit to obtain reasonable assurance about whether the Connecticut Resources Recovery Authority complied in all material respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of internal control 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 and Compliance:**

In planning and performing our audit, we considered the Connecticut Resources Recovery Authority's internal control over its financial operations and its compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Authority's financial operations 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 Authority's internal control over those control objectives. Our consideration of internal control included, but was not limited to, the following areas:

- Affirmative action
- Personnel practices
- Purchase of goods and services
- Use of surplus funds
- Distribution of loans, grants and other financial resources.

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. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to properly initiate, authorize, record, process, or report financial data reliably consistent with management's direction, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that noncompliance with laws, regulations, contracts and grant

agreements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

Our consideration of the internal control over the Authority's financial operations and compliance with requirements would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and or material weaknesses. We did not identify any deficiencies in internal control over the Authority's financial operations and compliance with requirements that we consider to be material weaknesses, as defined above.

However, we noted certain matters involving internal control over the CRRA's financial operations and/or compliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

#### **Compliance and Other Matters:**

As part of obtaining reasonable assurance about whether the Connecticut Resources Recovery Authority 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 Authority's financial operations for the fiscal year ended June 30, 2008, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including but not limited to the following areas:

- Affirmative action
- Personnel practices
- Purchase of goods and services
- Use of surplus funds
- Distribution of loans, grants and other financial resources.

Our examination included reviewing all or a representative sample of the Authority's activities in those areas and performing such other procedures as we considered necessary in the circumstances. The results of our tests disclosed no instances of noncompliance.

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. Users of this report should be aware that our audit does not provide a legal determination of the Authority's compliance with the provisions of the laws, regulations contracts and grant agreements included within the scope of this audit.

**CONCLUSION**

In conclusion, we wish to express appreciation for the courtesy and cooperation extended to our representatives by the personnel of the Connecticut Resources Recovery Authority during the course of this examination.

Nikolaos Perdikakis  
Auditor II

Approved:

Robert G. Jaekle  
Auditor of Public Accounts

Kevin P. Johnston  
Auditor of Public Accounts