

STATE OF CONNECTICUT



*AUDITORS' REPORT
CONNECTICUT SITING COUNCIL
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2005*

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

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September 21, 2007

**AUDITORS' REPORT
CONNECTICUT SITING COUNCIL
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2005**

We have examined the financial records of the Connecticut Siting Council for the fiscal years ended June 30, 2004 and 2005. 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 including the Connecticut Siting Council. This audit examination has been limited to assessing compliance with certain provisions of financial related laws, regulations and contracts and evaluating the internal control structure policies and procedures established to ensure such compliance.

COMMENTS

FOREWORD:

The Connecticut Siting Council (Siting Council) operates primarily under Title 16, Chapter 277a and several sections of Title 22a of the General Statutes. A chairman, appointed by the Governor from among the five public members, heads the Siting Council, as provided for in Section 16-50j, subsection (e), of the General Statutes. The chief administrative officer of the Siting Council is the executive director, who is appointed in accordance with Section 16-50j, subsection (g), of the General Statutes.

Statutory responsibilities of the Siting Council include site regulation of electric generating facilities and substations of utilities and large private power producers, fuel and electric transmission lines, community antenna television towers, cellular telephone towers and telecommunication towers owned or operated by the State or public service companies (Chapter 277a); hazardous waste management facilities (Chapter 445); a low level radioactive waste management facility (Chapter 446a) and ash residue management facilities (Chapters 446d and 446e). Section 16-50aa of the General Statutes authorizes the Siting Council to regulate the shared use of existing telecommunication towers to avoid the proliferation of unnecessary tower structures. In accordance with Section 16-50r of the General Statutes, the Siting Council publishes a ten-year forecast of electric loads and resources.

The Siting Council's primary mission is to provide a regulatory process for balancing the need for adequate and reliable public utility services with the need to protect the environment and ecology of the State, and to regulate siting of hazardous waste and low-level radioactive waste facilities in order to protect the health and safety of Connecticut citizens. The Siting Council reviews and acts on applications for approval of sites for construction, operation, and maintenance of facilities for electric generation and transmission, fuel transmission, telecommunications, hazardous waste management, low-level radioactive waste management, and ash residue management.

According to the Siting Council, 77 public hearings were held in fiscal year 2003-2004 and 46 public hearings were held in fiscal year 2004-2005. Other activities of the Siting Council during the fiscal years audited included Council meetings, petitions for declaratory rulings, dockets filed and adjudicated, certificates issued, administering modifications to facilities, tower sharing orders, and approval or development of management plans. The Siting Council reports conducting a total of 468 activities in fiscal year 2003-2004, and 321 activities in fiscal year 2004-2005, as compared to 420 activities in fiscal year 2002-2003.

Siting Council Members:

Pursuant to Section 16-50j, subsections (b) through (d), of the General Statutes, the Siting Council may consist of between nine and thirteen duly appointed members depending on the type of proceedings being heard. Members of the Siting Council, as of June 30, 2005, were as follows:

Permanent Members:

Pamela B. Katz, Chairman
Philip T. Ashton
James J. Murphy Jr.
Colin C. Tait, Esq.
Edward S. Wilensky
Daniel P. Lynch
Barbara Currier Bell

Brian O'Neill also served on the Siting Council during the audited period.

Additional Members for Energy and Telecommunications Matters (as of June 30, 2005):

Commissioner of Environmental Protection:
Regina McCarthy

Chairperson, Public Utilities Control Authority:
Donald W. Downes

Additional Members for Hazardous Waste, Low Level Radioactive Waste and Ash Residue Disposal Matters (as of June 30, 2005):

Commissioner of Public Health:
J. Robert Galvin, M.D, M.P.H.

Commissioner of Public Safety:
Leonard C. Boyle

In addition, in proceedings concerning Hazardous Waste and Low Level Radioactive Waste matters, the Siting Council will also include four ad hoc members, three of whom shall be electors from the municipality in which a proposed facility is to be located and one elector from a neighboring municipality likely to be most affected by the proposed facility. There were no meetings of the Hazardous Waste and Low Level Radioactive Waste, or Ash Residue Disposal committees during the audited period.

Pursuant to Section 16-50j, subsection (f), of the General Statutes, the public members of the Siting Council, including the chairman, the members appointed by the Speaker of the House, and President pro tempore of the Senate, and the four ad hoc members, shall be compensated for their attendance at public hearings, executive sessions, or other Council business at the rate of one hundred fifty dollars, provided in no case shall the daily compensation exceed one hundred fifty dollars. The annual compensation for any member for attending such hearings shall not exceed twelve thousand dollars per year.

S. Derek Phelps served as the Executive Director throughout the audited period.

Significant New Legislation:

Significant new legislation affecting the Siting Council during the audited period included the following:

- Public Act 04-226 requires the chief elected official of each municipality to report to the Siting Council, by October 1 annually, the location, type, and height of each existing telecommunications tower and each existing and proposed antenna subject to local jurisdiction. It also requires each telecommunications services provider to file with the Siting Council the location of antenna arrays servicing cellular and personal communications services telephone operations in the State, other than those on towers. It requires the Siting Council to develop, by

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January 1, 2006, a statewide database on towers and antennas and to develop a statewide telecommunications coverage plan by September 1, 2006, and to annually review and revise the plan as necessary. The Public Act also allows the Siting Council to recover its expenses in developing and maintaining the database and statewide plan from the assessments it imposes on the entities it regulates.

- Public Act 04-246 requires that an application for a certificate to build an electric or gas transmission line or electric substation address the impact of any electromagnetic fields the proposed facility may produce. The Public Act requires the Siting Council to adopt standards for best management practices for electromagnetic fields (EMF's) and by January 1, 2005, report to the Energy and Technology, and Environment Committees its best management practices for EMF's from electric transmission lines and how the Siting Council selected these standards. The Public Act requires the Siting Council to make findings on the impact of EMF's in deciding whether to grant a certificate for the energy (other than power plants) and telecommunications facilities it regulates, eliminates a rebuttable presumption that an application for a transmission line with a capacity of 345 kilovolts or more, that proposes placing the line underground in all residential areas and overhead in industrial open spaces, meets the law's standards to public need or benefit that apply to underground and overhead lines.

RÉSUMÉ OF OPERATIONS:

The operations of the Siting Council are accounted for within the Siting Council Fund. Receipts consisted primarily of assessments on applicable energy and communications services, and recoveries of expenditures from applicants for costs incurred in conducting hearings and proceedings, in accordance with Section 16-50v of the General Statutes. A comparative summary of Siting Council Fund receipts for the fiscal years ended June 30, 2004 and 2005, as compared to the prior fiscal year is presented as follows:

	Fiscal Year Ended June 30,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Annual Assessments:			
Energy Industry	\$332,082	\$303,130	\$536,711
Communications Services Industry	723,328	881,996	772,499
Recoveries of Expenditures:			
Energy Industry	92,859	399,258	921,675
Communications Services Industry	345,191	587,315	377,633
Miscellaneous recoveries	<u>1,064</u>	<u>0</u>	<u>0</u>
Total Receipts	<u>\$1,494,524</u>	<u>\$2,171,699</u>	<u>\$2,608,518</u>

In general, the amounts of the annual assessments fluctuate between the energy industry and the communications services industry based on the amount of time spent by the Siting Council on each industry's dockets and petitions in the prior calendar year and in accordance with the assessment guidelines set forth in Section 16-50v of the General Statutes. Variances in the recoveries of expenditures in each fiscal year are the result of differences in the number of dockets and petitions filed by each industry during each year and the actual expenses and corresponding reimbursements related to each case.

Total receipts increased by \$677,175 in fiscal year 2003-2004 over fiscal year 2002-2003

receipts, an increase of 45 percent. Most of this increase is attributable to increased receipts from recoveries of expenditures associated with various dockets pertaining to the energy and communications services industries. In fiscal year 2004-2005, receipts increased by \$436,819, an increase of 20 percent over 2003-2004 levels, and is mainly attributable to increased receipts from recoveries of expenditures from the energy industry, in association with a particularly large docket (#272). There has been no work performed for the hazardous waste industry since the fiscal year ended June 30, 2000, therefore hazardous waste companies were not assessed during the audited period.

A summary of the Siting Council Fund expenditures for the fiscal years ended June 30, 2004 and 2005, as compared to June 30, 2003, follows:

	Fiscal Year Ended June 30,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Personal services	\$500,319	\$570,690	\$597,352
Contractual services	466,386	645,950	884,852
Commodities	10,008	42,161	26,725
Sundry charges	338,453	349,522	538,792
Equipment	<u>8,048</u>	<u>4,710</u>	<u>14,609</u>
Total Expenditures	<u>\$1,323,214</u>	<u>\$1,613,033</u>	<u>\$2,062,330</u>

Overall, expenditures increased 22 percent in fiscal year 2003-2004 over fiscal year 2002-2003 levels due primarily to increases in personal services and in contractual services. Expenditures increased 28 percent in fiscal year 2004-2005 over fiscal year 2003-2004 levels largely as a result of increases in contractual services, primarily as a result of expenditures for management consulting services associated with a particular docket number (for further discussion see the “Condition of Records” section of this report). In addition, expenditures for “Sundry Charges” increased 54 percent, resulting mostly from a significant increase in expenditures in the “Indirect Overhead” account, from \$83,893 in fiscal year 2003-2004 to \$218,891 in fiscal year 2004-2005.

During each of the fiscal years audited, Siting Council Fund receipts have exceeded expenditures by several hundred thousand dollars. As a result, the Siting Council Fund’s available cash balance increased substantially during this period. As of June 30, 2003, the cash balance was \$415,847. As of June 30, 2004 and as of June 30, 2005, the cash balances were \$978,439 and \$1,520,701, respectively. At the time of our fieldwork, January 2007, the available cash balance had reached a high of \$2,775,743. This balance is in excess of the Siting Council’s normal cash requirements and is discussed further in the “Condition of Records” section of this report.

As of June 30, 2005, the authorized full-time position count of the Siting Council was 11, up from nine as of June 30, 2003.

CONDITION OF RECORDS

Our audit of the Connecticut Siting Council's records disclosed the following areas requiring attention:

Per Diem Payments to the Department of Public Utility Control's Designee:

Criteria: In accordance with Section 16-50j, subsection (f), of the General Statutes, the public members of the Council, including the chairman, the members appointed by the Speaker of the House, and President pro tempore of the Senate, shall be compensated for their attendance at public hearings, executive sessions, or other Council business as may require their attendance at a rate of one hundred fifty dollars, provided in no case shall the daily compensation exceed one hundred fifty dollars.

Condition: During the audited period, the Connecticut Siting Council paid the Department of Public Utility Control's designee (not a current State employee) the per diem rate of \$150. The per diem is limited specifically by the General Statutes to the five public members of the Siting Council and the members appointed by the Speaker of the House and the President Pro Tempore of the Senate, but does not include the DPUC's designee.

In January 2007, the Connecticut Siting Council and the DPUC entered into a Memorandum of Understanding by which the DPUC agreed to reimburse the Siting Council quarterly for the per diem and reasonable travel expenses paid to its designee.

Cause: The DPUC's designee was an employee of that Agency until retiring in May 2003, after which he continued as designee. The Executive Director of the Siting Council realized that after paying the per diem for a number of months, the designee was not eligible to receive it, at which point the payments were suspended.

Effect: Per diem payments totaling \$10,200 and \$10,020 were made during fiscal years ended June 30, 2004 and 2005, respectively, which were not in accordance with Section 16-50j, subsection (f), of the Connecticut General Statutes.

Recommendation: The Connecticut Siting Council should obtain an Attorney General's opinion addressing whether the agency can pay the statutory per diem to the Department of Public Utility Control's designee and then obtain reimbursement under the terms of a Memorandum of Understanding between the two agencies. (See Recommendation 1.)

Agency Response: “The Connecticut Siting Council will follow this suggestion to obtain an Attorney General’s opinion addressing whether the agency can pay the statutory per diem to the Department of Public Utility Control’s designee and then obtain reimbursement under the terms of a Memorandum of Understanding between the two agencies.”

Controls over Personal Service Agreement Expenditures:

Criteria: Section 4-98 of the General Statutes states: “no budgeted agency shall incur any obligation, by order, contract or otherwise, except by the issue of a purchase order, or any other documentation approved by the Comptroller”.

According to the State Comptroller’s State Accounting Manual: “A revised form CO-802A (personal service agreement) must be submitted by the agency for all amendments to the original contract agreement.”

Condition: In association with docket number 272, the Siting Council entered into a personal service agreement for a “price not to exceed \$150,000”. That figure was subsequently increased to \$300,000 by an approved amendment to the contract. The contract price was increased twice more, to \$400,000 and then to \$600,000. Both of these increases were approved by the Office of Policy and Management, but the personal service agreement was never amended as required by the State Accounting Manual. The Siting Council expended a total of \$446,294 on this agreement.

Cause: A lack of administrative oversight appears to be the cause.

Effect: Expenditures made on this agreement over \$300,000 were not supported by a valid personal service agreement.

Recommendation: The Connecticut Siting Council should improve internal controls over expenditures on personal service agreements. (See Recommendation 2.)

Agency Response: “The Connecticut Siting Council acknowledges the error referenced in this recommendation. Given its improved understanding of administrative requirements for the processing of such personal service agreements, the Connecticut Siting Council is able to improve internal controls as necessary and is thus confident that such errors will not reoccur.”

Siting Council Fund Surplus:

Criteria: In accordance with Section 16-50v of the General Statutes, the Siting Council assesses energy facilities and communications services providers for the anticipated expenses of the agency.

The Siting Council's procedures provide for any surplus in the Siting Council Fund at fiscal year-end to be factored into the calculation of the annual assessments, thereby reducing the gross assessments.

Condition: During the fiscal years audited an insignificant amount of the Siting Council Fund's fiscal year-end surpluses were factored into the calculation of the annual assessments. As a result, the Siting Council Fund's cash increased to a balance much greater than needed for agency operations. As of June 30, 2004 and as of June 30, 2005, the cash balance in the Fund was \$978,439 and \$1,520,701, respectively. As of January 2007, the cash balance reached a high of \$2,775,743. Generally, the average cash balance of the Siting Council Fund has been in the \$300,000 to \$400,000 range.

Cause: The transition from the legacy accounting system to Core-CT resulted in uncertainty as to the amount of the available cash surplus, and the departure of personnel experienced with these calculations, appear to have been the primary causes of this condition.

Effect: The Siting Council assessed the energy and communications services industries for amounts in excess of agency requirements during the fiscal years audited.

Recommendation: The Connecticut Siting Council should consistently apply its procedures with respect to year-end cash surpluses when calculating annual assessments and should maintain a Fund cash balance that more closely reflects its cash needs. (See Recommendation 3.)

Agency Response: "The Connecticut Siting Council acknowledges and agrees with this recommendation. The cause of the higher than normal surplus in this fund was the events and circumstances referenced above, which were unusual. Due largely to the training and stability of key staff, the Connecticut Siting Council is now able to apply greater internal controls to ensure adherence to this recommendation."

Lack of Statutory Authority to Impose Penalties on Late Payments:

Criteria: Section 16-50v, subsection (b) (1) and (2), of the General Statutes requires assessed energy companies to pay assessments on or before

July 31st, October 31st, and January 31st of each fiscal year, and communications services companies to pay assessments on or before July 31st, October 31st, January 31st and April 30th of each fiscal year.

Good business practices require the assessment of late penalties on overdue payments.

Condition: Of the 33 assessment receipts tested, we found that 17, or 52 percent, were received from four to 401 days after the statutory due dates. Two of the 17 late payments were from the energy industry and the remaining late payments were from the communications services industry.

Cause: Due to a lack of statutory authority to impose penalties, the Siting Council does not have a policy on late payments.

Effect: A significant percentage of the Siting Council's assessments are paid after the statutory due dates, resulting in overdue notices and other attempts at collection which increase the administrative burden on the agency.

Recommendation: The Connecticut Siting Council should seek legislative authority to impose penalties on overdue assessments. (See Recommendation 4.)

Agency Response: "During the 2007 legislative session, Public Act 07-222 amended Section 16-50v of the Connecticut General Statutes, and permits, on and after January 1, 2008, the Siting Council to charge late fees or penalties at the rate of one and one-half percent per month against invoiced amounts not received within thirty days after the due date."

Reimbursement of Expenses to Siting Council Members:

Criteria: Section 16-50j, subsection (f), states that the public members of the Siting Council, including the chairman and the members appointed by the Speaker of the House and the President Pro Tempore of the Senate, shall be compensated for their attendance at public hearings, executive sessions, or other council business as may require their attendance at a rate of one hundred fifty dollars, provided in no case shall the daily compensation exceed one hundred fifty dollars.

Condition: The Siting Council's long-standing practice has been to reimburse the members for "out-of-pocket" expenses in addition to the current per diem rate of \$150. However, Section 16-50j, subsection (f), does not specifically state whether Council members, receiving the per diem,

can also receive expenses, or if the per diem is in lieu of expenses.

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The Siting Council expended \$36,951 and \$20,280 during fiscal years ended June 30, 2004 and June 30, 2005, respectively, for those additional expenses paid to Council members beyond the \$150 per diem.

Cause: The Siting Council believes reimbursement for reasonable “out-of-pocket” expenses in addition to the per diem rate is justified, despite the fact that the General Statute does not specifically authorize the payment of expenses, because the duties of the position require significant travel throughout the State and at times, lengthy work hours.

Effect: Expenditures for mileage and other reasonable out-of-pocket expenses are being made to Siting Council members which are not specifically allowed by the General Statutes.

Recommendation: The Connecticut Siting Council should seek clarification of Section 16-50j, subsection (f), of the General Statutes to determine if Siting Council members are eligible to receive reimbursement for necessary expenses in addition to the statutory per diem payment. (See Recommendation 5.)

Agency Response: “The Connecticut Siting Council will follow this suggestion to obtain an opinion addressing whether Siting Council members are eligible to receive reimbursement for necessary expenses in addition to the statutory per diem payment.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The Siting Council should account for and deposit receipts in compliance with Section 4-32 of the General Statutes and the State Accounting Manual. We found the Siting Council has implemented this recommendation and thus it is not being repeated.
- The Siting Council should strengthen the controls over the accounts receivable system. We found improvements have been made and thus we are not repeating this recommendation.
- The Siting Council should seek legislative approval to charge penalties on overdue amounts. The Siting Council sought legislation to impose penalties but the legislation did not pass. As a result, we are repeating the recommendation.
- The Siting Council should review internal controls over expenditures to ensure that all goods and services are properly documented as to receipt. The Siting Council has implemented this recommendation and thus it is not being repeated.

Current Audit Recommendations:

- 1. The Connecticut Siting Council should obtain an Attorney General's opinion addressing whether the Agency can pay the statutory per diem to the Department of Public Utility Control's designee and then obtain reimbursement under the terms of a Memorandum of Understanding between the two agencies.**

Comments:

During the audited period, the Connecticut Siting Council paid the Department of Public Utility Control's designee (not a current State employee) the per diem rate of \$150. The per diem is limited specifically by General Statutes to the five public members of the Siting Council and the members appointed by the Speaker of the House and the President Pro Tempore of the Senate, but does not include the DPUC's designee. In January 2007, the Connecticut Siting Council and the Department of Public Utility Control entered into a Memorandum of Understanding by which the DPUC agreed to reimburse the Siting Council quarterly for the per diem and reasonable travel expenses paid to its designee.

2. The Connecticut Siting Council should improve internal controls over expenditures on personal service agreements.

Comments:

In association with docket number 272, the Siting Council entered into a personal service agreement with a contractor for a “price not to exceed \$150,000”. That price was subsequently increased to \$300,000 by an approved amendment to the contract. The amount was increased twice more, to \$400,000 and then to \$600,000. Both of the increases were approved by the Office of Policy and Management, but the personal service agreement was never amended to reflect these increases as required by the State Accounting Manual. The Siting Council expended a total of \$446,294 on this agreement.

3. The Connecticut Siting Council should consistently apply its procedures with respect to year-end cash surpluses when calculating annual assessments and should maintain a Fund cash balance that more closely reflects its cash needs.

Comments:

During the fiscal years audited an insignificant amount of the Siting Council Fund’s fiscal year-end surpluses were factored into the calculation of the annual assessments. As a result, the Siting Council Fund’s cash increased to a balance much greater than needed for agency operations. As of June 30, 2004 and as of June 30, 2005, the cash balance in the Fund was \$978,439 and \$1,520,701, respectively. As of January 2007, the cash balance reached a high of \$2,775,743. Generally, the average cash balance of the Siting Council Fund has been in the \$300,000 to \$400,000 range.

4. The Connecticut Siting Council should seek legislative authority to impose penalties on overdue assessments.

Comments:

Of the 33 assessment receipts tested, we found that 17, or 52 percent, were received from four to 401 days after the statutory due dates. Two of the 17 late payments were from the energy industry and the remaining late payments were from the communication services industry.

- 5. The Connecticut Siting Council should seek clarification of Section 16-50j, subsection (f), of the General Statutes to determine if Siting Council members are eligible to receive reimbursement for necessary expenses in addition to the statutory per diem payment.**

Comments:

The Siting Council's long-standing practice has been to reimburse the members for "out-of-pocket" expenses in addition to the current per diem rate of \$150. However, Section 16-50j, subsection (f), does not specifically state whether Council members, receiving the per diem, can also receive expenses or if the per diem is in lieu of expenses. The Siting Council expended \$36,951 and \$20,280 during fiscal years ended June 30, 2004 and June 30, 2005, respectively, for those additional expenses paid to Council members beyond the \$150 per diem.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Connecticut Siting Council for the fiscal years ended June 30, 2004 and 2005. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations and contracts, 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 and contracts 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 Siting Council for the fiscal years ended June 30, 2004 and 2005, are included as 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 Siting Council complied in all material or significant respects with the provisions of certain laws, regulations and contracts and to obtain a sufficient understanding of the internal controls 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 and contracts applicable to the Connecticut Siting Council is the responsibility of the Connecticut Siting Council's management.

As part of obtaining reasonable assurance about whether the Agency complied with laws, regulations, and contracts, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Agency's financial operations for the fiscal years ended June 30, 2004 and 2005, we performed tests of its compliance with certain provisions of laws, regulations, and contracts. 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 test disclosed no instances of noncompliance that are required to be reported herein under auditing standards generally accepted in the United States of America. We did, however, note certain immaterial or less than significant instances of noncompliance that we have disclosed in the "Condition of Records" and "Recommendations" sections of this report.

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

The management of the Connecticut Siting Council is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations and contracts applicable of 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 Siting Council's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations and contracts, and not to provide assurance on the internal control over those control objectives.

However, we noted certain matters involving the internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the Agency's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations and contracts. We believe the following finding represents a reportable condition: inadequate controls over personal service agreement expenditures.

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 and contracts 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 by 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 not 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

We wish to express our appreciation for the cooperation and courtesy extended to our representatives by the Connecticut Siting Council during this examination.

Gary P. Kriscenski
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts