

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
CONNECTICUT SITING COUNCIL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2007*

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

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December 18, 2009

**AUDITORS' REPORT  
CONNECTICUT SITING COUNCIL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2007**

We have examined the financial records of the Connecticut Siting Council for the fiscal years ended June 30, 2006 and 2007. 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 by the chairman of the Council, with consent of five or more other members, 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, 35 and 34 public hearings were held in fiscal year 2005-2006 and fiscal year 2006-2007, respectively. Other activities of the Siting Council during the fiscal years audited included 21 and 22 council meetings in fiscal year 2005-2006, and fiscal year 2006-2007, respectively, petitions for declaratory rulings, dockets filed and adjudicated, certificates issued, administering modifications to facilities, tower sharing orders, and approval or development of management plans.

**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, 2007, were as follows:

Permanent Members:

Daniel F. Caruso, Chairman  
Colin C. Tait, Esq., Vice Chairman  
Edward S. Wilensky  
Philip T. Ashton  
Daniel P. Lynch  
Barbara Currier Bell  
James J. Murphy Jr.

Additional Members for Energy and Telecommunications Matters (as of June 30, 2007):

Commissioner of Environmental Protection:  
Gina 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, 2007):

Commissioner of Public Health:  
J. Robert Galvin, M.D., M.P.H  
Commissioner of Public Safety:  
John A. Danaher III.

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. Public Act 07-222 increased the daily compensation to no more than \$200 and eliminated the \$12,000 maximum (see “Significant New Legislation” below).

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 05-251, Section 60, subsection (c), effective July 1, 2005, directs the Commissioner of Administrative Services, in consultation with the Secretary of the Office of Policy and Management, to develop a plan whereby the Department of Administrative Services (DAS) would merge and consolidate personnel, payroll, affirmative action, and business office functions of selected executive branch agencies within DAS. The Connecticut Siting Council was one of the agencies selected for consolidation of its personnel, payroll, affirmative action, and purchasing and expenditure functions.
- Public Act 07-222, among other things, modifies how the Siting Council’s assessment of telecommunications companies is calculated, increases the maximum assessment on electric retailers from \$1 million to \$1.5 million, and imposes penalties on late assessments. It also increases the per diem that council members receive for attending council hearings and other council business from \$150 to \$200 and eliminates the \$12,000 cap on the per diem.

**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, 2006 and 2007, as compared to the prior fiscal year, is presented as follows:

	<b>Fiscal Year Ended June 30,</b>		
	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>
Annual Assessments:			
Energy Industry	\$536,711	\$617,999	\$999,999
Communications Services Industry	772,499	1,382,174	89,532
Recoveries of Expenditures:			
Energy Industry	921,675	171,994	473,452
Communications Services Industry	<u>377,633</u>	<u>235,344</u>	<u>174,045</u>
<b>Total Receipts</b>	<b><u>\$2,608,518</u></b>	<b><u>\$2,407,511</u></b>	<b><u>\$1,737,028</u></b>

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 decreased by \$201,007 in fiscal year 2005-2006 over fiscal year 2004-2005 receipts, a decrease of eight percent. Most of this decrease is attributable to decreased receipts from recoveries of expenditures associated with various dockets pertaining to the energy and communications services industries. In fiscal year 2006-2007, receipts decreased by \$670,483, a decrease of 28 percent over 2005-2006 levels, and is mainly attributable to a large decrease in the assessments on the communications services industry. During fiscal year 2006-2007, the Siting Council did not assess the communications services industry due to a substantial surplus in the account at the end of fiscal year ended June 30, 2006. 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, 2006 and 2007, as compared to June 30, 2005, follows:

	<b>Fiscal Year Ended June 30,</b>		
	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>
Personal services	\$597,352	\$563,696	\$517,675
Contractual services	884,852	745,939	566,802
Commodities	26,725	8,996	24,663
Sundry charges	538,792	455,573	452,485
Equipment	<u>14,609</u>	<u>12,785</u>	<u>28,372</u>
<b>Total Expenditures</b>	<b><u>\$2,062,330</u></b>	<b><u>\$1,776,989</u></b>	<b><u>\$1,589,997</u></b>

Overall, expenditures decreased 14 percent in fiscal year 2005-2006 over fiscal year 2004-2005 levels due primarily to decreases in contractual services and sundry charges. Expenditures decreased 11 percent in fiscal year 2006-2007 over fiscal year 2005-2006 levels largely as a result of decreases in contractual services in both fiscal years.

In addition to the above, in fiscal year ended June 30, 2007, the Connecticut Siting Council expended \$40,798 from the Federal and Other Restricted Accounts Fund (12060), representing the return of the unspent portion of a grant totaling \$43,000 made in 1990 by the Office of Policy and Management to the Siting Council under the terms of a Memorandum of Understanding. The grant was made to cover necessary expenses relating to the potential siting of a low-level radioactive waste (LLRW) management facility in the State. In May 2007, OPM requested return of the unspent grant moneys as it determined that the likelihood of a LLRW facility needing to be sited within Connecticut has decreased significantly since 1990.

As of June 30, 2005, the cash balance in the Siting Council Fund was \$1,520,701. As of June 30, 2007, the cash balance was \$2,298,269, an increase of over 50 percent during that period. The cash balance in the Siting Council Fund is discussed in further detail in the "Condition of Records" section of this report.

As of June 30, 2007, the authorized full-time position count of the Siting Council was eight, down one position from nine as of June 30, 2005.

## CONDITION OF RECORDS

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

### **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 amount of expenses" attributable to energy facilities and to communications services, excluding expenses associated with applications for certificates for facilities as described in subdivisions (1) to (6) of Section 16-50i of the General Statutes.

Industry assessments are based on the approved budget for the upcoming fiscal year. The Siting Council's internal procedures provide that assessments are "corrected" for either the surplus or the deficit in the Siting Council Fund for the period ending June 30.

*Condition:* During the fiscal years audited, an insufficient 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, as of June 30, 2006, and 2007, to \$2,151,237 and \$2,298,269, respectively. Historically, the average cash balance of the Siting Council Fund has been less than \$500,000.

*Cause:* During the fiscal years audited, the Council's actual expenditures were less than budgeted expenditures by approximately 20 percent, creating annual surpluses of several hundred thousand dollars. In addition, the Siting Council is permitted by the General Statutes to directly charge for expenses associated with the review of applications for certificates for facilities, the expenses of which should have been excluded from the calculation of the assessments, increasing the surpluses even further. The surpluses resulting from these causes were then insufficiently applied in the calculation of the assessments.

*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 comply with all provisions of Section 16-50v of the Connecticut General Statutes when budgeting for the anticipated expenses of the agency and when calculating the annual assessments on the energy and communications industries. The Connecticut Siting Council should maintain a Fund balance that more closely reflects its cash needs, and consider revising its Regulations to

address the application of year-end cash surpluses. (See Recommendation 1.)

*Agency Response:* “There are three items which require explanation regarding the surplus figures.

1) This Council surplus was identified during the last audit period which was already well into fiscal year 2006 (this current audit period). It was a problem which was immediately addressed, but we were unable to fully resolve the problem during fiscal year 2006 and 2007.

It should be noted that the large surplus is in the telecommunications portion of the fund only. Once discovered, the Council sought to reduce the surplus by not assessing the telecommunications industry in 2007. (Further courses of action took place in subsequent years not currently under audit.) In fiscal year 2008 and 2009, the Council further reduced the amount assessed to the industries. The Council also kept a reserve balance to be used for a special telecommunications website project which is currently on hold due to the financial situation of the State.

In fiscal year 2009, the Council also held a quarter’s worth of expenses for each industry, as recommended by the auditor, as well as the special website project money referred to above. For these two reasons, balances have remained elevated, however, the proper reports for determining the surplus are now being used and assessments are appropriately reduced.

2) It is difficult to estimate the level of activity our agency will receive in a given year. Nevertheless, as noted by the auditors, the actuals in recent years have been lower than our estimates, and the Council will appropriately take steps to provide future budgets which rely less on estimation of activity level and more on actual past figures.

3) The auditors state that expenses associated with the review of applications for certificates for facilities should be excluded from the calculation of the assessments, a practice that serves to further increase the budget surpluses.

It has been a long-standing practice to develop the budget of estimated expenses each year inclusive of those costs recoverable through invoicing expenses. The question of whether this practice was appropriate was previously asked by our agency in the past, and the answer has always been to include in our budget of what is expected to be spent -- not what we expect to spend less recoverable expenses. We believe that this process works well, because each year the surplus is then deducted from the next year’s assessment figures. But because of this substantial surplus, due in part to a one-time misunderstanding

about which report was to be used in determining the balance, a surplus in these audit periods have led to further review of this statute.

In order to comply with this request, two budgets will have to be completed, one which lists our total estimated expenses, and one which lists estimated recoverable expenses. Assessments figures can be determined using the estimated total expense budget, less recoverable budget figures. This will likely cause year-end rollover surplus amounts to be significantly reduced and may require the Council to make it a standard practice to hold a one-quarter worth of funds in reserve in order to have money available at the start of each fiscal year prior to the first assessment payment due date of July 31<sup>st</sup>.”

**Late Processing of Purchase Orders:**

*Criteria:* Section 4-98 of the Connecticut 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...”

Under Public Act 05-251 Section 60, subsection (c), the Connecticut Siting Council’s purchasing and expenditures functions were transferred to the Department of Administrative Services (Business Office Services unit), effective July 1, 2005.

*Condition:* We found that purchase orders were not prepared prior to receipt of goods or services in 19 of the 50 vouchers tested, totaling \$180,440.

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

*Effect:* Expenditures were not properly supported by valid commitment documents. Funds were not encumbered prior to expenditure.

*Recommendation:* The Connecticut Siting Council and the Department of Administrative Service’s Business Office Services unit should improve controls to ensure that all expenditures are properly encumbered prior to the receipt of goods or services. (See Recommendation 2.)

*Agency Response:* “The Council believes this problem has been substantially corrected. The Council, in collaboration with the Department of Administrative Services, has implemented a requisition form procedure whereupon the Council must request that funds be encumbered prior to any purchases. Weekly evaluations are made by our agency of upcoming activities that require purchase orders so that encumbrances can be requested prior to upcoming activities and purchases.”

**Municipal Participation Account:**

*Background:* Public Act 03-140 requires an applicant for a Siting Council certificate for an energy facility to pay a \$25,000 fee, which goes to an account (the Municipal Participation Account) to reimburse the potential host municipality or municipalities for expenses they incur in participating in the Siting Council process.

*Criteria:* Public Act 03-140, which became effective July 1, 2003, established the Municipal Participation Account and related fee.

Section 16-50*l*, subsection (a) subdivision (1), of the General Statutes states in part: “To initiate a certification proceeding, an applicant for a certificate shall file with the council an application, in such form as the council may prescribe, accompanied by a filing fee of not more than twenty-five thousand dollars, which fee shall be established in accordance with section 16-50*t*, and a municipal participation fee of twenty-five thousand dollars to be deposited in the account established pursuant to section 16-50*bb*...”

Section 16-50*l*, subsection (a) subdivision (3), of the General Statutes states in part: “Notwithstanding the provisions of this subsection, an entity that has submitted a proposal pursuant to the request for proposal process may initiate a certification proceeding by filing with the council an application containing the information required pursuant to this section, accompanied by a filing fee of not more than twenty-five thousand dollars, which fee shall be established in accordance with section 16-50*t*, and a municipal participation fee of twenty-five thousand dollars to be deposited in the account established pursuant to section 16-50*bb*...”

Section 16-50*bb* of the General Statutes states in part: “(a) There is established an account to be known as the "municipal participation account", within the General Fund, which shall be a separate, nonlapsing account. There shall be deposited in the account the municipal participation fees received pursuant to subdivisions (1) and (3) of subsection (a) of section 16-50*l*. The interest derived from the investment of the account shall be credited to the account...

(b) Payments from the account shall be made upon authorization by the State Treasurer not later than sixty days after receipt of an application for a proposed facility, except for a facility described in subdivisions (5) and (6) of subsection (a) of section 16-50*i*, to each municipality entitled to receive a copy of such application under section 16-50*l* in

order to defray expenses incurred by such municipalities in participating as a party to a certification proceeding...

Any moneys remaining at the end of such proceeding shall be refunded to the applicant in even amounts. Where more than one municipality seeks moneys from such account, the council shall evenly distribute such moneys among the municipalities..."

(c) In administering the moneys in the account, the State Treasurer shall verify that the subject municipality (1) actually participated as a party to the subject certification proceeding, and (2) actually spent the money it claims to have spent on participating in the subject certification proceeding."

*Condition:*

As of the time of our field work, the balance in the Municipal Participation Account totaled \$249,913. \$300,000 has been collected since Public Act 03-140 became effective, representing twelve dockets, yet only \$50,087 has been distributed to municipalities.

The proceedings for nine dockets have concluded, and seven have funds remaining, totaling \$175,000 which should have been returned to the applicants as required by Section 16-50bb of the General Statutes. The first decision in which funds should have been returned occurred over four years ago. Staff from the Office of the State Treasurer confirmed that as of March 31, 2009, none of the Municipal Participation funds have ever been returned to the applicants.

No interest has ever been credited to the account as required by Statute.

The Office of the State Treasurer is disbursing the funds to the municipalities on a first come, first served basis. When more than one municipality seeks moneys from the account, the Statute requires the Connecticut Siting Council to evenly distribute the funds among the municipalities.

We also noted inconsistencies between the Core-CT Department ID used to record the deposits, and the Core-CT Department ID used to record disbursements.

*Cause:*

There appears to be some misunderstanding between the Connecticut Siting Council and the Office of the State Treasurer as to the degree of responsibility each agency has in administering this account.

Staff from the Office of the State Treasurer stated that they have no way of knowing when a proceeding has ended, which is what triggers a

refund to the applicant. Staff from the Office of the State Treasurer also stated that they have never returned any funds to the applicant, and that “we assume the applicants are very aware we’re holding the money, and if they want it, they’ll ask”.

Written procedures are not in place in order to ensure that the statutory provisions of this account are being carried out.

*Effect:* The requirements of the General Statutes are not being adhered to. Funds totaling \$175,000 have not been returned to the applicants as required. The first decision in which funds should have been returned occurred over four years ago. Our review showed that since the inception of the Municipal Participation fee on July 1, 2003, no funds have ever been returned to an applicant.

*Recommendation:* The Connecticut Siting Council and the Office of the State Treasurer should return the funds to the applicants as required by Section 16-50 bb of the General Statutes, and develop written procedures to ensure that the Municipal Participation account is being administered according to the General Statutes.

The Office of the State Treasurer should credit the account for interest earned as required by Statute.

The Connecticut Siting Council should establish procedures to ensure that when more than one municipality seeks moneys from the account, that the funds are evenly distributed among the municipalities.

The Office of the State Treasurer should end the practice of disbursing funds to municipalities on a first come, first served basis, and the Connecticut Siting Council should ensure that the funds are evenly distributed as required by Statute. (See Recommendation 3.)

*Agency Response:* “The Council recently established procedures under review by the State Treasurer’s office. The Council is not in a position to return the unused funds to the applicant, since the money is deposited into a fund held by the State Treasurer’s office. The Council has added procedures to contact the State Treasurer once funds can be returned. The Council is not in a position to control the distribution of funds to requesting participants, but, as stated above, has established a procedure for the State Treasurer, in collaboration with the Siting Council, which takes the distribution of funds into consideration.”

## RECOMMENDATIONS

### *Status of Prior Audit Recommendations:*

- *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. The Siting Council requested an opinion from the Attorney General on December 11, 2007. Accordingly, we are not repeating this recommendation.*
- *The Connecticut Siting Council should improve internal controls over expenditures on personal service agreements. This recommendation has been implemented.*
- *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. This recommendation is being repeated. (See Recommendation 1).*
- *The Connecticut Siting Council should seek legislative authority to impose penalties on overdue assessments. Public Act 07-222 permits the Siting Council to impose penalties on late payments. This recommendation has been implemented.*
- *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. The Siting Council requested an Attorney General's opinion on June 26, 2008. Accordingly, we are not repeating this recommendation.*

### *Current Audit Recommendations:*

- 1. The Connecticut Siting Council should comply with all provisions of Section 16-50v of the Connecticut General Statutes when budgeting for the anticipated expenses of the agency and when calculating the annual assessments on the energy and communications industries. The Connecticut Siting Council should maintain a Fund balance that more closely reflects its cash needs, and consider revising its Regulations to address the application of year-end cash surpluses.**

#### Comments:

During the fiscal years audited, the Council's actual expenditures were less than budgeted expenditures by approximately 20 percent, creating annual surpluses of several hundred thousand dollars. In addition, the Siting Council is permitted by the General Statutes to directly charge for expenses associated with the review of

applications for certificates for facilities, the expenses of which should have been excluded from the calculation of the assessments, increasing the surpluses even further. The surpluses resulting from these causes were then insufficiently applied in the calculation of the assessments.

- 2. The Connecticut Siting Council and the Department of Administrative Service's Business Office Services unit should improve controls to ensure that all expenditures are properly encumbered prior to the receipt of goods or services.**

Comments:

We found that purchase orders were not prepared prior to receipt of goods or services in 19 of the 50 vouchers tested, totaling \$180,440.

- 3. The Connecticut Siting Council and the Office of the State Treasurer should return the funds to the applicants as required by Section 16-50bb of the General Statutes, and develop written procedures to ensure that the Municipal Participation account is being administered according to the General Statutes. The Office of the State Treasurer should credit the account for interest earned as required by Statute. The Connecticut Siting Council should establish procedures to ensure that when more than one municipality seeks moneys from the account, that the funds are evenly distributed among the municipalities. The Office of the State Treasurer should end the practice of disbursing funds to municipalities on a first come, first served basis, and the Connecticut Siting Council should ensure that the funds are evenly distributed as required by Statute.**

Comments:

As of the time of our field work, the balance in the Municipal Participation Account totaled \$249,913. Only \$50,087 has been distributed to municipalities. The proceedings for nine dockets have concluded, and seven have funds remaining, totaling \$175,000 which should have been returned to the applicants as required by Section 16-50bb of the General Statutes. The first decision in which funds should have been returned occurred over four years ago. Staff from the Office of the State Treasurer confirmed that as of March 31, 2009, none of the Municipal Participation funds have ever been returned to the applicants. No interest has ever been credited to the account as required by Statute. The Office of the State Treasurer is disbursing the funds to the municipalities on a first come, first served basis. When more than one municipality seeks moneys from the account, the Statute requires the Connecticut Siting Council to evenly distribute the funds among the municipalities.

## 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, 2006 and 2007. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, 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, 2006 and 2007, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Connecticut Siting Council complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements 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.

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

In planning and performing our audit, we considered the Connecticut Siting Council's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Agency's financial operations, safeguarding of assets, 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 Agency's internal control over those control objectives.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance requirements was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that we consider to be significant deficiencies.

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 or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to properly initiate, authorize, record, process, or report financial data reliably, consistent with

management's direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the following deficiency described in the accompanying "Condition of Records" and "Recommendations" sections of this report to be a significant deficiency in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 2-purchase orders were not prepared prior to receipts of goods or services.

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

Our consideration of the internal control over the Agency's financial operations, safeguarding of assets, and compliance with requirements, was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

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

As part of obtaining reasonable assurance about whether the Connecticut Siting Council 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 Agency's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which we reported to Agency management in the accompanying "Condition of Records" and "Recommendations" sections of this report.

The Connecticut Siting Council's response to the findings identified in our audit are described in the accompanying "Condition of Records" sections of this report. We did not audit the Connecticut Siting Council's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of Agency management, 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