

# STATE OF CONNECTICUT

**AUDITORS' REPORT  
CONNECTICUT STATE LIBRARY AND  
THE STATE COMMISSION ON THE ARTS  
FISCAL YEARS ENDED JUNE 30, 2001 AND 2002**

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

Table of Contents

---

**INTRODUCTION** ..... 1

**COMMENTS:** ..... 1

Foreword ..... 1

    Members of the State Library Board ..... 2

    Members of the State Commission on the Arts ..... 3

    Legislative Changes ..... 3

        Connecticut State Library ..... 3

        State Commission on the Arts ..... 4

Résumé of Operations ..... 4

    General Fund Cash Receipts and Expenditures ..... 4

        Connecticut State Library ..... 4

        State Commission on the Arts ..... 6

    Special Revenue Funds ..... 7

        Connecticut Arts Endowment Fund ..... 8

**CONDITION OF RECORDS:** ..... 10

    Questionable Use of Restricted Funds – Connecticut State Library ..... 10

    Late Deposits – Connecticut State Library ..... 12

    Grantee Monitoring – Connecticut State Library and State Commission on the Arts .. 13

    Contracts – State Commission on the Arts ..... 15

    Fund Management – Connecticut State Library and State Commission on the Arts .... 17

    Petty Cash Fund – Connecticut State Library ..... 18

    Inventory and Property Control – Connecticut State Library ..... 19

    Accountability Directive 1 – Connecticut State Library ..... 21

    Reporting – Connecticut State Library ..... 22

    Records Retention – Connecticut State Library and State Commission on the Arts..... 23

**RECOMMENDATIONS** ..... 25

**CERTIFICATION** ..... 28

**CONCLUSION** ..... 30

April 30, 2004

**AUDITORS' REPORT  
CONNECTICUT STATE LIBRARY AND  
THE STATE COMMISSION ON THE ARTS  
FISCAL YEARS ENDED JUNE 30, 2001 AND 2002**

We have made an examination of the records of the Connecticut State Library and the State Commission on the Arts for the fiscal years ended June 30, 2001 and 2002.

This report on that examination consists of the following Comments, Recommendations, and Certification. Financial statements concerning the operations and activities of the State Library are presented on a Statewide Single Audit basis to include all State agencies. This audit has been limited to assessing the State Library's and the State Commission on the Arts' compliance with certain provisions of financial related laws, regulations, contracts, and grants, and evaluating the State Library's and the State Commission on the Arts' internal control policies and procedures established to ensure such compliance. A separate audit report is issued by this Office covering the Connecticut Heritage Foundation, Inc., formerly named the Connecticut State Library and Museum Foundation, Inc.

**COMMENTS**

**FOREWORD:**

The State Library Board, which is within the Department of Education for administrative purposes only, operates under the provisions of Title 11 of the Connecticut General Statutes and oversees the activities of the State Library. The primary functions of the Library include: providing advice, planning, and financial assistance to all libraries in the State, operating the Raymond E. Baldwin Museum of Connecticut History and Heritage, maintaining library services for the blind and other persons with disabilities, and providing library and information services for the State government and the public.

Under the provisions of Section 10-369, subsection (b), of the General Statutes, the State Commission on the Arts was placed within the State Library for administrative purposes and the State Library provides administrative support as required by the Commission, including financial management, personnel and data processing services. The State Commission on the Arts (Commission) generally operates under the provisions of Title 10, Section 10-369 through 10-373q of the General Statutes. The Commission's primary function is the promotion, development, acceptance and appreciation of artistic and cultural activities. We have reviewed the operations of both agencies in this report since the financial and budgetary functions of the Commission have been merged into State Library operations.

Kendall Wiggin served as State Librarian throughout the audited period.

John Ostrout served as the Executive Director of the State Commission on the Arts until January 31, 2002. Douglas Evans was appointed on February 1, 2002, and continued to serve as Executive Director throughout the audited period.

Pursuant to Section 11-1, subsection (d), of the General Statutes, the State Library Board established the Connecticut Heritage Foundation, Inc., a nonprofit foundation to raise funds from private sources to enhance the collections and programs of the State Library and Museum. We issue a separate report on Foundation operations.

**Members of the State Library Board:**

Section 11-1, subsection (a), of the General Statutes provides that the Board shall consist of 12 members. The Board members, as of June 30, 2002, were as follows:

Ann M. Clark, Chairman	Betty Sternberg
Joy W. Hostage	Francis X. Hennessy
Mollie Keller	Edwin E. Williams
Larry Kibner	Edmund B. Sullivan
Joseph P. Flynn	Two Vacancies
E. Frederick Peterson	

Additional members who also served on the State Library Board during the audited period were:

Robert R. Gallucci	Robert C. Leuba
Hazel McGuire	John T. Short

The State Library Board has two advisory groups. The Advisory Council for Library Planning and Development, pursuant to Section 11-1, subsections (g)(1) and (g)(2), of the General Statutes, consists of 19 members appointed by the State Library Board and deals with library planning and development issues. Section 11-6a, subsection (b), of the General Statutes establishes the Museum Advisory Committee, which consists of eight members, that advises the State Library Board with respect to the policies, collections, programs, activities, and operations of the Raymond E. Baldwin Museum of Connecticut History and Heritage.

**Members of the State Commission on the Arts:**

Section 10-369, subsection (a), of the General Statutes states that ". . . the commission shall consist of the president of the Connecticut Advocates for the Arts, any member of the National Council on the Arts who resides in Connecticut and twenty-one [appointed] members . . .". At June 30, 2002, members of the Commission were as follows:

Jennifer Aniskovich	Michael P. Price, Chaiman
Sid L. Beighley III	Linda H. Roth
Carolyn F. Cicchetti	Clement S. Roy
Frances T. Clark	Juliana Sciolla
Valerie Cruice	Ann Y. Smith
Barbara H. Davitt	Arthur White
Tony J. Falcone	Michael R. Wilson
Adam Grabinski	Lorraine K. Young
Gerald Moshell	Ted Yudain
Amelia Mustone	Ronnie Heyman
Harold J. Pantley	One Vacancy
Paul E. Pozzi	

In addition to the members listed above, the following individuals also served on the Commission on the Arts during the audited period.

Ted Martland	Andy Thibault
Vita W. Muir	Mitzi Yates
Louis L. DeMars	Douglas Evans
Lynda Smith	Robyne Watkin
Daine Tucker	Leonard S. Cohen

**Legislative Changes:**

***Connecticut State Library***

Section 35, subsection (a), of Public Act 00-187 established the Connecticut Digital Library, administered by the State Library, to ensure on-line access by all students and citizens to essential library information resources.

Section 41, subsection (e), of Public Act 00-173 amended Section 11-1a of the General Statutes by creating the Connecticut Library Network to expand, link, and improve existing library, school, and municipal computer and telecommunication-based networks.

Public Act 00-146 amended Section 7-34a of the General Statutes by adding a requirement that each time a document is recorded, an additional \$3 fee be collected by towns with two thirds remitted to the State Library's newly created historic documents preservation account. The Act also provides for grants to towns from these funds for document restoration, conservation, and microfilming; information technology; facility costs; disaster recovery; and employee training relating to historic document preservation.

***State Commission on the Arts***

The following sections of Public Act 03-06 (June Special Session), effected the merger of the State Commission on the Arts into a new agency, the Commission on Arts, Tourism, Culture, History, and Film. It does not appear that this resulted in any changes to the mission or mandated programs of the original commission, however the administrative structure has been repealed.

- Section 210, subsections (a) and (d), of the Act created the Connecticut Commission on Arts, Tourism, Culture, History, and Film as the successor to several existing Agencies, including the State Commission on the Arts, effective August 20, 2003.
- Section 248 of the Act permanently repealed several sections of the General Statutes relating to the State Commission on the Arts including Section 10-369 that created the Commission and established guidelines for the appointment of its members.
- Sections 220 through 225 of the Act transferred the mission and programs of the Commission on the Arts to the new Agency by replacing all references to the Commission on the Arts in Sections 10-370 through 10-370b, 10-373 through 10-373k, and 10-373n of the General Statutes with the Commission on Arts, Tourism, Culture, History, and Film.

**RÉSUMÉ OF OPERATIONS:**

As previously noted, the State Commission on the Arts was placed within the State Library for administrative purposes and the State Library provides administrative support as required by the Commission, including financial management, personnel, and data processing services. The costs of providing administrative support to the Commission on the Arts are included as part of the State Library's financial operations presented below.

**General Fund Cash Receipts and Expenditures:**

***Connecticut State Library:***

General Fund receipts applicable to State Library operations totaled \$5,147,998 and \$7,038,706 for the fiscal years ended June 30, 2001 and 2002. Federal and nonfederal grant receipts represented over 95 percent of these amounts. The increase in receipts during the audit period was primarily attributable to increases in Federal grant receipts.

A summary of General Fund expenditures applicable to State Library operations for the audited period and the previous fiscal year, is presented below:

	<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>
Budgeted accounts:	\$	\$	\$
Personal services	4,913,606	5,301,113	5,648,834
Contractual services	1,573,620	2,237,429	4,194,260
Commodities	159,283	149,563	255,209
Sundry charges	7,146	7,589	9,423

Grants-in-aid	1,957,431	1,997,403	1,941,108
Equipment	<u>918,968</u>	<u>932,355</u>	<u>1,290,592</u>
Total Budgeted accounts	9,530,054	10,625,452	13,339,426
Restricted accounts			
Private accounts	128,078	317,552	747,758
Federal accounts	<u>2,467,041</u>	<u>2,197,836</u>	<u>2,087,905</u>
<b>Totals</b>	<b><u>\$ 12,125,173</u></b>	<b><u>\$ 13,140,800</u></b>	<b><u>\$ 16,175,089</u></b>

Expenditures from budgeted accounts increased over 33 percent during the audited fiscal years. These increases were primarily attributable to general wage increases and costs relating to two projects: the Relocation of Statewide Archives project and the Statewide Digital Library. Costs relating to these two projects increased from \$278,501 during the 1999-2000 fiscal year to \$3,417,445 during the 2001-2002 fiscal year. The majority of equipment purchases during the audited period were for books.

During the audited period, the State Library administered a number of State-aid-grant programs. A schedule of grant expenditures by program for the audited period and a brief description of each program are presented below.

	<b><u>State-Aid-Grants</u></b>		
	<b><u>1999-2000</u></b>	<b><u>2000-2001</u></b>	<b><u>2001-2002</u></b>
General Fund Budgeted Accounts:	\$	\$	\$
Cooperating Library Service Units	782,787	799,266	817,971
Grants to Public Libraries	462,852	472,109	447,109
Connecticard Payments	<u>711,792</u>	<u>726,028</u>	<u>676,028</u>
Total General Fund Budgeted Accounts	<u>1,957,431</u>	<u>1,997,403</u>	<u>1,941,108</u>
Restricted Contribution Accounts:			
Historic Document Preservation	-	-	424,710
<b>Total State-Aid-Grants</b>	<b><u>\$ 1,957,431</u></b>	<b><u>\$ 1,997,403</u></b>	<b><u>\$ 2,365,818</u></b>

Cooperating Library Service Units – Section 11-9e of the General Statutes provides for libraries to coordinate services through planning, resource sharing, and the development of programs too costly or impractical for a single library to maintain.

Grants to Public Libraries – Section 11-24b, subsections (b), (c), and (d), of the General Statutes authorizes three types of grants to principal public libraries: base grants, formula based equalization grants, and incentive grants.

Connecticard Payments – Section 11-31b of the General Statutes provides for a cooperative program among public libraries that allows residents to borrow materials from any participating State public library. Grant payments to participating libraries are based on the volume of program activity levels.

Historic Documents Preservation – Sections 11-8i through 11-8l of the General Statutes, effective July 1, 2000, provide for a grant program, funded from a portion of fees collected by

local towns, to be used for grants to towns for the preservation and management of historic documents.

***State Commission on the Arts:***

General Fund receipts applicable to the Commission on the Arts totaled \$1,295,664, \$2,294,662, and \$1,371,586 during the fiscal years ended June 30, 2000, 2001, and 2002, respectively. Each fiscal year's receipts include a \$1,000,000 revenue transfer from the Department of Revenue Services for the Cultural Heritage Development Grant program that is discussed in further detail below. The remaining receipts consisted primarily of restricted Federal contributions, which were significantly higher during the 2001 fiscal year.

A summary of General Fund expenditures applicable to State Commission on the Arts' operations for the audited period and the previous fiscal year, is presented below:

	<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>
Budgeted accounts:	\$	\$	\$
Personal services	636,434	694,837	695,862
Contractual services	106,846	78,324	76,916
Commodities	13,194	9,739	11,638
Sundry charges	2,245	-	-
Grants-in-aid	4,037,406	4,125,975	3,313,690
Equipment	-	-	1,000
Budgeted accounts	<u>4,796,125</u>	<u>4,908,875</u>	<u>4,099,106</u>
Restricted accounts:			
Private accounts	1,110,840	1,187,488	1,274,725
Federal accounts	<u>627,243</u>	<u>503,828</u>	<u>701,165</u>
<b>Totals</b>	<b><u>\$ 6,534,208</u></b>	<b><u>\$ 6,600,191</u></b>	<b><u>\$ 6,074,996</u></b>

Expenditures from budgeted accounts remained nearly constant through the 2000-2001 fiscal year and then decreased by approximately seven percent during the 2001-2002 fiscal year. The overall decrease is due mainly to a decrease in grant payments. A schedule of grant expenditures, by program for the audited period, and the previous fiscal year, together with brief descriptions of each program are presented below.

	<u>State-Aid-Grants</u>		
	<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>
<b>General Fund Budgeted Accounts:</b>	\$	\$	\$
Basic Cultural Resources Grant	2,766,406	2,867,895	2,560,645
Ct. Educational Telecommunications Corp.	867,000	850,000	753,045
Connecticut Humanities Grant	354,000	358,080	-
Impressionist Art Trail	<u>50,000</u>	<u>50,000</u>	-
Total General Fund Budgeted Accounts	<u>4,037,406</u>	<u>4,125,975</u>	<u>3,313,690</u>

**Private Restricted Contribution Accounts:**

Impressionist Art Trail	-	-	50,000
Cultural Heritage Development Grants	1,110,840	1,060,337	1,130,931
Miscellaneous Grants	<u>-</u>	<u>125,000</u>	<u>55,601</u>
Total Private Restricted Contribution Accounts	<u>1,110,840</u>	<u>1,185,337</u>	<u>1,236,532</u>
<b>Total State-Aid-Grants</b>	<b><u>\$ 5,148,246</u></b>	<b><u>\$5,311,312</u></b>	<b><u>\$4,550,222</u></b>

Basic Cultural Resources Grants – Section 10-370, subsection (2), of the General Statutes authorizes the Commission on the Arts to provide grants, loans, or advances to individuals and organizations for the development, promotion, and maintenance of artistic and cultural activities.

Ct. Educational Telecommunications Corp. – During the audited period, this budgeted grant was provided to the Connecticut Public Broadcasting, Inc. to acquire and broadcast educational, arts, cultural, and entertainment programs statewide, as well as providing specialized services and programs to the Connecticut public school system.

Connecticut Humanities Grants – Section 10-373aa of the General Statutes establishes a program, administered by the Connecticut Humanities Council, to provide grants and support services for local institutions in the humanities.

Cultural Heritage Development Grants – Section 10-373bb of the General Statutes establishes a program, administered by the Connecticut Humanities Council, to provide funds to local institutions in the humanities. During each of the audited fiscal years, \$1,000,000 was provided to this program from certain sales tax proceeds as authorized by Section 32-305, subsection (c), of the General Statutes. This program was accounted for within a private restricted contribution account and was used for a Cultural Heritage Tourism Program.

Impressionist Art Trail – This grant is intended to promote and publicize Connecticut Impressionist Art. A \$50,000 appropriation provided funding in the 2000-2001 fiscal year budget. Beginning July 1, 2001, Section 32-305, subsection (g), of the General Statutes annually provides \$50,000 of certain sales tax proceeds to fund the program.

**Special Revenue Funds:**

***Connecticut State Library***

The Capital Equipment Purchase Fund was used for library equipment purchases totaling \$277,266 and \$389,085 during the fiscal years ended June 30, 2001 and 2002, respectively.

A second special revenue fund was primarily used for grants for public library construction and related projects. Expenditures from this special revenue fund totaled \$768,288 and \$2,207,186 during the fiscal years ended June 30, 2001 and 2002, respectively. Fluctuations were mainly caused by the availability of State and local funds for approved projects.

***State Commission on the Arts***

The Commission used three special revenue funds. A Capital equipment purchase fund was used to purchase office equipment and electronic data processing equipment. Expenditures were \$2,954 and \$14,048, during the 2000-2001 and 2001-2002 fiscal years, respectively.

A second special revenue fund provided transfers of \$1,000,000 during each audited fiscal year to increase the principal balance of the Connecticut Arts Endowment Fund. Additional comments concerning the Arts Endowment Fund are included under a separate caption below.

A third special revenue fund was primarily used to account for proceeds of capital project funds that have been allocated for artwork to be included as part of State building construction projects. Under the provisions of Section 4b-53 of the General Statutes, the Commission on the Arts is authorized to select the artists and artwork style to be included as part of larger construction or renovation projects of State buildings. The Commission can set aside up to one quarter of the funds that have been allocated for construction related artwork for use in purchasing artworks of distinguished Connecticut artists, for the establishment of a bank of major works of art and for the maintenance of such a collection. An unexpended balance remains from a State Library administered capital project. A summary of financial transactions of the various operating components of this Special Revenue Fund follows:

	<u>Total</u>	<u>Art Work Buildings</u>	<u>Art Collection</u>	<u>Agency Capital Project</u>
Balances June 30, 2000	\$1,565,064	\$1,076,983	\$ 486,852	\$ 1,229
Additions	1,272,300	1,000,090	272,210	-
Disbursements	<u>(858,164)</u>	<u>(804,022)</u>	<u>(54,142)</u>	-
Balances June 30, 2001	1,979,200	1,273,051	704,920	1,229
Additions	560,400	448,320	112,080	-
Disbursements	<u>(607,712)</u>	<u>(562,500)</u>	<u>(45,212)</u>	-
Balances June 30, 2002	<u>\$1,931,888</u>	<u>\$1,158,871</u>	<u>\$ 771,788</u>	<u>\$ 1,229</u>

**Connecticut Arts Endowment Fund:**

The Commission on the Arts' Connecticut Arts Endowment Trust Fund operates under the provisions of Sections 10-373n through 10-373q of the General Statutes. This Fund is financed from the proceeds of State bonds that serve as the principal balance of the Arts Endowment Fund with interest earnings from such funds being available for State matching grants to eligible arts organizations. A summary of financial transactions for the audited period follows.

	<b><u>2000-2001</u></b>	<b><u>2001-2002</u></b>
Cash and investments, beginning of year	\$12,430,121	\$13,562,978
Transfer-State bond funds	1,000,000	1,000,000
Investment earnings	880,765	789,631
Grants	<u>(747,908)</u>	<u>(886,176)</u>
Cash and investments, end of year	<u>\$13,562,978</u>	<u>\$14,466,433</u>

The fair market value of Trust Fund assets at June 30, 2002, was \$14,551,408.

## CONDITION OF RECORDS

Our review of the records of the Connecticut State Library and the State Commission on the Arts disclosed several areas requiring improvement or attention, as discussed in this section of the report.

### **Questionable Use of Restricted Funds - Connecticut State Library:**

*Criteria:* Section 43(a) of Special Act 99-10 provided the State Library with a \$2,000,000 appropriation for the "Relocation of State Library Archives." The time frame to disburse these funds was extended by Section 30 of Special Act 00-14, and again by Section 39 of Special Act 01-1, until June 30, 2002. Section 20 of Special Act 01-9, effective June 6, 2001, reduced the amount to \$1,621,000.

*Conditions:* We estimate that approximately \$290,000 of the \$1,621,000 appropriation, intended for relocation of the State Library's archives, was inappropriately used for unrelated capital equipment and online subscription purchases during the fiscal years ending June 30, 2001 and 2002.

Inappropriate purchases include nearly \$9,000 for a plasma television and carrying case that we were told is used for off-site library demonstrations; over \$12,000 for five workstations at State Library sites other than the Van Block Street storage facility; and an estimated \$205,000 to purchase ongoing online subscriptions. In addition to being inappropriate charges to the appropriation, the following equipment purchases may not have been necessary to the State Library's operations. We noted that equipment for a computer lab and training facility costing nearly \$17,000 was only used ten times during its first ten months of operation. Also, although only three permanent employees are assigned to the new Van Block Street archive storage facility, we noted that ten computers and printers costing nearly \$19,000 were installed and two additional printers costing nearly \$760 were still in their original boxes.

*Effect:* Funds were not spent in accordance with laws concerning State appropriations.

*Cause:* The State Library's position is that there is virtually no legislative history for the appropriation and since the appropriation's wording is vague that the funds were intended to broadly address the Library's overall space problems.

*Recommendation:* The State Library should disburse funds in compliance with laws concerning State appropriations. (See Recommendation 1.)

*Agency Comments:* “The Agency believes that all funds were spent in accordance with State law. The agency does acknowledge that the appropriating language lacks any specificity... [and believes it] became shorthand for a larger program... - that being the overall space problems at the State Library.... Correspondence and testimony during the time leading up to the funding mentioned the space issues relating to the State Library. The relocation of the archives was a major driver in this, but was never the sole intent of the Agency.

The Agency feels that the equipment purchases were done appropriately and reflect the needs of the Agency in carrying out its work in both the Archives and managing the space constraints at the State Library. The plasma screen ... is housed at Van Block [and] is primarily used there for presentations and training purposes which include work with Town Clerks.... The work stations at the State Library were used in the offices of the Public Records Administrator and State Archivist as part of the reorganization of that space.

The agency purchased materials that would either replace existing volumes or in lieu of new hard copy volumes in an effort to save shelf space.... The agency purchased four categories of materials, Electronic Products, Newspaper Microfilm, Law Microformat, and General Periodical Microformat. The Agency did not use the entire \$205,000 on ongoing online subscriptions. The electronic products replaced existing print copies.

The Van Block Facility ... includes some space not suitable for archival storage, but which meets meeting and training space needs.... The space was outfitted following state purchasing rules and procedures with a view toward present and future needs. During the period of the audit, the Agency faced layoffs and early retirements that reduced staffing levels including those at Van Block.”

*Auditor’s Concluding  
Comments:*

The appropriation’s wording states that it was intended to cover the cost of relocating archives and makes no reference to other uses of the funds. Fixed asset purchases noted above may represent costs of ongoing operations. Also, during the fiscal years ending June 30, 2001 and 2002, the State Library charged a total of \$228,000 for the purchase of electronic, microfilm, and microformat products to the appropriation. We estimate that nearly 90 percent of these costs may have represented ongoing online subscriptions and may therefore be inappropriate charges to the appropriation.

**Late Deposits – Connecticut State Library:**

*Criteria:* Section 4-32 of the Connecticut General Statutes requires receipts of \$500 or more to be deposited within 24 hours. Any receipts of less than \$500 should be deposited within seven calendar days.

*Conditions:* We noted that the deposit of 179 checks, totaling nearly \$25,500, in our sample of 326 checks, totaling over \$89,600, might not have complied with the prompt deposit requirement.

- One deposit, totaling nearly \$10,000 consisting of 27 checks, received directly by the business office during November 2001, was made between two and six days late.
- Two satellite locations apparently accumulated batches of checks before forwarding them to the business office for deposit. As these satellite locations do not maintain dated cash receipts logs, we were unable to precisely determine the receipt dates for 152 checks in our sample, totaling nearly \$15,500. Based on check dates, it appears that 108 of these checks, included in three separate deposits made during November 2000, December 2000, and March 2002, may have been deposited as many as 76 days late. Our review of the State Library's internal correspondence found that a fourth deposit made during July 2003, comprised of 44 checks, was deposited between six and 49 days late.

*Effect:* The above incidents are violations of Section 4-32 of the General Statutes.

*Cause:* We were unable to determine why checks received during November 2001, directly by the business office, were deposited late. Satellite locations did not promptly forward their receipts to the business office for deposit.

*Recommendation:* The State Library should comply with Section 4-32 of the General Statutes. (See Recommendation 2.)

*Agency Comments:* "The State Library has reassigned backup responsibilities to ensure late deposit of cash and checks on hand as described in the first Condition does not continue to occur. The inability to meet the legal deadline was due to the absence of designated staff to make the deposit.

The agency has begun the process of instituting measures to take the responsibility for the receipt of cash and checks away from the satellite locations. The Business Office will assume this responsibility as all entities that owe the State Library money will be directed to send those

payments directly to the Business Office to ensure timely deposit of all receipts.”

**Grantee Monitoring – Connecticut State Library and State Commission on the Arts:**

*Criteria:*

Section 4-231 of the General Statutes requires each non-state entity receiving State financial assistance of \$100,000 or more to have a single audit or program-specific audit performed. Section 4-232, subsection (b)(1), of the General Statutes requires reports on such audits to be filed with State grantor agencies within 30 days of completion, but no later than six months after the end of the audit period. This audit requirement is incorporated into both the State Library’s and Commission on the Art’s grant contracts that also require grantees to submit a final grant report that includes both financial and programmatic reporting within 60 days of the end of the grant period.

The National Endowment for the Arts, a Federal Agency, provides for advance funding only when those funds will be disbursed immediately.

The Comptroller’s State Accounting Manual prescribes policies and procedures for accounts receivable records management, including that those records should be accurate and complete. It also establishes appropriate collection efforts and documentation requirements. Section 3-7, subsection (b), of the General Statutes requires agencies to receive authorization from the Secretary of the Office of Policy and Management for cancellation of any uncollectible claim that is greater than one thousand dollars.

*Conditions:*

**Connecticut State Library**

The State Library did not obtain and review audit reports from three out of seven grantees receiving Library Construction grants in excess of \$100,000 until we requested copies of the reports.

**State Commission on the Arts:**

We noted that the Commission failed to sufficiently monitor a former grantee. Based on our review of available grantee audit and review reports, we estimate that it may owe the Commission at least \$137,000 in unspent grant funds and nearly \$4,000 in questioned costs noted in their audit reports. Beginning with the 2000-2001 fiscal year, approximately \$80,000 of the over \$1,075,000 granted to the organization was paid from the National Endowment for the Arts – Partnership Agreements grant (CFDA #45.025.) We were unable to determine what portion of the unspent funds and questioned costs related to these Federal funds.

The Commission's failure to promptly interrupt the grantees' funding contributed to the outstanding cash balance. Since the Commission had not received timely fiscal year ending June 30, 2000 and 2001 audit and final reports from the grantee, it could not appropriately monitor them. Regardless, between the first missed reporting deadline of December 31, 2000 and June 30, 2002, when the Commission finally terminated the grantee's funding, it had paid them over \$642,000. At the time of our audit, the Commission still had not received the June 30, 2002 audit and final grant reports.

We were told that since the Commission terminated the grantee's funding, it has had a difficult time contacting them and has been unable to determine whether all funds paid to the grantee have been disbursed for program purposes. It is unclear whether this grantee is still a going concern.

We were told that in the absence of adequate reporting by grantees, a receivable becomes due to the Commission. We noted that the Commission did not record a receivable for the questioned costs and estimated unspent funds. Also, its collection efforts were not documented. Although the Commission had not obtained the Secretary of the Office of Policy and Management's (OPM) approval to write off these amounts, it apparently did not intend to continue its collection efforts.

Our testing of expenditures also noted that the Commission did not adequately monitor a second grantee that failed to file a final report. Once the postal service returned the Commission's correspondence due to an expired forwarding address, no further effort to contact the grantee was made. No record of this receivable was maintained, and the Commission has not pursued this older \$2,500 account receivable, dating back to October 2000. Also, the Secretary of OPM has not authorized the cancellation of this uncollectible claim.

*Effect:* The Commission may have disbursed funds to the grantees in excess of the program's needs.

*Cause:* The fact that the Commission does not require interim reporting by its grantees contributed to the condition. Also, regardless of the fact that the Commission was considering terminating a grantee whose 2001 fiscal year audit report presented significant cash balances exceeding \$227,000 plus questioned costs, the Commission still disbursed a final payment of over \$160,000 to them.

*Recommendation:* The State Library and the Commission on the Arts should improve their grant monitoring through timely review of audit reports and collection of accounts receivable in compliance with the General Statutes. It should

also develop policies and procedures to adequately monitor grantee's funding needs to prevent payments in excess of their immediate needs in compliance with Federal requirements. (See Recommendation 3.)

*Agency Comments:* State Library: "Due to findings in the CSL audit of FY99 and FY00, the State Library instituted a system whereby grantees are asked to return a certification verifying that they had expended less than \$100,000 in state funds in the fiscal year just ended. An electronic log was established to track audits required and received, and extensions granted by OPM. Unfortunately, maintenance of the log and paper files was less accurate than desired, the electronic log became corrupted, and audit information for FY01 and FY02 was incomplete or unavailable. The Grants Manager has now assumed responsibility for maintenance of both the electronic log (which will be backed up on a separate drive) and paper files. If a grantee that received \$100,000 or more fails to submit an audit by December 31st and has not received an extension approval from OPM, the Grants Manager will obtain a copy of the missing audit from OPM."

Arts: "We agree with the recommendation. The Commission on the Arts is now part of a new agency, The Commission on Arts, Tourism, Culture, History & Film (CATCHF), which will assume responsibility for the development of policies and procedures for grant funding, monitoring and reporting. We will continue to pursue the final reports of the two grantees noted in the report, and collection of any amounts due. Improvements will be implemented to ensure compliance with all state and federal requirements."

#### **Contracts - State Commission on the Arts:**

*Criteria:* In accordance with Section 4-98 of the General Statutes, State appropriations should not be obligated for the payment of services until a properly executed contract is in place.

Section 10-370 of the General Statutes establishes the Commission's authority to contract for services. Section IX of the Commission's By-laws gives them the option to delegate that authority to the Executive Director.

The National Endowment for the Arts (NEA) requires that a State's grantee receiving NEA funds comply with the same Federal laws, rules, regulations, and OMB Circulars as the State. It also requires that grant contracts include specific requirements regarding reporting, lobbying, foreign travel and records retention.

*Conditions:* We found multiple deficiencies regarding contracts that included undocumented contract terms; personal services that were received

before a contract was fully approved; a lack of appropriate contract approvals; and a possible ethics violation. The following provides greater detail on these findings.

We noted two grant contracts that did not contain the full nature of the agreement. Although both contracts resulted in the Commission providing supervision, office space, and equipment to grantees' employees and personal services contractors for related program purposes, we were told that the arrangement was not addressed in any contracts with the grantees. Also, the National Endowment for the Arts – Partnership Agreement grants (CFDA #45.025) funded nearly \$16,700 and \$63,500 of the grants during the fiscal years ending June 30, 2001 and 2002. The grant contracts neither indicated that any portion of the funds was from Federal sources nor did it contain the Federal guidelines associated with those funds.

We also noted five personal services agreements with one individual that lacked the Commission's approval and were not approved by the Attorney General's Office before the Commission received services. Total payments under these agreements exceeded \$11,000. Although we were told that the Commission had delegated its authority to approve contracts to the Executive Director several years ago, it was unable to provide us with documentation. Also, the individual providing these services was a former Commissioner who resigned in order to contract with the Commission. Since only the Commission had the authority to approve the contract this may be considered a conflict of interest. We have referred this matter to the State Ethics Commission for its consideration.

*Effect:* In the absence of a fully documented, properly approved legal contract, disputes between the Commission and its grantees could occur. The appropriation encumbrances system does not operate as intended if fund commitments are made after obligations are incurred. Failure to include grant requirements in award agreements could result in failures by grantees to administer State and Federal funds in accordance with applicable laws and regulations. The Commission failed to comply with its Statutes and By-laws.

*Cause:* We were told that the Commission formally discussed the arrangement to provide office space and supervision of staff with the grantees but failed to include the arrangements in the grant agreements. The Commission's contracts did not include the necessary language to address Federal laws and regulations.

*Recommendation:* Contracts should be properly authorized and should document the complete nature of agreements between the Commission, grantees and

personal services contractors in compliance with State and Federal laws and regulations. (See Recommendation 4.)

*Agency Comments:* The new Commission (CATCHF) will develop policies and procedures that ensure that all contracts and agreements comply with State and Federal requirements. However, we disagree with the finding that the Executive Director was not authorized to approve contracts. We believe that the Commission's delegation of authority was implicit as stated in the bylaws, and the Attorney General's Office has supported our position on this matter.

*Auditor's Concluding Comments:* The Commission did not document that it had delegated its authority to enter into contracts to the Executive Director. Also, they have been unable to substantiate that the Attorney General's Office supports their assertion that the authority to approve contracts is implicit within the bylaws that state, "When authorized by the Commission, the Executive Director shall be empowered ...[to] enter into contracts, ...".

#### **Fund Management – Connecticut State Library and State Commission on the Arts:**

*Criteria:* Section 4b-53, subsection (b), of the General Statutes requires the State Bond Commission to allocate not less than one percent of certain estimated construction costs for artwork. Subsections (c) and (d) of the same section, and Sections 4b-53-1 and 4b-53-2 of the related regulations, earmark the funds so that between ten and 25 percent of the one percent may be used for purchases of art for two collections and the repair of art purchased under the Section. The remaining funds should be used for the costs of construction related art. The regulations require the Commission on the Arts to notify the Commissioner of Public Works if it intends to exceed ten percent for the purchase and repair of artwork. They also require the Commission to annually determine the allocation of funds for purchases between the two different art collections.

*Conditions:* Our review of two projects that were finalized during the audit period found that the management of these funds did not clearly comply with the requirements established by the General Statutes and Regulations.

1) Earmarking of Funds - Funds spent for artwork relating to two construction projects represented 75 percent and 89 percent of the total earmarked by the State Bond Commission, thereby leaving 25 percent and 11 percent of the funds available for collection purchases and artwork repair. The Commission on the Arts was unable to document that it had notified the Department of Public Works of its intent to exceed the ten percent cap placed on those funds by the regulations. Also, the

Commission has not documented that it annually established allocations of funds for the two art collections.

2) Fiscal Monitoring - Although the State Library maintains separate Appropriation ledgers for each project, financial reporting in the form of an Excel spreadsheet was not current and we were unable to reconcile it with the Appropriation ledgers. Also, we were told that the Commission has neither monitored project accounting nor received either appropriation ledgers or financial status reports from the State Library in over a year.

*Effect:* The intent of the General Statutes and Regulations may not be achieved if the required fund allocations are not maintained and project spending is not adequately monitored.

*Cause:* Staff did not seem to be aware of all of the regulations' requirements.

*Recommendation:* The Commission on the Arts should establish policies and procedures to ensure compliance with Section 4b-53 of the General Statutes and the related regulations. (See Recommendation 5.)

*Agency Comments:* Connecticut State Library: "The State Library will ensure that all fiscal documents relating to the Arts project accounting are accurate before transfer to the new Arts agency (see above)."

State Commission on the Arts: "Although we do not believe that we have exceeded the cap placed on these funds, the new Commission will ensure that policies and procedures are in place that are in compliance with appropriate statutes and regulations."

#### **Petty Cash Fund – Connecticut State Library:**

*Criteria:* The Comptroller's State Accounting Manual outlines procedures for proper Petty Cash Fund management including that cash counts should be performed, as part of a monthly fund examination, and that checks outstanding for more than one month should be evaluated.

*Conditions:* We noted that although the checking account is reconciled monthly, the State Library could not document that it had performed cash counts during the audit period. Also, our review of monthly checking account reconciliations found that six checks totaling nearly \$280 have been outstanding between one and six years. Three of the older checks were payable to current employees of the State Library.

*Effect:* The State Library failed to comply with the Comptroller's State Accounting Manual. Failing to promptly evaluate outstanding checks may make it more difficult to verify whether a payment is a valid obligation of the State and whether such funds need to be escheated to the State.

*Cause:* The State Library did not follow up on outstanding checks and did not document that it counted its petty cash funds monthly.

*Recommendation:* The State Library should comply with the Comptroller's State Accounting Manual when administering Petty Cash funds. (See Recommendation 6.)

*Agency Comments:* "The State Library has implemented a monthly cash count in order to meet the concerns of this audit. The State Library will also take the necessary measures to ensure that all outstanding checks are cashed, or reissued if necessary, in a reasonable period of time."

#### **Inventory and Property Control – Connecticut State Library:**

*Criteria:* Section 4-36 of the General Statutes requires each State agency to provide for complete accountability and safeguarding of assets by establishing and maintaining an adequate and accurate property control record system and to report annually the agency's inventory balances as of June 30<sup>th</sup>. The State of Connecticut's Property Control Manual indicates that the property control record system should include tagging items and recording a variety of information about each item including the date of acquisition; purchasing and expenditure information; condition; and date of disposition. Additional information required for works of art and historical treasures includes very detailed descriptions of the items and its appraised value when it is estimated at \$10,000 or more. A physical inventory should be completed annually.

Section 4-33a of the General Statutes requires all State agencies to promptly notify the Auditors of Public Accounts and the State Comptroller of any unauthorized, illegal, irregular, or unsafe handling of State funds or breakdowns in the safekeeping of other State resources.

*Conditions:* The State Library maintains separate inventory systems and records for different categories of inventory. Our audit found deficiencies regarding the following:

1) Furnishings and Equipment: The State Library reported over \$1,900,000 and \$2,200,000 in furnishings and equipment on its annual reports for the fiscal years ending June 30, 2001 and 2002. During their annual physical inspections, the State Library has been unable to locate

nearly 300 items with a total cost of nearly \$330,000, including a total of twenty items that were determined to be missing during the audit period. The State Library failed to properly report such missing equipment to the Auditors of Public Accounts and State Comptroller. We determined that the amounts reported as additions and deletions on the annual reports may have been understated and were not supported by adequate documentation. The inventory system is not designed to fully record the purchasing and expenditure information; condition; and the applicable date of disposition for each item.

2) Works of Art and Historic Treasures: The State Library reported over \$200,000,000 in Works of Art and Historic Treasures on its annual reports during the audit periods ending June 30, 2001 and 2002. We were told that the State Library did not take a physical inventory of these items during our audit period. Also, inventory lists of archival documents and museum pieces do not detail each item's cost and annual reports have been incorrectly based on staff's estimates of current values. Due to the age of the collections and the lack of complete records, documentation of an item's cost at the time it was received may no longer be available. The State Library continued to omit the necessary information for items it received during the audit period. Also, most items have not been professionally appraised within the last five years.

Our testing of the physical inventory record noted that in a sample of 49 items from the museum collection, seven were not tagged, five were not included on the inventory list and 11 were not in their proper location. Ten of the 11 items were coins, valued at over \$48,000 that were stored in a secure location other than their recorded location, the coin vault. One of these coins had been stolen, was recovered in 1995, and does not appear to have been returned to the safe.

*Effect:* Without an effective property control system, it is difficult to assess whether inventory is missing, stolen, traded in or scrapped.

*Cause:* We were told that due to a lack of sufficient staff, an inventory of the Works of Art and Historic Treasures could not be completed. Also, the State Library did not have the necessary funds to appraise the collections. We could not determine the reason for the remaining failures to comply with the General Statutes and the State Comptroller's Property Control Manual.

*Recommendation:* The State Library should improve its controls over State property as outlined by the State Comptroller's Property Control Manual in accordance with Sections 4-33a and 4-36 of the General Statutes. (See Recommendation 7.)

*Agency Comments:* “Condition 1: The State Library has been engaged in the process of better equipment inventory control since 1996. The agency, when failing to find equipment or controllable property items during its annual physical inventory process, has made note of such fact in hopes of locating the items in subsequent inventories. The agency will now report all unaccounted for property in the manner prescribed by state regulations. Additional ad hoc changes will be made to the record keeping system to allow for the capture of all required information pertinent to proper inventory control. Procedures will be revised to describe the proper manner for completion of the Comptrollers Annual Inventory Report (CO-59).

Condition 2: The State Library recognizes that collection appraisals have not been performed over the past number of years. This is due to lack of funding to accomplish this expensive and time intensive process.

The State Library will develop procedures in conjunction with Museum staff that address the concerns of this audit regarding the proper inventory and care of the agency’s museum collection. The computer inventory location data field for the eleven coins not stored in the coin vault has been revised to accurately record the present security storage location of these items.”

**Accountability Directive Number 1 – Connecticut State Library:**

*Criteria:* The State Comptroller’s Memorandum No. 96-58 requires that each State agency complete an internal control self-assessment by completing the internal control questionnaire in the Accountability Directive Number 1 annually, by June 30 and that it be kept on file at the agency.

*Condition:* The State Library has not completed an Accountability Directive Number 1 for the fiscal years ended June 30, 2001 and 2002.

*Effect:* The State Library is not performing an internal control-self assessment by completing the internal control questionnaire in the Accountability Directive Number 1.

*Cause:* We were unable to determine why the Accountability Directive Number 1 was not completed.

*Recommendation:* The State Library should complete the Accountability Directive Number 1 annually as required by State Comptroller’s Memorandum No. 96-58. (See Recommendation 8.)

*Agency Comments:* “The State Library has since completed Accountability Directive One for fiscal year 2003. Accountability Directive One for fiscal year 2004 will

be completed after the full impact of the state's conversion to the CORE-CT accounting system is fully known but prior to June 30, 2004.”

**Reporting – Connecticut State Library:**

*Criteria:* The following sections of the General Statutes impose reporting requirements on the State Library.

- Section 11-1, subsection (f), of the General Statutes requires the State Library Board to report to the General Assembly biennially.
- Section 11-24b, subsection (g), of the General Statutes requires the State Library Board to report on the impact of State grants to public libraries to the General Assembly triennially.
- Section 11-8k, subsection (c), of the General Statutes requires the Public Records Administrator to report annually, by September 1<sup>st</sup>, to the government administration and elections committee of the General Assembly on the activities relating to funds earmarked for the preservation of the State Library's documents and administration of the Historic Documents Preservation program.
- Section 11-8m, subsection (b), of the General Statutes requires the Public Records Administrator to report annually, by January 1<sup>st</sup>, to the government administration and elections committee of the General Assembly on activities relating to Historic Documents Preservation grants; the State Library's activities under the program; and any recommendations.

*Conditions:* The State Library Board did not file the biennial and triennial reports with the General Assembly. One combined report relating to the Historic Documents Preservation program was filed on November 21, 2002. Since this report was intended to address both statutory reporting requirements, in effect, it was filed nearly three and eleven months late respectively.

*Effect:* The State Library Board and Public Records Administrator did not comply with the General Statutes.

*Cause:* It appears that the State Library Board and Public Records Administrator were not fully aware of the requirements.

*Recommendation:* The State Library Board and Public Records Administrator should submit reports as required by the General Statutes. (See Recommendation 9.)

*Agency Comments:* “The State Library has annually submitted a report to the Governor. The State Library report appears in the *Digest of Administrative Reports*.”

However there is no record that the State Library Board has ever reported biennially to the General Assembly. A review of the Statutes reveals that the State Library Board is one of a few agencies or Boards that is required to generically report biennially solely to the General Assembly. Since the statute merely says the State Library Board shall report to the General Assembly, the Agency questions whether this is intended to be a written report, and if so what the scope of the report is? Pending clarification of this point, the State Library Board will begin submitting a report to the General Assembly following the end of the current biennium for the period July 1, 2003 to June 30, 2005.”

**Records Retention – Connecticut State Library and State Commission on the Arts:**

*Criteria:* State records retention requirements promulgated by the State Library, Office of Public Records Administration, in accordance with Section 11-8 of the General Statutes, provide that accounting records be retained for three years or until audited, whichever comes later. Section 11-8a, subsection (b), of the General Statutes provides the State Librarian with the authority to require State agencies to submit retention schedules. As a result, State agencies are required, in preparation of the retention schedules to prepare an inventory that may be reviewed by the Public Records Administrator.

*Conditions:* **Connecticut State Library:**  
During the course of our audit of the fiscal years ending June 30, 2001 and 2002, we noted that documentation supporting six out of 58 expenditure transactions could not be located. We also noted that the State Library has not prepared an EDP records retention schedule.

**State Commission on the Arts:**

Two reports purportedly filed by the Commission on the Arts’ grantees were not available for our review.

*Effect:* The failure to adequately safeguard documentation reduces the integrity of the established internal control structure.

*Cause:* Expenditure documents and grant reports may have been misfiled. The State Library did not file an EDP records retention schedule with its Public Records Administrator.

*Recommendation:* The State Library and Commission on the Arts should develop procedures to assure compliance with the General Statutes and the records retention requirements of the State Library, Office of Public Records Administration. (See Recommendation 10.)

*Agency Comments:* Connecticut State Library: “The State Library will prepare an EDP records retention schedule. Procedures for filing by Business Office staff will be created to lessen the possibility of inaccurate filing. Regular checks of the invoice files will be performed to correct inadvertent filing errors.”

State Commission on the Arts: “Every effort will be made by the new Commission to maintain and safeguard grantee files and reports, to ensure they are available for review.”

## RECOMMENDATIONS

Our prior audit report on the State Library and the State Commission on the Arts contained three recommendations, of which all have been restated and/or repeated herein as current audit recommendations.

### *Status of Prior Audit Recommendations:*

- The State Library should improve procedures and controls over cash receipts handled by Library operating units to ensure compliance with statutory deposit requirements. We will repeat this as Recommendation 2.
- The State Library should strengthen property control procedures to ensure that all inventory items are properly recorded and that the annual property reports are filed on time with proper valuations. Although the State Library filed its reports in a timely manner during the audit period, the remainder of the recommendation will be repeated as Recommendation 7.
- The State Library and Commission on the Arts should improve procedures for monitoring Single Audit Reports. This recommendation will be restated as Recommendation 3.

### *Current Audit Recommendations:*

#### **1. The State Library should disburse funds in compliance with laws concerning State appropriations.**

##### Comment:

Approximately \$290,000 of a \$1,621,000 appropriation intended for the relocation of the State Library's archives was inappropriately used for unrelated capital equipment and online subscription purchases during the fiscal years ending June 30, 2001 and 2002.

#### **2. The State Library should comply with Section 4-32 of the General Statutes.**

##### Comment:

In a sample of 326 checks, we noted that 179 might have been deposited late. Due to a lack of adequate receipts logs we were unable to determine the precise receipt date for 152 of these checks.

- 3. The State Library and the Commission on the Arts should improve their grantee monitoring through timely review of audit reports and collection of accounts receivable in compliance with the General Statutes. It should also develop policies and procedures to adequately monitor grantee's funding needs to prevent payments in excess of their immediate needs in compliance with Federal requirements.**

Comment:

The State Library failed to obtain and review audit reports for three out of seven of its grantee's receiving Library Construction Grants in excess of \$100,000.

The Commission on the Arts failed to sufficiently monitor two former grantees through audit and programmatic reporting, resulting in potentially uncollectible accounts receivable of unspent grant funds and questioned costs totaling approximately \$143,500.

- 4. Contracts should be properly authorized and should document the complete nature of agreements between the Commission, grantees and personal services contractors in compliance with State and Federal laws and regulations.**

Comment:

The Commission on the Arts failed to include the full nature of the agreement in their contracts with grantees; they failed to execute contracts prior to receiving services; and may not have maintained their independence when selecting a contractor.

- 5. The Commission on the Arts should establish policies and procedures to ensure compliance with Section 4b-53 of the General Statutes and the related regulations.**

Comment:

The Commission on the Arts failed to manage funds earmarked for art that were provided in association with bonded construction projects in compliance with Section 4b-53, subsection (b), of the General Statutes and the related regulations. Also, project accounting was not current and was not available for timely project management.

- 6. The State Library should comply with the Comptroller's State Accounting Manual when administering Petty Cash funds.**

Comment:

The State Library failed to document that it performed monthly cash counts and did not follow-up on six outstanding checks totaling nearly \$280 in a timely manner.

**7. The State Library should improve its controls over State property as outlined by the State Comptroller's Property Control Manual in accordance with Sections 4-33a and 4-36 of the General Statutes.**

Comment:

The State Library only performs physical inventories for a portion of its property. It has not properly reported the loss of nearly 300 missing items to the Auditors of Public Accounts and the State Comptroller. Also, the amounts reported on the Annual Property Report are not accurate and are based in part on intuitive estimates of value rather than cost. Inventory records do not fully comply with the State of Connecticut's Property Control Manual. The State Library failed to obtain appraisals of its more valuable collection pieces.

**8. The State Library should complete the Accountability Directive Number 1 annually, as required by the State Comptroller's Memorandum No. 96-58.**

Comment:

The State Library failed to complete an internal control-self assessment annually as required by the State Comptroller.

**9. The State Library Board and Public Records Administrator should submit reports as required by the General Statutes.**

Comment:

The State Library Board failed to file two reports required by the General Statutes. The State Library's Public Records Administrator filed two of the reports required by the General Statutes late.

**10. The State Library and Commission on the Arts should develop procedures to assure compliance with the General Statutes and the records retention requirements of the State Library, Office of Public Records Administration.**

Comment:

The State Library failed to retain documentation for six out of 58 expenditure transactions and the Commission on the Arts failed to retain two grantee's audit reports.

## INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the Connecticut State Library and the State Commission on the Arts for the fiscal years ended June 30, 2001 and 2002. That audit was primarily limited to performing tests of the Agencies' compliance with certain provisions of laws, regulations, contracts and grants and to understanding, and evaluating the effectiveness of the Agencies' internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the Agencies are complied with, (2) the financial transactions of the Agencies are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Agencies are safeguarded against loss or unauthorized use. The financial statement audits of the Connecticut State Library and the State Commission on the Arts for the fiscal years ended June 30, 2001 and 2002 are included as a part of our Statewide Single Audit of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial-related audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Connecticut State Library and the State Commission on the Arts complied in all material or significant respects with the provisions of the certain laws, regulations, contracts and grants and to obtain a sufficient understanding of the internal control to plan the audit and determine the nature, timing, and extent of tests to be performed during the conduct of the audit.

### **Compliance:**

Compliance with the requirements of laws, regulations, contracts, and grants applicable to the Connecticut State Library and the State Commission on the Arts is the responsibility of the management of the Connecticut State Library and the State Commission on the Arts' management.

As part of obtaining reasonable assurance about whether the Agencies complied with laws, regulations, contracts, and grants, noncompliance with which could result in significant unauthorized, illegal, irregular, or unsafe transactions or could have a direct and material effect on the results of the Agencies' financial operations for the fiscal years ended June 30, 2001 and 2002, we performed tests of the Agencies' compliance with certain provisions of the laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial or less than significant instances of noncompliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

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

The management of the Connecticut State Library and the State Commission on the Arts are responsible for establishing and maintaining effective internal control over their financial operations,

safeguarding of assets, and compliance with the requirements of laws, regulations, contracts, and grants applicable to the Agencies. In planning and performing our audit, we considered the Agencies' internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Agencies' financial operations in order to determine our auditing procedures for the purpose of evaluating the Connecticut State Library's and the State Commission on the Arts' financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts, and grants, and to provide assurance on the internal control over those control objectives.

However, we noted certain matters involving the internal control over the Agencies' financial operations, safeguarding of assets, and/or compliance that we considered 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 Agencies' financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the Agencies' 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, contracts, and grants. We believe the following findings represent reportable conditions: 1) inappropriate disbursements from restricted appropriations, 2) inadequate grantee monitoring and the resulting collection deficiencies, 3) inconsistent contract management, and 4) inadequate property control and management.

A material or significant weakness is a condition in which the design or operations of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants or the requirements to safeguard assets that would be material in relation to the Agencies' financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Agencies 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 Agencies' financial operations and over compliance would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. However, we believe that none of the reportable conditions described above is 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 courtesies extended to our representatives by the personnel of the Connecticut State Library and the State Commission on the Arts during the course of our audit.

Ramona Weingart  
Associate Auditor

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts