

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
STATE BOARD OF EDUCATION AND  
SERVICES FOR THE BLIND  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2009*

**AUDITORS OF PUBLIC ACCOUNTS**  
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October 27, 2010

**AUDITORS' REPORT  
STATE BOARD OF EDUCATION AND  
SERVICES FOR THE BLIND  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2009**

We have examined the financial records of the State Board of Education and Services for the Blind for the fiscal years ended June 30, 2008 and 2009.

This audit examination of the Board has been limited to assessing compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating internal control structure policies and procedures established to ensure such compliance. Financial statement presentation and auditing have been done on a Statewide Single Audit basis to include all State agencies.

**COMMENTS**

**FOREWORD:**

The Board of Education and Services for the Blind (hereinafter referred to as "BESB") operates primarily under the provisions of Title 10, Chapter 174, of the General Statutes. BESB provides services to the blind that assist them to overcome the handicap of blindness or impaired vision with the goal of attaining as high a degree of self-sufficiency as is possible. The services provided include education, training, consultation, rehabilitation, employment, medical care and relief. During the audited period, BESB was organized into the following five divisions:

The Division of Administration – includes finance and business operations, human resources, and electronic data processing functions. BESB's personnel, payroll, affirmative action and most business office functions are handled by the Department of Administrative Services' Small Agency Resource Team.

The Division of Children Services – provides special education from birth through high school (or age 21).

The Division of Adult Services – provides information, counseling, referral services and individualized instruction in techniques and skills used in activities of daily living.

The Division of Vocational Rehabilitation – provides diagnostic evaluations, vocational training and placement services to enhance employment opportunities.

The Business Enterprise Program Division – provides financial and technical training and support to individuals who own or want to own their own business.

BESB is within the Department of Social Services for administrative purposes only. During the audit period under review Brian S. Sigman served as its Executive Director.

As provided by Section 10-293 of the General Statutes, a board assisted the Executive Director in overseeing operations. Prior to January 4, 2007, the Board consisted of seven members. Since that date, there have been 13 members. Board members as of June 30, 2009, were the following:

Ex Officio Member:

Michael P. Starkowski, Commissioner, Department of Social Services

Appointed Members:

Eileen Akers  
Christine Boisvert  
William DeMaio  
M. Carolyn Dodd  
Carol Gillispie  
Patrick J. Johnson, Jr.  
Jay Kronfeld  
Christopher Kuell, Ph.D.  
Randa Nesman Utter  
Alan N. Sylvestre, Chairman  
Betty Woodward

In addition to the Board members listed above, Maria Russo also served on the Board during the audited period.

**Significant Legislation:**

The following notable legislation is presented below:

Public Act 08-13, effective July 1, 2008, authorizes up to five percent of the Board of Education and Services for the Blind’s Educational Aid for the Blind and Visually Handicapped account appropriation to be used to employ “special assistants to the blind” and other support staff needed to ensure services are delivered efficiently.

**RÉSUMÉ OF OPERATIONS:**

Funding for Agency programs was provided mainly by State General Fund appropriations and the Federal and Other Restricted Accounts Fund.

**General Fund:**

**Receipts:**

General Fund receipts for the fiscal years ended June 30, 2008 and 2009, totaled \$37,961 and \$5,959, respectively, as compared to \$18,465 for the fiscal year ended June 30, 2007. Receipts consisted mainly of refunds of expenditures.

**Expenditures:**

General Fund expenditures for the two fiscal years examined and the prior fiscal year are summarized below:

	<b><u>Fiscal Year Ended June 30,</u></b>		
	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
State aid grants			
Educational aid for blind and visually handicapped children	\$4,754,860	\$4,693,704	\$2,539,421
Vocational rehabilitation	475,775	462,000	566,354
Enhanced Employment	441,462	495,023	467,110
Other	<u>46,128</u>	<u>69,189</u>	<u>99,453</u>
Total State Aid Grants	5,718,225	5,719,916	3,672,338
Personal services and employee expenses	5,293,297	5,932,417	6,238,750
Purchased and contracted services	2,600,243	2,319,096	2,300,636
Equipment, other	<u>252,547</u>	<u>222,348</u>	<u>251,273</u>
Total General Fund Expenditures	<b><u>\$13,864,312</u></b>	<b><u>\$14,193,777</u></b>	<b><u>\$12,462,997</u></b>

State aid grants are provided for in Sections 10-295 through 10-310 of the General Statutes. Those Statutes provide for specialized vision-related instruction; educational programs, goods and services; and vocational rehabilitation services. A decrease in State aid grants for fiscal year 2008-2009 of approximately \$2,000,000 was due to a decrease in funding for the Educational Aid for Blind and Visually Handicapped Children due to budget cuts and recessions.

**Special Revenue Funds:**

The Agency utilized three special revenue funds during the audited period, the Federal and Other Restricted Accounts Fund, the Vending Facility Operators Fringe Benefits Fund, and, the Capital Equipment Purchase Fund. Expenditures from the Capital Equipment Purchase Fund totaled \$93,824 during the audited period. The other two funds are presented in more detail below.

**Federal and Other Restricted Accounts Fund:**

**Receipts:**

Federal and Other Restricted Accounts Fund receipts consisted primarily of Federal grants and vending machine commissions. Receipts for the two fiscal years examined and the prior fiscal year are summarized below:

	<b><u>Fiscal Year Ended June 30,</u></b>		
	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
Federal grants	\$3,891,645	\$3,499,328	\$3,996,171
Vending operations	2,149,050	2,278,178	2,263,678
All other	<u>220,467</u>	<u>175,891</u>	<u>116,538</u>
Total Receipts	<b><u>\$6,261,162</u></b>	<b><u>\$5,953,397</u></b>	<b><u>\$6,376,387</u></b>

The increase in receipts in the 2008-2009 fiscal year was mainly in the Vocational Rehabilitation Federal and Independent Living Older Blind Person grant receipts.

**Expenditures:**

Expenditures for the two fiscal years examined and the prior fiscal year are summarized below:

	<b><u>Fiscal Year Ended June 30,</u></b>		
	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
Federal	\$3,365,310	\$3,775,652	\$4,282,736
Other than Federal:			
Vending Facility program	2,187,311	3,022,789	2,764,594
All other accounts	<u>198,864</u>	<u>123,847</u>	<u>92,740</u>
Total Expenditures	<b><u>\$5,751,485</u></b>	<b><u>\$6,922,288</u></b>	<b><u>\$7,140,070</u></b>

**Vending Facility Program:**

Under Section 10-303 of the General Statutes, authority is granted to BESB to operate food service facilities, vending stands and vending machines on property owned or leased by the State or any municipality. The primary purpose of this program is to provide entrepreneurial opportunities to blind individuals by providing vending facility sites for their use under BESB's Business Enterprise Program. As of June 30, 2009, forty-eight vending facility operator sites were in operation.

BESB used the Federal and Other Restricted Accounts Fund, and, the Vending Operators Fringe Benefits Fund to account for the vending facility program. Total program receipts were \$2,278,178 and \$2,263,678 during the fiscal years ended June 30, 2008 and 2009, respectively. Total expenditures were \$3,022,789 and \$2,764,594 during the same periods. Receipts were mainly from vending machine commissions from the Agency's statewide contract with Coca-

Cola and expenditures were primarily for program operating costs including establishing and maintaining vendor operator locations.

## CONDITION OF RECORDS

Our review of the records of the Board of Education and Services for the Blind revealed the following areas that warrant comment.

### **Property Control – Physical Inspections:**

*Background:* The State’s accounting system, Core-CT, can generate reports or queries that can be used in providing information on various financial categories, including asset management. One such query, Capital Asset Report, provides users with a listing of capital assets within an agency. Another query, Physical Inspection Report, provides users with a listing of active assets within an agency along with the most recent physical inventory date and the name of the person who performed the physical inventory.

*Criteria:* The State of Connecticut Property Control Manual states that a complete physical inventory of all property must be taken by the end of each fiscal year to ensure that property control records accurately reflect the actual inventory on hand within the current fiscal year. In addition to the verification of the property control records, a physical inventory will identify losses not previously revealed.

*Condition:* Our review of twenty-five (25) capital asset records selected from the Capital Asset Report revealed that one (1) asset (laptop) could not be located. In trying to locate the missing laptop, it was discovered that six (6) additional laptops were also missing. Our review of the seven (7) missing laptops revealed that the latest physical inspection completed for one (1) laptop was in fiscal year 2009, the latest physical inspection completed for four (4) laptops was in fiscal year 2008 and there was no evidence that a physical inspection was completed for two (2) laptops based upon information obtained from the Physical Inspection Report.

Our review of forty (40) active assets selected from the Physical Inspection Report revealed that the latest physical inspection completed for eight (8) assets was in fiscal year 2008 and there was no evidence that a physical inspection was completed for three (3) assets based upon information obtained from the Physical Inspection Report.

Upon further review of the Physical Inspection Report (universe of 1,737 assets) it was disclosed that the latest physical inspection completed for 282 assets was in fiscal year 2008 and there was no evidence of a physical inspection completed for 435 assets.

*Effect:* Internal controls over assets are weakened and can increase the likelihood that the loss of assets may occur and not be detected by management in a timely manner if physical inspections are not completed and/or done timely.

*Cause:* BESB did not perform a complete physical inspection of assets as set forth in the State of Connecticut Property Control Manual.

*Recommendation:* The Board of Education and Services for the Blind should comply with the State of Connecticut Property Control Manual and perform complete annual physical inspections of assets. (See Recommendation 1.)

*Agency Response:* “The Agency agrees in part with this finding, acknowledging that the Physical Inspection Report does not display 2009 scan dates for the items noted. However, the Agency found that issues with the relatively new scanning and reconciliation process contributed to the lack of a scan date for dozens of items, making it difficult to conclude that the lack of scan dates on the Physical Inspection Report is proof of an incomplete physical inspection. The Agency is very appreciative of the assistance that the auditors provided that resulted in identifying technical issues with the scanning and reconciliation process in 2009. The Agency has worked closely with the Comptroller’s Office and the Core CT- Asset Management Module Team to avoid a similar occurrence for the 2010 inventory.

The lap top computers stolen from the Agency were unassigned machines that were not in use and contained no data. They were kept in a small, locked storage room that is itself contained within a locked stockroom, with very restricted access. The Agency has a full time security guard and a comprehensive burglar alarm system. The Agency has clearly defined policies and procedures for the assignment and removal of equipment from the building, and training in these requirements has been provided to all staff. Despite these measures, the Agency was the unfortunate victim of a crime. A now-former employee of the Agency has been arrested on a felony charge related to this matter. The Agency has taken dramatic steps above and beyond the requirements in the Property Control Manual to deter criminal behavior in the future, including installing a number of anti-theft devices.”

**Expenditures – Posting of Receipt Date:**

*Criteria:* The State Accounting Manual establishes guidelines for processing vendor payments. The guidelines include criteria for determining the correct receipt date to be used in the processing of vendor payments. Proper completion of receipt dates is important because receipt dates are used to calculate vendor accounts payable for inclusion in year-end GAAP Reporting.

*Condition:* Our review of twenty-five (25) expenditure transactions revealed that the incorrect receipt date was used on four (4) transactions.

- Effect:* Incorrect receipt dates could result in the improper reporting of year-end vendor payables and a lack of compliance with Generally Accepted Accounting Principles.
- Cause:* Although improvement has been noted from our prior audits, it appears that there is still some confusion as to the correct receipt date to be used.
- Recommendation:* Internal controls should be strengthened to ensure that the proper receipt date is recorded on vouchers processed through Core-CT. (See Recommendation 2.)
- Agency Response:* “The Agency agrees with this finding. The Agency policy that clearly instructs staff on the proper procedure to follow, previously issued in 2007, was reissued in March, 2010. Staff training for the entire Agency was conducted subsequent to reissuance of the policy, and a quality control checklist has been put in place as a required step to insure accuracy of information prior to processing.”

**Revenue – Posting Data to Core-CT:**

*Background:* Due to the way deposits are processed in the Core-CT system, it is not possible for receipts to be fully recorded within 24 hours of receipt. On a daily basis, the bank deposit information is entered into Core-CT through an interface between the bank and State.

The Entered Date recorded on Core-CT represents the date the deposit information was loaded into the system and was ready to be recorded by the agency. The Posted Date represents the date that the agency recorded the receipts on the General Ledger. Therefore, the posted date for the deposit should be no later than one day after the entered date.

The Department of Administrative Services (DAS) performs this function for the Board of Education and Services for the Blind.

*Criteria:* Section 4-32 of the General Statutes requires that an agency shall account for receipts within 24 hours of receipt.

The Office of the State Treasurer’s January 6, 2006, Memorandum on Deposit Reporting Timeframes requires that agencies should complete the confirmation of bank data and journalizing steps by the end of the day that the deposit information is received by the agencies through the Core-CT accounting system.

*Condition:* Our review of fifteen (15) receipts revealed that eight were posted to the General Ledger by the Department of Administrative Services between one and ten days after the information was available to be recorded on

Core-CT.

- Effect:* There was noncompliance with Section 4-32 of the General Statutes with regard to late accounting for receipts.
- Cause:* We were informed that with the volume of deposits to be recorded and approximately 20 agencies that DAS serves, that the DAS could not always post these to Core-CT in a timely manner.
- Recommendation:* The oversight Agency should ensure that receipts are accounted for in a timely manner. (See Recommendation 3.)
- Agency Response:* “The Department of Administrative Services (DAS) performs this function on behalf of BESB. DAS agrees that deposit and recording of receipts should be done in accordance with 4-32 and to make sure that DAS is in compliance, a waiver was obtained from the Treasurer’s Office on June 16, 2009 from the 24 hour deposit and recording rule. The waiver granted DAS six calendar days for the reporting of funds. The waiver expires on 6/30/2010 and a new request has been submitted to the Treasurer’s Office for the 7/1/2010 – 6/30/2011 year.”

**Payroll and Personnel:**

- Background:* The Board of Education and Services for the Blind (BESB) is responsible for the completion and approval of timesheets as well as approval of leave time, including compensatory time. As part of its responsibility for performing payroll and personnel functions for BESB, the Department of Administrative Services (DAS) is responsible for the processing of BESB’s payroll and personnel actions through Core-CT, the State’s accounting system.
- Criteria:* Section 5-248, subsection (f), of the Connecticut General Statutes states: “Any agency may reinstate without examination any employee who has resigned in good standing and has withdrawn his resignation within one year to positions in classes in which he has attained permanent status.” DAS General Letter #177 outlines procedures for withdrawal of a resignation and the different timeframes for which leave times may be reinstated or start to accrue from the date of reinstatement. If an employee is reinstated within one year following resignation, vacation leave can be used as accrued and sick leave credit will be restored in accordance with Section 5-247(b) of the General Statutes. However, if not reinstated within one year, vacation and sick leave will not be reinstated as accrued.

Section 5-213 of the Connecticut General Statutes provides that each employee in State service who has completed not less than ten years of

State service shall receive semiannual lump-sum longevity payments based upon service completed as of the first day of April and the first day of October of each year. Longevity payment schedules are outlined in the various bargaining unit contracts.

Pursuant to the Education Administrators (P-3A) Bargaining Unit Agreement Contract, Education Consultants within BESB who work the equivalent of a 10 month year shall not accrue vacation leave during the months of July and August.

Pursuant to the Educational Professions (P-3B) Bargaining Unit Agreement Contract, employees hired on and after July 1, 1977, the maximum accumulation of vacation time shall be sixty (60) days or 420 hours.

*Condition:*

Our review of the Board of Education and Services for the Blind's payroll and personnel records revealed the following:

- An employee resigned and then rescinded his resignation within one year. He was rehired by the State (i.e. Board of Education and Services for the Blind) after the one-year period. However, his vacation and sick time accruals did not stop nor were they adjusted to reflect that the vacation was paid out at resignation and his sick time had expired due to rehire after the one year time period. Once we brought this to DAS' attention, it was corrected.
- Two educational consultants, who are 10-month employees, were given 12 months of vacation time even though they are only allowed to accrue 10 months of vacation time. Therefore, both of their vacation balances were overstated by two months for the Fiscal Year 2008-2009.
- An employee retired and was given a payout of vacation time over the allowed maximum time in the amount of \$801. She was hired in December 1978 and upon retirement was paid for 439 vacation hours instead of the 420 maximum vacation hours allowed or 19 hours over her maximum vacation time accumulation.
- Inconsistencies were noted between the Core-CT Maintain Time Reporter Data and sampled employee's Bargaining Unit Contracts (P-3B and P-3A). Employees over a certain bargaining unit grade are to receive compensatory time instead of overtime. However, the Core-CT Maintain Time Reporter Data screen shows that they are eligible for overtime.

- Inconsistencies were noted between the Core-CT Job Data Screen longevity dates and the dates that were used for processing longevity payments for two employees. Due to these inconsistencies, one employee was given two erroneous longevity payments totaling \$341 and the other employee's longevity payment was manually adjusted each time a longevity payment was processed.

*Effect:* Non compliance with statutory and/or bargaining unit contract provisions for leave time accruals and balances led to erroneous accumulated leave balances and an overpayment of leave time. In addition, erroneous longevity payments were paid totaling \$341. Inconsistencies between bargaining unit contracts and Core-CT employee information can and did lead to errors in payroll processing.

*Cause:* The payroll and personnel processing procedures in place did not prevent these errors from occurring.

*Recommendation:* Greater care needs to be used in applying and processing payroll and personnel benefits in order to be in compliance with State laws and regulations and bargaining unit contract agreements. (See Recommendation 4.)

*Agency Response:* "The Agency acknowledges each of the above findings, but as noted in the Background section; the Department of Administrative Services (DAS) is responsible for the processing of BESB's payroll and personnel actions through Core-CT, the State's accounting system. DAS has therefore been notified and agreed to further research and make any adjustments needed. This includes seeking reimbursement from the retiree paid-off in excess of the maximum allowable vacation as well as the employee paid two erroneous longevity payments."

**Revenue – Coca Cola Contract Compliance:**

*Criteria:* Pursuant to the terms, conditions and attachments of the contract between Coca Cola Bottling Company of New England and the Board of Education and Services for the Blind, Coca Cola is to provide BESB, within 30 days after year end, a detailed sales report that shall include a report of examination from Coca Cola's internal audit and also be certified or attested to for correctness by an officer of the corporation.

In addition, within 75 days after the close of its fiscal year, the contractor shall provide BESB with a copy of its financial statements and schedules audited by an independent certified public accountant which shall include; (1) A monthly summary schedule of gross sales and commission by location; (2) A statement of the contractor's compliance

with the terms and conditions of the PSA; and (3) An overall opinion as to the fairness of the contractor's financial statements as of and for the contractor's fiscal year then ended.

*Condition:* Although Coca Cola provided a detailed sales report to BESB for Fiscal Year 2007-2008, it did not contain a report of examination from the contractor's internal auditor nor was it certified or attested to for correctness by an officer of Coca Cola. In addition, BESB did not receive a detailed sales report for fiscal year 2008-2009.

BESB did not receive the report of examination and we were informed that these 'agreed upon procedures' were not completed for fiscal year 2008-2009.

*Effect:* There was noncompliance with the terms and conditions of the contract expiring June 30, 2009.

*Cause:* We were informed that BESB did not pursue the required 'agreed upon procedures' (i.e. external audit) and the Schedule of Gross Sales and Commissions Paid for the fiscal year 2008-2009 because the contract requiring these terms and conditions had expired.

*Recommendation:* The Board of Education and Services for the Blind should ensure that all contract requirements are complied with and the required reports are obtained. (See Recommendation 5.)

*Agency Response:* "The Agency agrees with this finding. Upon learning of this oversight, the report was completed and submitted to the agency. The report did not identify any areas where corrective action was needed."

### **Property Control and Reporting:**

*Background:* The State of Connecticut Property Control Manual states that Asset Management/Inventory Report/GAAP Reporting Form, CO-59 (CO-59) should be used to report all property owned by each State agency. The Executive Branch agencies will generate information within Core-CT on assets that are capitalized and include the information on the CO-59. Agencies will use the Asset Management queries to complete the CO-59. If the values recorded on the CO-59 do not reconcile with Core-CT, the agency must provide a written explanation of the discrepancy in an attachment. Core-CT is the official record for the Agency's inventory.

In addition, the State of Connecticut Property Control Manual policies detail that the Capital Asset Expenditure EPM Report may be used as a tool to assist state agencies in compiling the CO-59.

The State's accounting system, Core-CT, can generate reports or queries that can be used in providing information on various financial categories, including asset management, which can assist the user in reconciling and reporting of various amounts. One asset management query details all positive amounts (additions) made to the Asset Management Module. Another Core-CT Capital Asset Expenditure EPM Query is an accounts payable query which details all the vouchers that are posted paying for items purchased under the asset account codes ranging from 55420 through 55890. In addition, another Core-CT query can be used to reconcile AP Asset Vouchers with AM asset detail transaction information.

*Criteria:* Section 4-36 of the Connecticut General Statutes requires each State agency to annually submit to the Office of the State Comptroller an annual report (i.e. CO-59) of all real property and personal property having a value of one thousand dollars or more owned by the State and in the custody of the agency.

*Condition:* Our review of the Asset Management/Inventory Report/GAAP Reporting Form, CO-59 (CO-59) and the Capital Asset Expenditure Query from Core-CT for the fiscal year ended June 30, 2009, disclosed differences between the additions amount reported on the CO-59 and the Capital Asset Expenditure EPM Query.

Although the additions amount reported on the CO-59 was completed using the Asset Management query on amounts added to the asset management module, this query does not agree with the Capital Asset Expenditure EPM Query. A reconciliation between the two Core-CT EPM Queries was not performed by BESB to determine why there was a difference.

Addition (Expenditure) Amount as Reported on:	
Core-CT Capital Asset Expenditure EPM Query	\$562,892
Core-CT Asset Management (additions) Query	<u>471,352</u>
Difference between the Core-CT reports:	<u>\$ 91,540</u>

We were also informed that only additions were included on the CO-59 based upon the Asset Management Query and that no reinstatement and/or adjustment amounts reflected were included. The reinstatement and/or adjustment amounts, which are also identified on this query, were not analyzed to determine if any of these assets that were reinstated and/or adjusted should also be reflected on the CO-59.

*Effect:* Without reconciliations the accuracy of the additions amount on Form CO-59 could not be determined. In addition, BESB is not in compliance with the requirements of the State Property Control Manual.

*Cause:* The amount used to complete the CO-59 additions was taken from

additions as reflected on the Asset Management query, which does not agree with the Capital Asset Expenditure Query. For these differences, BESB did not complete a reconciliation.

*Recommendation:* The Board of Education and Services for the Blind should comply with the State of Connecticut Property Control Manual and reconcile the amounts reported on the CO-59 with reports currently available on Core-CT in order to accurately determine those assets that need to be reported. (See Recommendation 6.)

*Agency Response:* “The Agency agrees with this finding and is working closely with the Comptroller’s Office to obtain training and technical assistance that is clearly necessary in order to fully comply with the scope of activities required to successfully complete an accurate and supported inventory report for 2010.”

## RECOMMENDATIONS

### *Status of Prior Audit Recommendations:*

- Inventory recordkeeping and reporting should be improved. This recommendation is being repeated in substance as Recommendation 6.
- The Agency should continue to seek clarification of Section 10-295 of the General Statutes so that it clearly states any limit to the distributions of the remaining balance in the educational aid for blind and visually handicapped children account. This recommendation was resolved.
- The Agency should institute procedures to ensure that the proper receipt date is recorded on expenditure vouchers processed through Core-CT. This recommendation is being repeated as Recommendation 2.
- Receipts should be accounted for in a timely manner. This recommendation is being repeated as Recommendation 3.

### *Current Audit Recommendations:*

- 1. The Board of Education and Services for the Blind should comply with the State of Connecticut Property Control Manual and perform complete annual physical inspections of assets.**

Comment:

Based upon a review of Core-CT reports, evidence indicates that there is a lack of complete annual physical inspection of assets. For many active assets, we do not show any evidence that an inspection was completed at all and for other assets, the latest inspection date was noted as occurring in 2008.

- 2. Internal controls should be strengthened to ensure that the proper receipt date is recorded on vouchers processed through Core-CT.**

Comment:

The receipt date was recorded incorrectly on Core-CT for nine out of our sample of 30 payments to vendors (30 percent). Incorrect receipt dates could result in the improper reporting of year-end vendor payables and a lack of compliance with Generally Accepted Accounting Principles.

- 3. The oversight Agency should ensure that receipts are accounted for in a timely manner.**

Comment:

We noted that eight out of 15 receipts in our sample were posted to the General Ledger, by DAS for BESB, between one and 10 days after the information was available to be recorded on Core-CT.

- 4. Greater care needs to be used in applying and processing payroll and personnel benefits in order to be in compliance with State laws and regulations and bargaining unit contract agreements.**

Comment:

We noted that leave time accruals were not terminated for an employee who resigned; over accruals of leave time were given to employees; an employee who retired was given an overpayment of leave time over the allowed maximum time; and inconsistencies were noted between the reported longevity dates and the amount of longevity payments made to two employees.

- 5. The Board of Education and Services for the Blind should ensure that all contract requirements are complied with and the required reports are obtained.**

Comment:

We noted that BESB did not receive nor request the contractually required reports and certifications for fiscal year 2008-2009 until we brought this to their attention.

- 6. The Board of Education and Services for the Blind should comply with the State of Connecticut Property Control Manual and reconcile the amounts reported on the Asset Management/Inventory Report/GAAP Reporting Form, CO-59 (CO-59) with reports currently available on Core-CT in order to accurately determine those assets that need to be reported.**

Comment:

The Asset Management/Inventory Report/GAAP Reporting Form, CO-59 (CO-59) and the Capital Asset Expenditure Query from Core-CT, for the fiscal year ended June 30, 2009, disclosed differences between the amounts reported on the CO-59 and the Core-CT Capital Asset Expenditure Query and reconciliations were not completed by the Agency to quantify the differences.

## **INDEPENDENT AUDITORS' CERTIFICATION**

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the Board of Education and Services for the Blind for the fiscal years ended June 30, 2008 and 2009. 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 Board of Education and Services for the Blind for the fiscal years ended June 30, 2008 and 2009, 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 Board of Education and Services for the Blind 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 Board of Education and Services for the Blind'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 deficiencies, described in detail in the accompanying "Condition of Records" and "Recommendations" sections of this report, to be significant deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 1 – Property Control – Physical Inspections; Recommendation 4 – Payroll and Personnel; and Recommendation 6 – Property Control and Reporting

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 none of the significant deficiencies described above are considered to be material weaknesses.

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

As part of obtaining reasonable assurance about whether the Board of Education and Services for the Blind 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 Board of Education and Services for the Blind's response to the findings identified in our audit are described in the accompanying "Condition of Records" section of this report. We

did not audit the Board of Education and Services for the Blind'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 courtesies extended to our representatives by the personnel of the Board of Education and Services for the Blind and the Department of Administrative Services during this examination.

Christine J. Delaney  
Principal Auditor

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts