

STATE OF CONNECTICUT

**AUDITORS' REPORT
DEPARTMENT OF ENVIRONMENTAL PROTECTION
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 2001**

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

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April 13, 2004

**AUDITORS' REPORT
DEPARTMENT OF ENVIRONMENTAL PROTECTION
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We have made an examination of the financial records of the Department of Environmental Protection as they pertain to the Agency's departmental operations for the fiscal years ended June 30, 2000 and 2001. We have also included in our examination, the Council of Environmental Quality, the Connecticut Council on Soil and Water Conservation, the Connecticut River Gateway Commission and the Connecticut Emergency Response Commission. This report thereon consists of the Comments, Recommendations and Certification which follow. For the Connecticut Hazardous Waste Management Service we have relied on audits performed by independent public accountants.

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

COMMENTS

FOREWORD:

The Department of Environmental Protection (DEP) operates under the provisions of Titles 22a, 23, 24, 25 and 26 of the General Statutes. The DEP has jurisdiction over all matters relating to the preservation and protection of the air, water and other natural resources of the State of Connecticut. The principal areas of operation, stated in terms of broad purpose, are as follows:

1. Conservation of land and water resources
2. Parks and recreation
3. Fish and wildlife
4. Water resource management
5. Solid waste management
6. Air and water pollution
7. Geological survey

The two major branches of the Department are Conservation and Preservation and Environmental Quality. The Conservation and Preservation Branch is concerned primarily with our natural resources represented by open spaces and underdeveloped land areas, fish life, streams and coastal areas and State-owned parks and forests. The Environmental Quality Branch's chief purpose is to maintain and improve the quality of the air, land and water resources of the State by preventing any pollution or mismanagement thereof by private, public or business interests.

Arthur J. Rocque, Jr. served as Commissioner for the audited period.

The following entities are associated with the DEP:

Council on Environmental Quality:

Statutory Authority	Sections 22a-11 through 22a-13
Relation to DEP	Within the DEP for administrative purposes only.
Number of Members	Nine
Duties	The Council must annually submit an environmental quality report to the Governor. The Council may require all State agencies to submit to it all plans for construction of facilities, buildings, or paving for advisory review and comment with respect to the effects of such projects on the environment. It is also empowered to receive and investigate citizen complaints which may allege that the environment is being harmed and to refer such matters to the appropriate regulatory agency for action.
Executive Director	Karl J. Wagener
Receipts	None
Expenditures	\$119,506 in fiscal year 1999-2000 and \$126,603 in fiscal year 2000-2001

Connecticut Council on Soil and Water Conservation:

Statutory Authority	Section 22a-315
Relation to DEP	Within the DEP for administrative purposes only.
Number of Members	Nine
Duties	The Council's primary objective is to coordinate the activities of the five Soil and Water Districts established by the Commissioner of the DEP, pursuant to Section 22a-315, with other State, regional and local agencies in the fields of soil and water conservation.
Receipts	None
Expenditures	None

Connecticut River Gateway Commission:

Statutory Authority	Sections 25-102d through 25-102i
Relation to DEP	Within the DEP for administrative purposes only.
Number of Members	11

Duties	The Commission's two basic responsibilities are the review and approval or disapproval of local land use controls and changes therein which affect property in the Conservation Zone, and the selection and recommendation to the Commissioner of DEP, of up to 2,500 acres of land within the Gateway Conservation Zone for less than fee acquisition by the State. A conservation fund was subsequently established particularly for the acquisition of land.
Receipts	None
Expenditures	None

Connecticut Emergency Response Commission:

Statutory Authority	Sections 22a-600 through 22a-611
Relation to DEP	Within the DEP for all purposes
Number of Members	19
Duties	The Commission shall implement the provisions of the Emergency Planning and Community Right-to-Know Act and shall designate local planning districts.
Receipts	None
Expenditures	None

Connecticut Hazardous Waste Management Service:

Statutory Authority	The Connecticut Hazardous Waste Management Service, hereinafter referred to as the Service, is a body politic and corporate constituting a public instrumentality and political subdivision of the State. The Service operates under the provisions of Section 22a-134aa through 22a-134oo and Section 22a-163 through 22a-164 of the General Statutes.
Duties	Promoting and encouraging appropriate management of hazardous waste in Connecticut; and assisting in the management of low-level radioactive waste.
Statutory Requirements	<p>Under the provisions of Section 1-120 of the General Statutes, the Service is considered a quasi-public agency. As such, it is required to adopt written operating procedures, to have an annual compliance audit of its activities and to submit an annual report of its activities to the Governor, the Auditors of Public Accounts, and the General Assembly.</p> <p>As required, the Service had audits performed by an independent public accountant. An unqualified opinion was given for both the fiscal year 1999-2000 audit report and the fiscal year 2000-2001 audit report. There were no audit recommendations.</p>
Board of Directors	Eleven members

Advisory Committee In accordance with Section 22a-163u of the General Statutes, an 11 member low-level radioactive waste advisory committee was established to advise the Service on the suitability of sites for the management of low-level radioactive waste.

RÉSUMÉ OF OPERATIONS:

During the fiscal years ended June 30, 2000 and 2001, DEP activity was accounted for in the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds (civil list funds) and Fiduciary Funds. These funds are discussed in more detail in the sections that follow.

A summary of revenue and expenditures in civil list funds during the audited period is shown below:

	<u>Revenue</u>		<u>Expenditures</u>	
	<u>1999-2000</u>	<u>2000-2001</u>	<u>1999-2000</u>	<u>2000-2001</u>
General Fund	\$37,531,220	\$ 52,484,838	\$ 75,191,180	\$ 81,127,924
Special Revenue Funds	40,855,396	32,384,282	68,635,570	56,043,478
Capital Project Funds	73,224	23,812	37,753,626	42,940,154
Enterprise Funds	<u>14,560,136</u>	<u>40,093,845</u>	<u>112,185,543</u>	<u>97,496,047</u>
Total Civil List Funds	<u>\$93,019,976</u>	<u>\$124,986,777</u>	<u>\$293,765,919</u>	<u>\$277,607,603</u>

GENERAL FUND:

General Fund receipts are summarized below:

	<u>1998-1999</u>	<u>1999-2000</u>	<u>2000-2001</u>
Receipt Type:			
Hunting and Fishing	\$ 2,656,183	\$ 2,455,121	\$ 2,646,493
Air, water and waste compliance	996,968	882,215	1,058,298
Civil penalties and fines	2,262,994	2,340,330	1,962,423
Federal	18,525,777	16,779,142	21,918,412
Other grants and donations	8,817,849	11,475,043	21,012,998
Sales and rent	1,772,328	1,435,935	1,460,863
Refunds of expenditures	2,342,378	967,877	1,504,241
Other	<u>874,351</u>	<u>1,195,557</u>	<u>921,110</u>
Total General Fund Receipts	<u>\$ 38,248,828</u>	<u>\$ 37,531,220</u>	<u>\$ 52,484,838</u>

Total receipts decreased by \$717,608 during the 1999-2000 fiscal year and increased by \$14,953,618 during the 2000-2001 fiscal year. One of the reasons for decreased receipts in the 1999-2000 fiscal year and increased receipts in the 2000-2001 fiscal year is due to the timing of the draw down of Federal funds for the Performance Partnership Grant. Another reason for increased receipts in the 2000-2001 fiscal year is a \$6,000,000 one-time revenue transfer from

the Comptroller's Office to convert the Emergency Spill account, a previous State line appropriation, to a new separately funded account.

General Fund expenditures are summarized below:

	<u>1998-1999</u>	<u>1999-2000</u>	<u>2000-2001</u>
Budgeted Accounts:			
Personal services	\$ 31,877,013	\$ 34,876,284	\$ 35,013,705
Contractual services	3,889,553	8,167,371	6,320,689
Commodities	728,767	816,268	1,126,197
Sundry charges	1,718,777	935,883	803,750
State Aid Grants	9,400	9,420	9,440
Land	0	0	4,000,000
Capital outlay	803,147	695,284	270,047
Agency funds	<u>730</u>	<u>918</u>	<u>400</u>
Total Budgeted Accounts	<u>39,027,387</u>	<u>45,501,428</u>	<u>47,544,228</u>
Restricted Accounts:			
Federal	18,748,559	20,531,232	22,691,168
Other than Federal	<u>8,164,940</u>	<u>9,158,520</u>	<u>10,892,528</u>
Total Restricted Accounts	<u>26,913,499</u>	<u>29,689,752</u>	<u>33,583,696</u>
Total General Fund Expenditures	<u>\$ 65,940,886</u>	<u>\$ 75,191,180</u>	<u>\$ 81,127,924</u>

General Fund expenditures increased by \$9,250,294 during the 1999-2000 fiscal year and increased by \$5,936,744 in the 2000-2001 fiscal year. The increase in the 1999-2000 fiscal year can be attributed to an increase in personal services expenditures due to the 27th pay period instead of the normal 26 pay periods and an increase of 21 positions in the General Fund, nine of which were conservation officer positions. Also, contractual expenditures increased because of Emergency Spill Response expenditures charged to the General Fund. Federal expenditures also increased in the 1999-2000 fiscal year. The increase during the 2000-2001 fiscal year can mainly be attributed to a purchase of approximately 515 acres of land with funds from the Charter Oak Open Space Trust account. Public Act 00-203, "An Act Concerning the Open Space Trust Fund", created the Charter Oak Open Space Trust Fund. Section five of the Public Act enables the State to acquire land for open space and watershed protection.

General Fund Restricted Accounts – Other than Federal:

The DEP utilized 40 restricted accounts-other than Federal, during the audited period. The largest accounts were the Clean Air Act Account, which operates under Section 14-49b of the General Statutes and the Stationary Air Emissions Monitoring Account.

General Fund Restricted Accounts – Federal:

During the audited period the DEP charged expenditures to its General Fund Federal Restricted Accounts for 56 Federal programs. The largest programs were related to sport fishing; wildlife restoration; air pollution control; air, water, and waste management; and leaking underground storage tanks. In addition to activity recorded in the General Fund, Federal funds

were deposited in the Federal account of the Clean Water Fund. See comments under the Clean Water Fund section of this report.

SPECIAL REVENUE FUNDS:

During the audited period the DEP utilized eight special revenue funds established to account for expenditures of revenues that have been restricted to specific programs. A summary of revenues and expenditures for all special revenue funds follows. Comments concerning the two largest funds follow this schedule and special revenue funds for grants are discussed in a later section.

Fund:	<u>Revenue</u>		<u>Expenditures</u>	
	<u>1999-2000</u>	<u>2000-2001</u>	<u>1999-2000</u>	<u>2000-2001</u>
Environmental Quality	\$27,824,775	\$19,550,235	\$27,275,041	\$21,704,775
Conservation	11,592,224	12,629,052	8,604,112	10,610,731
Low Level Radioactive Waste	268,598	156,677	5,118,477	734,860
Special Contaminated Property				
Remediation and Insurance	498,250	0	125,000	331,270
Inter Agency/Intra Agency				
Grants-Tax Exempt Proceeds	450,045	0	17,157	97,323
Capital Equipment Purchase	17,225	0	495,505	749,151
Grants to Local Governments				
And Others	4,279	35,208	26,119,237	21,447,076
Economic Development and				
Other Grants	<u>200,000</u>	<u>13,110</u>	<u>881,041</u>	<u>368,292</u>
Total Special Revenue Funds	<u>\$40,855,396</u>	<u>\$32,384,282</u>	<u>\$68,635,570</u>	<u>\$56,043,478</u>

Environmental Quality Fund:

The Environmental Quality Fund operates under Section 22a-27g of the General Statutes. The Fund is used by the DEP for the administration of the central office and environmental quality programs authorized by the General Statutes.

Environmental Quality Fund revenue and expenditures are summarized below.

	<u>1998-1999</u>	<u>1999-2000</u>	<u>2000-2001</u>
Revenue:			
Petroleum company assessments	\$20,932,422	\$19,203,306	\$11,070,248
Air, water and waste compliance	7,702,499	7,820,355	7,744,101
Fines and penalties	35,500	77,000	21,950
Other	<u>814,072</u>	<u>724,114</u>	<u>713,936</u>
Total Revenue	<u>\$29,484,493</u>	<u>\$27,824,775</u>	<u>\$19,550,235</u>

	<u>1998-1999</u>	<u>1999-2000</u>	<u>2000-2001</u>
Expenditures:			
Payroll	\$ 7,494,237	\$ 9,329,800	\$ 9,186,441
Contractual services	19,683,630	16,795,918	9,193,522
Other	<u>1,167,470</u>	<u>1,149,323</u>	<u>3,324,812</u>
Total Expenditures	<u>\$28,345,337</u>	<u>\$27,275,041</u>	<u>\$21,704,775</u>

Total revenue decreased by \$1,659,718 during the 1999-2000 fiscal year and decreased by \$8,274,540 in the 2000-2001 fiscal year. The decreases in both fiscal years are due to a decrease in petroleum company assessments revenue. The Comptroller credits the Underground Storage Tank Petroleum clean-up account at the DEP by revenue transfer when this account falls below \$5,000,000 in accordance with Connecticut General Statutes 22a-449, section (b).

Total expenditures decreased by \$1,070,336 during the 1999-2000 fiscal year and decreased by \$5,570,266 in the 2000-2001 fiscal year. The decrease in the 2000-2001 fiscal year can mainly be attributed to Public Act 99-269, "An act concerning an amnesty program for removal of home oil tanks." Public Act 99-269 was passed on July 1, 1999. Bond funding was provided for reimbursement for the remediation of spills found when removing the underground storage tanks at homes. Other expenditures increased from the 1999-2000 fiscal year to the 2000-2001 fiscal year by \$2,175,489. The DEP was instructed by the State Comptroller's office, to categorize claims for reimbursement for the Underground Storage Tank Petroleum Cleanup Program to sundry (other) expenditures instead of contractual services beginning February 2001.

State Comptroller records indicate that Fund assets totaled \$44,484,307 on June 30, 2001.

Conservation Fund:

The Conservation Fund operates under Section 22a-27h of the General Statutes. The Fund is to be used by the DEP for the administration of the central office and conservation and preservation programs authorized by the General Statutes.

Conservation Fund revenue and expenditure totals are presented below:

	<u>1998-1999</u>	<u>1999-2000</u>	<u>2000-2001</u>
Revenue:			
Hunting and fishing	\$ 1,742,188	\$ 1,649,130	\$ 1,695,874
Vessel registration fees	5,197,930	5,263,411	5,330,687
Sales and rent	2,376,325	2,330,146	2,235,142
Other	<u>821,006</u>	<u>2,349,538</u>	<u>3,367,350</u>
Total Revenue	<u>\$10,137,449</u>	<u>\$ 11,592,225</u>	<u>\$12,629,053</u>
Expenditures:			
Payroll	3,738,730	5,450,429	5,959,865
Contractual services	821,074	1,337,632	1,827,109
Other	<u>1,479,306</u>	<u>1,816,051</u>	<u>2,823,757</u>
Total expenditures	<u>\$ 6,039,110</u>	<u>\$ 8,604,112</u>	<u>\$10,610,731</u>

Total revenue increased by \$1,454,775 and \$1,036,829, respectively, during the 1999-2000 and 2000-2001 fiscal years. Revenue increases can be attributed to increased receipts of

\$1,500,000 and \$1,000,000, respectively, for the 1999-2000 and 2000 and 2001 fiscal years for the gasoline account. This increase is due to the transfer of motor fuels tax to the DEP under Section 12-460(a) of the General Statutes.

Total expenditures increased by \$2,565,002 and \$2,006,619, respectively, during the 1999-2000 and 2000-2001 fiscal years. This increase in the 1999-2000 fiscal year can be mainly attributed to the 27th pay period in that fiscal year and general wage increases. Expenditures also increased in both years because of the increased revenue from the motor fuels tax. In the 1999-2000 fiscal year, payroll expenditures increased due to 27 pay periods instead of the normal 26 pay periods and there was also an increase in seasonal positions for this fund. The increase of expenditures in the 2000-2001 fiscal year can mainly be attributed to purchases of equipment such as trucks and boats, general repairs at State parks, and transaction fees paid to the company that began operating the camping reservation system for the DEP beginning March 2000.

State Comptroller records indicate that Fund assets totaled \$19,711,767 on June 20, 2001.

Grants to Local Governments and Others:

The Grants to Local Governments and Others is a fund that is used by various State Departments to account for bond authorizations for grants to local governments, organizations, and individuals. In the 1999-2000 fiscal year, the majority of expenditures made were for acquisition for open space conservation/recreation, a grant to New Haven to install liners for landfill expansion, urban sites and containment of contaminated industrial sites. In the 2000-2001 fiscal year, the majority of expenditures made were for grants for acquisition of open space, and grants to cities for land/parks/water quality.

ENTERPRISE FUNDS:

Clean Water Fund:

The Clean Water Fund operates under the provisions of Section 22a-475 through 22a-483 of the General Statutes. This fund is to be used for grants and/or loans for research; planning and construction of water quality projects; and, improvements to the Long Island Sound area.

In accordance with Section 22a-477, this fund was divided into five separate accounts. These accounts are the water pollution control Federal revolving loan account, the water pollution control State account, the Long Island Sound clean-up account, a drinking water federal revolving loan account, and a drinking water state account. These accounts are identified by the State Comptroller as five separate Enterprise Funds: the State Account, the Federal Account, the Long Island Sound Account, the Drinking Water State Account and the Drinking Water Federal Account.

Clean Water Fund revenue and expenditure totals are presented below:

	<u>Revenue</u>		<u>Expenditures</u>	
	<u>1999-2000</u>	<u>2000-2001</u>	<u>1999-2000</u>	<u>2000-2001</u>
State Account	\$ 395,129	\$ 359,388	\$ 29,616,301	\$ 23,263,677
Federal Account	12,564,923	28,349,819	78,525,841	57,968,776
Long Island Sound Account	39,914	23,423	499,224	767,461
Drinking Water State Account	0	51,781	1,984,002	3,916,059
Drinking Water Federal Account	<u>1,560,170</u>	<u>11,309,434</u>	<u>1,560,175</u>	<u>11,580,074</u>
Total Clean Water Fund	<u>\$ 14,560,136</u>	<u>\$40,093,845</u>	<u>\$112,185,543</u>	<u>\$ 97,496,047</u>

Receipts of the Clean Water Fund were primarily from Federal grants and the sale of bonds. Expenditures were mainly for grants to municipalities for the construction, expansion or improvement of wastewater treatment facilities, loans and administrative expenses. For the period under review, an independent public accountant audited the Federal Account and Drinking water Accounts.

CAPITAL PROJECTS FUNDS:

Expenditures on capital projects totaled \$37,753,626 in fiscal year 1999-2000 and \$42,940,154 in fiscal year 2000-2001. Expenditures were mainly for land acquisitions, improvements to State parks, dam repairs and flood and erosion control projects, repairs to State owned dams, and improvements to State recreational facilities. In addition to expenditures charged for capital projects, expenditures were also charged to Capital Project funds for personnel services and other expenditures.

TRUST FUNDS:

During the audited period the DEP exercised custody over trust funds that are described below:

Fund	Purpose
Culpeper	Repair and restoration of facilities at the American Shakespeare Theater State Park.
Eastern Tribe Pequot Indians	To be expended in accordance with the direction of the Department, with the advice of the Indian Affairs Council, as provided for by Section 47-66 of the General Statutes.
James L. Goodwin	Educational activities and maintenance of the buildings and grounds of the James L. Goodwin Center.
Hopemead	Development of property previously conveyed to the State.

Kellogg	Support and maintain Kellogg Environmental Center and the Osborndale State Park.
Topsmead	Maintain the devisor's former summer residence and the land surrounding the residence, which were also bequeathed to the State. The property has been named Topsmead State Forest in accordance with the terms of the will.
Wagner-Firestone	This Fund is for the maintenance of a bird and game sanctuary on property in Lyme and East Haddam.
Flora Werner	Benefit of the real estate devised to the State.
John J. White and White Memorial Foundation	Maintain wildlife sanctuaries.

Receipts, disbursements and fund balances per agency records follow:

	<u>July 1, 1999 through June 30, 2001</u>		<u>Fund Balance*</u>
	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2001</u>
Fund:			
Culpeper	\$ 23,128	\$ 28,000	\$ 185,606
James L. Goodwin	25,101	13,115	222,952
Hopemead	134,825		1,749,425
Kellogg	615,673	448,000	1,060,481
Eastern Tribe Pequot Indians	3,086		27,804
Topsmead	781,612	612,450	1,902,471
Wagner-Firestone	18,174		163,733
Flora Werner	37,419		337,126
John J. White and White Memorial Foundation	<u>1,115,673</u>	<u>658,863</u>	<u>3,113,692</u>
Total	<u>\$2,754,691</u>	<u>\$1,760,428</u>	<u>\$ 8,763,290</u>

*investments at market value

Note – The fund balances for the James L. Goodwin and Kellogg funds do not include investments held by trustees other than the State of Connecticut.

During the period under review, the resources of all but one of these trust funds were administered by the DEP; the State Treasurer administered the Hopemead State Park Fund.

CONDITION OF RECORDS

We found various areas in need of attention and corrective actions. These areas are described in the following sections:

Revenue – Rent of State Forest Buildings:

Criteria: Section 26-3b, subsection (a), of the General Statutes states that the Commissioner has the authority to determine the rental fee to charge Department employees renting state-owned facilities.

Section 26-3b, subsection (a), of the General Statutes requires that if the DEP rents property to persons who are not employees of the DEP it shall first obtain approval of the State Properties Review Board and any such rent shall at least be equal to the fair market rental value of such property as determined by the Commissioner of DEP, notwithstanding any other provisions of the General Statutes or of any Regulations of State Agencies.

Lease agreements between the State of Connecticut and various tenants should specify the amount of rent to be paid by the tenants and the due date, and the requirements for property insurance.

Good business practice includes having written leases for rental of State property and procedures for collecting delinquent payments permitted by such leases.

Condition: During our last audit, the DEP's Division of Land Acquisition, which is within the Bureau of Outdoor Recreation, informed DEP employees occupying State-owned facilities to cease paying rental fees. This decision was made without the approval of the Commissioner. As of the date of this report, DEP employees are still not paying rental fees. The DEP has not had lease agreements prepared and signed by the employees who have lived in the houses since 1998. The market value of these homes (as of the last appraisal in 1996-1997) ranged from \$0 for trailers to \$280,000.

The DEP does not have current leases in effect with non-DEP employees. The last lease dates available for these non-DEP employees range from June 1978 through March 1997. One non-DEP employee has not had a lease since at least the 1980s according to the Director of Land and Acquisition Management. The DEP does not bill this non-DEP employee who lives in a 1,972 square foot home that was last valued at \$80,000. The Director stated that about eight years ago, a Deputy Commissioner told the Director to not renew the lease because the property was donated to the State and the non-DEP employee worked the property. The Director could not provide us

with any written documentation showing the authorization from the Deputy Commissioner to not renew the lease.

Three of the seven non-DEP employees in DEP housing are paying on a month-to-month basis until leases are drafted and do not owe the DEP any monies. The DEP does not have evidence of property insurance coverage for any of the seven tenants.

The DEP does not have written procedures for pursuing the collection of delinquent rents.

Effect: Total lost revenue as the result of unpaid or inadequate rent from non-DEP employees amounted to \$66,185 from the period June 1998 to March 12, 2003.

For DEP employees, the total amount of lost revenue from the previous audit and from the audit period July 1, 1999 to June 30, 2001, and through February 2003 is conservatively estimated at \$908,760.

The maintenance, repair and improvement account of the Conservation Fund is not receiving the funds due this account.

Cause: Internal controls are not in place to ensure the collection of rentals of State forest buildings, and conformance of tenants with statutory requirements.

Recommendation: Procedures should be established and followed to ensure the proper rental of State forest buildings and collection of rent thereon. (See Recommendation 1.)

Agency Response: "DEP agrees with the recommendation to establish proper rental procedures and to collect rents for buildings on DEP managed property. DEP has recently finalized a new lease document with the Attorney General's Office. The new lease document will be used for all properties that DEP continues to rent. Currently, DEP is completing the process of securing revised appraisals for all buildings that may be considered for rent on department properties. Once this process is completed, DEP will decide which buildings to retain for rental, and proceed to implement the new leases."

Purchasing/Expenditures:

Criteria: Section 4-98 of the General Statutes states that no budgeted agency may incur any obligation except by the issuance of a purchase order and a commitment transmitted to the State Comptroller.

Payments should be made in accordance with contractual requirements.

Condition: A review of 16 personal service agreements and their amendments revealed that two or 13 percent of the contractors began work prior to the commitment of funds. The dollar value of the work is approximately \$19,965.

The DEP had a purchase order with a vendor for statewide aerial photos. Specific services are described in this purchase order. We found that payments of \$58,160 were made to this vendor for services not listed in the purchase order.

The DEP paid \$1,795 to a vendor even though the purchase order did not list the item purchased.

Effect: There is noncompliance with Section 4-98 of the General Statutes.

Cause: The DEP does not adequately plan to have personal service agreements in place or amended prior to the start of the work.

There was an oversight by DEP employees with the aerial photo contract. An amendment was made to the purchase order for these additional services at a later date.

The DEP believed that as long as they did not exceed the dollar amount of the purchase order, purchases could be made with that vendor.

Recommendation: Statutory requirements should be followed for personal service agreements. Terms of contracts should be followed. Prior to making payments for goods and services, the DEP should insure that the terms of payment are in agreement with the terms of the purchase order. (See Recommendation 2.)

Agency Response: “DEP agrees that personal service agreements should be processed in a manner that allows sufficient time to secure all required signatures prior to the beginning of services. Instructions are included in the agency’s directive on contract processing (5260 D1, dated July 1, 1997), which references OPM’s [Office of Policy and Management] contract processing guidelines that describe time frames related to contracts. Situations may occur, where the processing time takes longer than anticipated. The contract with the Capitol Region Council of Governments, to provide bottled water for citizens affected by contaminated groundwater (one of the contracts referred to in this report), was signed by the contractor almost thirty-days prior to the requested start date (i.e., contractor signed 6/2/99, requested start date of 7/1/99). The contract was then signed on June 16th by the DEP Commissioner, and the attorney general’s office signed the agreement on August 18th. DEP will use this recommendation to work with the program offices to reiterate the importance of allowing sufficient time

for processing contracts prior to an anticipated start date, and as necessary, make changes to the existing department directives on contracts.

With regard to the purchase order for statewide aerial photos, DEP agrees that purchase order amendments should be processed when required. The department did issue a purchase order amendment (#1011996687) for the full amount of additional services as required. The original oversight by the program office was due to a miscommunication between two different program offices with regard to processing the amendment. Once the oversight was uncovered, a new order was processed to cover all services.”

Inventory and Reporting:

Criteria:

Section 4-36 of the Connecticut General Statutes provides that an inventory of property shall be kept in the form prescribed by the State Comptroller and an annual report of all property that is in the custody of the Department must be reported accurately on an annual basis.

The State Property Control Manual also states that when an equipment item is to be transferred, a request for transfer should be made on an agency approved form that authorizes the transfer of the equipment. Transfer is defined by the Manual as “any movement of an asset by virtue of change in location, either by department, building and floor.” The DEP’s directive, manual code 5421, “Inventory Control – Equipment additions, deletions or transfer” states that the “Equipment Inventory Change Request” form must be completed for bureau transfers. If there is a transfer within the bureau, the assigned business officer of that bureau can directly make the transfer on the Asset Management system.

According to Section 4-33a of the General Statutes, the “Office of the State Comptroller and the Auditors of Public Accounts must be notified immediately of all losses/damages to State property upon discovery.”

Condition:

We tested 25 inventory items for existence. Locations for seven or 28 percent, of the items on the inventory were incorrect. One item with a value of \$5,000 that was listed on the inventory records for capitalized items was also listed on the Fine Arts Inventory listing thus overstating the total inventory.

The DEP has not filed a loss report for items totaling approximately \$240,000 that could not be found during a physical inventory taken in 2001.

Effect:

Performing physical inventory of items is difficult when equipment is not in the location stated on the inventory.

The property records do not correctly reflect the amount of inventory on hand.

Cause: The DEP has not established adequate procedures for the reporting and control of equipment inventory.

Recommendation: The DEP should follow the policies and procedures outlined in the State of Connecticut's Property Control Manual and comply with Section 4-33a of the General Statutes, which specifies inventory procedures and requires the Department to promptly report the loss of State property. (See Recommendation 3.)

Agency Response: "The DEP agrees it should have notified the State Comptroller of its ongoing inventory of equipment.

The DEP did not file a loss report for specific items that could not be located during a 2001 physical inventory. The actual disposition of these items could not be determined at that time. It was our intent to complete a full wall-to-wall inventory performed by Inventory Section staff prior to formally declaring the items missing or stolen. Past analysis of physical inventory results indicate that a significant amount of unaccounted for property is normally detected while conducting the reconciliations. We are now in the process of conducting this wall-to-wall inventory and reconciliation. Information being collected includes a location check and verification of description. At the conclusion of the complete inventory cycle, if these items are still not located and the conditions cannot be documented, final reports will be provided to the Office of the State Comptroller and Auditors of Public Accounts, as required."

Auditors' Concluding Comment:

The Comptroller and Statutes require the prompt reporting of losses of State property. Approximately two full years have past since the 2001 physical inventory. The DEP should have taken prompt action as to the status of the missing equipment as soon as it realized that \$240,000 of equipment could not be located by either reporting the equipment as lost or the DEP should have attempted to find the equipment.

Portraits, Paintings and Museum Articles:

Background: The DEP has in its possession various portraits, paintings and museum articles. The total of these items as shown on the DEP's property inventory report, submitted to the State Comptroller's Office, at June 30, 2001, was \$570,864.

Criteria: The State of Connecticut's "Property Control Manual" requires that an appraisal of portraits, paintings and museum articles be made within a maximum period of every five years for items over \$10,000.

Section 4-36 of the Connecticut General Statutes requires that all property that is in the custody of the Department must be reported annually.

Condition: The DEP has only been able to produce appraisals at two sites even though it appears that at least eight other sites contain portraits, paintings and museum articles. One of these appraisals was conducted at Gillette Castle in 1973. According to the DEP's inventory for portraits, paintings and museum articles, Gillette Castle has only 64 items. During our audit, items from Gillette Castle were stored at another facility. When we toured this facility to see the items from the Castle, we found that there were several rooms full of items that were not on the inventory. Also, we obtained photographs of the portraits and paintings at Gillette Castle. We compared the photographs to the inventory and found that 30 paintings were not even listed on the DEP's inventory. The other appraisal, a limited appraisal of Oriental statues and pottery, was conducted for \$1,200 in June 2000. The results of this appraisal revealed that the 56 items that were appraised had a value of over \$100,000. The DEP did not adjust the amount reported to the State Comptroller's Office after this appraisal was done even though we reported this finding to the DEP in the previous audit.

The \$570,864 reported to the State Comptroller has remained unchanged since at least 1993.

We visited two of the DEP sites last audit. In the current audit, we visited these sites again. Our review at these sites revealed the following for which the DEP has taken no action:

- The official inventory records used for reporting were significantly different from the records maintained by the two sites. At one site, the DEP's inventory report lists 53 items totaling \$8,410 on the official inventory records, yet personnel at this same site are maintaining a partial inventory of 163 items. Of these 163 items, 56 items are included in the appraisal previously mentioned. At the other site, there are many items on the site's inventory records that do not have DEP's official inventory tag number assigned to them. Also the DEP's official inventory tag number often lists groups of books, such as Almanacs, with one tag number.
- Last audit we selected 20 items for physical inspections at the site that the official inventory records state has 53 items. We found only one item of the 20. No loss reports were on file for the 19 items we could not find. As of June 2003, the DEP has not

determined whether loss reports should be filed on the 19 items we could not find.

- Personnel at these two sites have stated that changes to the inventory have been submitted to personnel responsible for the official records but it appears that these changes still have not been recorded.

Effect: The State does not have a true indication of the value of the various portraits, paintings and collections. As a result, valuable items may be undervalued or not included on the inventory. Losses of valuable items could go undetected.

Cause: The management of the DEP does not seem to place a high priority on accurately reporting the value of portraits, paintings and collections in its possession or determining whether items are lost or stolen as evidenced by the lack of action taken by the DEP.

Recommendation: The DEP should have periodic appraisals made of its various portraits, paintings and museum articles. Items recorded on the inventory for these items should be completely recorded and the value of these items should be accurately reported. Further, items not located after physical inventories should be reported to the State Comptroller and State Auditors. (See Recommendation 4.)

Agency Response: “It is acknowledged that the DEP has not established periodic appraisals of its various portraits, paintings and museum articles. While the DEP does recognize the importance of appraising these assets, financial support has fallen victim to budget prioritization.

While the value of these items should be accurately reported, it is difficult or impossible to establish an accurate historical cost basis. This difficulty is a result of the unique nature in which these types of assets have been acquired through the years. The previously stated value of \$570,864 was changed last year to reflect an aggregate adjustment of \$600,000. This adjustment was reported on the CO-59 submitted by DEP for year-end 02.

The DEP is currently in phase one of a complete agency wide wall-to-wall physical inventory. The second phase of this inventory will incorporate the portion of our assets that includes portraits, paintings and museum articles. It is during this phase that each asset will be centrally recorded and photographed. During the reconciliation phase of this physical inventory, all unaccounted for assets will be reported to the State Comptroller and Auditors of Public Accounts.”

Cellular Telephone:

Criteria: According to DEP's Directive No. D2, Manual Code 5340, issued November 13, 2000, with regard to cellular telephones, "All calls must be approved and validated by the employee and then by the unit Director before returning the original document to the Bureau of Financial and Support Services..." of the DEP. This same Directive states that when a cellular phone is to be moved, the employee who is assigned the cellular phone should notify the DEP's Telecommunication Unit.

The DEP issued an interoffice memorandum for loaner cell phones. The user of a loaner cell phone must complete a log sheet for all calls made while the cell phone is in the employee's possession.

Condition: Monthly cellular phone bills do not always receive approval by the Unit Director. Our review of the month of May 2001 revealed that 17 out of 243 employees did not review and validate their telephone bill and return the original document to the Bureau of Financial Services when we reviewed the bill in February 2002. It was only after we requested the phone bills that the bills were returned to the Bureau of Financial Services. The amount of the cellular phone bill for the month of May 2001 was \$11,300. Furthermore, the Bureau of Financial Management sent out a memo dated May 3, 2001 to the Bureau Chiefs and the Bureau Business Offices stating that only ten cell phone bills would be randomly selected each month and the Unit Directors would only have to sign off on these ten cell phone bills. This memo is contrary to the DEP Directive No. D2, Manual Code 5340 that is issued by the Commissioner.

Our review of the May 2001 cellular phone bill also revealed that for 11 cellular phone bills, the person validating the calls on the bill were not the same persons that were assigned that particular cellular phone. Four of the 11 employees that were assigned the cellular phone had left State service prior to May 2001. When the employees left, the cellular phone was given to another employee without informing the Telecommunications Unit of the DEP.

The DEP had five loaner cellular phones in the Finance and Administration Unit for the month of May 2001. Two of the five were loaned out for the audited month. We found that the log sheets were not completely maintained for the two cellular phones. Five calls were not recorded on the log sheet for one phone and two calls were not recorded for the second phone tested.

Effect: The DEP is not following its own directive for cellular telephones. Cellular telephones may be misused if internal controls are weak.

Cause: The DEP was not enforcing cellular telephone policies.

Recommendation: The DEP should assure itself that the uses of cellular phones are in compliance with State and DEP policies. (See Recommendation 5.)

Agency Response: “Based on auditors’ comments, DEP has recently modified directives related to general telephone use (including desksets, calling cards, conference calls and fax equipment) and cellular phone use. The two “updated” directives (5340 D1 – Agency Telephone Use and 5340 D2 – Agency Owned Cellular Telephones) now complement each other, and they are not contradictory of any outstanding memos on phone use. DEP no longer requires directors to sign every monthly cellular phone use report for their employees (any director can request to review an employee’s phone use report if they feel it is necessary). Employees are required to sign every monthly cell phone report to verify accuracy; however, to implement a more useful review of employee phone use by management, the Department has implemented a random monthly audit of all types of phone use. The new monthly audit process incorporates cell phones, employee deskset phones and calling cards. Each month ten (10) phone use reports are randomly selected for each of the above types of calling mechanisms. Each of these reports must be signed by both the employee and the employee’s supervisor. DEP has decided to try this method of randomly selecting telephones and calling cards for a more detailed review rather than making supervisors review and sign-off on every monthly phone use report. We believe this new process more effectively balances the review of phone use with other management responsibilities. Over time, this process will be reviewed by Department management to consider its effectiveness, and as necessary, changes will be implemented.

With regard to loaner cell phones, the Department will review current procedures and make changes as necessary. DEP has already reduced the number of loaner phones available and other actions will be considered for employees failing to follow loaner phone reporting requirements.”

Program Evaluation (Previous audit):

Background: The DEP’s policy is to maintain completed forms and reports in its public file room. The procedures for obtaining a file starts with the individual requesting the file filling out a “Request for File Review” form for the appropriate DEP Bureau – Air, Water or Waste. This form is given to a file room employee and filed in a binder. The town and facility name must be listed on the form (e.g. East Hartford, Pratt & Whitney). One of the file room employees locates the file(s) and gives it to the requestor. The requestor may make copies only on the DEP copiers in the file room. A requestor may be referred to a Bureau if the information is not available in the file room.

Criteria:

Pursuant to Sections 22a-134 through 22a-134e of the General Statutes, property transfers of establishments where hazardous waste was generated must file certain forms depending on the type of declaration by the transferor.

Pursuant to Section 22a-450 of the General Statutes, the reporting of spills shall be made to the DEP and shall include items such as location, quantity, type of substance, the date and cause, and the name and address of the owner or person making the report.

Good internal controls in a public file room require that files be inventoried periodically to determine if any files are lost or misfiled, that the files should be secured against loss or alteration, and that procedures are established for the transfer of files to the file room and employees' responsibilities with regard to the files are clarified.

Condition:

General File Room Findings:

It appears that the DEP does not have adequate control over the file room.

- The DEP has not established standard procedures for ensuring the files are complete or for tracking the location of files. Files are not periodically inventoried to determine if files are lost or misfiled. There is no written directive in place for the transfer of files from the various bureaus to the file room. The files that are brought into the file room do not have any listing of the contents of the file.
- Files are not secured against loss or alteration. Files that are stored on top of cabinets are not protected from water damage. The file room manager showed us an area of the ceiling where there was water leakage. The basement where the file room is located has had a history of water leakage problems.
- Current files are not maintained in the file room, as space is limited. A tour of the file room revealed various files are stored on top of the filing cabinets even though there were empty filing cabinets with no files in them. Also, some of the more current files that should be stored in the file room are maintained in the various bureaus of the DEP because of the space problem. When the public wants a file that is located in the bureau, he/she is allowed to go to the bureau to obtain the file and bring the file back to the file room unsupervised.

Sample of Files Reviewed:

File room staff could initially only locate eight of eighteen files requested in the file room. We later found seven of the files in the bureaus. Out of the seven, one was located with an employee who did not sign out the file. The other six were located in the bureau because

there is no room in the file room for these files. Three of the files could not be located.

Effect:

The general public may not be informed of activity at a specific location (e.g. all the spills that have occurred or property transfers).

Missing files or missing items within the file could affect legal cases if critical documentation is not in the file.

Files could be lost or altered when the public is able to obtain files from bureaus unsupervised.

Files could be damaged when they are not stored properly in file cabinets.

Cause:

The file room is accessible to any employee in the DEP and he/she can remove or file paperwork. Because out cards are not being used many papers could be misfiled or taken for use and never returned.

It appears that the DEP does not place a high priority on the condition of the file room.

Recommendation:

The DEP file room should be restricted to file room personnel.

The DEP should implement a plan to computerize the records maintained in the file room and eliminate the physical handling of the documents by the public and agency staff.

The DEP should issue a directive for the transfer of files from the bureaus to the file room.

The DEP should periodically inventory its file room to determine which files are missing or misfiled. (See Recommendation 6.)

Agency Response:

“The Department agrees with these findings and has taken steps on the following:

-Revised “A Guide to DEP’s Environmental Quality Records File Room” outlining contents and procedures in the File Room.

-Prepared **draft** document (work in progress) on “Procedures for Public Access to File Room.

-In addition, the Environmental Data and Geographic Exchange Project is looking into the computerization of records maintained in the file room. The Department will look into instituting procedures for the transfer of files from various bureaus to the file room and a periodic inventory of files to determine which files are missing/misfiled.”

Internet Use, Software and System Administrators:

Background: We were anonymously provided with DEP Internet reports from the period October 1998 to April 2000, (4 months were not included) on two Compact Disks (CD)s in June 2002. These CDs included information that was requested during the last audit. We began requesting information for our review of DEP Internet Use and Software in July 2002. Actual testing commenced in September 2002. This review was interrupted in order to perform testing for the Comprehensive Annual Financial Report (CAFR) for the State Comptroller and Federal Statewide Single Audit work at another State Agency. Our review at the DEP commenced again after this other work was completed.

Criteria: The DEP's Acceptable Use Policy for Information Technology resources states that all computer resources should only be used for "legitimate and authorized business purposes."

Access controls such as password and user identification codes ensure that only authorized personnel have access to files and systems. Good internal controls require that system administrator authority be limited to specific bureaus within the DEP to enhance the effectiveness of the security system. Maintenance of access logs on system administrator activity would also enhance the effectiveness of internal control.

Condition: Our review of the 100 top websites accessed through the DEP's Internet proxy server for the month of November 2001 revealed that DEP employees still appear to be accessing non-business related Internet sites. Some of the non-business related sites accessed were auctions, personal finance, and sports.

Our test of the twenty employees whose Internet use for the month of November 2001 was greatest revealed that employees are still not using the Internet for "legitimate and authorized business purposes." We asked the DEP to have the supervisors of these users respond as to how the employees' viewing of the questionable sites pertains to their job. The DEP provided responses for 18 employees' use of the Internet. The responses included:

-Four employees appropriately used the Internet.

-Fourteen employees visited sites that were not job related.

The DEP did not provide responses for two employees because one employee was on maternity leave and one employee was retired. However, both employees appear to have inappropriately visited sites such as shopping, personal finance and auto racing.

Also, one of the top twenty Internet users had the user identification name Dispatch. Several employees have access to this user identification. As a result, it is difficult to determine the specific employee who was inappropriately using this user identification to access the Internet.

We also reviewed six employees who we reported last audit as having visited sites that were not job related. Our review of these employees' access to the Internet for the month of November 2001 revealed that five of the six employees continued to visit sites that are not job related.

During our last audit of the DEP, we requested that management provide us with reports of Internet use for the months of November and December of 1999. The DEP provided us with a report for October 1999 because the DEP stated "changes had been made to the reporting formats after October 1999. The report format changes did not provide the information requested without a significant staff effort to restore data log files for the period(s) requested." We found this explanation to be reasonable during the previous audit. However, during June 2002, Internet reporting information was anonymously made available to us on two CDs that included the previously requested November 1999 and December 1999 reports. When we compared the reporting format of October 1999 to November 1999, we did not notice any differences in reporting format. Also, the October 1999 report we received last audit was identical to the report on the CDs. We asked the DEP in May 2003 to provide us with the previously requested November 1999 Internet report to compare with the report on the CDs. The DEP stated that they attempted to obtain the November 1999 report but cannot provide us with the report. The DEP has indicated that it believes that the person who accessed the Internet proxy logs and put the logs on the CDs removed the November 1999 information that we requested.

Effect:

State resources, such as computers and personnel time, appear to have been misused.

DEP employee(s) were obtaining information from the system without the knowledge of the DEP's management and other supervisory personnel until we brought it to their attention. Sensitive information could be removed from the DEP's systems without management authorization.

Controls are weakened when DEP records cannot be re-created or when several employees use the same user identification for Internet access.

Cause: Although the DEP has the software to determine if Internet abuse is occurring, the software is only used if a supervisor makes a request to monitor an employee's use of the Internet. However, it appears that management's requests for this monitoring are infrequent.

The DEP uses its own proxy servers to access the Internet. The DEP's proxy servers do not have filters necessary to limit access to unauthorized sites. The DEP believes that the Department of Information Technology (DOIT) should provide it with filters. However, the DOIT only provides filters to agencies that access the Internet directly from DOIT's proxy server.

The DEP has not planned for nor established proper preventive controls with regard to Internet use.

The system administrators at the DEP have access to all servers. There was no systematic assignment of administrators to servers to allow management to track administrators' access to the systems. Employees at the DEP, through the use of passwords, mainly have access to the server for their bureau unless authorized to have shared access to other servers.

Recommendation: The DEP should have filters to limit employees' access to non-business related sites as well as periodically monitor Internet use on State computers. Also, the DEP should strengthen access controls by assigning system administrators to specific bureaus to more effectively monitor system administrators' access to Department's records. (See Recommendation 7.)

Agency Response: "DEP agrees with the recommendation to have Internet filters. DEP has been working with the Department of Information Technology (DOIT) to implement filters, but technical issues related to system configurations associated with routing servers have delayed the process. DEP will proceed to make the necessary changes to direct all Internet traffic to the Department of Information Technology Internet Servers to implement the filtering capabilities currently administered by DOIT. DEP has periodically tested several different Internet reporting programs to monitor Internet use; however, the testing process has proven that each reporting package includes varying levels of interpretation of details reported. DEP at this time has not been satisfied with any of the reporting packages tested. DEP will work with DOIT while implementing the filtering process to utilize their process for reviewing Internet use. DEP believes any process of monitoring and reporting on Internet use should be standardized and consistent across all State agencies, and should not be implemented on an individual agency basis. Implementing an Internet filtering, monitoring review process on an individual agency basis is neither cost effective nor consistent, and DEP believes that any such

methodologies should be implemented consistently for all State agencies.

DEP agrees that system administrator access controls should be reviewed and adjusted as necessary. Staffing levels and varying degrees of technical expertise may at times require that staff have a broader range of administration privileges in order to provide the best range of service to the large number of computer users in the agency. DEP is a strong advocate of the State's initiative to centralize IT operations, which in our opinion will help address basic system operations such as this topic related to system administration access."

State Grants:

Criteria:

Effective July 1, 1998, Public Act 98-143, Sections 17 through 23, amended the State Single Audit provisions for recipients of State Financial Assistance and were codified as Sections 4-230 to 4-236 of the General Statutes. Section 19, subsection (b)(1) of Public Act 98-143 states that subrecipients of State assistance shall file copies of the audit report with the State grantor agency. Section 20, subsection (b)(2), states that within this audit report there shall be a Schedule of Expenditures of State Financial Assistance.

Condition:

We randomly selected five subrecipients from a list of audits that the DEP tracked. We found that for three of the subrecipients, the DEP did not determine why the Schedule of Expenditures of State Financial Assistance in the audit report differed from the expenditures the DEP made to the subrecipient. The other two subrecipient's schedules agreed with the records of the DEP.

We then randomly selected ten grant expenditures from the State Agency's Appropriation Accounting System (SAAAS). We found that the DEP did not receive audit reports for three of the ten grants. In addition, for five of the ten grants, the DEP did not determine why the Schedule of Expenditures of State Financial Assistance in the audit report differed from the expenditures the DEP made to the subrecipient.

Grant payments for the Clean Water Funds are made from the State Treasurer's Office. The project files are maintained at the DEP and the DEP sends the invoice to the State Treasurer's Office for payment. However, neither the DEP nor the State Treasurer's Office review the Schedule of Expenditures of State Financial Assistance to determine if the grants are properly recorded on the subrecipient's records.

Effect:

The DEP is not fulfilling its responsibilities regarding the State Single Audit Act.

Cause: Although the DEP did begin to summarize by fiscal year the amount of State assistance that was distributed to subrecipients, the DEP was not aware that the State Treasurer was not reviewing audit reports for compliance with the State Single Audit Act. Also, for the difference between the records of the DEP and the subrecipient, the DEP was going to wait to the following audit cycle to determine if the expenditure difference would be reported.

Recommendation: The DEP should determine for each fiscal year the amount of State assistance that was distributed and determine whether these amounts are on the Schedule of State Financial Assistance for each subrecipient. All unreconciled differences should be investigated. The DEP and State Treasurer should amend the current Memorandum of Understanding to determine who should be responsible for reviewing the State Single Audit reports for the Clean Water Funds. (See Recommendation 8).

Agency Response: “Reviewing audits of State grants is one way to follow-up on payments made to recipients. It’s a final step in the process, one that is performed long after the grant has been awarded, payment requests have been submitted, reviewed and approved for processing, and long after final progress reports have been submitted, reviewed and approved by State agency personnel. During the grant process program staff are involved in reviewing and approving the grant request. Periodic progress reports and payment requests are submitted by the recipient and reviewed and approved by program staff. Payments are not processed if satisfactory progress is not made by the grant recipient. At the conclusion of the grant, a final payment is authorized only upon successful completion of the activities outlined in the grant award. Reviewing an audit well after the conclusion of a grant is useful, but the periodic review on a routine basis as the grant is in progress is the most effective means for ensuring compliance with grant conditions.

DEP has learned that it often takes two (or more) audit cycles (of a recipient) to reveal all payments made for a particular program (or grant). The reason is that recipients don’t always expend funds in one audit cycle. As referenced in this finding, the schedule, which the auditors refer to, is a Schedule of Expenditures of State Financial Assistance, and we have learned over time, that expenditures at the recipient level are not always posted as payments are made by the agency. Considering the comments made in this report, DEP will review procedures for implementing a more effective review of State Single Audits based on resources available.

DEP has been contacted by the State Treasurer’s Office for copies of State Single Audit Reports related to Clean Water Fund grants many times over recent years, and it was the understanding of this agency that the Treasurer was reviewing those reports. Based on this finding,

DEP will immediately contact the Treasurer's Office to document which office will take responsibility for reviewing audits of Clean Water Funds."

*Auditors' Concluding
Comments:*

The DEP should not wait until two or more audit cycles of the recipient to determine if all expenditures are recorded on a recipient's financial statement. The DEP should consider the timing of when the expenditure was made by the DEP. For example, a payment made by the State to a recipient at the end of the State and the recipient's fiscal year may not be expended by the recipient until the recipient's next fiscal year. The longer the DEP waits to determine if the recipient's Schedule of Expenditures of State Financial Assistance is correct, the more difficult it may be to determine the reason for the difference.

Telephone Charges:

Criteria:

Section 3-117 of the General Statutes allows the Commissioner of Administrative Services to charge to the Agency's appropriation for telecommunication services prior to the Agency certifying this charge. This statute also states that each State agency has 30 days after it is notified of its telecommunication charges to review the charges and certify that the services were provided to the agency. Prior to paying any bill, each agency is responsible for reviewing the charges for appropriateness and accuracy. Also DEP's Directive D1, Manual Code 5340, states that all "directors are responsible for approving and validating calls charged to their division's telephones."

Good internal controls require that the Department have dial-in access controls for employees who remotely access the Department's servers in order to prevent unauthorized access. One control would be to compare dial-in calls made on the monthly telephone bill to the Department's internal tracking report of calls made by authenticated users.

Condition:

There is no review of the monthly telephone bills. These telephone bills average \$60,000 a month or \$720,000 per fiscal year. The Department began to review internally calls made on 10 telephones from the Central Office. These calls are not compared to the monthly telephone bill. This random review does not include any of the field offices the DEP maintains throughout the State.

Our review of the telephone bill for calls made in May 2001 revealed that the DEP does not compare its internal tracking report of employees who dial-in from the field offices to the Central Office's server with the dial-in calls made per the May 2001 bill. If the DEP had reviewed this bill, the DEP would have found:

- Employees who dial-in are not always disconnecting. For May 2001, 15 employees did not disconnect for a period greater than eight hours. This resulted in an unnecessary expenditure of \$2,141 for the month. Also, one of these 15 employees who did not disconnect for 11 days did so at a cost to the State of \$966.
- We found discrepancies between the DEP's internal tracking report of employees who dial in and the Department of Information Technology's (DOIT) telephone bill of activity for May 2001. The DEP's internal tracking report lists 1931 dial in calls and the DOIT telephone bill notes 2098 calls. A limited review of the internal tracking report to the DOIT telephone bill also found 17 calls on the internal tracking report that are not on the DOIT telephone bill.

Our review of calling cards revealed that there are several calling cards for employees who were no longer employed by the DEP that have not been canceled. One of these calling cards includes a former Commissioner who left the DEP in 1997.

Effect:

Internal controls are weakened when expenditures are not reviewed for appropriateness. By not reviewing the telephone bills, the DEP could be charged for calls that it did not make. Also, by not reviewing the telephone charges other inappropriate charges, such as personal calls, could be made and go undetected.

The DEP is unnecessarily paying for dial in charges for those employees who dial in and do not disconnect.

There could be unauthorized access by individuals who are not authorized to dial in to the DEP.

Cause:

Telephone bills are not distributed to Directors who are responsible for approving and validating calls that are charged although these bills are available for review in the Accounts Payable Section of the DEP.

There is no mechanism to notify employees responsible for paying calling card bills that an employee has separated from the DEP.

The DEP has stated that its staff does not have time to identify all dial in access calls on the telephone bill.

Recommendation:

The DEP should review the monthly billing for telephone charges for appropriateness. Calling cards should be canceled once an employee has terminated his/her employment. The DEP should disconnect employees' dial in access when there is no activity for a specified

period of time. The DEP should assure itself that only authorized employees have dial in access. (See Recommendation 9).

Agency Response:

“DEP has changed directive 5340 D1 to revise procedures related to director sign-off of monthly telephone bills. Directors are not required to review all telephone bills each month. DEP’s new directives on telephone use (5340 D1 and 5340 D2) change the process for director review and sign-off to a system of random monthly audits of all types of telephone use (cell phones, desksets and calling cards). Phones selected in the random monthly audit process require both employee and director sign-off. Every cellular phone bill is reviewed and signed-off by each employee assigned a cell phone. It is the Department’s opinion that a monthly detailed review of all telephone bills by directors is not an efficient allocation of their time in relation to other duties and responsibilities. An average monthly telephone bill is approximately 2,200 pages. The Department receives one copy of that bill, and the bill generally arrives two-to-four months after the date of service. DEP believes that the random selection process combined with an appropriate follow-up for any misuse will achieve the same ultimate results as a review of every phone by the responsible director, and the random selection process is a more effective use of staff time in relation to the Department’s overall mission and responsibilities.

Calling cards are a relatively insignificant cost to the Department in the current technology environment. Total agency monthly calling card bills are steadily trending downward, and currently amount to under \$500 per month (the most recent monthly bill was under \$400 for the month). The cancellation of calling cards (along with other State issued equipment) is a process that has recently been improved with the issuance of new procedures for the departure of any employee for any reason. These procedures were reviewed and modified to accommodate the recent reductions to the State workforce by layoffs and early retirements. The Agency developed a new and updated “Equipment Turn-in Form” with new instructions and procedures for any employee departure. The new process will handle the cancellation or disabling of calling cards, cell phones, parking passes, building access cards, and the turn-in of specialized equipment such as laptop computers, etc. In addition to the new procedures to handle employee separations, the IT [Information Technology] Office is preparing an updated list of all current calling card “holders”, which will be distributed to each bureau or program office to verify the employee’s calling card use or cancellation. Once this process is completed, DEP will annually distribute a similar list to periodically require bureau review of calling card and cell phone assignments.

Dial-in access procedures have also been changed recently. DEP has now implemented an automatic log-off mechanism to automatically

disable any dial-in access account logged-in but not being used. In addition to the automatic log-off mechanism, DEP will follow-up on this recommendation by performing a monthly review of dial-in access use. This review process will be performed by staff of the IT Office. A review of each month's activity will now be a part of the routine responsibilities of the IT Office."

*Auditors' Concluding
Comments:*

By only performing a random sample of desksets, or individual telephone lines (10 per agency comments under cellular telephones), the DEP, which employs over 1000 employees, will review less than one percent of the desksets on a monthly basis. Furthermore, this random sample of desksets telephone activity is not compared to the monthly telephone bill to verify accuracy of the charges of the telephone bill. By not performing even a limited review of the approximately 2,200-page telephone bill for excessive costs, the Department was not able to uncover problems such as excessive dial-in access costs. A limited review of the telephone bill should include a review for the proper billing of DEP telephone numbers, out-of-the-country calls (which are summarized at the end of each telephone line), and calls made at unusual times such as 12:00 AM.

Reporting Systems:

Criteria:

Section 26-15a of the General Statutes requires the DEP to submit a report each year on February 1st. This report is submitted to the Environment Committee of the General Assembly. This report should include, for the twelve-month period ending the preceding September thirtieth, the amounts of Federal funds for the Fish and Wildlife Restoration programs that were received by the DEP, the amount of such funds expended and the purposes for which such funds were expended.

Section 22a-97, subsection (c), of the General Statutes requires that the Commissioner of the DEP submit to the General Assembly and the Governor, on or before December first of each year, a written report summarizing the activities of the Department concerning the development and implementation of the General Statute chapter (Coastal Management) during the previous year.

Section 22a-134q of the General Statutes requires that the Commissioner "compile an inventory of contaminated wells and leaking underground storage tanks known to him and shall submit such inventory to the joint standing committee of the General Assembly having cognizance of matters relating to the environment not later than February 1, 1990 and annually thereafter."

Condition: We had a previous audit finding on the report required by Section 26-15a of the General Statutes. When we requested the report on October 3, 2002, we were not able to obtain the report because it was not prepared. The DEP then prepared the report and submitted it on October 25, 2002. The report was due on February 1st.

The DEP could not provide us with a copy of the reports required by Section 22a-97, subsection (c), and Section 22a-134q of the General Statutes.

Effect: Statutory requirements are not followed.

Cause: The report required by Section 26-15a of the General Statutes was not prepared because the task to prepare the report was not assigned to any employee and management was not aware that the report was still not prepared until we brought it to their attention.

The report required by Section 22a-97, subsection (c), of the General Statutes was not submitted because some of the requirements no longer apply. Department officials stated that a legislative amendment was needed.

The report required by Section 22a-134q of the General Statutes requires input from both the Waste and Water Bureaus of the Department. It appears that no employee was assigned to prepare this report even though this information is available in the Department.

Recommendation: Reports required by Section 22a-134q and Section 26-15a of the General Statutes should be prepared in accordance with the requirements of the Statutes. The Department should seek legislation to amend Section 22a-97, subsection (c), of the General Statutes. (See Recommendation 10.)

Agency Response: “DEP agrees with the recommendation. The report required by Section 26-15a [of the General Statutes] will be prepared in the future in the time frame required by Statute. The report referenced in Section 22a-97 is considered to be out-dated, and it no longer serves the original intended purpose. DEP proposes to eliminate the requirement during the next legislative session. The report required by Section 22a-134q, is a more complex issue regarding the exact nature of the information required by the report. The issue is pending resolution, and based on the final outcome, DEP will either prepare the report or make changes as instructed to meet the intent of the report.”

Access to EDP systems:

Criteria: Access to the Automated Personnel Database System (APDBS) should be limited to employees involved in personnel or payroll and that

access should be terminated when the employee separates from State service.

Access controls such as a password and user identification codes ensure that only authorized personnel have access to files and systems.

The level of access given to an employee should be documented and approved in writing by authorized individuals who are the administrators of the system.

Condition:

Our review found three current employees had inappropriately received full access to APDBS. Two of the employees are not involved in personnel or payroll. The other employee is located in the personnel division of the DEP but is only an office assistant.

We found that four employees who are no longer employed by the DEP still had access to APDBS. Two of these employees were no longer employed during the last audit period and still have not been removed from APDBS.

The DEP has four user identifications that can be used by several employees. The DEP assigns user identification numbers to the Dispatch Unit, and seasonal positions in payroll and personnel.

The DEP's Information Technology Account Application form has two categories listed for access to APDBS. These two categories are full access and limited access. However, we found that there are several levels of access for employees who apply for full access. The Administrator for APDBS and a Personnel Officer decide which level to assign to an employee. This assignment is not documented.

Effect:

Internal controls are weakened when access to systems is not limited, several employees share user identification numbers, and access given to an employee is not documented.

Cause:

The DEP does not periodically review security levels of the system.

The DEP does not want to assign each individual a user identification number due to time constraints.

The DEP did not realize the level of full access assigned should be documented.

Recommendation:

The DEP should assure itself that only authorized employees have access to the appropriate level of the APDBS and this level of access should be documented. Employees who terminate from the DEP should be removed promptly from APDBS. Each employee should have a separate user identification number. (See Recommendation 11.)

Agency Response: “DEP agrees that only authorized staff should have access to APDBS and to the appropriate level(s) of APDBS. DEP also agrees that terminated employees be removed from access to APDBS, and finally that each user must have a separate identification number. DEP believes that all past access to APDBS was properly reviewed and authorized; however, we agree that improvements can be made in documenting authorization, and we will immediately implement procedures that clearly document user access, and include a clearly documented user access, and include a clearly documented sign-off from an appropriate level of authority. In regard to terminated employees having access to APDBS, we believe that proper steps were taken to discontinue user access to APDBS upon termination since the IT Office disables employee access to DEP IT systems upon departure. A former employee may have remained on a list of APDBS users because the administrative “step” to remove that person from a list wasn’t processed; however, that person could not access APDBS once the user was “disabled” from DEP system access.

DEP agrees that in the past some user identifications were shared, for example some seasonal positions in the Human Resource Office may have shared an account. Generally, a shared account was limited to “view only” access, and any activity could be tracked to a specific user account. We have since stopped the practice of sharing account identification. New users are assigned a specific user identification, including seasonal employees. With regard to properly documenting user access, DEP will immediately implement a new procedure for documenting each new user assigned access to APDBS, and we will review a comprehensive list of all current users of APDBS and obtain documented sign-off from an appropriate person in the Bureau of Financial and Support Services. ”

DEP Store:

Criteria: Physical inventories should be conducted at least on an annual basis to assure that the quantity on hand as of June 30 agrees with the DEP’s inventory records.

The ending inventory of the DEP Store should be reported on the CO-59 Fixed Asset Report each June 30th.

In order to properly account for all inventory items, each item for sale should have a Stock Keeping Unit (SKU) number assigned to it.

Accountability reports should be prepared for sales activity. These reports can be used to determine inventory sold, to reconcile to receipts, and explain any fluctuations in sales. Overages and shortages should be reported as they occur in these reports.

Condition:

The DEP does not conduct an annual physical inventory for items in the store. The last inventory was conducted in 1995 per DEP employees. As of March 20, 2002, the cost of goods per the inventory records was approximately \$700,000 with a retail value of \$1,150,000.

The DEP maintains its inventory of store items on the MicroBiz system. However, we determined that these amounts on the inventory are incorrect. We selected ten items to determine if the quantity listed on the store's inventory list was correct. A physical count of the items revealed that five items were listed incorrectly. The variations for the five items are as follows:

Description	Per DEP	Per Audit	Variance
Fresh Water Fish (Hardcover) book	833	411	422
Atlas of Breeding Birds book	802	907	105
Polo shirt – long sleeve	49	15	34
Newtown Trails book	12	10	2
Connecticut General Statutes – 2001	19	18	1

The DEP personnel informed us that when the MicroBiz system was first implemented, a generic quantity of 50 was entered for some of the items on the inventory.

We found that there are items such as 100,000-scale metric topographic maps in the store that do not have a SKU number. The cashier rings items without a SKU number up as miscellaneous items.

Because the DEP did not have accountability reports, the DEP could not sufficiently explain why revenue decreased by 23 percent, from \$266,829 in the 1998-1999 fiscal year to \$206,328 for the 1999-2000 fiscal year.

We found that overages of cash were maintained in a cup in the DEP Store and used to balance the cash register whenever it was short on cash.

Effect:

The records of inventory in the DEP Store cannot be relied upon for accuracy due to the discrepancies found in our physical count of items and due to the fact that not all items have a SKU number.

Because accountability reports are not prepared, the DEP cannot readily determine which items are selling and which items are not selling. As a result, profits may not be maximized. Inventory that is slow moving or obsolete may not be removed from the store's shelves. When actual overages and shortages are not recorded, cash management problems are not identified and immediately resolved.

If overages and shortages are not identified, the DEP is not portraying an actual accounting of the day's sales.

Cause: The DEP has stated that there is not enough staff and time to perform an inventory of the store. There are three employees assigned to the DEP's Store operations. The DEP Store's hours are Monday through Thursday from 9AM to 3:30PM. Friday is the only day that the DEP has time to catch up with their paperwork.

Some of the items that the DEP purchases for resale in the store do not have SKU numbers. The DEP did not think to assign SKU numbers to all items.

The DEP stated that revenue decreased in the store as a result of a lack of promoting the DEP's Store items at outside events, such as sportsmen's shows. However, no records were available to document this decrease in sales.

Recommendation: The DEP should conduct, at least annually, a physical inventory of the items in the store and the dollar value of this inventory should be reported on the CO-59 Fixed Asset Report. All items in the store should have a Stock Keeping Unit number. The DEP should prepare accountability reports for the store. (See Recommendation 12).

Agency Response: "We agree with the recommendation and have already addressed the SKU numbers on all items in the store. We are working with the Comptroller's on properly addressing the information needed on the CO-59, as well as with the Bureau of Financial and Support Services on developing a profit and loss statement for the store."

Aerial Photos:

Background: Aerial photos of the State are conducted every five years. The photos document "an inventory of land forms, land development and vegetation in Connecticut." The DEP maintains a file of about 35,000 aerial photographs. According to the DEP, over 15,000 are borrowed each year and an estimated 100,000 are used at DEP's publication outlet in Hartford. A number of municipalities also obtain products from the flight and can obtain complete coverage of their town.

Criteria: Good internal controls require that assets be protected from loss.

Condition: The DEP Store staff conducted an inventory of aerial photos on hand and found that 1,022 photos were missing. These photos are from the 1965 to 1995 flights. The DEP stated that 202 photos were missing from the 1995 flight. We verified this number of missing photos and found it to be correct. The value of the 1,022 missing photos is estimated to be \$44,897. It is unclear whether these photos were borrowed by the DEP employees or the public or are just missing.

Effect: It will cost the DEP money to replace the photos for the DEP and public use.

Internal controls are weakened when assets are not protected from loss.

Cause: The DEP Store does have the borrowers of the photos complete a form when the photos are removed from the store. However, we were informed that at times, DEP staff members borrowing the photos do not complete the form. The DEP Store staff has stated that, on occasion, they have asked for the return of the photos from the various bureaus within the DEP but the photos have not been returned. Some of the photos may also be missing because the public may have not completed a form to borrow the photos.

Recommendation: The DEP should improve its control over the aerial photos to protect the photos from loss. (See Recommendation 13).

Agency Response: “We agree with the Auditors’ recommendation and the EGIC [Environmental and Geographic Information Center] staff is now working with the Archives Section at the State Library to relocate the collection to their archives. The Archives Section of the State Library has indicated an interest in maintaining this collection.

Moving forward under the assumption that the collection will move to the State Library, a full notification will be sent to the users of the collection notifying them of the relocation of the collection. Internal and external users will be notified.

Upon completion of the move, we intend to forward to all users the current State Library procedure to obtain the photographs for review. Thus, notification and procedural information will combine for a smooth user transition.

Our goal for the completion of this transition is the summer of 2003.”

Contract concerning Harkness Memorial State Park:

Background: Summer Music Inc., (SMI), a nonprofit, has had the exclusive right since 1983 to hold concerts at Harkness Memorial State Park. The

DEP and SMI currently have a five-year contract in place for the 2000 to 2004 concert seasons. There has been at least one prior contract with SMI, which covered a 5-year period from 1991-1996. Our review covers the period since the inception of the contract in the 2000-year.

Criteria:

The current contract between the DEP and SMI states that SMI must reimburse the DEP for the DEP's actual personnel costs and expenses within 30 days, electric usage by December 1 and SMI must pay the DEP \$1.00 per full price ticket by September 1 of each season for the 2000, 2001 and 2002 seasons. For the years 2003 and 2004, SMI must pay the DEP \$1.00 for all revenue generating tickets. The contract also states that if timely reimbursements are not received, the DEP can terminate the contract.

The current contract states that SMI must have an annual audit conducted by an independent accounting firm. A copy of the audit shall be filed with the DEP no later than the first Monday in May of each calendar year.

Section 23-26(a)(1) allows the Commissioner to provide for the collection of fees for parking at State parks.

Condition:

SMI has been in noncompliance with the contract with the DEP since the inception of the contract. The following was noted during our review of the contract:

- For the 2000 concert season, total DEP costs incurred were \$51,526 for personnel and other costs and \$1,414 for electricity for a total of \$52,940.
- For the 2001 concert season, total DEP costs incurred were \$38,334 for personnel and \$1,089 for electricity for a total of \$39,423.
- For the 2002 concert season, total DEP costs incurred were \$49,955 for personnel and \$1,016 for electricity for a total of \$50,971.
- As of November 5, 2002, the following payments were made by SMI on the above DEP costs: A payment of \$28,051 that was part of a grant from the Office of Policy and Management to SMI for DEP debt reduction (see below) and a payment of \$2,164 for the 2002 season.

Payments for full price tickets were received late. The 2000 payment of \$14,315 was received over a year late and the 2001 payment of \$13,386 was received 24 days late. For the 2002 season, the DEP received \$12,645 for full price tickets. Only \$6,064 of the \$12,645 was received prior to the September 1 due date. The other \$6,581 was

received 40 days late. We could not determine whether these amounts represent full payment because the DEP does not receive any report stating the number of tickets sold and how many tickets were full priced or discounted. The DEP estimated for us that approximately 26,000 and 24,000 individuals attended the 2000 and 2001 concerts, respectively. Based on the language in the contract, SMI does not have to submit attendance numbers to support the amounts received. It is also unclear as to what constitutes a full price ticket.

The Bureau Chief of the Outdoor and Recreation and Director of Parks, and Bureau of Financial Management has made repeated requests to Summer Music Inc., for payment.

The DEP attempted to use the resources of the Attorney General's Office to assist in the collection of amounts due from SMI. A request was also made on January 23, 2001, for the Attorney General's Office to assist in "encouraging SMI to comply with the terms of the contract". The DEP stated in this request that they did not wish to cancel the contract. However, no action was taken by the Attorney General's Office to collect these amounts due.

The Office of Policy and Management (OPM) provided SMI with two grants totaling \$390,000 from their other expenses account of the General Fund. The application made by SMI to OPM for the grant of \$280,000 stated that only \$28,051 of this grant would be used to pay for DEP debt reduction even though SMI owed the DEP \$91,812 as of the date of the application. In a memo from the Director of SMI to the Commissioner of the DEP, the Director stated that according to OPM, this payment of \$28,051 represents full payment. However, the DEP does not have any written documentation from the OPM authorizing the DEP to cancel the receivable.

Audit reports for SMI for the fiscal years ended October 31, 2000 and 2001, were not received from SMI until we requested the reports. The audit reports were received at the DEP on May 17, 2002. If the DEP had received the October 31, 2000, audit report on a timely basis, they would have known that the accountants questioned the ability of SMI to continue its operations. The audit report for the fiscal year ended October 31, 2001 has an error in the Schedule of Expenditures of State Financial Awards. It appears that the auditor may have applied the State Grant Program Identification Numbers incorrectly to the dollar amounts. We brought this matter to the attention of the DEP.

The DEP provides free parking to concertgoers. Our review of SMI's website indicates that individuals who donate \$250 or more to SMI, receive priority parking over other concertgoers. The DEP reserves 800 spaces for concertgoers in a field near the concert site in accordance with the contract. However, the DEP does not receive any funds for this service.

Effect: The DEP budget does not include funds for SMI to hold concerts at Harkness Memorial State Park. As stated by the Bureau Chief of Outdoor Recreation to SMI, “lack of payment has created a cash flow problem for the State Parks Division’s operating budget which will result in diminished services to the public”. The DEP State Parks Division’s budget is impacted since there is no revenue from SMI to match the expenditures made by the DEP.

By not receiving audit reports on a timely basis, the DEP was unable to discuss SMI’s financial ability to hold concerts in 2001 and to make payments to the DEP for the 2001 concert season.

Cause: The State Parks Director had informed us that two other entities were interested in holding concerts at the Park. In 1997, the State Parks Director attempted to solicit bids but was informed by the former Commissioner that SMI would continue to hold concerts at Harkness Memorial State Park.

The DEP did not contract to receive payments from SMI prior to concerts occurring at Harkness Memorial State Park as the DEP does when the mansion at Harkness Memorial State Park is rented.

The audit report of Summer Music Inc., for the fiscal year ended October 30, 2000, states that there are going concern issues with regard to the ability of Summer Music Inc., to continue as an entity. This does not appear to be the case for the audit report for the fiscal year ended October 31, 2001.

The DEP’s regulations do not permit the charging for parking after 6:00 PM. The DEP was not aware of SMI’s arrangement for parking where certain donors had preferential parking based on the amount of the donation to SMI.

Recommendation: The DEP should seek competitive bidding for concerts at Harkness Memorial State Park and enforce the provisions of current contracts for non-payment and receipt of audit reports. If the DEP does not seek competitive bidding, then the next contract with SMI should include language where funds are paid to the DEP prior to the event. The DEP should amend its regulations in order to allow for charges for parking for special events. (See Recommendation 14).

Agency Response: “DEP agrees with the auditors’ recommendation. For the next contract sequence, DEP will take steps to pursue competitive bidding for concerts; DEP intends to enforce the provisions of the current contract (and any future contract), and DEP will pursue the process for charging for parking at special events (or incorporate such charges in any future contracts as an alternative solution).”

Record Retention Schedules:

Criteria: Section 11-8a of the Connecticut General Statutes states that “The State Librarian may require each State agency ... to inventory all books, records, papers and documents under its jurisdiction and to submit to him for approval retention schedules for all such books, records, papers and documents.” The State Library’s Records Management Manual instructs the State agencies on how to implement a Records Management Program by starting with the inventory of records. The Manual also states that records can only be destroyed once the records have met minimum retention requirements of an approved record retention schedule.

Condition: There are several divisions within the DEP that still do not have records retention schedules approved by the State Librarian.

We found that during our audit period, the Director of Land and Acquisition Management instructed his employees to dispose of several cabinets full of land records even though the State Public Records Administrator has notified this employee on several occasions since 1990 of the value of these records. In a letter from 1990, the Public Records Administrator stated that she has “determined that the bulk of the records are both permanent and vital to the operation of the State of Connecticut. If these records were lost or destroyed, the State would need to resurvey all State property, resulting in an enormous expenditure of State funds.” This letter also stated that all the following are permanent records for historical and/or legal reasons:

- Deeds to State property,
- Original boundary and survey maps,
- Original survey notes to accompany the maps,
- Original records of land acquisition,
- Original files that include agreement files for leases and easements,
- Original base maps,
- Land transfer records of excess property, and
- The index to the land records in the various town halls.

The Records Management Liaison Officer (Liaison Officer) at the DEP became aware of the destruction of the records but was only able to recover a portion of these records. The Liaison Officer allowed the Public Records Administrator and State Archivist to review the saved records. A meeting was conducted with the Public Records Administrator, State Archivist, and DEP employees after the destruction of the records. The meeting was held on October 25, 2001. The Public Records Administrator documented the discussion of the meeting in a letter dated January 30, 2002, to the Director of Land and Acquisition Management. In summary, the Public Records

Administrator determined that “original State Land Acquisition records were disposed of without prior authorization from the State Library.” Also, in this letter dated January 30, 2002, the DEP was supposed to develop a records retention schedule as soon as possible. However, as of December 31, 2002, a record retention schedule had still not been prepared and approved.

Effect: If there is no records retention schedule, then the administrative, legal, fiscal, historical and research value of the records cannot be determined. Also, the divisions may be illegally disposing of records.

Valuable land data is lost as a result of the destruction of records.

Cause: The DEP has not made it a priority to have all divisions inventory their records.

The Director of Land and Acquisition Management stated to the Public Records Administrator that the documents destroyed were primarily correspondences, appraisals, draft documents, and duplicate documents from 10 or more year old work files of prior DEP staff.

Recommendation: All divisions in the DEP that do not have an approved records retention schedule should prepare the schedule and have it approved by the Public Records Administrator. (See Recommendation 15).

Agency Response: “DEP agrees with the recommendation that all divisions in DEP do not have approved retention schedules. The Bureau of Financial and Support Services (FSS) implemented an agency record management liaison office for coordinating a DEP records management program with the State Library a number of years ago. Most bureaus and divisions have complied in establishing approved records retention programs, however some offices have not completed such schedules. FSS has also issued an agency directive (5000 D8) related to records retention, and procedures for program offices to follow in order to establish and maintain a records management program. Requirements for a records management program are clearly delineated in that directive.

DEP will use this recommendation to engage all program offices without an approved records retention schedule to immediately take steps to begin the process of establishing records retention schedules with the State Library.”

Record keeping of the Land Records:

Criteria: According to the State’s Property Control Manual, the cost of land should include the acquisition cost, legal and title fees, surveying and recording fees, and appraisal and negotiation fees in addition to other

costs mentioned in the Manual. The “Property Control Manual” also states that the property control record for land must contain, at a minimum, the following:

- Name of town
- Town number per the State Accounting Manual
- Location of plot (Book or Volume as recorded in the Town Clerk’s Office)
- Date of acquisition
- Method of acquisition
- Complete expenditure coding (Agency, Fund, etc.)
- Original cost (Plus other related costs mentioned above)
- Appraised by
- Number of acres
- Local Zoning Code
- Additional costs (Amount, description, purchase order reference)
- Deed (Kind, date, where recorded, where filed)
- Date of disposal
- Manner of disposal
- Amount received

Condition:

The DEP’s land records do not include the town number, complete expenditure coding, original cost plus other related costs such as surveying and appraisals, name of appraiser, local zoning code, any additional costs, and does not have a complete description of the deed.

According to the Director of DEP’s Land Acquisition and Management Unit, the DEP does not have a computerized inventory listing of all land owned in the manner prescribed by the State’s Property Control Manual. However, the Director stated the Land Acquisition and Management Division has manual books that list by town the property owned by the DEP. Our review of one of the books shows that there is a typed list by town of all property owned by the DEP in that town. The following headers are used on the typed page: Project area, grantor, type of instrument, acreage, town record date by volume and page, and index by volume and page. The index by volume and page refers to other manual books that contain copies of the various deeds of the towns. The Department has labeled the deed books as Forestry, Parks, and Fish and Game, and the letters A through P. The Forestry, Parks, and Fish and Game books are prior to the 1980s when the DEP did not exist as a Department. The letters A through P are deeds that have been recorded since the 1980s with the letter P containing the most recent land acquisitions. It should be noted these books of manual records are not stored in fireproof safes.

There is currently a land report for the DEP maintained at the State Comptroller’s Office. Based on our conversation with the Policy Services Division at the State Comptroller’s Office, the land report is based on land information that the DEP has been providing to the State

Comptroller each fiscal year. This report was provided to the DEP to determine its accuracy on June 4, 2002, so that it can be used for JESTIR (Joint Effort for State Inventory Reporting). This land report has numerous errors according to the Director of Land Acquisition and Management Unit. These errors include incorrect acreage and parcels that are located in multiple towns but are reported as being only in one town. The DEP was supposed to make corrections to the report and submit it to the Comptroller's Office by July 31, 2002. As of April 9, 2003, the report with corrections has not been submitted.

Effect: The value of the land reported to the State Comptroller on the CO-59 Fixed Asset/Inventory Report is significantly understated in value. Also, there appears to be significant errors on the land report.

Cause: The Director of the Land Acquisition and Management Unit was not aware of the requirements of the State's Property Control Manual regarding land. We could not determine why the Land Acquisition and Management Unit has been incorrectly updating a land report for the State Comptroller on a yearly basis.

Recommendation: The DEP should create a computer database of all the land records to comply with the requirements of the State's Property Control Manual (See Recommendation 16).

Agency Response: "DEP agrees that a computerized database of information related to land records should be maintained by the agency. The DEP IT Office did create a land and property management database (written in MS-Access) for the Land Acquisition and Management Division during 1998 and '99. A final database was delivered to the Land Acquisition Division in the spring of 1999 requiring tables to be populated with information to get the system started. Data tables were never populated, and the system was never implemented. Based on this recommendation, DEP will begin by reviewing the previously created database with the Land Acquisition Division, and determine what changes are needed to effectively implement the database to meet the property management information standards identified in this report."

Surveys and Debris/Contamination on State land

Criteria: Good internal controls require written policies and procedures in the purchase of land. These controls include survey requirements and consideration of various elements, such as contamination and cleanup of the property prior to acquisition.

Condition: We noted two weaknesses related to surveying and debris/contamination on State land purchased by the DEP. With regard to surveying, the DEP does not have written policies and procedures as to when a parcel of land needs to be surveyed, the type

of survey to be done on the property and the justification for that type of survey. There are several types of surveys that are conducted by professional land surveyors. The DEP performs surveys based on horizontal accuracy. The most accurate type of survey is the Class AA, then A-1, then A-2, then B and finally C. The DEP usually contracts for a perimeter boundary survey of Class A-2 accuracy. However, we found an instance when the DEP did not contract for a perimeter boundary survey, the DEP's Supervisor of Surveys was not consulted as to the type of survey to be conducted, and there was no written documentation as to why a survey was not conducted. This instance was the acquiring of 14,496 acres of land in 28 different towns for \$80,000,000. A field survey was not done on the property. Instead, the surveyor did a compilation plan. This plan is compiled from other maps, record research or other sources of information. The surveyor makes no field visit. The class of accuracy of the map is Class D, which is lower than a Class C as mentioned above. The accuracy of the map depends on the accuracy of the maps the surveyor is using. As stated in the limited warranty deed, the State has five years after the closing date to have a Class D or better survey to determine the actual acreage of the land. If as a result of these surveys, it is determined that the aggregate acreage purchased by the State is less than 12,996 acres, then the State would be entitled to a refund. Conditions are also stated regarding what would happen if the survey reveals that the aggregate acreage is greater than 15,996 acres.

Our review of ten randomly selected purchases of recently acquired properties revealed that no survey was required for three parcels, the former property owners supplied two surveys, towns supplied two surveys and the DEP hired surveyors for three parcels. For the three parcels that had no survey, we received copies of faxes from the desk of the DEP's Supervisor of Surveys stating that in his professional opinion, no surveys were required. However, the Supervisor of Surveys did not formally sign the fax. Also, the DEP no longer has a professional surveyor on staff to determine when a survey is needed and the type of survey required. Also, our review of a sample of personal service agreements for land surveyors also revealed that there was an instance when the cost of the survey exceeded the cost of the land purchase.

Regarding contamination and/or debris on purchased State land, we noted that there was not always documentation on the score sheets describing contamination and/or debris. The DEP has established an evaluation system where various elements of the property are considered prior to the purchase and various bureaus in the DEP comment on the property. The Water and Waste Bureaus are not part of the evaluation process, but the bureaus are asked to comment on the potential purchases. The DEP summarizes the results of the evaluation forms on a score sheet. From the summary of the score sheets, a recommendation is made on whether to buy the land. This information

is then presented to the DEP's Land Acquisition Review Committee. We found several instances where land was purchased that had contamination and/or debris that have to be removed. Comments that these items were on the property were not always made on the evaluation forms and noted on the score sheets prior to the purchase.

We were first informed of a significant piece of property that was purchased in the 1980s that had significant contamination and debris. An internal memo dated July 13, 1990, which included pictures of the contamination, states that an inspection of the property found "numerous containers of unknown contents and at least three 50-pound boxes of calcium arsenate ... Calcium arsenate is a banned herbicide, which requires proper disposal at a hazardous waste facility." In addition, vast amounts of solid waste (thousands of tires, heavy equipment, automobile parts, trash, etc.) were also observed on the property.

Upon additional inquiry we found that it appears that the State has purchased other properties that have contamination and debris on them. The DEP's Agency Support Services, within the Bureau of Finance and Administration, noted the following concerns on State property.

-A memo dated January 10, 2002, lists seven properties and states that the properties have "large amounts of trash/unwanted debris and buildings that are not salvageable and should be removed. Some of the properties also have barrels and/or containers of unknowns on them (possibly hazardous materials)." Based on comments from the Land Acquisition and Management Division, that division was aware of some of the issues regarding these properties. However, we noted that one of the properties appeared to have junk and an old barn to be demolished that were not noted on the score sheet. On another property the DEP became aware after the purchase that a house on the property was full of old furniture and other miscellaneous items.

-The other memo dated December 26, 2001, lists 21 properties that either need debris and/or building cleanups. Based on comments from the Land Acquisition and Management Division, it appears that the score sheets on five of these properties did not note abandoned vehicles, chain link fencing, an old house and an old boat house that needed to be removed. For another property, a note sheet was provided to us regarding barns on the property. However, this note does not appear to have been incorporated on the score sheet.

Effect:

Controls are weakened when there is not adequate documentation to support purchases. If a survey is not conducted before acquisition of the property, major or minor problems with the land can go undetected until after the purchase. Encroachments on State property could go undetected if the State is not familiar with its boundaries.

If there is any contamination or debris on the property, a significant amount of additional cost can be incurred to cleanup the land at taxpayers' expense. The State bears the cleanup cost by having DEP employees or contractors hired by the DEP cleanup the properties. Also, if the DEP is not aware of items on the property, the DEP could be offering a higher price when a lower price should have been offered.

Based on the language in the limited warranty deed, there are no assurances that the State actually received 14,996 acres of land. The average cost of an acre for the Kelda property is \$5,335. If an actual survey was conducted and the State did purchase less than 14,996 acres, an overpayment would only result if 12,996 acres or less was purchased. If less than 12,296 acres was purchased, the cost of this overpayment could be greater than \$10,000,000.

Cause: The DEP has stated that the DEP relies on the opinion of the Attorney General's Office as to whether the DEP made an appropriate decision as to whether a survey is needed on a piece of property.

The DEP has stated that its employees do not always conduct field visits of properties that are being acquired. When a field visit is conducted, the field visit is not always documented as to who walked the property and what observations were made regarding the property. Also, if a bureau or division does not respond during the evaluation process, the reason for the lack of a response cannot be determined.

Recommendation: The DEP should develop written policies and procedures for the purchase of land with regard to when and what type of survey should be conducted. If a compilation plan is used instead of a survey for large purchases, the DEP should conduct surveys on a sample of the maps or other information used to determine acreage, to determine the accuracy of the acreage per the compilation plan. The DEP's evaluation system for the purchase of land should include a documented field visit of the property prior to incurring incidental costs such as surveying and appraisals, better documentation on the score sheet of any items on the property that involve clean up cost, and documentation that all bureaus were part of the evaluation process. (See Recommendation 17).

Agency Response: "DEP agrees that written policies and procedures for survey requirements should be prepared; however, DEP does not agree with the auditors' recommendations related to the types of surveys that properties acquired by a compilation plan must be additionally surveyed. Other State agencies, that hold more acreage in Connecticut than DEP, conduct their real estate transactions with compilation plans. It should be clarified that the designation of Class D accuracy can exceed Class A accuracy depending on the sources of information; therefore, blanket statements by the auditors' implying a degradation

of accuracy based on the designations of Class A, C or D can be misleading. DEP also believes that the auditors' concerns related to the accuracy of the Kelda survey and the price paid is unfounded. There is no basis for the auditors' implication of gross inaccuracies in acreage in the Kelda acquisition. The Kelda property was acquired by the State for an investment of \$80 million; the estimated market value of the property was \$343 million.

DEP does have an existing, rigorous evaluation process for consideration of property acquisition. The process includes the evaluation of known or suspected hazardous waste or contaminated materials on any site. DEP has acquired land with the knowledge that removal costs are associated, and DEP has acquired land for the purpose of removing material and restoring the property to an original, natural condition for the good of the public."

*Auditors' Concluding
Comments:*

When we asked the DEP's Director of Land and Acquisition Management Division as to why a Class D designation was used for the Kelda property, the Director replied that the "DEP determined that the interest of the State was adequately served by a Class D map. There is nothing inherently inferior in a Class D map; however, the map is not required to be as mathematically precise as some other map classifications." Class D survey means that the surveyor, prior to the purchase of the property by the State, made no field visits to the property. According to the Connecticut Regulations of State Agencies, Section 20-300b-8, Compilation Plan, the note on the compilation plan shall state, "This plan was compiled from other maps, record research or other sources of information. It is not construed as having been obtained as the result of a field survey, and is subject to such change as an accurate field survey may disclose." The Auditors are recommending that, for large purchases of land, the DEP also conduct A-2 surveys on some of the parcels to determine the accuracy of some of the maps and record research used and to determine if there were any changes since to the property since the maps were created. No such surveys have been conducted to date on the approximately 15,000 acres. Also, when the DEP requires A-2 surveys on properties it purchases, there are no warranty deeds involved that raise a question as to the acreage purchased as there was for the Kelda property.

There are reasons that surveys are performed. The following five reasons were obtained from an Internet site [Land Surveys and Guide for Lawyers](#). The reasons stated for a land survey are to determine "(1) Existence of the Property, (2) Relationship of the Property to Adjoining Properties, (3) Relationship of occupied lines to record lines, (4) Location of Physical Improvements, and (5) Unrecorded Easements and Other Facts not Recorded. Field surveys are important

for verifying the existence of the boundary lines and any improvements made to the property since the previous survey. The following also are noted by a field visit: buildings, utilities, driveways, unrecorded easements and encroachments on the property.

Code of Ethics, Nepotism and Contract Language

Criteria: Section 1-84(i) of the Connecticut General Statutes states that no “state employee or member of his immediate family ... shall enter into any contract with the state, valued at one hundred dollars or more, ... unless the contract has been awarded through an open and public process ... and subsequent public disclosure of all proposals considered and the contract awarded.”

The DEP’s Directive on the Code of Ethics states “all DEP employees are required to conduct their activities in compliance with the Code of Ethics.”

The DEP’s Directive on the Employment of Family Members (Nepotism) states the “placement of family members into a supervisory chain of command is not allowed” unless specified in the directive.

Condition: The daughter of a DEP employee was awarded a contract for \$33,000 for the position of survey assistant. It does not appear that the contract was awarded through an open and public process. The DEP employee, whose daughter was awarded the contract, was responsible for soliciting quotations and did so by fax to selected vendors. All bids were directed to this same DEP employee. The appearance that the daughter could have access to the other bids indicates that the process was unfair. The DEP stated that the selection was based on low bid. However, although the other bidders were higher, the qualifications and experience of the bidders were not required or considered in the bid. The other bidders were professional land surveying companies. The daughter had six-months seasonal experience at the DEP. The DEP employee, who accepted the bids, stated that he had no documentation to support that subsequent public disclosure was made of all the bids and that the bidders were informed that his daughter was awarded the contract. The employee stated that notification of not receiving the contract was by telephone.

The DEP has stated that the DEP policy on nepotism only applies to permanent, seasonal or other short-term positions. However, family may supervise seasonal or other short-term positions for family members if the Commissioner or his designee approves it in writing. The daughter of the DEP employee appeared to be working directly for her father, who was the DEP Director of Surveys. The request for quotes for the position of survey assistant stated that the DEP Director of Surveys would determine the schedule of the contractor. Both the

daughter and the father were located in the same field office. The persons signing the invoices for the daughter were located at the Central Office. Also, based on the description of services in the contract, the contractor could only report to a surveyor. The DEP only has one surveyor, the father of the contractor.

Effect: The DEP is in violation of section 1-84(i) of the Code of Ethics. The contract was not awarded through an open and public process and other bidders were not properly notified of the selection of who was awarded the contract.

There appears to be favoritism and a conflict of interest in the hiring of the survey assistant.

Cause: The Director of Surveys indicated that he was not aware of the violation of the Code of Ethics and was not advised by anyone in the DEP that he was violating the Code of Ethics.

Recommendation: The DEP should comply with the requirements set forth in the Code of Ethics. The DEP should amend its directive on the Employment of Family Members (Nepotism) to include contractors. (See Recommendation 18).

Agency Response: “DEP partially agrees with the auditors’ recommendation. DEP has two directives that deal with the subject.

Directive 5520 D3 deals specifically with Nepotism; we do not believe this directive needs to be changed. This directive adequately addresses the Department’s policy with regard to hiring and assignment of relatives into permanent, seasonal and/or other short-term positions within the Agency. This directive was not intended to address contract awards.

DEP directive 5551 D4 covers the requirements set forth in the State’s Code of Ethics and it specifically refers to CGS [Connecticut General Statute] Section 1-84 through 1-86, which refer to work with consultants.”

Purchase of Electronic Document Management Software

Background: On September 22, 1998, the Department of Information Technology (DOIT) issued a request for proposal (RFP) that was due October 28, 1999, for an electronic document management system (EDMS). An EDMS is a system used to create, access and manage documents on-line. The system can then be integrated with other related systems in a department. The first objective of this RFP was to obtain electronic document software products and maintenance at a reduced rate for all State agencies. The second objective was to obtain a list of

recommended integrators who would design, implement and maintain the electronic document management software. The third objective was to obtain an integrator for the Department of Labor (DOL) which had already defined its business process that would use the electronic document management software.

A Master Software License Agreement was entered into with FileNet Corporation on June 13, 2000 by DOIT.

Criteria:

The DEP's policy for purchasing software requires that a project definition report be prepared. This report should define the project, and document timeframes and identify major milestones.

According to the Master Software License Agreement with FileNet, the "Department may make a maximum of five copies of each licensed software product ... The Department shall maintain an accurate record of the location of such copies at all times and such record shall be available to the Supplier (FileNet)."

According to the Master Software License Agreement with FileNet, maintenance and support services are provided on an annual basis and are automatically renewed unless written notice is provided to FileNet.

According to Public Act 99-225, An Act "Concerning Revisions to Certain Programs and Operations of the DEP," Section 27, the DEP is to "develop a comprehensive file management system that ensures that case files contain any and all documents important for decision-making by the agency in a particular case and any documents required by department policy." The system was to have files maintained in a consistent manner and in an accessible format. This act also requires the Department to have a case file database for the use of all the Department's bureaus.

Condition:

The Department assigned several employees to the Environmental Data and Geographic Exchange (EDGE) project in 1999. In the 2000-2001 *Digest of Administrative Reports*, the DEP stated that the EDGE group was in the process of designing an electronic document management system. As of October 2002, the only area in the Department that has an operational electronic management system is the Office of Long Island Sound Programs.

The Department expended \$1,467,523 for FileNet products and annual maintenance on June 16, 2000. The charges were as follows:

Products:

\$850,000 charged to the General Fund's Stationary Air Emissions Monitoring account

\$150,000 charged to the General Fund's Clean Air Account

\$113,809 charged to the Environmental Quality Fund
\$25,000 charged to the General Fund's Emergency Spill Response Account

First year maintenance: \$328,714 charged to the Environmental Quality Fund

There was no charge for maintenance in the second year. However, the DEP paid \$314,989 for maintenance in September 2002.

The Department received 250 software licenses from FileNet in July 2000. According to DEP's invoice from FileNet, there would be 250 dedicated licensed users and 250 shared users with a three to one ratio, or 1000 users.

The DEP averages 1000 full time employees. Our inquiry on August 31, 2002, two years after the purchase, revealed that no employees at the DEP were using FileNet products. Also, as of October 2002, only 38 employees, mostly in the Office of Long Sound, were using FileNet products, even though the majority of the funding came from the DEP's Air Bureau. The DEP only started to plan for the use of FileNet products in the Air Bureau in the 2002-2003 fiscal year.

Effect:

The DEP has expended a significant amount of resources for a product and continues to waste significant resources on the annual maintenance of a product that is not used throughout the DEP.

If the DEP does not use FileNet products in the Air Bureau, then funds may have been inappropriately charged to the Stationary Air Emissions Monitoring account and the Clean Air Account.

It appears that the DEP's policies for the acquisition and assessment of software needs were not adhered to.

The DEP has not complied with Public Act 99-225.

Cause:

The DEP did not have a detailed project plan in place prior to the purchase of the software that defined the project in detail, and estimated timeframes and major milestones.

The DEP stated that the main reason the FileNet products were not installed on the DEP computers is that the Department of Information Technology informed them that the DEP would be one of the lead State agencies in the use of FileNet products. However, the DEP stated that the Department of Information Technology has not provided the DEP with a vendor list of certified integrators.

In order to use FileNet products, the DEP would have to document its business processes. The DEP contracted with a vendor on August 4, 2000, to conduct “detailed business process analysis related to DEP’s permitting, monitoring and enforcement activities and to assist DEP in the evaluation of bids for installing and implementing a document management system.” The original contract termination date was June 30, 2001. This contract was extended to June 30, 2002. However, the vendor did not successfully complete the project by June 30, 2002, the contract termination date.

The majority of the DEP computers at the time of the FileNet purchase could not run the FileNet software because the computers used Windows 95 or Windows 98. Windows 2000 was needed to run FileNet products. Also, the DEP needed to purchase new computers with more space on their hard drives. If FileNet were installed without adequate hard drive, the computers would not perform other programs efficiently.

The original Master Software License Agreement included a volume purchase agreement incentive of 3.125 percent that is above FileNet’s normal discount if the DEP and the Department of Labor (DOL) placed an order by June 15, 2000. The DEP decided to take advantage of this volume discount.

Recommendation: The Department should document its business processes and establish milestones before expending significant resources. The Department should seek to renegotiate a maintenance fee based on the number of licenses in use. The Department should comply with Public Act 99-225 and develop the comprehensive file management system and database that can be used by all of the Department’s bureaus. (Recommendation 19).

Agency Response: “DEP agrees with the auditors’ recommendation to renegotiate the maintenance fee associated with file and document management software licenses in the agency. This has already been accomplished with a meeting held on April 22, 2003 with the vendor, and a subsequent letter sent to the vendor indicating a major reduction in the number of licenses carried on maintenance beginning July 1, 2003. DEP also agrees to comply with PA 99-225 to develop a comprehensive document and file management system with an associated electronic database. DEP has been working toward the goal of a comprehensive file and document management system over the past several years. However, the process of developing and implementing such a system for an agency with such diverse programs is a difficult process. DEP has made significant progress toward building the overall indexing scheme required for this system, and the associated facility identification scheme required to accurately associate all regulated facilities across the various program media

responsible for permitting and enforcing environmental compliance (e.g. air, water, waste and natural resource programs).

DEP did have a project plan in place prior to acquiring the reference file management software (project number 3100-5050, Records and File Storage Management). The outline of the project was on file with the Department of Information Technology beginning with the FY'96 years '98 and '99, and finally updated again in 2002 after the initial acquisition of file management products. The project was also periodically revised through a series of pilot project work plans and grant submittals to the U.S.E.P.A. [United States Environmental Protection Agency] as DEP applied for federal technology incentive grants.”

*Auditors' Concluding
Comments:*

We obtained the project plan mentioned above for FY 96. The project plan is the DEP's Information Technology Plan. In the Plan, one page is dedicated to the project: Records and File Storage Management. The other updates were not on file at DOIT. When we inquired as to what the updates were, the updates were one-page cost adjustments to the project. The project definition report mentioned above should have described in detail how the product would have been used, the need and purpose of the product, project objectives, project concerns and issues, project organization, project deliverables, and project administrative procedures.

RECOMMENDATIONS

Twenty-three recommendations were presented in our prior report. As indicated below, 12 recommendations have been complied with. Eleven of the recommendations have not been resolved and are therefore repeated in this report.

Status of Prior Audit Recommendations:

- Procedures should be established and followed for the accountability of all fees collected at State Parks and should include the reconciling of ticket sales to deposits. The Department has implemented this recommendation.
- Accountability Reports should be prepared for Agency fees. The Department has sufficiently implemented this recommendation.
- Revenue coding should be changed and made more uniform. Coding should be correlated to fees contained in the General Statutes. The Department has implemented this recommendation.
- Complete records should be maintained of all individual fees collected and all individual applications, permits and other fee sources. The Department has sufficiently implemented this recommendation.
- The DEP should develop written procedures that would require adequate attempts at collecting late fees and compliance with the fee rates set forth in the Regulations for State Agencies. The Commissioner should authorize internal credits of \$1,000 or less. If it is felt that the rates are unreasonable, the Regulations should be revised. The Department has implemented this recommendation.
- Deposits should be made in compliance with Section 4-32 of the General Statutes. Although we noted minor instances of noncompliance at the State Parks during our audit period, the Department did obtain a waiver to the 24-hour rule at some of the State parks. The Department has sufficiently implemented this recommendation.
- Procedures should be established and followed to ensure the proper rental of State forest buildings and collection of rent thereon. As insufficient action has been taken on this recommendation, it is being repeated as Recommendation 1.
- The DEP should take legal action since Mohawk Ski Area Inc., is not complying with the terms of its lease. Due dates of lease payments should be enforced. Collection procedures for outstanding balances should be established. Since the DEP has improved its collection procedures, lessees are in sufficient compliance with the terms of their leases. The Department has implemented this recommendation.
- Controls should be implemented that require Bureaus to verify that the applicable fees have been received before a permit is issued. The DEP should comply with Section 22a-10 of the General Statutes when applicants are eligible for refunds. The Department has implemented this recommendation.

- The DEP should consult the Attorney General's Office and develop and follow standard, written procedures for liens required by Section 22a-452a of the General Statutes. Accounts receivable procedures should be improved to ensure that demand letters are sent within the required time period of DEP having paid an invoice. Court ordered judgments should be enforced. The Department has implemented this recommendation.
- The DEP should seek a resolution to the problem of the Permit Application Management System continually generating new invoices. The DEP should establish written procedures for removing, monitoring and collecting past due balances. Internal controls should be improved so that there is adequate separation of duties between the posting of accounts receivable and the write off of accounts receivable. The Department has implemented this recommendation.
- The DEP should ensure that financial reporting of receivables and uncollectible balances are accurate. The Department has implemented this recommendation.
- The DEP should seek an exemption from the purchasing regulations for emergency spills. Statutory requirements should be followed for personal service agreements. Terms of contracts should be followed. Persons approving invoices should be made aware of the contract requirement that the State is exempt from paying taxes. The recommendation concerning the exemption from the purchasing regulations for emergency spill has been resolved. The Department has implemented the recommendation regarding the paying of taxes. As insufficient action has been taken with regard to personal service agreements, it is being repeated as Recommendation 2.
- The DEP should follow the policies and procedures outlined in the State of Connecticut's Property Control Manual. Since the Department did not fully implement this recommendation, it is being repeated as Recommendation 3.
- The DEP should have periodic appraisals made of its various portraits, paintings and museum articles. Items recorded on the inventory for these items should be completely recorded and the value of these items should be accurately reported. Further, items not located after physical inventories should be so reported to the State Comptroller and State Auditors. As insufficient action has been taken on this recommendation, it is being repeated as Recommendation 4.
- The DEP should assure itself that the uses of cellular phones are in compliance with State and DEP policies. As insufficient action has been taken on this recommendation, it is being repeated as Recommendation 5.
- The file room should be restricted to file room personnel. The DEP should implement a plan to computerize the records maintained in the file room and eliminate the public and staffs physical handling of the documents. As insufficient action has been taken on this recommendation, it is being repeated as Recommendation 6.

- The DEP should have filters to prevent employees' access to Internet sites such as investing, sports, games, etc. Employees' use of passwords and user identification codes should be restricted. The DEP should periodically monitor Internet use and for unauthorized software on State computers. As insufficient action has been taken on this recommendation, it is being repeated as Recommendation 7.
- The DEP should determine for each fiscal year the amount of State assistance that was distributed and determine whether these amounts are on the Schedule of State Financial Assistance for each subrecipient. The DEP partially resolved this recommendation since a list of State assistance distributed to subrecipients was compiled. However, the DEP was not adequately determining if the amounts on the Schedule of State Financial Assistance for each subrecipient were adequate. As a result, we are repeating our prior audit recommendation as Recommendation 8.
- Statutory requirements for personal service agreements should be followed. This recommendation no longer applies since Public Act 00-66, "An Act Implementing the Legislative Commissioners' Recommendations for Technical Revisions to Certain Government Administration and Elections and Related Statutes," effective October 1, 2000, has repealed Connecticut General Statute 4-211.
- The DEP should review the monthly billing for telephone charges for appropriateness. Calling cards should be canceled once an employee has terminated his/her employment. As insufficient action has been taken on this recommendation, it is being repeated as Recommendation 9.
- The report that is required by Section 26-15a of the General Statutes should be prepared. As insufficient action has been taken on this recommendation, it is being repeated as Recommendation 10.
- Internal controls should require that access to systems be limited only to necessary employees. There should be a separation of duties between the personnel and payroll functions. The DEP only complied with the recommendation regarding separation of duties. As a result, this finding will be repeated as Recommendation 11.

Current Audit Recommendations:

1. Procedures should be established and followed to ensure the proper rental of State forest buildings and collection of rent thereon.

Comment:

Our review revealed several internal control weaknesses in this area. During the last audit we found that DEP employees occupying State-owned facilities ceased paying rental fees without the required approval of the Commissioner. These employees are still not paying rent. The DEP does not have current lease agreements with DEP and non-DEP employees. The DEP is not always obtaining evidence of property insurance coverage. The DEP does not pursue collection of past due rent even though old lease agreements state that month to month payments should be made.

- 2. Statutory requirements should be followed for personal service agreements. Terms of contracts should be followed. Prior to making payments for goods and services, the DEP should insure that the terms of payments are in agreement with the terms of the purchase order.**

Comment:

Our review of 16 personal service agreements and their amendments found that two or 13 percent of the contractors began work prior to the commitment of funds.

We found that the DEP was paying for services not listed in a purchase order for statewide aerial photos.

- 3. The DEP should follow the policies and procedures outlined in the State of Connecticut's Property Control Manual and comply with Section 4-33a of the General Statutes, which specifies inventory procedures and requires the Department to promptly report the loss of State property.**

Comment:

We found that the location for seven out of 25 inventory items were incorrect. Also, the DEP has not filed a loss report for approximately \$240,000 worth of items that were not found during the 2001 physical inventory.

- 4. The DEP should have periodic appraisals made of its various portraits, paintings and museum articles. Items recorded on the inventory for these items should be completely recorded and the value of these items should be accurately reported. Further, items not located after physical inventories should be reported to the State Comptroller and State Auditors.**

Comment:

The DEP has only been able to produce appraisals for two of its eight sites that include portraits, paintings and museum articles. One of these appraisals was conducted in 1973 and the other appraisal was conducted during our last audit.

The DEP has reported the same value of its various portraits, paintings and museum articles at \$570,864 since at least 1993. Last audit an appraisal of 56 items valued these items to be worth over \$100,000. These items are still not included in the \$570,864. The official records of the DEP significantly differ from records maintained at the two State parks we visited.

- 5. The DEP should assure itself that the uses of cellular phones are in compliance with State and DEP policies.**

Comment:

The DEP is not reviewing cellular telephone bills in accordance with its policies.

- 6. The DEP file room should be restricted to file room personnel.**

The DEP should implement a plan to computerize the records maintained in the file room and eliminate the physical handling of the documents by the public and agency staff.

The DEP should issue a directive for the transfer of files from the bureaus to the file room.

The DEP should periodically inventory its file room to determine which files are missing or misfiled.

Comment:

We again noted that the DEP does not have adequate control over the file room. The DEP has not established procedures for ensuring that the files are complete or for tracking the location of files. Files are not secured against loss or alteration.

- 7. The DEP should have filters to limit employees' access to non-business related sites as well as periodically monitor Internet use on State computers. Also, the DEP should strengthen access controls by assigning system administrators to specific bureaus to more effectively monitor system administrators' access to Department records.**

Comment:

Our review again found significant non-business use of the Internet by employees. An employee anonymously made available to us on CDs, Internet reports that were requested last audit and that the DEP did not provide because they believed it would take significant staff effort to create those reports. We found this explanation to be reasonable last audit. However, when we requested the reports again after receiving the CDs, the DEP was unable to re-create the reports. We also found that system administrators have access to all servers and that the DEP was unable to track administrators' access to the system.

- 8. The DEP should determine for each fiscal year the amount of State assistance that was distributed and determine whether these amounts are on the Schedule of State Financial Assistance for each subrecipient. All unreconciled differences should be investigated. The DEP and State Treasurer should amend the current Memorandum of Understanding to determine who should be responsible for reviewing the State Single Audit reports for the Clean Water Funds.**

Comment:

The DEP is not determining why expenditures in audit reports of subrecipients differ from the expenditures the DEP made to the subrecipient. The DEP is unaware that it is not receiving all audit reports that are required to be submitted in accordance with the provisions of the State Single Audit Act. The DEP and the State Treasurer's Office are not reviewing any audit reports of grant recipients of Clean Water Fund monies.

- 9. The DEP should review the monthly billing for telephone charges for appropriateness. Calling cards should be canceled once an employee has terminated his/her employment. The DEP should disconnect employees' dial in access when there is no activity for a specified period of time. The DEP should assure itself that only authorized employees have dial in access.**

Comment:

The DEP is still not adequately reviewing monthly telephone bills. As a result, we found that employees who dial-in are not always disconnecting resulting in unnecessary expenditures to the State. Our review of calling cards found that there are several former employees whose calling calls have not been canceled.

- 10. Reports required by Section 22a-134q and Section 26-15a of the General Statutes should be prepared in accordance with the requirements of the Statutes. The Department should seek legislation to amend Section 22a-97, subsection (c), of the General Statutes.**

Comment:

We found that the DEP was not preparing statutorily required reports. Even though the DEP was not able to prepare the report required by Section 22a, subsection (c), it did not seek legislation to amend the statute that required it.

- 11. The DEP should assure itself that only authorized employees have access to the appropriate level of the Automated Personnel Database System (APDBS) and this level of access should be documented. Employees who terminate from the DEP should be removed promptly from APDBS. Each employee should have a separate user identification number.**

Comment:

Our review found that three current employees inappropriately had full access to APDBS. We found that former employees were not removed as users of APDBS. We found four user identifications that could be used by several employees. We found there were several levels of access for employees with full access to APDBS. The decision of which level of access an employee has was not documented.

- 12. The DEP should conduct, at least annually, a physical inventory of the items in the store and the dollar value of this inventory should be reported on the CO-59 Fixed Asset Report. All items in the store should have a Stock Keeping Unit number. The DEP should prepare a profit and loss statement for the store.**

Comment:

We found that the DEP does not conduct an annual physical inventory for items in the DEP Store. Amounts recorded on hand on the DEP's MicroBiz system were incorrect when compared to a physical count. Not all items in the store have a Stock Keeping Unit number. As a result the cashier rang these items up as miscellaneous items. Profit and loss statements were prepared for items sold on the website but were not prepared for items sold in the store.

- 13. The DEP should improve its control over the aerial photos to protect the photos from loss.**

Comment:

When the DEP Store staff conducted an inventory of aerial photos on hand the staff found that 1,022 photos were missing. The value of these photos is estimated to be \$44,897.

- 14. The DEP should seek competitive bidding for concerts at Harkness Memorial State Park and enforce the provisions of current contracts for non-payment and receipts of audit reports. If the DEP does not seek competitive bidding, then the next contract with Summer Music Incorporated (SMI) should include language where funds are paid to the DEP prior to the event. The DEP should amend its regulations in order to allow for charges for parking for special events.**

Comment:

Our review of the DEP's contract with SMI found several areas of noncompliance with the contract since the contract's inception. These areas include non-payment or

late payments and audit reports of SMI not being submitted on the due date but are only submitted when requested by the DEP.

- 15. All divisions in the DEP that do not have an approved records retention schedule should prepare the schedule and have it approved by the Public Records Administrator.**

Comment:

There are several divisions within the DEP that do not have records retention schedules approved by the State Librarian. We also found that during our audit period, the Director of Land and Acquisition Management instructed his employees to dispose of several cabinets of land records. The DEP's Records Management Liaison Officer recovered some of these land records from the recycle bins. These saved land records were reviewed by the Public Records Administrator and State Archivist and it was determined that the original records were disposed of without proper authorization.

- 16. The DEP should create a database of all the land records to comply with the requirements of the State's Property Control Manual.**

Comment:

The DEP is not maintaining the land records in accordance with requirements set forth in the State's Property Control Manual. Most importantly, since land is not recorded with all the costs associated with acquiring the land, it appears that land is undervalued on the State's records.

- 17. The DEP should develop written policies and procedures for the purchase of land with regard to when and what type of survey should be conducted. If a compilation plan is used instead of a survey for large purchases, the DEP should conduct surveys on a sample of the maps or other information used to determine acreage, to determine the accuracy of the acreage per the compilation plan. The DEP's evaluation system for the purchase of land should include a documented field visit of the property prior to incurring incidental costs such as surveying and appraisals, better documentation on the score sheet of any items on the property that involve clean up cost, and documentation that all bureaus were part of the evaluation process.**

Comment:

The DEP does not have written policies and procedures as to the timing and the type of survey to be conducted. We found purchases of land where there was contamination and/or large quantities of debris on the land. It appears that the DEP did not always walk the property prior to purchase, and did not always document on score sheets cleanup needed on the property. We also could not determine whether all bureaus were part of the evaluation process.

- 18. The DEP should comply with the requirements set forth in the Code of Ethics. The DEP should amend its directive on the Employment of Family Members (Nepotism) to include contractors.**

Comment:

We found that the daughter of the Supervisor of Surveys was awarded a contract as a survey assistant. The Supervisor of Surveys was allowed by his superiors to solicit and accept quotations. There was no written evidence to show that there was subsequent public disclosure of all the bids and that the bidders were notified as required by Statute.

- 19. The Department should document its business processes and establish milestones before expending significant resources. The Department should seek to renegotiate a maintenance fee based on the number of licenses in use. The Department should comply with Public Act 99-225 and develop the comprehensive file management system and database that can be used by all of the Department's bureaus.**

Comment:

We found that the Department purchased a significant amount of software in June 2000. Two years after the purchase, no employees were using the software. Several months later, only 38 employees were using the software. The Department also pays annual maintenance for software that is not utilized by all potential users.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Department of Environmental Protection for the fiscal years ended June 30, 2000 and 2001. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grants, 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 grants applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Environmental Protection for the fiscal years ended June 30, 2000 and 2001, 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 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 Department of Environmental Protection complied in all material or significant respects with the provisions of 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 Department of Environmental Protection is the responsibility of the Department of Environmental Protection's management. As part of obtaining reasonable assurance about whether the Agency 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 Agency's financial operations for the fiscal years ended June 30, 2000 and 2001, we performed tests of its compliance with certain provisions of 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 Department of Environmental Protection is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants applicable to the Agency. In planning and performing our audit, we considered the Agency's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Agency's financial operations in order to determine our auditing procedures for the purpose of evaluating the Department of Environmental Protection's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives.

However, we noted certain matters involving the internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the Agency's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grants. We believe the following findings represent reportable conditions: failure to ensure collection of all rental income on State forest buildings and at Harkness Memorial State Park; deficiencies in the purchasing and expenditure processes; deficient inventory records and reporting; improperly controlled computer usage and access; inadequate subrecipient monitoring; and inadequate reviewing of telecommunication bills; lack of physical inventory at the DEP Store and incorrect amounts reported as inventory; aerial photos not protected from loss; destruction of land records and lack of record retention schedules; inadequate record keeping of land records; lack of written policies and procedures for the purchase of land; improper solicitation of bids for survey assistant; and inadequate planning for the purchase of software.

A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants or the requirements to safeguard assets that would be material in relation to the Agency's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Agency being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over the Agency's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. However, we believe that none of the reportable conditions described above is a material or significant weakness.

We also noted other matters involving internal control over the Agency's financial operations and over compliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

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

In conclusion, we wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Department of Environmental Protection during the course of our examination.

JoAnne Sibiga
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts