

STATE OF CONNECTICUT



***AUDITORS' REPORT
COMMISSION ON FIRE PREVENTION AND CONTROL
FOR THE FISCAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006***

AUDITORS OF PUBLIC ACCOUNTS

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Table of Contents

INTRODUCTION	1
COMMENTS	1
FOREWORD	1
RÉSUMÉ OF OPERATIONS:	3
General Fund.....	4
Receipts.....	4
Expenditures	4
Federal and Other Restricted Accounts Fund	5
Receipts.....	5
Restricted State Accounts	5
Fire School Training and Education Extension Account.....	5
Fire School Auxiliary Services Account.....	6
Expenditures	6
Special Revenue and Capital Improvement Funds Expenditures	7
CONDITION OF RECORDS	
Store Merchandise Inventory	8
Store Accounting for Receivables and Revenue.....	9
Equipment Inventory	11
Purchasing, Receiving and Expenditures	12
Cash Receipts – Late Deposits.....	13
Accounts Receivable – Cancellation of Receivable	14
Payroll and Personnel – Compensatory Time	16
Payroll and Personnel – Unapproved Position	17
RECOMMENDATIONS	19
CERTIFICATION	22
CONCLUSION	25

November 6, 2007

**AUDITORS' REPORT
COMMISSION ON FIRE PREVENTION AND CONTROL
FOR THE FISCAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006**

We have examined the financial records of the Commission on Fire Prevention and Control for the fiscal years ended June 30, 2004, 2005, and 2006. This report of that examination consists of the Comments, Recommendations and Certification that follow.

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

COMMENTS

FOREWORD:

The Commission on Fire Prevention and Control operates under Sections 7-323j through 7-323q of the Connecticut General Statutes. Section 2c-2b, subsection (c)(10), of the General Statutes provides for the Commission's termination, effective July 1, 2010, unless reestablished by legislative act. The Commission is charged with and has primary responsibility for training, public fire and life safety education, and professional certification for members of the fire service. Its administrative office is located at the Connecticut Fire Academy in Windsor Locks.

The Commission on Fire Prevention and Control is comprised of three divisions; the Certification Division, which is responsible for the development and administration of a voluntary fire service testing and certification program, the Fiscal Division, which is responsible for the Commission's fiscal administration and plant operations and the

Training Division, which is responsible for the development and delivery of fire, hazardous materials/OSHA compliance, emergency medical services and public education safety training programs.

In the fiscal years ended June 30, 2004 and 2005, the Fiscal Division was responsible for all of the Commission's accounting, budgeting, personnel, purchasing, payroll, contracting, and physical plant functions at the Connecticut Fire Academy. During the 2005-2006 fiscal year this division was consolidated in part with the Department of Administrative Services Small Agency Resource Team (SMART). Public Act 05-251, Section 60, subsection (c), provides that the personnel, payroll, affirmative action and business office functions shall be merged and consolidated within the Department of Administrative Services (DAS). This consolidation has resulted in the net loss of two positions at the agency.

Section 7-323k, subsection (e), of the General Statutes provides that the Commission on Fire Prevention and Control shall be within the Department of Public Safety for administrative purposes only.

Members of the Commission:

Under the provisions of Section 7-323k of the General Statutes, the Commission is comprised of 12 members appointed by the Governor, and two ex-officio voting members. The ex-officio members are the State Fire Marshal and Chancellor of the Board of Trustees of the Community-Technical Colleges. The position for the ex-officio member of the Chancellor of the Board of Trustees of the Community-Technical Colleges was vacant as of June 30, 2006, but was recently filled in January 2007 by Victor Mitchell. Members of the Commission serve without compensation for their services. As of June 30, 2006, the Commission was comprised of the following members:

Peter S. Carozza Jr., Chairman, West Hartford, CT
Kevin J. Kowalski, Vice Chairman, Simsbury, CT
James P. Wilkinson, Secretary, Milford, CT
Robert Walsh, Plantsville, CT
Edward B. Gomeau, Greenwich, CT
William S. Johnson Jr., West Haven, CT
John J. Blaschik, Jr., Ex-officio State Fire Marshal, Middletown, CT
Vacant, Ex-officio Community – Technical Colleges
John J. Brady, Madison, CT
Andy Ouellette, Broad Brook, CT
Richard H. Nicol, Middlebury, CT
Charles M. Stankye Jr., Derby, CT
Philip Schenck, Avon, CT
Richard E. Morris, Niantic, CT

Section 7-323o of the General Statutes provides for the appointment of the State Fire Administrator by the Commission. Jeffrey Morrissette has served as the State Fire Administrator since October 2, 1992.

Significant Legislation:

Section 60(c) of Public Act 05-251, effective July 1, 2005, provides that the Commissioner of Administrative Services, in consultation with the Secretary of the Office of Policy and Management, shall develop a plan for the Department of Administrative Services to provide personnel, payroll, affirmative action and business office functions of State agencies. All executive branch State agencies may be considered in the development of this plan, but the specific agencies to be included shall be determined by the Commissioner of Administrative Services in consultation with the Secretary of the Office of Policy and Management. The personnel, payroll, affirmative action and business office functions of such agencies shall be merged and consolidated within the Department of Administrative Services (DAS). Such functions of the Commission on Fire Prevention and Control were merged and consolidated with DAS within the audited period.

Section 1 of Public Act 04-2, effective July 1, 2004, provides up to \$100,000 of Federal funds available to the Department of Social Services shall be transferred to the Commission on Fire Prevention and Control, during the fiscal year ending June 30, 2005, to reimburse municipalities for the costs of emergency responses.

Section 28 of Public Act 05-3 (June Special Session), effective July 1, 2005, provides that the State Fire Administrator may, within available funds, administer a supplemental grant award remittance program to support local volunteer fire companies that provide emergency response services on a limited access highway, or, on a section of the highway known as the Berlin Turnpike. Eligible fire companies may receive direct payment of grant funds or may use the funds as credits for fee-based services provided by the Commission on Fire Prevention and Control. Any such credits shall be used during the fiscal year for which they are received.

RÉSUMÉ OF OPERATIONS:

Section 81 of Public Act 04-02 (May Special Session), effective July 1, 2004, authorized the establishment of new special revenue funds relative to grants and restricted accounts. During the 2003-2004 fiscal year the State Comptroller established the “Grants and Restricted Accounts Fund” to account for certain Federal and other revenues that are restricted from general use and were previously accounted for in the General Fund as “Federal and Other Grants”.

General Fund:

Receipts:

General Fund receipts totaled \$45,816, \$7,261, and \$4,261 for the fiscal years ended June 30, 2004, 2005 and 2006, respectively, as compared to \$1,043,044 for the fiscal year ended June 30, 2003. These receipts consisted primarily of sales and use taxes for the fiscal years ended June 30, 2004, 2005, and 2006. In addition, for the fiscal year ended June 30, 2004, a total of \$44,610 was coded to the Fire School Training and Education Extension account. Further discussion of this restricted account, as well as the Fire School Auxiliary Services account, is included under the Special Revenue Funds caption in this report.

The decrease in receipts is due primarily to a change in accounting procedures resulting from the implementation of a new State accounting system. As explained above, receipts formerly credited to the General Fund were credited to a newly established special revenue fund.

Expenditures:

A summary of General Fund expenditures for the fiscal years ended June 30, 2004, 2005, and 2006, as compared with the fiscal year ended June 30, 2003, is presented below:

	<u>Fiscal Year Ended June 30,</u>			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Budgeted Accounts:	\$	\$	\$	\$
Personal services	1,544,218	1,426,295	1,533,537	1,540,776
Contractual services	465,689	510,802	447,846	430,346
Commodities	103,411	64,868	114,240	158,296
Other charges (interest)	0	0	7	0
Sundry charges	0	0	0	48,467
State aid grants	236,400	0	0	0
Equipment	1,000	0	0	0
Total Budgeted Accounts	2,350,718	2,001,965	2,095,630	2,177,885
Restricted Accounts	924,416	0	0	0
Totals	<u>\$3,275,134</u>	<u>\$2,001,965</u>	<u>\$2,095,630</u>	<u>\$2,177,885</u>

The decrease in expenditures in restricted accounts was due to a change in accounting procedures resulting from the implementation of a new State accounting system. As explained above, expenditures formerly charged to the General Fund were charged to a newly established special revenue fund.

The decrease in expenditures in State aid grants was due to the repeal of Section 13a-248 of the General Statutes of payments to volunteer fire companies for responding to

calls on limited access highways. Section 13a-248 was repealed during the June 2003 Special Session pursuant to Public Act 03-6, Section 248, effective August 20, 2003.

The increase in expenditures in contractual services during 2004 was due to increased utility costs and information technology data services. The increase in expenditures in commodities during 2005 was due to an increase in premises repair and security system supplies. The increase in expenditures during 2006 in sundry items was due to the payments to volunteer fire companies pursuant to Section 28 of Public Act 05-3 and in commodities due to increased utility costs.

Special Revenue Funds:

Public Act 04-02 (May Special Session) authorized the establishment of a new special revenue fund relative to grants and restricted accounts. During the 2003-2004 fiscal year the State Comptroller established the "Grants and Restricted Accounts Fund" to account for certain Federal and other revenues that are restricted from general use and were previously accounted for in the General Fund as "Federal and Other Grants".

Federal and Other Restricted Accounts Fund:

Receipts:

Receipts formerly credited to the General Fund were credited to a newly established special revenue fund, 12060. These receipts totaled \$1,244,185, \$1,266,871 and \$1,455,118 for the fiscal years ended June 30, 2004, 2005 and 2006, respectively. These receipts consisted primarily of course fees and training program supplies which were credited to the Fire School Training and Education Extension and Fire School Auxiliary Services Account. Further discussion of these restricted accounts is included below under their respective captions.

Restricted State Accounts:

Fire School Training and Education Extension Account:

This restricted State account was established under the provisions of Section 7-323p, subsection (b), of the General Statutes. It is used to account for fire training and education programs.

Receipts, which totaled \$901,274, \$874,237 and \$1,000,714 during the fiscal years ended June 30, 2004, 2005, and 2006, respectively, consisted primarily of State Fire School course fees. Expenditures totaled \$838,153, \$1,090,892, and \$1,062,818 during the same fiscal years and consisted mainly of the salaries and fringe benefit costs of part-time instructors. Agency reports indicate that 292, 342, and 528 training programs were conducted in the fiscal years ended June 30, 2004, 2005, and 2006, respectively.

Fire School Auxiliary Services Account:

This restricted State account was established under the provisions of Section 7-323p, subsection (c), of the General Statutes. This account is used for the operation, maintenance and repair of auxiliary services facilities and other auxiliary activities of the State Fire School.

Receipts totaled \$339,361, \$353,469, and \$424,299 during the fiscal years ended June 30, 2004, 2005, and 2006, respectively, and consisted primarily of fees assessed for special programs, sales of course materials, and donations. Expenditures totaled \$432,488, 390,392, and \$468,641, during the same fiscal years and were for salaries of part-time instructors and printing of course materials.

Expenditures:

A summary of expenditures for the fiscal years ended June 30, 2004, 2005, and 2006, as compared with the fiscal year ended June 30, 2003, is presented below:

	<u>Fiscal Year Ended June 30,</u>			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Personal services	\$ 0	\$423,983	\$478,679	\$475,589
Contractual services	0	463,323	492,197	561,165
Commodities	0	374,906	465,784	467,458
Revenue refunds	0	0	2,347	1,921
Sundry charges	0	46	814	30,837
State aid grants	0	0	0	0
Equipment	0	8,383	41,463	24,594
Total Federal and other	<u>\$ 0</u>	<u>\$1,270,641</u>	<u>\$1,481,284</u>	<u>\$1,561,564</u>

The increase in expenditures during the 2003-2004 fiscal year was due to a change in accounting procedures resulting from the implementation of a new State accounting system. As explained above, expenditures formerly charged to the General Fund were charged to this newly established special revenue fund.

The increase in personal services during 2004-2005 fiscal year was due to an increase in staffing of the part time instructors and associated fringe benefit costs. The increase in commodities in 2004-2005 fiscal year was due to the increase in general office supplies and law enforcement and security supplies. The increase in expenditures for equipment in 2004-2005 fiscal year was due to the acquisition of additional data processing equipment and fire training equipment. The increase in expenditures in sundry items during 2005-2006 fiscal year was due to the payments to volunteer fire companies pursuant to Section 28 of Public Act 05-3 (June Special Session).

Other Special Revenue and Capital Project Funds Expenditures:

The Commission had expenditures from the Capital Equipment Purchase Fund of \$108,665, \$282,032, and \$247,912 for the fiscal years ended June 30, 2004, 2005, and 2006, respectively. The Commission also expended \$92,233, \$5,687, and \$7,710 from Grants – Tax Exempt Proceeds fund and \$22,138, \$24,302, and \$16,400 from the Capital Improvements and Other Purposes fund during the 2004, 2005, and 2006 fiscal year. These expenditures were mainly for the Fire Tower Training modifications and repairs.

CONDITION OF RECORDS

Our review of the records of the Commission on Fire Prevention and Control revealed the following areas that warrant comment.

Store Merchandise Inventory:

Criteria: The maintenance of an accurate perpetual inventory of merchandise for sale is a sound business practice and an important internal control for the administration of a retail store operation. The system should readily provide current and consistent information on inventory activity and balances of all items on the inventory.

Condition: Our review of the Store's perpetual merchandise inventory records disclosed incorrect inventory balances. This perpetual inventory is maintained on a computerized retail accounting system. The system did not readily provide current and consistent information on inventory activity and balances of all items on the inventory.

Effect: Inaccurate perpetual inventory records create a weakness in inventory control and inaccurate financial reporting of income. The risk of inappropriate activity increases and the ability of management to detect such activity decreases. In addition, management is hindered from making informed decisions on the store's operations.

Cause: Although quarterly inventory counts are completed, the Agency continues to show inaccurate inventory balances, which they attribute to human error when inputting item codes into the system.

Recommendation: The Agency should take a complete and accurate physical inventory of store merchandise and appropriately adjust the computerized perpetual merchandise inventory records as well as take greater care in the correct recording of purchases and sales. (See Recommendation 1.)

Agency Response: "We acknowledge the report to be an accurate reflection of the conditions and operations of the Agency. In an effort to strengthen and enhance the conduct and operations of the Agency it is our intention to fully comply with the recommendations contained within the report.

As noted, the Agency conducts a quarterly inventory of store merchandise and adjustment of balances entered into the perpetual inventory records maintained in our Point-of-Sale (POS) software. We believe the inaccurate inventory records are a result of corrupt data and failure of the POS software. We have been working diligently over the past year with a software vendor, Connecticut Distance Learning, who is developing new POS software. A test version is expected prior to July 1, 2007, and full implementation shortly thereafter.”

Store – Accounting for Receivables and Revenue:

Background:

The Agency’s store sells textbooks and manuals to various State municipalities through a mail order type of operation and supplies materials for classes conducted within the Connecticut Fire Academy (CFA). An accounts receivable is established and billings are sent to the customers. An accounts receivable is also set up for the materials used in-house for the CFA. These are set up under a “CFA” customer account (intra-agency billing), which is never collected and accumulates under various customer numbers as a Bookstore receivable. This process is performed using the Store’s computerized retail system.

The Bookstore maintains a daily sales report on an excel spreadsheet based on its retail computer system report, Daily Summary of Sales. This report includes invoices on account for outside fire companies as well as intra-agency billings for class materials used for the classes conducted at the CFA. The Bookstore will issue an intra-agency sales invoice to remove the materials (inventory) from the system. Although these intra-agency billings are never collected, these billings show a sale amount. In addition, through the State’s Core-CT Accounting System this sale (revenue) is recognized through the Training Unit’s department identification code as these materials are being billed by the Training Department under their department identification code as a part of the class. However, the materials (cost of goods sold) will be recognized by the State’s Core-CT Accounting System under the Bookstore’s department identification code.

Criteria:

The consistent and accurate accounting for sales and the related costs of goods sold for merchandise for sale is a sound business practice with which sound and accurate business decisions can be made. In addition, a true and accurate reflection of the receivables that will be collected should be reflected on the Store’s computer system.

Condition: Our review disclosed that the Connecticut Fire Academy Bookstore's (store) receivables and revenue, as reported on the store's computer system, are inaccurate.

The Bookstore sets up an intra-agency receivable when materials are used for the classes in order to deduct these from the inventory. However, these receivables are never removed from the system and will never be collected. In addition, the sale of these materials is also reflected as a Store's sale by the Store's computer system, although the materials are part of the training class fee, which has been reported on the State's accounting system as a sale for the Training Unit.

Effect: Accounts receivables on the Store's computer system are overstated. In addition, due to the inconsistent coding of sales and the related cost of goods sold, the profitability of the Bookstore can not be readily determined and appears to be overstated.

Cause: The Agency conducts classes whose sales are accounted for under a department identification code, FPC36531, but the related costs for the books and materials for these classes are accounted for under the Bookstore's department identification code, FPC36533. In order to remove these materials from the Store's computer system, an intra-agency accounts receivable is set up and consequently, remains on the system as a receivable although it will never be collected.

Recommendation: The Agency's business office should establish control procedures when processing transactions on the Bookstore's computer system to accurately recognize and report the sales and the accounts receivable of the Agency's store operations. In addition, the Agency should consistently and correctly account for the sales and related costs of these sales to the same department on the State's accounting system. (See Recommendation 2.)

Agency Response: "We acknowledge the report to be an accurate reflection of the conditions and operations of the Agency. In an effort to strengthen and enhance the conduct and operations of the Agency it is our intention to fully comply with the recommendations contained within the report.

The Agency will seek greater on-site support and direction from the Department of Administrative Services Business Office Small Agency Resource Team to establish appropriate control procedures. In addition, the Agency recognizes the need to modify

its accounting practices to accurately reflect profitability. These issues had been identified internally and discussions held to identify necessary changes. We will continue with our efforts to make the necessary adjustments.”

Equipment Inventory:

Criteria:

In accordance with Section 4-36 of the General Statutes, each State agency shall establish and keep an inventory account in the form prescribed by the Comptroller, and shall, annually, on or before October first, transmit to the Comptroller a detailed inventory, as of June thirtieth, of all the following property owned by the State and in the custody of such Agency: real property, and personal property having a value of one thousand dollars or more.

The State of Connecticut Property Control Manual prescribes that all additions, renovations or improvements which increase the economic benefits to be derived from an asset, will be capitalized. In addition, a complete physical inventory of all property must be taken at the end of the fiscal year to ensure that the property control records accurately reflect the actual inventory on hand within the current fiscal year.

The State of Connecticut Property Control Manual prescribes that the Agency’s property control record for personal property should contain 20 data descriptions for each item, if applicable. Included among the 20 data descriptions are the name of the manufacturer or vendor, complete expenditure coding, method of acquisition, purchase order number, condition and useful life.

Condition:

Our current audit examination of the Commission on Fire Prevention and Control’s (CFPC) property control system disclosed the following deficiencies:

- The Fixed Assets/Property Inventory Report (CO-59) for the fiscal year ended June 30, 2006, had not been submitted to the Office of the State Comptroller as of March 21, 2007.
- The CO-59 for both the fiscal years ended June 30, 2004 and June 30, 2005, contained unsupported and/or incorrect figures.
- The Agency had failed to report merchandise for sale items on its CO-59.

- Our sample of 10 inventory items identified by a random inspection of the premises revealed that three items could not be traced to the Agency's inventory records. In addition, three items were untagged.
- A physical inventory of the CFPC's assets, excluding its merchandise for sale items, was not completed during the 2005-2006 fiscal year.

Effect: The risk of equipment being lost or stolen increases and the possibility of detecting such activity decreases when inaccurate equipment inventory records are maintained.

Cause: The Agency has not made sufficient effort to maintain accurate equipment inventory records in accordance with the State of Connecticut Property Control Manual. In addition, with the consolidation of the fiscal operations within the Department of Administrative Services' SMART Unit, there was confusion as to who was responsible for completing and submitting the CO-59.

Recommendation: The Agency should report and maintain its equipment inventory records in accordance with the State of Connecticut Property Control Manual and the Annual Fixed Assets/Property Inventory Report submitted to the State Comptroller should contain accurate and supported equipment balances. (See Recommendation 3.)

Agency Response: "We acknowledge the report to be an accurate reflection of the conditions and operations of the Agency. In an effort to strengthen and enhance the conduct and operations of the Agency it is our intention to fully comply with the recommendations contained within the report.

With the consolidation of the Agency's Business Office appropriate staffing levels and delineation of responsibilities have impacted our ability to fully comply with and maintain compliance. Further discussions are needed with DAS to finalize and implement a compliance plan. The Agency also recognizes the need to seek appropriate staffing levels to manage equipment logistics and accountability of assets on a day-to-day basis."

Purchasing, Receiving and Expenditures:

Criteria: Section 4-98 of the Connecticut General Statutes requires that no budgeted agency or any agent thereof shall incur any obligation, by order, contract or otherwise, except by the issue of a purchase order or any other documentation approved by the Comptroller,

necessary to process the transaction transmitted by the budgeted agency or its agents to the Commissioner and the Comptroller, provided the amount to be charged against the appropriation for a budgeted agency in any year for a purchase order for a current expenditure shall be the amount anticipated to be spent in such year.

Proper internal controls related to purchasing require that commitment documents be properly authorized prior to receipt of goods and services.

Condition: Our review of fifty expenditure transactions disclosed that in fourteen instances, purchase orders were either not issued or were created after goods or services were received.

Effect: When expenditures are incurred prior to the commitment of funds, there is less assurance that agency funding will be available at the time of payment.

Cause: The Agency appears to be unclear as to the proper procedures for commitment authorization.

Recommendation: The Agency should strengthen its internal controls to ensure that funds are committed prior to purchasing goods and services. (See recommendation 4.)

Agency Response: “We acknowledge the report to be an accurate reflection of the conditions and operations of the Agency. In an effort to strengthen and enhance the conduct and operations of the Agency it is our intention to fully comply with the recommendations contained within the report.

Agency staff has and will continue to be apprised of the proper procedures necessary to initiate and receive authorization for purchases. This activity will be monitored more closely and any personnel in violation subject to discipline.”

Cash Receipts – Late Deposits:

Criteria: Section 4-32 of the General Statutes requires that any State agency receiving any money or revenue for the State amounting to more than \$500 shall deposit such receipts in depositories designated by the State Treasurer within 24 hours of receipt. Total daily receipts of less than \$500 may be held until the total receipts to date amount to \$500, but not for a period of more than seven calendar days.

Condition: During our review of cash receipts, we noted that four receipts (deposits) in the amounts of \$650.00, \$3,248.50, \$4,643.00, and \$2,215.00 were deposited from one to seven calendar days after the 24 hour requirement as required by Section 4-32 of the General Statutes.

Effect: The Agency is not in compliance with the provisions of Section 4-32 of the General Statutes. This deprives the State of the timely receipt and use of revenue.

Cause: According to the Agency, due to the limited number of people who prepare the deposits at the Connecticut Fire Academy, there are times when a shortage of staff will prevent the timely deposit of receipts.

Recommendation: The Agency should deposit its receipts in accordance with Section 4-32 of the General Statutes. (See recommendation 5.)

Agency Response: “We acknowledge the report to be an accurate reflection of the conditions and operations of the Agency. In an effort to strengthen and enhance the conduct and operations of the Agency it is our intention to fully comply with the recommendations contained within the report.

The Agency makes every effort to comply with the provisions of Section 4-32. As noted, at times staffing levels preclude full compliance. Waivers are typically sought via the Office of State Treasurer for peak service demand periods.”

Accounts Receivable – Cancellation of Receivables:

Background: The Connecticut Fire Academy provides training, education, and certification to Connecticut fire service and emergency responder personnel. Classes may be taken on-site at the Fire Academy or, at the request of a sponsoring organization, off-site. Classes provided off-site are designed and quoted to the sponsoring organization by program managers in the Training Division of the Fire Academy.

Criteria: The State Accounting Manual details the minimum collection efforts regarding an accounts receivable to include the following:

- All accounts which are more than 30 days past due must be subjected to collection procedures.
- A record must be kept for each action taken to collect an account, the name of the person taking the action, and the date

the action was taken. This documentary evidence of collection efforts must be available at the agency to support classifying an account as uncollectible.

- At least three documented efforts should be made to collect all delinquent accounts over \$25.
- When an account becomes 60 days past due, further credit should be denied until the account is returned to a current status.

Section 3-7 of the General Statutes states “The Secretary of the Office of Policy and Management may authorize the cancellation upon the books of any state department or agency of an uncollectible claim for an amount greater than one thousand dollars due to such department or agency.”

Condition: Our review of ten credit invoices processed during fiscal years 2005 and 2006, revealed that one invoice for \$4,900 was written off in September 2005, without prior approval from the Secretary of the Office of Policy and Management.

Further, the circumstances surrounding this situation were unclear as the Agency was unable to produce any written documentation regarding their collection efforts. According to Agency personnel, the dispute involved two fire companies located in the same town, and a possible billing and/or clerical error within that town. The Agency was able to confirm that services were in fact provided and the quality of those services was not in question. The dispute appears to be between the two fire companies and the town and not with the Connecticut Fire Academy. The Fire Academy also continues to extend credit to both fire companies.

Effect: The Agency is not in compliance with the State Accounting Manual and Section 3-7 of the General Statutes, which may have lead to a loss of \$4,900 in revenue to the State.

Cause: We were informed that there was a billing error between the two fire companies, and due to the age of the receivable the Fire Academy decided to write-off this invoice in order to continue doing business with the two fire companies.

Although the Agency sent a written request to the Office of Policy and Management in January 2005, there was no follow-up to ensure approval from OPM prior to writing off this invoice.

Recommendation: The Agency should receive proper approval from the Office of Policy and Management prior to writing off any receivable greater

than one thousand dollars, and the write-off should take place only after exhausting minimum collection efforts. (See recommendation 6.)

Agency Response: “We acknowledge the report to be an accurate reflection of the conditions and operations of the Agency. In an effort to strengthen and enhance the conduct and operations of the Agency it is our intention to fully comply with the recommendations contained within the report.

As noted, the Agency cannot document collection efforts for the single invoice written off in September, 2005 without the prior approval of the Secretary of the Office of Policy and Management. The lack of documentation is exacerbated by personnel changes within the Agency. Documentation was provided to show the Agency requested the invoice be written off by OPM in January, 2005; however, there was a lack of follow-up to ensure approval. The status of Accounts Receivable will be scrutinized more closely and collection efforts detailed in the State Accounting Manual followed.”

Payroll and Personnel– Compensatory Time:

Criteria: The Department of Administrative Services’ (DAS) Management Personnel Policy 80-1 states that an agency head may grant extra time off for extra time worked by managers when the amount of extra time worked is significant in terms of total and duration. The compensatory time must be authorized in advance and a record of the pre-approval must be maintained by the agency.

In addition, the Manager’s Guide published by DAS in March 2000 states that compensatory time does not include “the extra hour or so a manager might work in a day.”

Condition: Our review of timesheets for two managerial employees eligible for compensatory time disclosed that compensatory time was not authorized in advance. Without the necessary pre-approvals, we were unable to determine if the amount of time worked was significant in terms of total hours and duration.

Effect: The Agency is in non-compliance with DAS’ Management Personnel Policy 80-1 and the published Manager’s Guide.

Cause: We were informed that managers record any time in excess of eight hours as compensatory time and pre-approval is not obtained.

Recommendation: Any compensatory time earned, significant in time and duration, should be pre-approved and a record of the pre-approval should be maintained by the Agency. (See recommendation 7.)

Agency Response: “We acknowledge the report to be an accurate reflection of the conditions and operations of the Agency. In an effort to strengthen and enhance the conduct and operations of the Agency it is our intention to fully comply with the recommendations contained within the report.

Historically, Agency managers record, on timesheets, all business related activity and time as a means of full disclosure and documentation. While coding for compensatory time is used it was done with the full knowledge that its use of compensatory time is limited and often lost. The Agency will comply with Management Policy 80-1 and has developed and currently utilizes a pre-approval form for advance authorization.”

Payroll and Personnel – Unapproved Position:

Criteria: Connecticut General Statutes Section 5-214 states: “Except in emergencies, natural disasters or for the purpose of qualifying for federal funding, no new position shall be created and no vacancies shall be filled in the classified service until the Secretary of the Office of Policy and Management has certified to the appointing authority that the position is necessary for carrying on the work of the state in an efficient and business-like manner and any necessary appropriation therefore has been made. The Secretary of the Office of Policy and Management may delegate his duties under this section to the Commissioner of Administrative Services.”

The Department of Administrative Services’ (DAS) procedures for approval of a new position include the submission of the following:

- A functional job description of the new position
- An agency organizational chart
- Any further narrative to justify the need for a new position

Condition: Our review disclosed that one employee is misclassified in a part-time position as a fire service instructor even though the duties the

employee is performing do not match the position description of a fire service instructor.

We also noted that an approved position does not exist at the Agency to match the duties being performed by this employee. As a result, we were unable to determine if the employee is being properly compensated.

Effect: The Agency did not follow Section 5-214 of the General Statutes and DAS' procedures regarding the creation of a new position. There is also less assurance that the employee is being properly compensated for the duties being performed.

Cause: Agency personnel confirmed that at the time of hire, this employee was placed in an existing, approved, part-time position in order to expedite their hiring.

Recommendation: Prior to hiring a new employee, the Agency should have an approved position in place in accordance with Section 5-214 of the General Statutes. (See recommendation 8.)

Agency Response: "We acknowledge the report to be an accurate reflection of the conditions and operations of the Agency. In an effort to strengthen and enhance the conduct and operations of the Agency it is our intention to fully comply with the recommendations contained within the report.

The Department of Administrative Services Human Resources Small Agency Resource Team had identified this error and is reviewing options to appropriately classify the position. The Agency's Human Resource (HR) representative is completing a comprehensive review of all agency HR related activities and will ensure future compliance with Section 5-214 and DAS procedures."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The Agency should take an accurate physical inventory of bookstore merchandise and appropriately adjust the computerized perpetual merchandise inventory records. This recommendation is repeated. (See Recommendation 1.)
- The Agency's business office should establish control procedures to document and monitor the accounts receivable of the Agency's bookstore operations. This recommendation is repeated. (See Recommendation 2.)
- The Agency should maintain its equipment inventory records in accordance with the State of Connecticut Property Control Manual and the annual Fixed Assets/Property Inventory Report submitted to the State Comptroller should contain accurate and supported equipment balances. This recommendation is repeated. (See Recommendation 3.)
- The Agency should follow the Office of the State Comptroller's stated instructions and report the total number of earned vacation and sick leave hours as of June 30th and the amounts reported should be supported by the Agency's records. This recommendation will not be repeated. The State's new accounting system, Core-CT, now supplies an automated report on the total number of earned vacation and sick leave hours as of June 30th each year commencing with June 30, 2005; and it appears that this report is an accurate reflection of these compensated absences.
- The Agency should promptly notify the Auditors of Public Accounts and the Comptroller of any unauthorized, illegal, irregular, or unsafe handling or expenditure of agency funds or breakdowns in the safekeeping of any other resources of the State. The Agency has complied with this recommendation.
- The Agency should consider all eligible time when calculating longevity benefits. The Agency has complied with this recommendation.

Current Audit Recommendations:

- 1. The Agency should take a complete and accurate physical inventory of store merchandise and appropriately adjust the computerized perpetual merchandise inventory records as well as take greater care in the correct recording of purchases and sales.**

Comment:

Our review of the Bookstore's perpetual merchandise inventory records disclosed incorrect inventory balances. This system should provide current information on the inventory activity and balances of all items on the inventory.

- 2. The Agency's business office should establish control procedures when processing transactions on the Bookstore's computer system to accurately recognize and report the sales and the accounts receivable of the Agency's store operations. In addition, the Agency should consistently and correctly account for the sales and related costs of these sales to the same department on the State's accounting system.**

Comment:

Our review disclosed that the Connecticut Fire Academy Bookstore's receivables and revenue as reported on the Store's computer system are inaccurate.

- 3. The Agency should report and maintain its equipment inventory records in accordance with the State of Connecticut Property Control Manual and the Annual Fixed Assets/Property Inventory Report submitted to the State Comptroller should contain accurate and supported equipment balances.**

Comment:

Our review of the Commission on Fire Prevention and Control's property records disclosed significant deficiencies and control weaknesses.

- 4. The Agency should strengthen its internal controls to ensure that funds are committed prior to purchasing goods and services.**

Comment:

Our review of fifty expenditure transactions disclosed that in fourteen instances, purchase orders were either not issued or were created after goods or services were received.

- 5. The Agency should deposit its receipts in accordance with Section 4-32 of the General Statutes.**

Comment:

Our review disclosed that four receipts in the amounts of \$650, \$3,248.50, \$4,643, and \$2,215 were deposited from one to seven calendar days late after the 24-hour requirement.

- 6. The Agency should receive proper approval from the Office of Policy and Management prior to writing off any receivable greater than one thousand dollars, and the write off should take place only after exhausting minimum collection efforts.**

Comment:

Our review disclosed that an invoice for \$4,900 was written off prior to obtaining proper approval from the Secretary of the Office of Policy and Management.

- 7. Any compensatory time earned, significant in time and duration, should be pre-approved, and a record of the pre-approval should be maintained by the Agency.**

Comment:

Our review disclosed that two managerial employees' compensatory time earned, as noted on their timesheets, was not pre-approved nor could it be determined if the amount of time was significant in terms of total hours and/or duration.

- 8. Prior to hiring a new employee, the Agency should have an approved position in place in accordance with Section 5-214 of the General Statutes.**

Comment:

Our review disclosed that an employee is misclassified in a part-time position as a fire service instructor even though the duties the employee is performing do not match the position description of a fire service instructor. It was also noted that an approved position does not exist at the Agency that matches the duties being performed by this employee. As a result, we are unable to determine if the employee is being properly compensated.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Commission on Fire Prevention and Control for the fiscal years ended June 30, 2004, 2005, and 2006. 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 Commission on Fire Prevention and Control for the fiscal years ended June 30, 2004, 2005, and 2006 are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Commission on Fire Prevention and Control 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 controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Compliance:

Compliance with the requirements of laws, regulations, contracts and grants applicable to the Commission on Fire Prevention and Control is the responsibility of the Commission on Fire Prevention and Control'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, 2004, 2005, and 2006, 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 Controls over Financial Operations, Safeguarding of Assets and Compliance:

The management of the Commission on Fire Prevention and Control is responsible for establishing and maintaining effective internal controls 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 controls 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 Commission on Fire Prevention and Control’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 controls over those control objectives.

However, we noted certain matters involving the internal controls 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 controls 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: a weakness in the control of processing store receivables and revenue transactions and the inconsistent reporting of store revenue and its related costs, inaccurate inventory of merchandise for sale, inadequate equipment inventory records and the lack of a physical inventory and submission of the Fixed Assets/Property Inventory (CO-59) for fiscal year ended June 30, 2006, and the misclassification of an employee’s position.

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 controls over the Agency’s financial operations and over compliance would not necessarily disclose all matters in the internal controls 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, of the reportable conditions described above, we believe the following reportable conditions to be material or significant

weaknesses: a weakness in the control of processing store receivables and revenue transactions and the inconsistent reporting of store revenue and its related costs, inaccurate inventory of merchandise for sale, and the submission of the Fixed Assets/Property Inventory (CO-59) for fiscal year ended June 30, 2006.

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

We wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Commission on Fire Prevention and Control during this examination.

Christine J. Delaney
Associate Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts