

STATE OF CONNECTICUT

**AUDITORS' REPORT
OFFICE OF THE GOVERNOR
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2004**

**AUDITORS OF PUBLIC ACCOUNTS
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FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2004**

We have made an examination of the financial records of the Office of the Governor for the fiscal years ended June 30, 2003 and 2004. We included in our examination the records pertaining to the miscellaneous General Fund appropriation for Governor's contingencies, which was administered by the Governor's Office.

This report on our examination consists of the Comments, Condition of Records, Recommendations and Certification. Financial statements pertaining to the operations and activities of the Governor's Office are presented on a Statewide Single Audit basis including all State agencies. This audit was limited to assessing the Office of the Governor's compliance with certain provisions of laws and regulations and evaluating the Office's internal control structure, policies, and procedures established to ensure such compliance.

COMMENTS

FOREWORD:

The Office of the Governor was established under Article Fourth of the Constitution of the State of Connecticut and operated under the provisions of Title 3, Chapter 31, of the General Statutes. The Governor was charged with the responsibility of executive direction and supervision of the general administration of the State. John G. Rowland served as Governor until July 1, 2004. M. Jodi Rell was sworn in as the Governor of Connecticut on that date. The annual salary of the Governor was \$78,000 annually until January 8, 2003, when Public Act 00-231 statutorily increased it to \$150,000.

The Department of Administrative Services (DAS) provided accounting, payroll and personnel services for the Office of the Governor during the audited period.

RÉSUMÉ OF OPERATIONS:

General Fund receipts totaled \$3,916 and \$952 during the fiscal years ended June 30, 2003 and 2004, respectively. The source of these receipts was as follows:

	<u>Fiscal Year Ended June 30,</u>	
	<u>2003</u>	<u>2004</u>
Sale of Government Documents -		
Photocopying	\$ -	\$ 547
Refunds of Expenditures	<u>3,916</u>	<u>405</u>
Total Receipts	<u>\$ 3,916</u>	<u>\$ 952</u>

Revenues from the sale of government documents were the fees received for providing photocopies as requested. Refunds of expenditures resulted primarily from refunds of personal travel and miscellaneous expenses.

General Fund expenditures totaled \$2,324,723 and \$2,546,705 during the fiscal years ended June 30, 2003 and 2004, respectively. A comparison of expenditures during the audited period and the fiscal year ended June 30, 2002, is presented below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Personal services	\$2,101,496	\$1,830,586	\$2,056,349
Contractual services	411,323	459,661	469,824
Commodities	31,273	32,976	47,116
Sundry	-	1,500	3,920
Equipment	<u>2,613</u>	<u>-</u>	<u>-</u>
Total General Fund Expenditures	<u>\$2,546,705</u>	<u>\$2,324,723</u>	<u>\$2,577,209</u>

The contractual services amounts above included expenditures associated with membership in the National Governors' Association, which amounted to \$98,600 and \$90,798 during the fiscal years ended June 30, 2003 and 2004, respectively. In addition, during the fiscal years 2002-2003 and 2003-2004, expenditures for participation in the New England Governors' Conference were \$118,223 and \$79,378, respectively.

In addition to the above General Fund expenditures, the Governor's Office also expended \$59,338 and \$13,675 from the Capital Equipment Purchases Fund for computer maintenance, supplies and equipment during the fiscal years ended June 30, 2003 and 2004, respectively.

The Governor may make allocations from special appropriations budgeted for contingencies and salary adjustments. The Governor's contingency appropriation is established pursuant to Section 4-84 of the General Statutes. There was \$17,100 of available appropriations in the contingency account during each of the two fiscal years under review, with \$7,891 expended during the fiscal year ended June 30, 2004. Additionally, the Governor, through the Office of Policy and Management, can make transfers to State agencies from the Reserve for Salary Adjustments appropriation to enable them to meet increased payroll costs resulting from

employee salary and fringe benefit increases. Total appropriations of \$72,956,300 and \$75,955,361 were available for salary adjustments during the two fiscal years under review. These funds were provided for the payment of anticipated increases resulting from collective bargaining agreements. Appropriations totaling \$21,706,639 and \$19,420,742 were transferred from the Reserve for Salary Adjustments to individual State agency appropriation accounts during the fiscal years ended June 30, 2003 and 2004, respectively.

During the audited period, there were two foundations associated with the Office of the Governor. These foundations are known as the Governor's Residence Conservancy, Inc. and the Executive Chambers Conservancy, Inc. Foundations are private, not-for-profit organizations, which may be formed in accordance with Section 4-37f of the General Statutes to support or improve a State agency. The Governor's Residence Conservancy raised private funds to assist in the restoration and preservation of the Governor's official residence. Administration of the Governor's Residence Conservancy's funds was provided by the Department of Public Works. An Independent Public Accountant performed the required financial and compliance audit work associated with the Governor's Residence Conservancy, that was reviewed as part of our audit of the Department of Public Works. The Executive Chambers Conservancy's funds were primarily used to acquire furniture for the Governor's office chambers. In accordance with the provisions of Section 4-37f of the General Statutes, the Auditors of Public Accounts perform the required audit of the Executive Chambers Conservancy. In a separate report, issued in December 2003, we reviewed and reported on the Conservancy's compliance with statutory requirements. No exceptions were noted.

CONDITION OF RECORDS

Our review of the Governor's Office for the fiscal years ended June 30, 2003 and 2004, did not reveal any areas that appeared to need corrective action.

RECOMMENDATIONS

Our prior report on the fiscal years ended June 30, 2001 and 2002, contained three recommendations. The status of those recommendations is presented below:

Prior Audit Recommendations:

- The Governor's Office should take steps to insure that the expenses necessary to operate the Governor's Office are properly allocated, and do not exceed the amount budgeted by the General Assembly. Comment: The Governor's Norwich and Bridgeport Offices have one employee and two employees, respectively, charged on the payroll of the Connecticut Development Authority. The entire lease payment for the Bridgeport Office was paid by the Authority.

Our current review found that the employees continued to be paid through the audited period, although the new Gubernatorial administration took the necessary steps to transfer the positions in question to the Governor's payroll. Additionally, in June of 2004, the Bridgeport offices of the Governor moved into Department of Social Services office space owned by the State. This action eliminated the leasing costs to CDA.

Current Administration Response – *“We are undertaking efforts to bring Norwich and Bridgeport Offices and associated personnel under the auspices of the Governor's Office.”* In a letter dated October 6, 2004, the Governor's Office notified the Office of Policy and Management of its intent to incorporate the individuals and costs in question to the Governor's staff.

We verified that effective November 26, 2004, the two employees in the Governor's Bridgeport Office had been transferred to the Governor's payroll account. Additionally, the employee in the Norwich Office transferred to the Department of Correction as a full-time employee and a new Director was appointed effective December 31, 2004, who is scheduled to be included in the Governor's Office payroll. This recommendation appears to have been implemented.

- The Governor's Office should take steps to ensure that State credit card payments are properly supported (i.e. receipts, invoices, written purpose) and restricted to goods and services related to State business activities. Comment: We noted that State credit card payments were made without sufficient supporting documentation. There were several reimbursements made for non-State business activities.

Current Administration Response – *“Under this administration, strict controls are in place governing the use of the State credit card. A Monthly Log Sheet is sent over to the Department of Administrative Services with the signed credit card statement monthly,*

detailing what each credit card charge was for and indicating how the charge applies to State business activities. In addition, the 'Governor's Office Citibank MasterCard Usage Procedure' is strictly adhered to."

Our review of the usage and support records for the Governor's Office credit card showed that the enhanced internal controls have been instituted. This recommendation has been implemented.

- The Governor's Office should take steps to ensure that salary increases and timesheets are properly authorized. Comment: A number of payroll transaction documents for salary increases did not have authorizing signatures from the Governor's Office. Certain supervisory employees did not have their timesheets approved by the next highest authority within the Office of the Governor.

Current Administration Response –

a) *"Under our administration, the Fiscal Administrative Officer must receive written authorization from the Chief of Staff, either in letterform or email form, for the official institution of any salary increase to take place. Before DAS processes this request, a DAS20 form is completed and signed by the Fiscal Officer, with the original being sent to DAS Personnel for processing."*

b) *"Under our administration, each timesheet is signed by the supervisor of the unit and also by the Chief of Staff, insuring approval from a higher authority for all personnel, including supervisory personnel."*

Dual signatures on timesheets were verified for one pay-period in each of the months from August to December of 2004. This recommendation has been implemented with regard to the approval and processing of timesheets.

Current Audit Recommendations:

Our current audit has not revealed any areas that would require a recommendation.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Governor's Office for the fiscal years ended June 30, 2003 and 2004. This audit was primarily limited to performing tests of the Office's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the Office's internal control structure 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 Governor's Office for the fiscal years ended June 30, 2003 and 2004, 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 Governor's Office 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 Governor's Office is the responsibility of the management of the Governor's Office.

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 Governor's Office financial operations for the fiscal years ended June 30, 2003 and 2004, we performed tests of the Office's 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*.

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

The management of the Governor's Office is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations and contracts and grants applicable to the Governor's Office. 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 Governor's Office's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations and contracts, and grants, and not to provide assurance on the internal control over those control objectives.

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 material or significant weaknesses. 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 and contracts, and grants or failure 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. We noted no matters involving internal control that we consider to be material or significant weaknesses.

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 courtesies and cooperation extended to our representatives by the personnel of the Office of the Governor and the Department of Administrative Services during the course of this examination.

Patricia L. Mulroy
Associate Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts