

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
OFFICE OF THE GOVERNOR  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008, 2009 AND 2010*

**AUDITORS OF PUBLIC ACCOUNTS**  
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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September 9, 2011

**AUDITORS' REPORT  
OFFICE OF THE GOVERNOR  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008, 2009 AND 2010**

We have examined the financial records of the Office of the Governor (Office) for the fiscal years ended June 30, 2008, 2009 and 2010. This report on that examination consists of the Comments, Recommendations and Certification which follow.

Financial statements pertaining to the operations and activities of the Office of the Governor are presented on a Statewide Single Audit basis to include all state agencies, including the Office of the Governor. This audit examination has been limited to assessing compliance with certain provisions of laws, regulations, and contracts and grants, and evaluating certain internal control policies and procedures established to ensure such compliance.

The Department of Administrative Services (DAS) provided accounting, payroll and personnel services for the Office of the Governor during the audited period. The scope of our audit did not extend to the evaluation of the relevant controls at that agency.

**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 is charged with the responsibility of executive direction and supervision of the general administration of the state. M. Jodi Rell was sworn in as the Governor of Connecticut on July 1, 2004 and served in that capacity through the audited period. Under Section 3-2 of the General Statutes, the annual salary of the Governor is \$150,000.

As noted above, the Department of Administrative Services provided accounting, payroll and personnel services for the Office of the Governor during the audited period.

**RÉSUMÉ OF OPERATIONS:**

General Fund receipts totaled \$3,261, \$1,860 and \$79,409 during the fiscal years ended June 30, 2008, 2009 and 2010, respectively. The source of these receipts was prior year expenditure refunds from other state agencies, jury fees, photocopying, petty cash returns and photocopying fees.

General Fund expenditures totaled \$2,804,674, \$3,027,160 and \$2,583,844 during the fiscal years ended June 30, 2008, 2009 and 2010, respectively. A comparison of expenditures during the audited period along with the previous year is presented below:

	<b><u>Fiscal Year Ended June 30,</u></b>			
	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>
Personal services	\$2,231,425	\$2,385,035	\$2,549,713	\$2,335,508
Other Expenditures	<u>438,622</u>	<u>419,639</u>	<u>477,447</u>	<u>248,336</u>
<b>Total General Fund Expenditures</b>	<b><u>\$2,670,047</u></b>	<b><u>\$2,804,674</u></b>	<b><u>\$3,027,160</u></b>	<b><u>\$2,583,844</u></b>

Other Expenditures were made up as follows:

	<b><u>Fiscal Year Ended June 30,</u></b>			
	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>
Membership Dues	\$181,878	\$185,978	\$185,978	\$80,000
Rental Expenditures	50,417	54,123	57,399	59,420
IT Data Services	6,144	28,883	101,950	-
Regular Postage	23,175	22,749	17,203	12,518
Telecommunications	20,454	20,552	22,687	19,685
Miscellaneous	<u>156,554</u>	<u>107,354</u>	<u>92,230</u>	<u>76,713</u>
<b>Total Other Expenditures</b>	<b><u>\$438,622</u></b>	<b><u>\$419,639</u></b>	<b><u>\$477,447</u></b>	<b><u>\$248,336</u></b>

The Other Expenditures total above is primarily made up of expenditures associated with membership in the National Governors' Association, and rental expenditures associated with the Governor's office in Washington D.C. The decrease in membership dues in fiscal year 2010 resulted from a decision by the Office of the Governor to only make a partial payment of the dues for that period due to the state's fiscal challenges. The increase in IT Data Services in fiscal year 2009 was caused by the imposition of a new rate structure for IT service provided by the Department of Information Services (i.e. cell phones, laptops, desk top services) and billed to state agencies, including the Office. In fiscal year 2010, the state began funding the Department of Information System's budget directly for the IT services that were previously billed out to the state agencies.

In addition to the General Fund expenditures detailed above, the Governor's Office also expended \$4,312 from the Capital Equipment Purchases Fund for computer related equipment and maintenance during the fiscal year ended June 30, 2008.

During the audited period, there was one foundation associated with the Office of the Governor. The foundation is the Governor's Residence 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. The Auditors of Public Accounts performed the required financial and compliance audit work associated with the Governor's Residence Conservancy for the fiscal years ended June 30, 2007, 2008 and 2009.

## CONDITION OF RECORDS

Our review of the Office of the Governor for the fiscal years ended June 30, 2008, 2009 and 2010 noted the following conditions.

### **Status of the Senior Executive Service Board:**

*Background:* Through a cooperative arrangement that has been in place for many years, the Department of Administrative Services performs a significant portion of the business and human resource functions for the Office of the Governor. Further, both agencies have statutory responsibilities in support of the mission of the Senior Executive Service Board (Board).

*Criteria:* Section 5-236(d) of the General Statutes states that, “there shall be a Senior Executive Service Board consisting of six members appointed by the Governor.” In addition, “the Commissioner of Administrative Services or his designee shall serve as a non-voting member and secretariat.”

The purpose of the Board is to provide “an upper level of career professional management. An appointing authority may request from the Commissioner of Administrative Services names of candidates eligible for a position within the senior executive service and may appoint an employee from such a list.”

The Board is to “report biennially in odd-numbered years to the Governor and the legislature on the status, effectiveness and composition of the senior executive service.”

*Condition:* Our review of the Senior Executive Service Board found the following:

- Personnel at the Department of Administrative Services have no recollection of the Board ever convening.
- The Office of the Governor found no records for the Board in its Executive Appointment Tracking System or in the state archives.

*Effect:* The legislative intent to establish a Board for “an upper level of career professional management” for qualified state employees has not been met.

*Cause:* The cause for the conditions noted above could not be determined. However, the enabling statutes for the Senior Executive Service Board are not clear as to which agency or governing body has oversight for ensuring the creation and continued effective operation of the Board.

*Recommendation:* The Office of the Governor and the Department of Administrative Services should work together to ensure that a Senior Executive Service Board is created and made operational in accordance with state law or seek legislative relief from those requirements. (See Recommendation 1).

*Agency Response:* “We agree that the Office of the Governor and the Department of Administrative Services should work together to ensure that a Senior Executive Service Board (“SESB”) continues to be operational in accordance with State law, if necessary to the functioning of State government. The SESB dates back to the 1980s and is modeled on the Federal Senior Executive program. It allows the Governor, or State agency, subject to certain guidelines maintained by the SESB, to temporarily assign an experienced State manager to a critical function. For example, if a scandal in an agency created a leadership void, the Governor could temporarily move a manager or team of managers into the agency to stabilize and resolve any important issues, critical to ensuring the operation of the agency. Although the SESB has not been used since the early 1990’s, it has been implemented and used in the past, and is a potential tool for Governors to use in addressing unusual or particularly challenging administrative issues. If it is used, it could also assist in avoiding the need for outside durational appointments.”

### **Tracking and Monitoring Executive Orders:**

*Background:* According to the General Assembly’s Office of Legislative Research (OLR), Connecticut governors have been issuing executive orders since 1836.

The OLR Research Report 2005-R-0579 stated that, “neither their issuing authority nor the permissible scope of these orders has been judicially determined in Connecticut. However, courts in other jurisdictions have ruled that their governors may issue executive orders in the exercise of their constitutional and statutory powers and duties, but the orders cannot usurp the legislature’s exclusive authority to formulate public policy by statute.”

Further, the OLR Research Report 2003-R-0479 stated that “the State Constitution grants the Governor powers, but not express authority to issue executive orders” and “the Governor has expressed authority, under certain statutes, to issue orders or proclamations.”

*Criteria:* OLR Research Report 2010-R-0139 states that, “executive orders remain in effect after the issuing Governor has left office. They are binding and have the force of law unless and until a future governor or the General Assembly amends or repeals them through legislation.”

To ensure that the operation of government is as effective and efficient as possible, directives in the form of executive orders should be easily accessible to interested parties and maintained in an understandable manner.

*Condition:* The Office of the Governor’s website lists only executive orders issued by the current governor. While the Connecticut State Library’s website contains archived executive orders from previous administrations, there is no central authority assigned to the task of tracking and monitoring those orders for compliance with their stated requirements.

*Effect:* It is difficult for an interested party to determine which executive orders are active and applicable to them or whether they have been revised, expanded or eliminated by subsequent executive orders.

*Cause:* There is no centralized tracking mechanism for executive orders.

*Recommendation:* The Office of the Governor should establish a centralized tracking mechanism that tracks the status of the executive orders and monitors those orders for compliance with the stated requirements. (See Recommendation 2).

*Agency Response:* “We agree that the Office of the Governor should establish, in connection with the Office of the State Library, a centralized method for tracking and organizing Executive Orders that have been issued by prior administrations. We have had preliminary discussions with the State Archivist and the Public Records Administrator about creating a searchable database.”

## RECOMMENDATIONS

Our prior report on the fiscal years ended June 30, 2005, 2006, and 2007, contained one recommendation. That recommendation has been resolved. Two recommendations are being presented as a result of our current examination.

*Status of Prior Audit Recommendations:*

- 1. The Office of the Governor should instruct the Department of Administrative Services to follow the mandates and recommendations of the State Property Control Manual in all matters relating to the administration of the property of the Office of the Governor, and in the preparation of its annual CO-59 Reports. The Office should also instruct the Department of Administrative Services to provide a higher level of segregation of duties in connection with such tasks.**

This prior audit recommendation has been resolved by the Office of the Governor and will not be repeated.

*Current Audit Recommendation:*

- 1. The Office of the Governor and the Department of Administrative Services should work together to ensure that a Senior Executive Service Board is created and made operational in accordance with state law or seek legislative relief from those requirements.**

Comment:

There is no record that the Senior Executive Service Board has ever met.

- 2. The Office of the Governor should establish a centralized tracking mechanism that tracks the status of the executive orders and monitors those orders for compliance with the stated requirements.**

Comment:

There is no central authority assigned the task of tracking and monitoring executive orders for compliance with their stated requirements. This makes it difficult for interested parties to determine which executive orders are active and applicable to them or whether they have been revised, expanded or eliminated by subsequent executive orders.

## INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the Office of the Governor for the fiscal years ended June 30, 2008, 2009 and 2010. This audit was primarily limited to performing tests of the Office's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the Office's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the Office are complied with, (2) the financial transactions of the Office are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the Office are safeguarded against loss or unauthorized use. The financial statement audits of the Office of the Governor for the fiscal years ended June 30, 2008, 2009 and 2010, 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 Office of the Governor complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

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

In planning and performing our audit, we considered the Office of the Governor's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Office's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the Office's internal control over those control objectives.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct unauthorized, illegal or irregular transactions, on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that non compliance which could result in significant unauthorized, illegal, irregular or unsafe transactions and/or material noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that would be material in relation to the Office's financial operations will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial operations, safeguarding of assets, and compliance with

requirements that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the Office's financial operations, safeguarding of assets, or compliance with requirements that we consider to be material weaknesses, as defined above. However, we consider the following deficiency, described in detail in the accompanying Condition of Records and Recommendations sections of this report to be a significant deficiency: Recommendation 2 – The lack of a centralized tracking mechanism for executive orders. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters:**

As part of obtaining reasonable assurance about whether the (Office) complied with laws, regulations, contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Office's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Office of the Governor's response to the findings identified in our audit are described in the accompanying Condition of Records section of this report. We did not audit the Office of the Governor's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Office's management, the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

**CONCLUSION**

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 by the personnel of the Department of Administrative Services during the course of this examination.



Michael R Adelson  
Principal Auditor

Approved:



John C. Geragosian  
Auditor of Public Accounts



Robert M. Ward  
Auditor of Public Accounts