

STATE OF CONNECTICUT



*AUDITORS' REPORT
OFFICE OF THE GOVERNOR
OFFICE OF THE LIEUTENANT GOVERNOR
FISCAL YEARS ENDED JUNE 30, 2015 and 2016*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes we have conducted an audit of the Offices of the Governor and Lieutenant Governor. The objectives of this review were to evaluate the offices' internal controls, compliance with policies and procedures, and management practices and operations for the fiscal years ended June 30, 2015 and 2016, and through the date of this audit report.

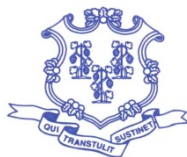
The Honorable Dannel P. Malloy has served as Governor since January 5, 2011, having first been elected in November 2010 and reelected in November 2014. The Honorable Nancy Wyman was elected to serve as Lieutenant Governor to the same terms. On November 6, 2018, Ned Lamont and Susan Bysiewicz were elected Governor and Lieutenant Governor. They were sworn in on January 9, 2019 and continue to serve in those roles.

As of June 30, 2016, there were 26 employees within the Office of the Governor and 7 employees within the Office of the Lieutenant Governor. Additional employees from the Department of Administrative Services provide accounting, payroll and personnel services for both offices.

Our audit identified control deficiencies and instances of noncompliance with state statutory requirements which we report on within the following recommendations:

- We recommend that the Office of the Governor ensure that the Governor's Residence Conservancy, Inc. is audited as required by Sections 4-37f and 4-37g of the General Statute. The last conservancy audit on file covered the fiscal years ended June 30, 2010 and 2011. At a minimum, the conservancy was responsible to have 2 additional audits for the fiscal years ended June 30, 2012 thru June 30, 2017.
- We recommend that the Office of the Governor improve controls over the use of purchasing cards by maintaining supporting documentation for all purchasing card transactions. Supporting documentation was not on file for 2 purchasing card transactions totaling \$5,582. The Office of the Governor subsequently obtained supporting documentation from the vendor for \$2,096 of that amount, leaving \$3,486 unsupported.
- We recommend that the Office of the Governor take all the necessary steps to appoint and reappoint members to fill any vacancies that arise in membership in a timely fashion. As of May 2, 2018, there were 280 vacant seats at various boards, commissions, councils and other appointed bodies that need to be filled by the governor.
- We recommend that the Office of the Lieutenant Governor ensure that the SustiNet Health Care Cabinet complies with Section 1-225 of the General Statutes by establishing and enforcing standards for its members' attendance. We noted instances of noncompliance with the requirements of Section 1-225 of the General Statutes by the SustiNet Health Care Cabinet.

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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April 16, 2019

AUDITORS' REPORT OFFICE OF THE GOVERNOR OFFICE OF THE LIEUTENANT GOVERNOR FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2016

We have audited certain operations of the Office of the Governor and the Office of the Lieutenant Governor in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2015 and 2016. The Department of Administrative Services (DAS) provided accounting, payroll and personnel services for the offices during the audited period. The scope of our audit did not extend to the evaluation of the relevant controls at those offices. The objectives of our audit were to:

1. Evaluate the offices' internal controls over significant management and financial functions;
2. Evaluate the offices' compliance with policies and procedures internal to the offices or promulgated by other state agencies, as well as certain legal provisions; and
3. Evaluate the effectiveness, economy, and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the offices, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and

violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from various available sources including, but not limited to, the offices' management and the state's information systems, and was not subjected to the procedures applied in our audit of the offices. For the areas audited, we identified:

1. Deficiencies in internal controls;
2. Apparent noncompliance with legal provisions; and
3. Need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Offices of the Governor and the Lieutenant Governor.

COMMENTS

FOREWORD

The Offices of the Governor and the Lieutenant Governor were established under Article Fourth of the Constitution of the State of Connecticut and operate 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. The Honorable Dannel P. Malloy and The Honorable Nancy Wyman, both sworn in on January 5, 2011, served in their respective capacities for the period under review.

RÉSUMÉ OF OPERATIONS

Receipts of the Office of the Governor totaled \$1,701 during the fiscal year ended June 30, 2015. The receipts consisted of refunds of prior years' expenditures. No receipts were recorded for the fiscal year ended June 30, 2016.

No receipts were recorded for the Office of the Lieutenant Governor during the audited period.

A summary of General Fund expenditures for the Office of the Governor during the audited period and the preceding fiscal year follows:

Expenditure Description	Fiscal Year Ended June 30,		
	2014	2015	2016
Wages, Salaries and Employee Expenses	\$2,095,539	\$2,176,220	\$2,111,390
Miscellaneous Litigation Costs	300	-	-
Other Services	226,542	232,260	213,295
Rental and Maintenance - Equipment	15,731	16,295	13,453
Motor Vehicle Costs	1,465	(8,490)	8,390
Premises and Property Expenses	40,950	64,491	67,942
Information Technology	26,432	1,433	31,533
Communications	26,663	21,350	28,810
Purchased Commodities	7,026	556	6,501
Capital Outlays - Equipment	-	4,598	-
OSC Adjusting Entries – GAAP	1,693	82,675	-
Total General Fund Expenditures	\$2,442,341	\$2,591,388	\$2,481,314

In addition to the General Fund expenditures detailed above, the Office of the Governor also expended \$44,547 from the Capital Equipment Purchases Fund during the fiscal year ended June 30, 2015. The expenditures related primarily to the purchase of computers and a telephone system.

A summary of General Fund expenditures for the Office of the Lieutenant Governor during the audited period and the preceding fiscal year follows:

Expenditure Description	Fiscal Year Ended June 30,		
	2014	2015	2016
Wages, Salaries and Employee Expenses	\$449,463	\$507,611	\$521,564
Other Services	5,869	3,724	3,643
Rental and Maintenance - Equipment	2,226	2,307	3,124
Motor Vehicle Costs	5,424	6,747	8,041
Premises and Property Expenses	543	155	-
Information Technology	306	-	2,726
Communications	6,440	4,543	5,595
Purchased Commodities	4,060	1,281	4,105
OSC Adjusting Entries	(1,138)	5,228	-
Total General Fund Expenditures	\$473,193	\$531,596	\$548,798

In addition to the General Fund expenditures detailed above, the Office of the Lieutenant Governor also expended \$4,869 from the Capital Equipment Purchases Fund and \$24,905 from the Federal and Other Restricted Accounts Fund during the fiscal year ended June 30, 2015. The latter was a pass-through grant to the Connecticut Health Foundation.

During the audited period, there was 1 foundation, as defined by Section 4-37e of the General Statutes, associated with the Office of the Governor. The Governor's Residence Conservancy, Inc.

raises private funds to assist in the restoration and preservation of the Governor's official residence. As a foundation, the Governor's Residence Conservancy is subject to the audit requirements of Section 4-37f (8) of the General Statutes. We were unable to determine if the required audits of the foundation were conducted, as discussed further in the State Auditor's Findings and Recommendations section of this report.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

The following reportable matters resulted from our review of the records of the Office of the Governor and the Office of the Lieutenant Governor for the fiscal years ended June 30, 2015 and 2016.

Non-Compliance with Audit Requirement - Governor's Residence Conservancy, Inc.

Criteria: Section 4-37f (8) of the General Statutes requires that a foundation, as defined under Section 4-37e (2), which has in any of its fiscal years receipts and earnings from investments totaling \$100,000 or more, to have completed on its behalf for such fiscal year a full audit of the books and accounts of the foundation. A foundation which has receipts and earnings from investments totaling less than \$100,000 in each fiscal year during any 3 of its consecutive fiscal years, must have completed on its behalf for the third fiscal year in any such 3-year period a full audit of its books and accounts. These audits may be conducted by an independent certified public accounting firm or, if requested by the state agency with the consent of the foundation, the Auditors of Public Accounts (APA).

Section 4-37g (b) provides that, in the case of an audit that was not conducted by the APA, the executive authority and chief financial official of the state agency shall review the audit report and transmit the report, and a signed review letter, to the APA.

Condition: Between October 2017 and March 2018, our office made numerous inquiries of the Office of the Governor to ascertain whether the Governor's Residence Conservancy, Inc. had satisfied its statutory audit requirements. The office did not respond to our inquiries. This constitutes a breakdown in internal control and safekeeping of state resources.

The last conservancy audit that we are aware of was completed by the APA for the fiscal years ended June 30, 2010 and 2011. At a minimum, 2 audits should have been completed since then. Even if the conservancy's receipts and earnings from investments were less than \$100,000 during each of the fiscal years since the last audit, audits should have been completed for the fiscal years ended June 30, 2014 and June 30, 2017.

Effect: Audits required under Section 4-37f (8) of the General Statutes provide reasonable assurance to donors and other interested parties that foundation funds have been properly administered and used as intended. If the Governor's Residence Conservancy, Inc. was not audited as required, this assurance is not available.

Cause: We could not readily determine why the Office of the Governor did not respond to our repeated inquiries regarding this matter.

Recommendation: The Office of the Governor should ensure that the Governor's Residence Conservancy, Inc. is audited and the audit reports are reviewed and transmitted with a signed review letter to the Auditors of Public Accounts, as required by Sections 4-37f and 4-37g of the General Statutes. (See Recommendation 1.)

Agency Response: "The Governor's Residence Conservancy agrees that the three-year audit should have been conducted and will ensure that the audits are done in a timely fashion. It will document for the transition the need for an audit every three years when the below referenced threshold has not been met. The Governor's Office does believe that a response was provided with respect to the threshold amount referenced below having not been met and therefore there were no records of annual audits for the time period.

Section 4-37f (8) of the general statutes requires a foundation " ... has in any of its fiscal years receipts and earnings from investments totaling one hundred thousand dollars or more, ... shall have completed on its behalf for such fiscal year a full audit of the books and accounts of the foundation." The Governor's Residency Conservancy has not had receipts or earnings totaling the threshold amount in fiscal year 2015 or 2016 that would trigger an annual audit requirement.

Additionally, it is expected that an audit will occur during the same transition at the end of fiscal year 2018 and again in 2019 with the transition of governors as appeared to have occurred in 2010 and 2011."

Auditors' Concluding Comments: If receipts and earnings from investments were less than \$100,000 during each of the years since the last known audit for the fiscal year ended June 30, 2011, audits would not be required for the fiscal years ended June 30, 2012, 2013, 2015 and 2016. However, audits would still be required for the fiscal years ended June 30, 2014 and 2017.

Audits of the fiscal years ended June 30, 2018 and 2019 would not satisfy this requirement even if the \$100,000 threshold was not met. The Office of the Governor remains obligated to ensure that audits of the Governor's Residence Conservancy, Inc. are completed for the fiscal years ended June 30, 2014 and June 30, 2017 as required by Section 4-37f (8) of the General Statutes.

Unsupported Purchasing Card Transactions

Criteria: Under the State of Connecticut Credit Card Use Policy, agencies and individual card holders and users are responsible for maintaining adequate documentation supporting all purchases made using purchasing cards. Documentation must support the business purpose of all transactions and include original receipts or vendor invoices. Agencies must retain such documentation in accordance with the state record retention policies.

Condition: The Department of Administrative Services reviews purchasing cards used by the Office of the Governor and processes payments to the issuing bank.

We reviewed 6 purchasing card transactions by the Office of the Governor and noted that supporting documentation (original receipts) was not on hand for 2 transactions, totaling \$5,582.

Though the original receipts could not be located, the office subsequently obtained supporting documentation from the vendor, which covered a portion of 1 of the transactions. This documentation provided support for \$2,096 of the \$5,582, leaving \$3,486 unsupported.

Effect: Due to the lack of supporting documentation, we were unable to determine if the payments were made for a valid state business purpose.

Cause: Neither the Department of Administrative Services nor the Office of the Governor were able to provide supporting documentation.

Recommendation: The Office of the Governor should improve controls over the use of purchasing cards by maintaining supporting documentation for all purchasing card transactions. (See Recommendation 2.)

Agency Response: “The Office of the Governor has appropriate controls in place and does maintain supporting documentation for purchasing card transactions. The normal process for the purchasing card transactions is to maintain the documentation and cross-check the receipts against the invoice for payment of the purchasing card prior to signing off for the payment. The receipts are generally maintained; however, during the course of the audit certain receipts were unable to be located. Vendors were contacted to provide duplicate receipts, records were obtained from one, a response is expected from another, and the other vendor was unable to reproduce their records.”

Failure to Make Statutory Appointments

Criteria: Under various state statutes, the Governor is required to make appointments to boards, commissions, councils, and other appointed bodies. The Governor should make appointments in a timely manner to ensure that the

bodies benefit from the expertise provided by a full complement of members.

Condition: As of May 2, 2018, there were 280 vacant seats on various boards, commissions, councils and other appointed bodies.

Effect: Without the timely appointment or reappointment of members to boards, commissions, councils and other appointed bodies, there is an increased risk they will be left without a quorum or without the expertise expected with a full complement of members.

Cause: The Office of the Governor informed us that although there is a mechanism in place to track vacant seats, many of the appointments specify a particular background or skill set which sometimes makes it difficult to find qualified individuals.

Recommendation: The Office of the Governor should take all necessary steps to appoint and reappoint members to fill any vacancies that arise in membership of boards, commissions, councils and other appointed bodies in a timely fashion. (See Recommendation 3.)

Agency Response: “The Governor's Office does make every effort to fill vacancies in a timely manner. There are a number of reasons that vacancies occur and why a seat on a board or commission may go unfilled for a period of time. The primary reasons include, but are not limited to the qualifications specified in statute for the holding of a particular seat volunteer candidates with the matching qualifications, lack of volunteer candidates whose political affiliation fits with the vacant seat, and rate of turnover of serving members who resign, are restricted from being re-appointed or do not wish to continue serving. The Governor's Office will continue to work to ensure that it fills its vacancies in as expeditious manner as possible.”

Noncompliance with Statutory Requirements - Sustinet Health Care Cabinet

Background: Public Act 11-58 established the Sustinet Health Care Cabinet within the Office of the Lieutenant Governor for the purpose of advising the Governor regarding the development of an integrated health care system for the state.

Criteria: Section 1-225 subsection (a) of the General Statutes requires the meetings of all state agencies to be open to the public, available for public inspection and posted on the agency's web site. The votes of each member upon any issue must be reduced to writing and made available for public inspection within 48 hours and must also be recorded in the minutes of the session at which taken.

Section 1-225 subsection (b) of the General Statutes indicates that each state agency must file in the office of the Secretary of the State, no later than January 31st of each year, the schedule of the regular meetings of the state agency for the ensuing year, and must post the schedule on the agency's web site.

Appointed bodies such as boards of directors are generally most effective when they have a full complement of members in attendance.

Condition: Our prior audit identified noncompliance by the SustiNet Health Care Cabinet with Section 1-225 of the General Statutes.

In our current review of the SustiNet Health Care Cabinet, we noted the following:

- Meeting schedules for calendar years 2014, 2015 and 2016 were not on file with the Office of the Secretary of the State.
- Meeting minutes from October 13, 2015 were not posted to the agency's website for public inspection.
- Meeting minutes from November 18, 2014 do not include information on attendance. Without such information, it is unclear if each member's vote was recorded.
- Quorums were not present for 4 out of 14 meetings.
- One appointed voting member was listed as absent at all meetings during the audited period.

Effect: The effective operation of the cabinet is called into question without a full complement of members appointed and present. There was not proper public notification of meetings, and proper documentation of meeting minutes.

Cause: The Office of the Lieutenant Governor informed us that there was a change of staff in the office and the person responsible for the administrative work for the cabinet was not aware of the requirements.

Recommendation: The Office of the Lieutenant Governor should ensure that the SustiNet Health Care Cabinet complies with Section 1-225 of the General Statutes and establishes and enforces standards for its members' attendance. (See Recommendation 4.)

Agency Response: "Recommendation number four notes that October 13, 2015 meeting minutes were not posted, meeting minutes from November 18, 2014 did not include information on attendance, and meeting schedules were not on file with the Office of the Secretary of the State for calendar years 2014, 2015, and 2016. During that time, the Office of the Healthcare Advocate was

responsible for administrative duties of the Sustinet Health Care Cabinet, and employee turnover within the agency resulted in the posting and filing errors noted by the auditors. The newly created Office of Health Strategy will be responsible for administrative duties beginning July 1, 2018.”

Auditors’ Concluding Comments: Section 19a-725 of the General Statutes requires both the Office of the Lieutenant Governor and the Office of the Health Care Advocate to provide support staff to the Sustinet Health Care Cabinet. However, Section 19a-725 established the Sustinet Health Care Cabinet within the Office of the Lieutenant Governor. Therefore, the Office of the Lieutenant Governor is ultimately responsible for assuring compliance with the statutory requirements.

RECOMMENDATIONS

Our prior audit report on the Office of the Governor and the Office of the Lieutenant Governor contained 3 recommendations, of which 2 will be repeated.

Status of Prior Audit Recommendation:

- **The Office of the Governor should ensure that an adequate internal control mechanism is in place and effectively operating so that all of the necessary Governor’s appointments or reappointments are made to the multitude of boards, commissions, councils, and other appointed bodies, in a timely fashion.** This recommendation will be repeated in a modified form. (See Recommendation 3.)
- **The Office of the Lieutenant Governor should encourage the SustiNet Health Care Cabinet to comply with Sections 19a-725 and 1-225 of the General Statutes, as well as Robert’s Rules of Order.** This recommendation will be repeated in a modified form. (See Recommendation 4.)
- **The Office of the Governor should establish a centralized mechanism that tracks the status of executive orders and monitors those orders for compliance with state requirements.** Controls were improved and no exceptions were noted during our current review. This recommendation is not being repeated.

Current Audit Recommendations:

1. **The Office of the Governor should ensure that the Governor’s Residence Conservancy, Inc. is audited and the audit reports are reviewed and transmitted with a signed review letter to the Auditors of Public Accounts as required by Sections 4-37f and 4-37g of the General Statutes.**

Comment:

The Office of the Governor did not respond to our numerous inquiries to ascertain whether statutory audit requirements were satisfied for the Governor’s Residence Conservancy, Inc. The failure to advise us as to whether the requirements were met constitutes a breakdown in internal control and the safekeeping of resources.

The last conservancy audit that we are aware of was completed by the Auditors of Public Accounts for the fiscal years ended June 30, 2010 and 2011. At a minimum, 2 audits should have been completed subsequently.

- 2. The Office of the Governor should improve controls over the use of purchasing cards by maintaining supporting documentation for all purchasing card transactions.**

Comment:

We reviewed 6 purchasing card transactions by the Office of the Governor and noted that supporting documentation (original receipts) was not on hand for 2 transactions, totaling \$5,582. The office subsequently obtained documentation covering \$2,096 for a portion of 1 of the transactions, leaving \$3,486 unsupported.

- 3. The Office of the Governor should take all necessary steps to appoint and reappoint members to fill any vacancies that arise in membership of boards, commissions, councils and other appointed bodies in a timely fashion.**

Comment:

As of May 2, 2018, there were 280 vacant seats on various boards, commissions, councils and other appointed bodies.

- 4. The Office of the Lieutenant Governor should ensure that the Sustinet Health Care Cabinet complies with Section 1-225 of the General Statutes and establishes and enforces standards for its members' attendance.**

Comment:

We noted that meeting minutes from October 13, 2015 were not posted to the website for public inspection, and meeting minutes from November 18, 2014 do not include information on attendance. The meeting schedules for calendar years 2014, 2015 and 2016 were not on file with the Office of the Secretary of the State. There were not quorums present at 4 out of 14 meetings. One appointed voting member was listed as absent at all meetings during the audited period.

ACKNOWLEDGEMENT

The Auditors of Public Accounts would like to recognize the auditors who contributed to this report:

James Carroll
Tatsiana Sidarau

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 Office of the Lieutenant Governor during the course of this examination.



Tatsiana Sidarau
Auditor II

Approved:



John C. Geragosian
State Auditor



Robert J. Kane
State Auditor