

STATE OF CONNECTICUT

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

**AUDITORS OF PUBLIC ACCOUNTS
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April 30, 2003

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

We have examined the financial records of the Department of Information Technology (DOIT) for the fiscal years ended June 30, 2000, and 2001. This report on the examination consists of the Comments, Recommendations and Certification, which follow.

Financial statements pertaining to the operations and activities of the Department of Information Technology for the fiscal years ended June 30, 2000, and 2001, are presented and audited on a Statewide Single Audit basis to include all State agencies and funds. This audit has been limited to assessing the Department of Information Technology's compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating the Agency's internal control structure policies and procedures established to ensure such compliance.

COMMENTS

FOREWORD:

The Department of Information Technology operates under the provisions of Title 4d of Chapter 61 of the General Statutes. The Agency was created by Public Act 97-9 of the June 18, 1997 Special Session of the General Assembly. The legislation that created the Department of Information Technology (DOIT) combined divisions and functions that previously were part of the Department of Administrative Services and the Office of Information Technology.

DOIT was created to provide statewide guidelines, policies and procedures for use of information technology for State agencies. DOIT is responsible for the procurement of information and telecommunication systems for executive branch agencies, along with providing services to State agencies through the State Data Center.

Section 4d-2 of the General Statutes provides that the Department of Information Technology be administered by a Chief Information Officer (CIO). Gregg P. Regan served as CIO during the audited period.

Section 4d-6 of the General Statutes provides that the CIO shall prepare an implementation plan, with policy goals and strategies for management and delivery of information and telecommunication systems for State agencies.

Section 4d-7 of the General Statutes provides that the CIO shall develop, publish, and annually update an information and telecommunication systems strategic plan with the following goals: (1) To provide voice and data communications among all State agencies; (2) To promote an efficient collection, storage and use of information; (3) To develop an information policy for State agencies. The strategic plan shall include (1) Establishment of standards for the architecture for information and telecommunication systems; (2) Plans for a cost-effective State-wide telecommunication network; (3) A level of information and telecommunication systems that will ensure effective and efficient utilization and access to the State's information; (4) Identification of annual expenditures and major capital commitments; (5) Direction and policy planning.

Section 4d-8 of the General Statutes provides that the CIO, under the provisions of Title 4a, shall purchase, lease, and contract for information and telecommunication system facilities, equipment, and services.

Prior to the audit period, the Agency was involved with an initiative to privatize all executive branch Information Technology (IT). The scope of the IT privatization initiative included mainframe computer operations; midrange computer operations; desktop operations; help desk; application development; maintenance and support; telecommunications infrastructure; services and management; procurement; and improvements and consulting. The IT privatization initiative formally started on February 21, 1997, prior to the creation of the Agency, with the issuance of a request for proposals (RFP) by the Department of Administrative Services. The

initiative ended on June 29, 1999, when the Agency publicly announced that the State had terminated negotiations with the preferred bidder without reaching an agreement and had decided not to proceed further with the IT privatization initiative.

The legislation that created DOIT and authorized the IT privatization initiative also required that the Auditors of Public Accounts evaluate the proposed IT privatization contract. Although the initiative was terminated without reaching an agreement, our Agency issued a Special Report on the Information Technology Privatization Initiative on October 26, 1999, that addressed our review of the RFP and bid selection process. Therefore, issues related to the IT privatization effort have already been addressed in our Special Report and will not be covered in this audit report.

RÉSUMÉ OF OPERATIONS:

General Fund:

The Agency's General Fund receipts totaled \$433 and \$2,003 for the 1999-2000 and 2000-2001 fiscal years. General Fund receipts consisted primarily of fees for copying services and reimbursements of current year expenditures.

A comparative summary of Department of Information Technology expenditures from General Fund appropriations for the fiscal years June 30, 2000, and 2001, is presented below.

	Fiscal Year <u>1999-2000</u>	Fiscal Year <u>2000-2001</u>
Personal Services	\$1,945,440	\$2,523,679
Contractual Services	1,183,143	7,937,382
Commodities	10,866	472,137
Sundry	25,776	10,136,122
Equipment	64,812	1,250,138
Building	<u>76,910</u>	<u>0</u>
Total General Fund Expenditures	<u>\$3,306,947</u>	<u>\$22,319,458</u>

General fund expenditures increased by \$19,012,511 during the 2000-2001 fiscal year. A portion of the increase in expenditures is due to the physical move of the Agency. Approximately \$796,450 in costs for freight, general repairs and rent is attributed to moving expenses in the fiscal year ended June 30, 2001. Also, in the 2000-2001 fiscal year Public Act 00-187, Section 54 required the Department of Information Technology to transfer \$10,000,000 to the Department of Education to assist local schools in the improvement of information technology. In addition, there were significant General Fund contractual and equipment expenditure increases totalling approximately \$6,825,879. These costs were associated with EDP hardware purchases, software licensing and EDP contractual services.

Internal Service Funds:

During the audited period, DOIT administered two internal service funds. A brief description of each fund follows:

Technical Services Revolving Fund:

Authorized by Section 4d-9 of the General Statutes, the Fund was used to account for the operations of the Agency's telecommunication and data processing operations. The Fund accounts for the collection of user fees and the costs associated with providing centralized data processing utilities and telecommunication service to user State agencies. Prior to July 1, 1997, this Fund was administered by the Department of Administrative Services. Revolving Fund cash receipts and disbursements for the 1999-2000 and 2000-2001 fiscal years were as follows:

	<u>1999-2000</u>	<u>2000-2001</u>
Cash Balance, Beginning of Year	\$ 5,765,957	\$ 4,975,200
Receipts	<u>29,527,651</u>	<u>39,041,583</u>
Total	35,293,608	44,016,783
Disbursements	<u>30,318,408</u>	<u>41,624,841</u>
Cash Balance, End of Year	<u>\$ 4,975,200</u>	<u>\$ 2,391,942</u>

Capital Equipment Data Processing Fund:

This Fund is authorized by Section 4d-10 of the General Statutes, and is to be used for the purchase of data processing equipment and related items necessary to maintain or improve the State's data processing functions. The Capital Equipment Data Processing Fund is a revolving fund that is used to finance the purchase of equipment and receives monthly reimbursements from the agencies that received the equipment. Fund cash receipts and disbursements for the 1999-2000 and 2000-2001 fiscal years were as follows:

	<u>1999-2000</u>	<u>2000-2001</u>
Cash Balance, Beginning of Year	\$ 7,455,857	\$ 8,675,350
Receipts	<u>3,201,336</u>	<u>1,759,656</u>
Total	10,657,193	10,435,006
Disbursements	<u>1,981,843</u>	<u>3,163,204</u>
Cash Balance, End of Year	<u>\$ 8,675,350</u>	<u>\$ 7,271,802</u>

CONDITION OF RECORDS

Our examination of the records of the Department of Information Technology disclosed matters of concern requiring disclosure and Agency attention.

Late Deposit of Receipts:

Criteria: Receipts should be deposited in a timely manner in accordance with Section 4-32 of the General Statutes. Section 4-32 of the General Statutes generally requires that any State agency receiving any money or revenues for the State amounting to more than \$500 shall deposit such receipts in depositories designated by the State Treasurer within 24 hours of receipt.

Condition: Our review of receipts disclosed eleven checks that were not deposited in a timely manner. Ten checks totalling \$43,289 were deposited one business day late and one check in the amount of \$1,766 was deposited two business days late.

This matter was reported by us to the Governor and other State Officials in a letter dated December 31, 2002.

Effect: Agency procedures do not fulfill statutory requirements for prompt deposits. Untimely deposits increase the opportunity for loss or misappropriation of funds.

Cause: A lack of management oversight may have contributed to the late deposits.

Recommendation: The Department should implement procedures to ensure receipts are deposited promptly in compliance with statutory requirements. (See Recommendation 1.)

Agency's Response: "We agree. Most of the lapses occurred during the training period of newly hired temporary agency employees assuming courier duties. Existing written Agency procedures for check deposits were reviewed and presented to the Accounts Receivable staff. A copy of the procedures was forwarded to the computer room manager for review with the courier. A reinforcing memo will be distributed periodically, as a reminder of the referenced statutory mandate."

Auditors' Concluding

Comments: The Agency appears to have adequate written deposit procedures however, the procedures were not successfully implemented.

Expenditures – Encumbrances:

- Criteria:* Section 4-98 of the General Statutes requires that appropriated funds be committed in the form of a purchase order prior to obligating the State. With regard to personal services, an executed “personal service agreement” serves as such commitment.
- Section 4-213 of the General Statutes states that no State agency may hire a personal service contractor without executing a personal service agreement.
- Condition:* Our test of expenditures disclosed that a consultant was hired and provided services totalling \$202,515 to the Agency prior to the initiation of a personal service agreement. In addition, two instances were detected where the Agency incurred obligations totalling \$452,577 without valid commitment documents in place.
- Effect:* Obligating the State without having a contractual agreement in place could result in the failure to receive expected services. Non-compliance with statutory requirements could result in the Agency exceeding its appropriation.
- Cause:* The cause of the personal service agreement violation was not determined. Regarding the lack of valid commitment documentation, in one case, apparently the Department of Public Works negotiated the contract for the purchase of furniture from the prior tenant at Riverview Square (the Agency’s current address) and notified the Department of Information Technology after the fact. In the second case a vendor shipped an item twice and the Agency accepted both orders. Both items were put into service. The Agency decided to keep both items and then issued a purchase order for the duplicate shipment.
- Recommendation:* The Department should comply with Sections 4-98 and 4-213 of the General Statutes and protect the State’s interest with fully executed contracts prior to incurring obligations. (See Recommendation 2.)
- Agency’s Response:* “We agree in part. All instances identified as being in non-compliance with Section 4-98 of the General Statutes occurred during periods of emergency.

We disagree with the statement that “a consultant was hired and worked for the Agency prior to the initiation of a personal service

agreement”. The consultant was hired under a contract award that referenced the State Master Consultant Agreement, specifically executed to address the statewide Y2K readiness program. The vendor in question was one of a list of remedial vendors included in the contract. In this instance, the information given the vendor was underestimated and, rather than obtaining an amending purchase order before proceeding, the vendor completed the work that was thought to be of an urgent nature. The vendor was subsequently advised, in writing, of the Section 4-98 of the General Statutes mandate, with no further violations noted.

The two additional issues involved a \$448,097 purchase of furniture and fixtures from the FDIC, (i.e. the former tenant of the Riverview Square) and a \$4,480 purchase of racks from a vendor that shipped a duplicate order in error. Regarding the FDIC purchase, the Department of Public Works was initially understood to be the procuring Agency for the furniture and fixtures and had prepared the SP10 for standardization transaction approval and signed the receiving documents accordingly. Subsequently, the DPW requested that DOIT process the purchase order and payment to the FDIC. As for the duplicate rack purchase, the State’s new Data Center was nearing completion, and the duplicate racks accommodated an additional need. Both purchases were made under the Governor’s declaration of emergency to move the DOIT’s personnel and Data Center to Riverview Square.”

*Auditors’ Concluding
Comments:*

Section 4-98 of the General Statutes requires that appropriated funds be committed in the form of a purchase order prior to obligating the State. The Agency cited exceptions to the Statute and referenced “work that was thought to be of an urgent nature” and “declaration of emergency”. There is no Statutory reference for work that is thought to be of an “urgent” nature and as such the Agency comment that the vendor completed the work that was thought to be of an “urgent” nature does not have a Statutory association. The Statutes do however, contain provisions regarding emergency repairs. These are limited to expenditures not to exceed \$10,000. The use of an emergency designation within the context of this finding is not applicable as two of the exceptions noted far exceed the maximum limit of \$10,000 and the remaining exception involves a duplicate order, not a emergency repair.

Information Technology Consultants:

- Background:* The Department of Information Technology (DOIT) has issued Statewide contract awards in order to facilitate selecting data processing consultants. These contract awards list pre-qualified consultants and detail the consultant selection process required of State agencies. The user agencies are instructed by DOIT to choose a pre qualified consultant listed on the contract award and issue a purchase order to the consultant for the services required.
- Criteria:* Sections 4-212 through 4-219 of the General Statutes specify the required procedures for entering into a personal service agreement. In particular, Section 4-213 of the General Statutes states that no State agency may hire a personal service contractor without executing a personal service agreement with such contractor.
- Condition:* We found three instances where a consultant other than one of the pre qualified consultants listed on the statewide contract was hired. In all of those instances a purchase order was used instead of a personal service agreement. The Agency violated Section 4-213 of the General Statutes, which states "... no State agency may hire a personal service contractor without executing a personal service agreement with such contractor."
- Effect:* Statutory requirements have been enacted to allow for a fair process of selecting vendors for the State, circumventing this process could lead to legal action against the State from other qualified vendors.
- Cause:* The cause of these violations appears to be due to selecting data processing consultants other than those pre-qualified and specified in the statewide contract awards, or by not entering into personal service agreements with the three selected consultants that were not listed on the statewide contract award.
- Recommendation:* The Department of Information Technology should follow statutory requirements in contracting for data processing consultant services. (See Recommendation 3.)
- Agency's Response:* "We disagree. We feel that all purchases referenced are within the DOIT's statutory authority to purchase Information System services as delineated in Section 4d-8(a) of the General Statutes."

Auditors' Concluding

Comments: Section 4d-8(a) of the General Statutes references contracting for information system services by the Chief Information Officer and establishes when competitive negotiation may be used instead of competitive bidding. Section 4d-8(a) of the General Statutes does not address hiring a personal service contractor without executing a personal service agreement. Our review noted that the Agency violated Section 4-213 of the General Statutes, which states "... no State agency may hire a personal service contractor without executing a personal service agreement with such contractor."

Property Control:

Criteria: Standards and procedures for recording and maintaining inventory records are set forth in the State of Connecticut's Property Control Manual, issued by the State Comptroller. The Manual states that 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.

Section 4-36 of the General Statutes requires that an inventory report be submitted by August first of each year. The Department is required to report its equipment and other fixed assets annually on a Fixed Assets/Property Inventory Report/GAAP Reporting Form. Subsidiary records must be maintained to support the amounts reported. Amounts added to and deleted from such records should agree with purchasing and disposal records.

Condition: We noted from our inquires and review of the Agency's records that:

- The Agency has not placed inventory tags on equipment since the Agency was created in July 1997.
- Required annual physical inventories were not performed at fiscal year end June 30, 2000 or 2001. The Agency was unable to document when the last accurate physical inventory was performed.
- Inventory balances reported to the State Comptroller on Form CO-59 could not be reconciled to the Agency's inventory records.
- The Agency did not enter newly acquired assets onto the perpetual inventory in a timely manner.
- Assets disposed of by trade in were not properly removed from the perpetual inventory.

Effect: Inventory records have not been maintained on a current basis, in a manner consistent with the State of Connecticut's Property Control Manual. The Department can not clearly support the amounts it reports on its annual inventory report.

Cause: Lack of staffing has been cited as the cause of the deficiencies in the Agency's property control system. This condition has existed since the Department of Administrative Services' staff was split to create the Department of Information Technology.

Recommendation: The Department of Information Technology should take appropriate steps to tag all equipment, perform a complete physical inventory, bring the equipment inventory records up-to-date and maintain them in an accurate manner and prepare and submit the annual Fixed Assets/Property Inventory Report/GAAP Reporting Form accurately, as required by the State Comptroller. (See Recommendation 4.)

Agency's Response: "We agree. The emergency move from 340 Capitol Ave. to Riverview Square and the completion of a new data center conflicted with the development of a property control inventory management system. The inventory management function will be addressed within a pending reorganization of the Business Office contemplated for the near future."

Software Inventory:

Criteria: The State of Connecticut's Property Control Manual requires that State agencies maintain a complete and accurate software inventory control system.

Condition: The Agency does not maintain a comprehensive software inventory. An inventory of software licenses with a value of \$10,000 or greater was maintained so that the cost of such software licenses could be spread over the useful life. This limited inventory did not include all software or comply with the State of Connecticut's Property Control Manual.

Effect: The lack of control over software could lead to possible violations of the software licensing agreements. The inability of the Agency to document ownership of software licenses could result in the Agency not being able to purchase upgrade licenses, which usually are obtained at a significantly reduced cost.

- Cause:* Insufficient staffing has been cited as the reason for not creating and maintaining a software inventory system.
- Recommendation:* The Department should develop and maintain a comprehensive software inventory system for the Agency. (See Recommendation 5.)
- Agency's Response:* "We agree. The emergency move from 340 Capitol Ave. to Riverview Square and the completion of the new data center conflicted with the development of a comprehensive inventory system for the Agency. The inventory management function will be addressed within a pending reorganization of the Business Office contemplated for the near future."

Noncompliance with Statutory Reporting Requirements:

- Criteria:* Section 4d-11 of the General Statutes states that, "The Chief Information Officer shall establish a procedure for the preparation by State agencies of plans and estimates of expenditure requirements for information and telecommunication systems, for consideration for inclusion in the Governor's budget document." This section also states that, "On February 1, 1998, and annually thereafter, the Chief Information Officer shall submit to the Secretary of the Office of Policy and Management a report which sets forth the appropriation to each State agency, for the fiscal year in progress."
- Condition:* Based on inquiries of Agency personnel we conclude that this reporting requirement was not complied with during the audit period.
- Effect:* The Statutory requirements that were initiated to provide control and oversight have not been complied with. Legislative objectives for DOIT can not be accomplished without the Agency complying with statutory requirements.
- Cause:* The Agency has stated that the reporting requirements, which deal with Agency appropriations, were not met because of the way that information technology expenditures are appropriated to agencies and the current accounting code structure. Although the current environment may make DOIT's task more cumbersome, procedures should be developed for the preparation by State agencies of plans and estimates of expenditure requirements for information technology and telecommunication systems. This process would

allow DOIT to prepare the required reports regarding State agency appropriations for information technology.

Recommendation: The Department should institute procedures to annually compile and report information technology expenditure estimates for all of the State's agencies as required by Section 4d-11 of the General Statutes. (See Recommendation 6.)

Agency's Response: "We agree in part. When DOIT was created, it was given a substantial number of reports to file, guidelines and standards to develop, and estimates to make. In reference to the IT expenditure estimates required by Section 4-11, the current structure of IT in the state as well as the coding of Agency IT expenditures makes it nearly impossible to make a meaningful estimate of these expenditures. DOIT fully expects that once consolidation is completed it will be able to comply with this recommendation."

Auditors' Concluding Comments:

Although DOIT may not be able to identify all IT expenditures from the State's accounting system, the State agencies must have this information available since the agencies are already responsible for preparing budget estimates. Furthermore, IT expenditure estimates should be known by DOIT prior to initiating any consolidation of IT services.

Delegation of Purchasing Authority:

Criteria: Sections 4a-52(1), 4a-52(2) and 4a-52a subsection (e), of the General Statutes authorize the delegation of direct purchasing authority to individual State agencies, but this delegation must be in writing.

Condition: The Chief Information Officer at the Department of Information Technology verbally delegated purchasing authority to the Department of Social Services. The authority was granted for the selection of a contractor to administer and develop a management information system.

Effect: The lack of written delegation can lead to misinterpretation that is not present when the terms and conditions of an agreement are set down in writing.

Cause: The cause was not determined.

Recommendation: The Department should implement the procedures necessary to insure that all delegation of purchasing authority be in writing and exercised in accordance with the General Statutes. (See Recommendation 7.)

Agency's Response: "We agree. All future delegation of purchasing authority by DOIT to State Agencies will be in writing."

Petty Cash Travel Advances:

Criteria: Petty cash requirements as set forth in the State Accounting Manual call for the reporting and settlement of employee travel advances by means of the submission of form CO-17XP with the required supporting documentation. The employee is required to file the form within five working days of the return from the trip.

Condition: Our review of employee travel advances revealed that in the sample of 33 advances examined we found that none of the corresponding CO-17XP employee vouchers were submitted timely, within the required five working days. The employee vouchers were filed between two and 32 days late. Of the 33 employees submitting late advances, 14 also did not return the unused portion of the advance in a timely manner. These late returns total \$1,754.

Effect: Delays such as those presented above, prevent replenishment of the petty cash fund in a timely manner, jeopardize the availability of a travel advance balance adequate for Department needs, and prevent the timely return of unspent funds.

Cause: The Department apparently does not have adequate procedures in place to monitor petty cash travel advances.

Recommendation: The Department should implement procedures to monitor and ensure compliance with the State Comptroller's petty cash employee travel advance requirements. (See Recommendation 8.)

Agency's Response: "We agree. We have implemented improvements in the petty cash advance procedures. Periodic reminders of the procedures will be sent out to all advance recipients."

Time and Attendance Records and Payroll:

Criteria: Sound business practice requires that time and attendance information be recorded accurately to enable adequate tracking for payment calculation and reporting purposes.

- Condition:* Our review of time and attendance records revealed that for two of the fifty employee records examined, the hours worked per the time sheet were not in agreement with the attendance records.
- Effect:* The attendance records of the two employees do not accurately reflect the hours worked per the time sheets.
- Cause:* We determined that one case was due to clerical error and the other case appeared due to an attempt to post the work hours in a manner that the attendance records would not accept.
- Recommendation:* The Department should improve controls over the time and attendance system. (See Recommendation 9.)
- Agency's Response:* "We agree. Improved controls were implemented with the automated Time Processing System (TPS) leave request and time reporting system that would reduce the likelihood of clerical errors and acceptance of incorrect work hours."

Personnel - Resignation and Rehire

- Criteria:* Section 4-33a of the General Statutes requires prompt notification regarding any unauthorized, illegal, irregular or unsafe handling or expenditure of State funds or breakdowns in the safekeeping of any other resources of the State.
- Section 5-252 of the General Statutes states in part "...any State employee leaving State service shall receive a lump sum payment for accrued vacation time."
- Condition:* A long term employee of the Department of Social Service (DSS) resigned from DSS effective March 23, 2000. The employee received a \$45,677 payout from DSS for the 960 hour balance of his accrued vacation leave. The employee began working for the Department of Information as the Technology Director of the E-Government Division on March 24, 2000, the day following his last day at DSS. This lack of a gap in service signifies that the employee did not leave State service but transferred to another State agency. Apparently this resignation was for the express purpose of paying out 960 accrued vacation hours to this employee.
- This matter was reported by us to the Governor and other State Officials in a letter dated January 8, 2002.

In addition, the employee was able to carryover to DOIT his sick leave balance and an additional vacation leave balance of 34.6847 that represented the increase in the workday that occurred from 1995 to 1998.

Effect: The payment of accrued vacation leave upon transfer to another State agency and not upon leaving State service as required by Section 5-252 of the General Statutes appears to be incorrect and a violation of the Statute.

Cause: It appears that separation procedures were incorrectly applied to a personnel action that constituted an employee transfer.

Conclusion: We conclude that the employee was not entitled to a payout of accrued vacation leave by DSS. The employee has subsequently retired from State service on April 1, 2002. The employee was not paid a vacation payout at retirement by DOIT.

Operations Controls/Business Resumption Plan:

Background: On a regular basis the Department of Information Technology (DOIT) provides data processing services, consolidated telephone billing, and pay phone billing services to other State agencies.

Criteria: A disaster recovery plan that addresses resumption of DOIT business operations in the event of an emergency is a necessary planning element in the efficient operation of State of Connecticut government.

Condition: The Department of Information Technology does not have a well-documented disaster recovery plan which addresses all aspects of prompt business resumption.

Effect: If an emergency situation should arise, there is no formal disaster recovery plan that details how to resume all business operations of the Department of Information Technology.

Cause: We were unable to determine why a detailed disaster recovery plan has not been completed.

Recommendation: The Department of Information Technology should complete a disaster recovery plan that addresses prompt business resumption in the event of an interruption of operations. (See Recommendation 10.)

Agency's Response: “We agree. Disaster recovery will receive increased attention through the assignment of executive management to this area. DOIT will continue to work with business continuity and disaster recovery contractors to enhance and validate its disaster recovery plan to restore the most critical mainframe applications. In addition, DOIT will continue to explore alternate sites within Connecticut that will provide for continuous operation of critical midrange applications, web-hosting, and an alternate Network Operating Center.”

Security Issues

Background: The Department of Information Technology Data Center provides data processing services, consolidated telephone billing, and pay phone billing services to other State agencies. The Auditors performed a walk-through examination to review the operations and controls at the Data Center. Part of the examination included a review of security.

Criteria: DOIT management is entrusted with implementing the controls necessary to safeguard the assets and resources of the State Data Center.

Vigilant security measures, especially in light of recent events, should be in place for an operation as critical as the State of Connecticut’s Data Center, which deals with large volumes of secure and confidential information on a regular basis.

Condition: Security card keys are required to enter the Data Center. Access is gained through a monitored compartmentalized security entryway. Once inside the Data Center there is no surveillance system. Visitors are not allowed to enter the Data Center unless they are escorted by DOIT staff. We also noted that non-DOIT staff must always be accompanied by DOIT staff inside the Data Center. However, we noted an exception to this procedure. Janitorial staff employed by an outside contractor are allowed to be unaccompanied inside the Data Center during cleaning shifts. Of further concern is the fact that cleaning shifts occur outside of normal working hours. We also observed an additional weakness in security during our walk-through examination. We found many locking computer cabinets that remained unlocked and accessible. The cabinets contained computers that were in use and processing critical data. The Director told us they had remained unlocked for an unknown period of time.

Effect: These security weaknesses may allow computer information to be manipulated, or allow destruction to occur.

Cause: Management may not have considered these conditions unsafe.

Recommendation: The Department of Information Technology should implement additional controls to further safeguard assets and resources of the State Data Center. (See Recommendation 11.)

Agency's Response: “We agree. DOIT will attempt to renegotiate its janitorial service agreement to require background checks for staff assigned to work in the 3rd floor data center. Furthermore, a training session will be held in which the service is informed of acceptable practices during their cleaning activities. Staff will be periodically monitored during each shift, by their own supervisory personnel, and by DOIT staff, to assure compliance with those practices.”

RECOMMENDATIONS

Our prior report on the fiscal years ended June 30, 1998 and 1999, contained a total of seven recommendations. Of those recommendations, one has been resolved. Six recommendations are repeated. The status of recommendations contained in this prior report is presented below.

Prior Audit Recommendations:

- DOIT should process receipts promptly, in compliance with Section 4-32 of the General Statutes. This recommendation is repeated. (See Recommendation 1.)
- DOIT should comply with Section 4-98 of the General Statutes and protect the State's interest with fully-executed contracts prior to incurring obligations. This recommendation is repeated to reflect current conditions. (See Recommendation 2.)
- DOIT should follow statutory requirements and OPM procedures for entering into personal service agreements. This recommendation is modified to reflect current conditions. (See Recommendation 3.)
- DOIT should take the appropriate measures to tag all equipment, perform an annual physical inventory and reconcile property control records with annual Property Control Reports submitted to the State Comptroller. This recommendation is reworded to reflect current conditions. (See Recommendation 4.)
- DOIT should develop and maintain a comprehensive software inventory system for the Agency. This recommendation is repeated. (See Recommendation 5.)
- DOIT should institute procedures to comply with the reporting requirements of Section 4d-11 and 4d-14, subsection (b) of the General Statutes. This recommendation has been partially satisfied. DOIT now complies with Section 4d-14, subsection (b) of the General Statutes by submitting an efficiency report to OPM, the Governor and the General Assembly. However, DOIT continues not to comply with Section 4d-11 of the General Statutes. Section 4d-11 of the General Statutes requires DOIT to annually compile and report information technology expenditure estimates for all of the State's agencies. This recommendation is repeated in part. (See Recommendation 6.)
- DOIT should closely monitor the Technical Services Revolving Fund's financial operation and take the appropriate actions to achieve a breakeven mode of operation. This recommendation is not repeated.

Current Audit Recommendations:

- 1. The Department should implement procedures to ensure receipts are deposited promptly in compliance with statutory requirements.**

Comments:

Our review of receipts disclosed eleven checks that were not deposited in a timely manner. Ten checks totalling \$43,289 were deposited one business day late and one check in the amount of \$1,766 was deposited two business days late.

- 2. The Department should comply with Sections 4-98 and 4-213 of the General Statutes and protect the State's interest with fully-executed contracts prior to incurring obligations.**

Comments:

Our test of expenditures disclosed that a consultant was hired and worked for the Department prior to the initiation of a personal service agreement. In addition, two instances were detected where the Department incurred obligations totalling \$452,577 without valid commitment documents in place.

- 3. The Department of Information Technology should follow statutory requirements in contracting for data processing consultant services.**

Comments:

We found three instances where a consultant was hired using a purchase order instead of a personal service agreement.

- 4. The Department of Information Technology should take appropriate steps to tag all equipment, perform a complete physical inventory, bring the equipment inventory records up-to-date and maintain them in an accurate manner and prepare and submit the annual Fixed Assets/Property Inventory Report/GAAP Reporting Form accurately, as required by the State Comptroller.**

Comments:

We noted that the Department has not been tagging equipment since July of 1997 when the Agency was split off from the Department of Administrative Services. No physical inventory has been performed for a number of years now, so the accuracy of perpetual inventory records could not be verified. Inventory records are not reconciled to the annual Property Control Reports submitted to the State Comptroller. Items disposed of are not being promptly entered and removed from the inventory.

- 5. The Department should develop and maintain a comprehensive software inventory system for the Agency.**

Comments:

We noted that the Department does not maintain a comprehensive software inventory. An inventory of software licenses with a value of \$10,000 or greater was maintained so that the cost of such software licenses could be spread over the useful life. This limited inventory did not include all software or comply with the State of Connecticut's Property Control Manual.

- 6. The Department should institute procedures to annually compile and report information technology expenditure estimates for all of the State's agencies as required by Section 4d-11 of the General Statutes.**

Comments:

Based on inquiries of Agency personnel we conclude that DOIT did not comply with the Statutory requirement regarding reporting.

- 7. The Department should implement the procedures necessary to insure that all delegation of purchasing authority be in writing and exercised in accordance with the General Statutes.**

Comments:

The Chief Information Officer at the Department of Information Technology verbally delegated purchasing authority to the Department of Social Services. The authority was granted for the selection of a contractor to administer and develop a management information system.

- 8. The Department should implement procedures to monitor and ensure compliance with the State Comptroller's petty cash employee travel advance requirements.**

Comments:

Our examination revealed that 33 employees submitted documentation late.

- 9. The Department should improve controls over the time and attendance system.**

Comments:

Our examination of time and attendance records revealed two instances of inaccurate

records.

- 10. The Department of Information Technology should complete a disaster recovery plan that addresses prompt business resumption in the event of an interruption of operations.**

Comments:

We noted that the Department of Information Technology does not have a well-documented disaster recovery plan which addresses all aspects of prompt business resumption.

- 11. The Department of Information Technology should implement additional controls to further safeguard assets and resources of the State Data Center.**

Comments:

Our examination revealed security weaknesses concerning access to the Data Center and unsecured computers.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Department of Information Technology for the fiscal years ended June 30, 2000, and 2001. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grants and to understanding and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Information Technology for the fiscal years ended June 30, 2000, and 2001, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial-related audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Department of Information Technology complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grants and to obtain a sufficient understanding of the internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Compliance:

Compliance with the requirements of laws, regulations, contracts and grants applicable to the Department of Information Technology is the responsibility of the Department of Information Technology's management.

As part of obtaining reasonable assurance about whether the Agency complied with laws, regulations, contracts and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Agency's financial operations for the fiscal years ended June 30, 2000, and 2001, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial or less than significant instances of noncompliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

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

The management of the Department of Information Technology is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants applicable to the Agency. In planning and performing our audit, we considered the Agency's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Agency's financial operations in order to determine our auditing procedures for the purpose of evaluating the Department of Information Technology's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants and not to provide assurance on the internal control over those control objectives.

However, we noted certain matters involving the internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the Agency's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts and grants. We believe the following findings represent reportable conditions: inadequate equipment and software inventory control systems.

A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts and grants or the requirements to safeguard assets that would be material in relation to the Agency's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Agency being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over the Agency's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. However, we believe that the reportable conditions described above are material or significant weaknesses.

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

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

CONCLUSION

In conclusion, we wish to express our appreciation for the assistance and courtesies extended to our representatives by the personnel of the Department of Information Technology during the course of this examination.

Josepha M. Brusznicki
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

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