

# STATE OF CONNECTICUT



***AUDITORS' REPORT  
DEPARTMENT OF INFORMATION TECHNOLOGY  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2007***

**AUDITORS OF PUBLIC ACCOUNTS**

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February 25, 2009

**AUDITORS' REPORT  
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**INTRODUCTION**

We have examined the financial records of the Department of Information Technology (DOIT) for the fiscal years ended June 30, 2006, and 2007. 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, 2006 and 2007 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, 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). Diane S. Wallace was appointed and has served as the CIO since February 18, 2005.

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; and (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; and (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.

### **Commission for Educational Technology:**

Section 4d-80 of the General Statutes established the Commission for Educational Technology within the Department of Information Technology for administrative purposes. The Commission is composed of twenty members from areas of education, business, information technology and government.

As of June 30, 2007, the members and their appointing authorities were:

|                   |   |
|-------------------|---|
| Ken Wiggin, Chair | State Librarian, Connecticut State Library (ex-officio)                         |
| David Carter      | Chancellor, Connecticut State University System (ex-officio)                    |
| Henry Dutcher     | Connecticut Library Association   |
| Russell Feinmark  | Speaker of the House, representing business and technology                      |
| Patricia Fusco    | CT Federation of Educational and Professional Employees                         |
| Judith B. Greiman | President, Connecticut Conference of Independent Colleges                       |
| Merle Harris      | President, Charter Oak State College (ex-officio)                               |
| Cal Heminway      | Connecticut Association of Boards of Education                                  |
| Marc Herzog       | Chancellor, Connecticut Technical Colleges (ex-officio)                         |
| Michael Kerntke   | Vice President for Information Services, University of Connecticut (ex-officio) |
| Valerie F. Lewis  | Commissioner, Department of Higher Education (ex-officio)                       |
| Mark McQuillan    | Commissioner, Department of Education (ex-officio)                              |
| Rich Mavrogeanes  | President Pro Tempore of the Senate, representing business and technology       |
| Anthony Palermino | Commissioner, Department of Public Utility Control (ex-officio)                 |
| Paul Picard       | Connecticut Education Association   |
| George Selmont    | Office of the Lieutenant Governor, representing business and technology         |
| William Silver    | Connecticut Association of Public School Superintendents                        |
| Joshua Smith      | Connecticut Educators Computer Association                                      |
| Bart Stanco       | Office of the Governor, representing business and technology                    |
| Diane S. Wallace  | CIO, Department of Information Technology (ex-officio)                          |

The Commission is to act as the principal educational technology policy advisor for State government; develop, oversee and direct the attainment of statewide technology goals; coordinate the activities of all State agencies, educational institutions and other parties involved in the creation and management of a reliable and secure network that will offer connectivity and allow for transmission of video, voice and data transmission to every library, school, regional educational service center and institution of higher education; be the liaison between the Governor and the General Assembly and local, State and Federal organizations and entities with respect to educational technology matters; and develop and maintain a long-range plan and make related recommendations for the coordination of educational technology.

## **RÉSUMÉ OF OPERATIONS:**

### **General Fund:**

The Agency's General Fund receipts totaled \$-0-, \$54,231, and \$42,286 for the 2004-2005, 2005-2006, and the 2006-2007 fiscal years, respectively. These amounts represent refunds of prior year expenditures.

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A comparative summary of Department of Information Technology expenditures from General Fund appropriations for the fiscal years ending June 30, 2005, 2006 and 2007 is presented below:

|   | <u>Fiscal Year</u><br><u>2006-2007</u> | <u>Fiscal Year</u><br><u>2005-2006</u> | <u>Fiscal Year</u><br><u>2004-2005</u> |
|---|--|--|--|
| Personal Services                             | \$ 7,837,949                           | \$ 6,034,224                           | \$ 7,520,528                           |
| Other Expenses                                | 7,962,128                              | 7,629,590                              | 8,646,421                              |
| Equipment                                     | 526,456                                |  |  |
| Connecticut Education Network                 | 3,250,809                              | 2,711,573                              |  |
| Health Insurance Portability & Accountability |  |  | 95,766                                 |
| <b>Total General Fund Expenditures</b>        | <b><u>\$ 19,577,342</u></b>            | <b><u>\$ 16,375,387</u></b>            | <b><u>\$ 16,262,715</u></b>            |

General Fund expenditures amounted to \$16,262,715, \$16,375,387, and \$19,577,343 during the fiscal years ended June 30, 2005, 2006 and 2007, respectively.

The increase in General Fund expenditures from fiscal year 2006 to fiscal year 2007 was attributable to an increase in costs for personal services, equipment and the Connecticut Education Network.

### **Special Revenue Funds – Federal and Other Restricted Accounts:**

Revenues of this Fund, as recorded by the State Comptroller for the fiscal years ended June 30, 2006 and 2007, totaled \$1,049,310 and 1,300,070, respectively. A summary of Fund expenditures is presented below:

|   | <u>Fiscal Year Ended</u><br><u>June 30,</u> |                     |
|---|---|---------------------|
|   | <u>2007</u>                                 | <u>2006</u>         |
| Expenditures:                                 | \$  | \$                  |
| Health insurance portability & accountability | 499,730                                     | 92,696              |
| CT GEO Information                            | (1,150)                                     |                     |
| Employee exercise facility                    | 5,271                                       | 12,672              |
| ED-Net  | <u>1,098,352</u>                            | <u>1,210,773</u>    |
| Total Expenditures                            | <u>\$ 1,602,203</u>                         | <u>\$ 1,316,141</u> |

### **Special Revenue Funds – Other:**

The Capital Equipment Purchase Fund was used to purchase EDP hardware equipment totaling \$86,565 during the fiscal year ended June 30, 2007.

### **Capital Improvements and Other Purposes Funds:**

Expenditures totaling \$10,993,229 and \$6,880,110 for fiscal years ending June 30, 2006 and 2007, respectively, were primarily for the Connecticut Education Network.

### **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. Revolving Fund cash receipts and disbursements for the 2004-2005, 2005-2006 and 2006-2007 fiscal years were as follows:

|                                  | <u>2006-2007</u>           | <u>2005-2006</u>           | <u>2004-2005</u>           |
|----------------------------------|----------------------------|----------------------------|----------------------------|
| Cash Balance, Beginning of Year  | \$ 8,523,611               | \$ 5,731,569               | \$ 5,841,910               |
| Receipts                         | <u>35,763,531</u>          | <u>38,451,967</u>          | <u>39,100,519</u>          |
| Total                            | 44,287,142                 | 44,183,536                 | 44,942,429                 |
| Disbursements                    | <u>37,391,622</u>          | <u>35,659,925</u>          | <u>39,210,860</u>          |
| <b>Cash Balance, End of Year</b> | <b><u>\$ 6,895,520</u></b> | <b><u>\$ 8,523,611</u></b> | <b><u>\$ 5,731,569</u></b> |

**Capital Equipment Data Processing Revolving Fund:**

The Capital Equipment Data Processing Revolving Fund is a revolving fund, authorized by Section 4d-10 of the General Statutes, that is used to finance the purchase of data processing equipment and related items necessary to maintain or improve the State's data processing functions. Capital Equipment Data Processing Revolving Fund cash receipts and disbursements for the 2005-2006 and 2006-2007 fiscal years were as follows:

|                                  | <u>2006-2007</u>           | <u>2005-2006</u>           |
|----------------------------------|----------------------------|----------------------------|
| Cash Balance, Beginning of Year  | \$ 2,248,276               | \$ 2,242,313               |
| Receipts                         | <u>521,981</u>             | <u>5,963</u>               |
| Total                            | 2,770,257                  | 2,248,276                  |
| Disbursements                    | <u>-</u>                   | <u>-</u>                   |
| <b>Cash Balance, End of Year</b> | <b><u>\$ 2,770,257</u></b> | <b><u>\$ 2,248,276</u></b> |

There was no activity in this Fund during the 2004-2005 fiscal year.

**PERFORMANCE EVALUATION:**

Section 2-90 of the General Statutes authorizes the Auditors of Public Accounts to perform evaluations of selected Agency operations. During this engagement, we chose to review the processes that the Department follows to perform forensic examinations on computers and its related data as requested by various State agencies.

The Information Technology Security Division at the Department is responsible for tasks crucial to the security and integrity of the data maintained by DOIT. These tasks include maintaining compliance with the intrusion system where network security, firewall management, and Internet access are monitored. In addition, the Division also oversees the forensic review of computers and related data as requested by State agencies.

Our review focused on the Information Technology Security Division's ability to effectively process requests by State agencies for forensic examinations and its method of documenting the review process. The examinations are typically conducted on behalf of State agencies which are attempting to obtain certain facts in order to consider the pursuit of personnel or criminal action against employees, consultants, etc. The computers and related IT data are transferred from the State agencies to DOIT's IT Security Division via a "Chain of Custody" form which is signed and dated by management to document the exchange.

The Division utilizes a recognized software application to guide and perform its forensic examinations. However, no written procedures have been established detailing how a forensic examination is to be conducted.

Professional certification of staff adds to the credibility of investigations undertaken by the Department and reduces the likelihood of challenges as the information is presented in various administrative and legal forums. Such certifications typically require continuing education prior to renewal. Continuing education is critical in any profession to maintain a competency level and stay abreast of the latest changes in technology and investigative techniques. We noted that one of the two staff that regularly performs forensic examinations holds a designation as a Certified Computer Examiner.

The forensic examination services provided by the Division are currently not directly promoted to the State agencies, nor do documents exist instructing agencies how to go about securing computer equipment and its data. However, we were informed that the Department does plan to meet with State agencies within the 2009 fiscal year to make them aware of such services and what the agencies need to know and do when securing evidence.

In general, we found that accountability of all cases received for investigation was not readily documented. Although it is planned, the Department does not currently maintain a database to track and account for these cases. Prior to December 2007, cases were not assigned a case number. Rather, they were identified by name only. The absence of sequential case numbering increases the risk that some cases may be overlooked or accidentally omitted and thus timely action may not be taken. We were informed that a few cases remain open from 2006. However, it was purported that this is due to the cases being considered lower risk by the

requesting agency. We were informed that due to a lack of staffing, the Division was unsure if these cases would ever be resolved, as other newer cases were considered to be of higher priority. Although we were informed by Division staff that approximately five to ten new requests from State agencies are received each month, we were unable to support this assertion as a basis to support the need for additional resources in the Unit.

In conclusion, it appears that the Department needs to make strides to increase the accountability over State agencies' requests for service; consider changes to ensure the timely completion of such requests; establish authorized written procedures for conducting such examinations; formally promote such services to State agencies; consider obtaining professional computer examiner certifications for staff working on such examinations; and provide written guidance to State agencies as to how to protect the integrity of evidence prior to DOIT's receipt as part of the chain of custody process.

Based on the issues noted above, we are presenting a recommendation regarding the forensic examination process within the Condition of Records section of the report. (See Recommendation 17.)

## CONDITION OF RECORDS

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

### **Administration of Compensatory Time:**

*Criteria:* State personnel policies and relevant collective bargaining agreements provide for the awarding of compensatory time in lieu of overtime to employees that exceed certain salary levels. In most instances, overtime and compensatory time is expected to be kept to the minimum necessary to accomplish the necessary tasks in the allotted time. Large balances of compensatory time are not expected to accrue because typically collective bargaining contracts call for such time to be used as soon as practicable.

In accordance with the Engineering, Scientific, and Technical (P-4) Collective Bargaining Agreement, employees allowed to accumulate compensatory time shall be required to schedule and use such compensatory time no later than the first full six-month period following its being earned. The employee is to receive either compensatory time off or payment for such time earned.

Since Core-CT was determined to not be able to automatically lapse expiring compensatory time, the Core-CT HRMS User Support Group had informed State agencies via email and Job Aids to manually make adjustments to compensatory time balances for such expiring accrued time.

*Condition:* The codes built into the Human Resources Module System (HRMS) and used by DOIT to track the accrual and expiration of compensatory time were set to one year since HRMS did not have a code to match the expiration timeframe identified in the collective bargaining agreement. The Department's payroll unit did not have a process in place to actively monitor and manually adjust expiring compensatory time in accordance with the collective bargaining agreement guidelines.

*Effect:* Accrued compensatory time was carried beyond expiration for some employees in violation of the terms of the collective bargaining contract. The absence of a process to monitor the compensatory time of employees increases the risk that such balances could be inaccurate and used in error without detection by management.

- Cause:* This condition appears to exist due to the Department's lack of awareness regarding the direction given by the Core-CT HRMS User Support Group to all agencies in handling compensatory time expiration.
- Recommendation:* The Department should abide by the directions provided by the Core-CT HRMS User Support Group to manually adjust Core-CT compensatory time records for any expiring compensatory time in accordance with collective bargaining unit contracts. (See Recommendation 1.)
- Agency Response:* "In 2008, DOIT implemented new measures and procedures to track expiring compensatory time in compliance with the Core-CT HRMS User Support Group recommendation. The measures were put in place January 25, 2008. DOIT payroll is now monitoring the expiration dates of the compensatory time and notifying employees of the impending loss and the recommendation for scheduling the usage of the compensatory time. The agency has also instituted a new procedure for compensatory and overtime requests. The procedure took effect July 1, 2008."

**Employee Evaluations Not on File:**

- Criteria:* Section 5-237-1 of the State Regulations indicates that service ratings should be filed annually for each permanent employee at least three months prior to the employee's annual increase date.
- Condition:* Although the Department now has an established control to track the completion of employee performance evaluations, we noted that 17 were identified as not on file with the Human Resources Unit for 2007.
- Effect:* The absence of employee performance evaluations prevents the verification of salary increases attributable to such reviews.
- Cause:* We were informed by Human Resources staff that despite repeated efforts to obtain the employee performance evaluations from certain DOIT managers, such evaluations were not provided.
- Recommendation:* The Department's administration should consider assisting the Human Resources Unit in enforcing the submission of employee performance evaluations by DOIT managers. (See Recommendation 2.)

*Agency Response:* “The Human Resources Unit will escalate to upper management all cases of employee evaluations required but not received and will perform more follow-up until all evaluations have been completed and forwarded to human resources.”

**Personnel Actions History Report:**

*Criteria:* The Core-CT Personnel Actions History Report is a report that reflects manual changes to an employee’s Job Data in Core-CT. Appropriate agency personnel should review such report to ensure that any changes made to an employee’s file have been authorized.

*Condition:* We were informed by the Department’s Human Resources manager that the Personnel Actions History Report is not utilized by the Department.

*Effect:* In the absence of such a review, inappropriate and unauthorized manual changes to an employee’s Job Data on Core-CT may go undetected and result in an improper payment.

*Cause:* We were informed that the Human Resources manager was unaware of the existence of such a report.

*Recommendation:* The Department should review the Core-CT Personnel Actions History Report in order to verify the propriety and authorization of any changes made to employees’ files. (See Recommendation 3.)

*Agency Response:* “Going forward, DOIT’s human resources manager will generate and review EPM Core-CT reports as recommended. This will augment the activity of the Department of Administrative Services (DAS) Audit Unit, which currently performs employee transaction audits.”

**Reimbursement for Use of Other Agency Personnel:**

*Criteria:* Proper internal control dictates that agencies receiving the benefit of services from personnel of other agencies should be held accountable for those specific costs.

*Condition:* We noted that a Department of Information Technology employee was working one day per week at the Department of Banking for a ten month period. However, it was noted that the employee’s entire salary was being funded by the Department of Banking without

reimbursement provided by DOIT for the employee's services performed there.

*Effect:* The lack of DOIT's reimbursement to the Department of Banking has a misleading effect on DOIT's budget for personal services. The total amount of salary and fringe benefit costs charged to the Department of Banking for the period was \$129,227. Approximately 80 percent of this total should have been charged to DOIT.

*Cause:* The Department did not appear to consider the potential impact to its budget for personal services.

*Recommendation:* The Department should properly account for the salary and fringe benefit costs for services provided. (See Recommendation 4.)

*Agency Response:* "The IT Manager in question was a DOIT employee who was assigned to the Department of Banking. The Department of Banking would be direct charged by the Department of Information Technology for the salary and fringe of this particular person. The arrangement was to have that staff person on site at DOB for one day a week and on call the other four days while working at DOIT. This arrangement was during a ten month period during the audited period. The new arrangement calls for an IT Manager to be split between the Department of Banking and the Insurance Department with equal reimbursement coming from both agencies."

**Failure to Adhere to Statutory Reporting Requirements:**

*Criteria:* Section 4d-7, subsection (a), of the General Statutes provides that the Chief Information Officer shall develop, publish and annually update an information and telecommunication systems strategic plan. Such a plan should serve as a basis for the decisions that are made regarding the direction of information technology within the State. Subsection (b) of this statute identifies the specific requirements to be addressed within the strategic plan.

Section 4d-12, subsection (b), of the General Statutes establishes an information and telecommunication systems executive steering committee which is responsible for reviewing and approving or disapproving the annual information and telecommunication systems strategic plan. The Committee is also responsible for submitting a report on approved variances to the list of approved architectural components for information and telecommunication

systems for State agencies, the strategic plan, and appropriations for information and telecommunication systems.

*Condition:* We noted that the Department did not formally publish or annually update the strategic plan and we were informed by the Department's Communication Officer that the executive steering committee did not exist during the audited period.

*Effect:* The failure to establish the required committee directly resulted in the omission of the report required by Section 4d-12 of the General Statutes, and may have contributed to DOIT's failure to formally produce the report required by Section 4d-7 of the General Statutes. The absence of this information may prevent the General Assembly from reaching critical decisions regarding the Department and contribute to a lack of focus regarding the Department's mission.

*Cause:* It appears that a lack of administrative oversight contributed to the condition.

*Recommendation:* The Department should encourage the establishment of the information and telecommunication executive steering committee in accordance with Section 4d-12 of the General Statutes and take steps to comply with the reporting requirements of Sections 4d-7 and 4d-12 of the General Statutes. (See Recommendation 5.)

*Agency Response:* "In 2008, DOIT formed the Information and Telecommunication Executive Steering Committee. It held its first meeting July 10, 2008, and will continue to meet in compliance with Conn Gen. Stat. 4d-12(b). It consists of members from the Office of Policy and Management, the Office of the State Comptroller, the Office of the State Treasurer, the Department of Administrative Services and each constituent unit of the State system of higher education, as designated by the leads of those organizations."

### **Timely Preparation of Revolving Fund Financial Data:**

*Criteria:* In order for the Agency to monitor its financial condition in a timely manner, complete financial information needs to be available to both Agency management and those agencies responsible for the preparation of the State's Comprehensive Annual Financial Report. The State Comptroller's Office promulgates instructions annually detailing what is required and specifying deadlines for its submission.

- Condition:* The Department has not met the specified deadlines for submitting the required information to the State Comptroller. While the requirements change little from year to year, DOIT seems to have difficulty meeting the deadlines. The June 30, 2007 and 2008 financial reports were not completed until October 2007 and October 2008, respectively.
- Effect:* Delays in the submission of required information to the State Comptroller increases the risk that the Comptroller's Office will not meet its deadlines for the preparation of the Comprehensive Annual Financial Report.
- Cause:* For fiscal year 2007, DOIT experienced staff turnover in critical accounting positions and had not implemented sufficient cross-training to enable additional staff to prepare the necessary reports. For fiscal year 2008, DOIT claims that they had difficulty understanding the adjusting transactions made by the Office of the State Comptroller and requested clarification.
- Recommendation:* The Department of Information Technology should initiate steps to improve the timeliness of year-end financial reports. (See Recommendation 6.)
- Agency Response:* "The agency has some trouble with the year end reports due to problems with the asset depreciation expenditures from Core-CT. The agency switched its financial reporting from a legacy system (CMS) to Core-CT during the audited period. The problem was corrected and the financial reports were submitted past the deadline. Going forward the financial reports for the Department of Information Technology will be submitted timely."

### **Overcharging of Agencies for Mainframe Services:**

- Criteria:* In a revolving fund process, proper internal control dictates that service rates should be established to offset the costs in providing such services to other State agencies.
- Condition:* We noted that the Department earned a sizable profit in providing mainframe services to State agencies. Part of its profit was used to offset losses for other services provided by DOIT.
- Effect:* It was noted that certain State agencies were receiving reimbursement from the Federal government for a percentage of the agencies' share of costs for mainframe services. This placed the State in a situation where monies were due back to those

Federal programs since the rates utilized by the Department were too high and resulted in a profit for mainframe services.

*Cause:* The condition appears to result from a lack of administrative oversight.

*Recommendation:* The Department should ensure that its rate structure for mainframe services is developed to eliminate excess profits. (See Recommendation 7.)

*Agency Response:* “DOIT has restructured its mainframe rates and secured approval from the Office of Policy and Management for new rates to be levied for other agency services. A restructured schedule of rates is now in place and mainframe service rates were reduced by approximately eight percent in FY 2008. Going forward, the new rate structure enables a more precise distribution of charges for IT services across State agencies. An examination of accounting practices over FY 05, 06 and 07 indicated that the Revolving Fund surplus was partially the result of a change in accounting procedures instituted by a departmental reorganization between FY 05 and 06. Overhead charges were incorrectly removed from mainframe cost centers which resulted in the appearance of a Revolving Fund surplus larger than it actually was.”

### **Inadequate Maintenance of Inventory Records:**

*Criteria:* Standards and procedures for recording and maintaining inventory records are set forth in the State 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 all property control records accurately reflect the actual inventory on hand. Evidence of such should be retained as support to its completion.

The Manual provides guidelines as to how surplus and scrap equipment should be handled. Sound business practice would dictate that procedures should be established for the physical disposition of such equipment and timely removal of such from inventory records.

Proper internal control dictates that a segregation of duties should exist within the inventory process. The physical inventory process should be conducted by an employee who has no responsibility for custody or record keeping.

The Manual requires that State agencies maintain a complete and accurate software inventory control system as well as a software library consisting of software media and licensing information. Software inventory records should identify the specific hardware item upon which the software application resides.

*Condition:*

The Department had conducted a physical inventory in fiscal year 2007, but apparently had not retained the documentation to support it.

The Department wrote-off \$15.6 million in inventory value from its 2007 Annual Inventory Report (CO-59). This reduction was a result of completing its first physical inventory process since the inception of the agency in July 1997.

Numerous exceptions were identified indicating improper maintenance of equipment inventory records. We noted that eight out of 34 items from the inventory record could not be physically located; five out of 34 items were found to be in a location other than on record; and 10 out of 34 items were found to be untagged. In separate testing, we found three items out of 20 selected during a physical inspection were not recorded on the Department's inventory records.

We noted that the Department does not appear to have established procedures addressing the accountability and recordkeeping for surplus and scrap equipment from the point it is identified to the point of disposition.

We also noted that items that were deemed to be a component part of another piece of equipment were reported separately on the inventory record. It is not known what component part belongs to what parent piece of equipment.

We additionally noted that one laptop which was reported as lost on March 5, 2008, was not removed from the inventory.

Some of the figures reported on the CO-59 have been carried forward from prior years and were not fully supported. We additionally noted that non-capitalized equipment appeared to be included in the value on the CO-59 Annual Inventory report.

We noted that one employee had been made responsible for the entire inventory function.

The Department does not maintain a comprehensive software inventory or software library of its hard media and corresponding licenses. Only software licenses with a value of \$10,000 or greater were inventoried. Records also fail to identify which hardware the software resides on.

*Effect:*

The absence of evidence of the physical inventory process places into question the effectiveness of its completion.

Keeping component parts separate from the main piece of equipment on the inventory record hampers the Department's ability to properly account for those items.

The failure to promptly tag and record purchases results in the increased risk that equipment losses will not be detected in a timely manner.

In the absence of segregated duties, errors or irregularities may occur and not be detected in a timely fashion.

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

*Cause:*

It appears that staff specifically hired to correct the inventory deficiencies and properly maintain the Department's inventory in accordance with the State Property Control Manual had failed.

*Recommendation:*

The Department should develop and maintain property records in accordance with the State Property Control Manual; segregate duties within the inventory control process; tag all equipment; perform a complete physical inventory with supporting documentation; combine records and values of component parts with that of the parent asset on the asset management system; establish authorized procedures for the handling and recordkeeping of equipment designated as surplus and scrap; and develop an accurate and comprehensive software inventory system. (See Recommendation 8.)

*Agency Response:*

"DOIT will continue to work to improve its inventory controls. DOIT issued an Inventory Control Policy in FY 06 and physical inventories were conducted in FY 07 and FY 08, with a segregation of duties included in the FY 08 inventory. FY 07 was

the first year a physical inventory was ever taken at DOIT; it resulted in a write-off of \$15.6 million in inventory value. DOIT agrees significant work remains to be done and the Chief Administrative Officer will continue to address this area. DOIT plans to implement a software inventory program that will be able to track software according to guidelines established by the Comptroller's Office. Fiscal staff will be working with technical staff to develop and maintain an accurate inventory of all agency software.”

**Lack of Statewide Software Disposal Policy:**

- Criteria:* Section 4d-8, subsection (b), subdivision (2), of the General Statutes identifies the responsibility that the Department has to ensure that software is properly disposed of.
- Condition:* There is no Statewide policy for handling the removal applications from hardware and the disposal of physical software media at State agencies.
- Effect:* Unused software applications loaded on computer and corresponding physical media may not be disposed of in a consistent manner and in accordance with manufacturer's requirements.
- Cause:* The Department did not appear cognizant of their oversight responsibility to establish a software policy.
- Recommendation:* The Department should establish a Statewide software policy identifying the proper method of disposal of applications from assigned hardware and the proper disposal of the physical software media. (See Recommendation 9.)
- Agency Response:* “The Department will review and consider this recommendation and ascertain what policy direction would be valuable in augmenting measures already in place that address software disposal. Measures in place include those outlined in the Comptroller's Property Control Manual. This manual establishes the guidelines for State agencies for providing that oversight responsibility and existing procedures. In addition DAS contract for Licensed Data Removal of desk top computers and electronic office equipment includes provisions addressing hard drive disposal and destruction requires a certificate which agencies should retain.”

**Lack of Verification of Vendor Pricing to Master Agreement:**

|                         |  |
|-------------------------|--|
| <i>Criteria:</i>        | Proper internal control dictates that prices for goods/services on the vendor invoice should be verified to contracts or agreements.   |
| <i>Condition:</i>       | For seven out of 17 expenditure transactions tested in which the purchasing authority was a master agreement, we could not verify vendor pricing to the existing master agreement terms.   |
| <i>Effect:</i>          | Risk is increased that the Department may pay costs that exceed the pricing allowed by contract.   |
| <i>Cause:</i>           | It appears that the Department did not have staff assigned to price verification for purchases against master agreements during the audited period.  |
| <i>Recommendation:</i>  | The Department should exercise greater care for ensuring that costs on vendor invoices are in agreement with the applicable master agreement terms. (See Recommendation 10.)   |
| <i>Agency Response:</i> | “It is now a common procedure for pricing verification to be done for all master agreement purchase requests that are routed through the Contracts and Purchasing Unit. Oversight to this effect is being done by all Associate Fiscal Administrative Officers with two of the six devoting all of their time to price verification and processing of product schedule updates.” |

**Improper Funds Charged for Employee Training Costs:**

|                        |  |
|------------------------|--|
| <i>Criteria:</i>       | General business practice dictates that expenditures related to employee training should be charged in accordance with the funding of that employee’s position.  |
| <i>Condition:</i>      | We reviewed ten expenditure transactions for training and noted that three were billed entirely to either the General Fund or Revolving Fund regardless of the position funding of those employees attending such. |
| <i>Effect:</i>         | The inappropriate charging of such costs may inadvertently affect proper budgeting for such training.  |
| <i>Cause:</i>          | The Department claimed that the Core-CT system would only allow one fund to be charged.  |
| <i>Recommendation:</i> | The Department should charge training and education costs of General and Revolving Fund employees in accordance with the position funding of such employees. (See Recommendation 11.)                              |

*Agency Response:* “In FY 2009, DOIT began the practice of separating training costs between the General Fund and the Revolving Fund based on the source of the position funding.”

**Lack of Date Stamp on Bid Responses:**

*Criteria:* Sound internal control dictates that bid responses received by the Department should be time-stamped to document receipt by the established deadline.

*Condition:* We noted a number of instances in which bid responses received by the Department from commercial carriers did not appear to have a time stamp indicating when the responses were received.

*Effect:* The absence of time-stamped responses to bids prevents confirmation that the responses were received prior to the deadline and may make it more difficult to defend challenges from competing vendors as to the propriety of the Department’s procurement process.

*Cause:* While ensuring date/time stamps on some of the bids received, the Department failed to address those delivered specifically by commercial carrier.

*Recommendation:* The Department should improve controls over the sealed bid process by ensuring that all responses are time-stamped upon receipt. (See Recommendation 12.)

*Agency Response:* “DOIT has put into place a new process to improve controls over the sealed bid process. In the cases cited, bid responses were directly hand carried to the Contracts Unit instead of coming through the mail and processed by the Facilities unit. We now have a process in place where someone in the division signs for mail and will fill out a “Bid Request” form, attach it to the outer envelope or mark the envelope with the date and time along with the person’s initials.”

**Lack of Compliance with Advertising Requirements:**

*Criteria:* Section 4a-57 of the General Statutes indicates that in the case of an expenditure which is estimated to exceed fifty thousand dollars,

such notice shall be inserted, at least five calendar days before the final date of submitting bids or proposals, in two or more publications, at least one of which shall be a major daily newspaper published in the State, and shall be posted on the Internet. Each notice of a planned purchase under this subsection shall indicate the type of goods and services to be purchased and the requirements concerning non-discrimination and affirmative action pursuant to Section 4a-60 and, when applicable, requirements concerning the awarding of contracts to small and minority business enterprises, as well as individuals with a disability and nonprofit corporations pursuant to Section 4a-60g of the General Statutes.

*Condition:* The Department's policy of advertising for the submission of bids or proposals is to put a general reference to DOIT's website in a major State newspaper on a weekly basis, as well as a second publication designed to reach small and minority entities.

These advertisements contained no mention of the goods/services needed at any particular time nor was any reference made to nondiscrimination or affirmative action requirements. Rather, DOIT states that it is a "non-discriminating employer".

*Effect:* Publishing bid notices without certain required information and relying on the Internet as the primary source of State procurement information directly violates the intent of the statute to reach all potential bidders with the relevant procurement information.

*Cause:* This condition appears to be caused by a DOIT assertion that the exclusive use of the Internet for advertising was being exercised by the Department of Administrative Services, thus it should be acceptable for DOIT as well. We were informed that the Department of Administrative Services was under the impression that the Contracting Standards Board was going to propose an amendment to the statute to eliminate publication in newspapers and rely solely on the Internet for bid notices.

*Recommendation:* The Department should comply with the public notice requirements of Section 4a-57 of the General Statutes by publishing all required information in at least two publications, as well as the Internet. (See Recommendation 13.)

*Agency Response:* "DOIT currently has a standing legal notice in the Hartford Courant and a standing advertisement in the Northeast Minority News (the 2 publications) as well as all procurement opportunities being posted on the State Contracting Portal (the Internet). The auditors assert that we are still not in compliance because we are

not advertising each solicitation with a value of over \$50,000. The CPD unit will seek further guidance/assistance on this issue, since it was our understanding that we were in compliance and in view of the recent directive to curtail spending wherever possible.”

**Utilization and Updating of Master Agreements:**

*Criteria:*

Sound internal control dictates that contracts or agreements have beginning and end dates to assist in defining the obligations of the parties and minimize future conflicts. The longer an agreement is in effect without being revised or reviewed, the more likely it is that cost inefficiencies or misunderstandings between the parties about performance obligations will arise, especially in the rapidly evolving information technology environment.

While the use of open-ended master agreements can hasten the procurement process, they can also become a crutch upon which additional products and services are added without seeking other vendors with similar products to provide a competitive environment.

Relevant State Statutes and Gubernatorial Executive Orders require that new provisions be incorporated into vendor agreements to reduce the risk to the State. Examples include:

- Sections 4a-60 and 4a-60a of the General Statutes, which refer to nondiscrimination and affirmative action provisions.
- Executive Order 16, issued in 1999, which refers to the Violence in the Workplace Prevention Policy.
- Executive Order 1, issued in 2004 by Governor Rell, which requires certain ethics provisions to be included in State contracts.

Certain master agreements include price escalation clauses based upon the Consumer Price Index (CPI).

*Condition:*

We noted that certain master agreements did not appear to have specified end dates and/or updated statutory language such as is provided for in Sections 4a-60 and 4a-60a, and Executive Order #16.

Master agreements provide for the long-term procurement of certain products and services from a particular vendor or vendors. Additional products and services are frequently added to an existing master agreement rather than being competitively bid. In an environment of emerging technologies, long-term contracts may not provide for sufficient competition to obtain optimal pricing and can prevent vendors that are new to the industry from offering their services.

The Department does not have a written policy documenting its process for review of compliance with the escalation clause within master agreements. Two employees who use the CPI to determine the propriety of vendor price increases appear to have methods that are not consistent.

*Effect:*

The lack of contractual end dates and the inclusion of provisions to add products or services to master agreements appear to aid in circumventing the competitive procurement process, providing a greater potential for incurring unnecessarily higher costs.

The failure to determine compliance with provisions for price escalations increases the likelihood of overpaying for certain services.

*Cause:*

The Department received guidance from its representative at the Attorney General's Office that indicated (1) existing agreements did not need to be amended to include revised statutory language unless the agreement is amended for another purpose and (2) the practice of continuing to use master agreements is legally permitted when deemed appropriate. While we respect and concur with that guidance, there is a business value (and a cost) to opening these agreements up where possible to add new provisions and increase the competitive opportunities, as well as providing assurance that current vendors are willing and capable to adhere to the new requirements.

The lack of established procedures for utilizing the CPI to determine compliance with master agreement escalation clauses appears to be due to an administrative oversight.

*Recommendation:*

The Department should document its evaluation of all active master agreements to consider the costs and benefits to revise the agreements by incorporating new statutory and Governor-ordered language; establish end dates for same; and establish authorized procedures for the monitoring of vendor price increases for compliance with escalation provisions utilizing the Consumer

Price Index as indicated within applicable master agreements. (See Recommendation 14.)

*Agency Response:* “DOIT has received guidance from the Assistant Attorney General assigned to DOIT that updating all master agreements to include today’s required language is not necessary unless the agreement was being updated for another purpose. To undertake the renegotiation of 200 plus Master Agreements it would require augmenting both the legal and procurement staff areas and would involve many State agencies’ end users. The two employees tasked with the responsibility of verifying the CPI in terms of vendor price escalations for Master Agreements are now using the same method.”

**Statewide Training of Information Technology Employees:**

*Criteria:* Section 4d-17 of the General Statutes indicates that the Chief Information Officer shall, within available appropriations, provide for the professional development of the State’s information technology (IT) employees. Implicit in such a requirement is the need for tracking the needs/accomplishments of the State’s IT staff.

*Condition:* In response to our prior audit, DOIT began compiling detailed records of its staff and the training that was received, based on DOIT’s expenditures. However, DOIT has not implemented a process to document and evaluate IT training statewide.

*Effect:* In the absence of centralized monitoring of State IT employee training, there is an increased risk that the skill sets of IT employees may not keep pace with technology, resulting in inefficient use of resources.

*Cause:* DOIT has not implemented a system to track statewide training.

*Recommendation:* The Department should consider a centralized tracking mechanism for all State technology employees’ training requirements and arrange and pay for such training in accordance with Section 4d-17 of the General Statutes. (See Recommendation 15.)

*Agency Response:* “DOIT has invested in its own employee training as follows: In FY 07, \$268,790 was invested in DOIT IT training and development, an increase of more than 80 percent from FY 06. In FY 07 seventy one employees took 591 online courses, 290 employees attended customer service training and 49 employees

took 86 in-service training classes. In FY 08, \$211,586 was invested in DOIT employee training and development, 100 employees took 453 online courses and 95 employees took 138 in-service training classes. DOIT offers other training opportunities throughout the year, including an annual IT leadership conference, in which 100 IT managers and professional staff participate each year, a technical briefing program along with a new Open House program to raise awareness of agency services and programs. The agency lacks the resources to track all State technology employee training requirements and pay for such training in accordance with 4d-17. The agency will consider having the wording changed in this statute due to the budget restraints and staffing resource issue.”

**Monitoring of Fees Charged for Computer-Stored Public Records:**

- Criteria:* Section 1-212 (b) (4) of the General Statutes requires the Department of Information Technology to “monitor the calculation of the fees charged for copies of computer-stored public records to ensure that such fees are reasonable and consistent among agencies.”
- Condition:* DOIT established guidelines in January 2000 for State agencies to follow when fulfilling requests for public information. However, DOIT has not done any active monitoring of fees assessed by State agencies or municipalities, instead choosing to deal with questions or complaints as they arise. While our prior recommendation had suggested auditing the actual fees charged for such services, further consideration of this matter has resulted in the conclusion that it might be more efficient to implement a process for approving published fee schedules and responding to complaints alleging improper application of those fees.
- Effect:* An ongoing monitoring of the charges assessed for compiling computerized information was not in place as suggested by Section 1-212 (b)(4) of the General Statutes.
- Cause:* DOIT had not interpreted the law to require an active monitoring of the fees charged.
- Recommendation:* For purposes of complying with Section 1-212 (b) (4) of the General Statutes, the Department of Information Technology should consider expanding its involvement in the monitoring of fees charged for compiling computerized information by

requesting that fee schedules be submitted for approval. (See Recommendation 16.)

*Agency Response:* “DOIT does not appear to have the statutory authority to impose a requirement or render approvals/disapprovals that are binding on an agency or municipality. DOIT does not have the technical or staff resources available to examine and review fee schedules of 169 municipalities and more than 100 State agencies. DOIT does provide tailored cost calculation guidance, conducts education and outreach and has developed a guideline document and worksheet for consideration by agencies and municipalities to use when calculating charges. During the audited period of FY 06 and 07, DOIT responded to 13 agency requests for cost calculation guidance (10 Municipalities, 3 State agencies), developed a web page, and created basic informational handout packages on charges. DOIT gave presentations at four conferences to municipalities and State agencies on cost calculation guidance; surveyed 10 State agencies on their current approach to charges for computer stored public records; and contacted 169 cities and towns and all State agencies for main FOI policy/procedure contact, using that list to disseminate worksheet and guidelines. The agency will consider a wording change to this statute due to budget restraints and staff resource issues.”

### **Forensic Examination Process:**

*Criteria:* Proper internal controls dictate that adequate accountability be maintained for requests for investigation and cases initiated. Such cases should be investigated to completion within a reasonable period of time. Authorized written procedures should be established to give guidance to staff so that a process may function as intended. The Department’s investigative services provided to State agencies should be promoted. Professional certification provides credibility to any work undertaken in such area. Instruction should be provided by the Department to State agencies addressing how to protect the integrity of the IT data subject to investigation.

*Condition:* We noted that the Department does not have an effective case management system for accountability purposes. We noted a few long-outstanding cases continue to be open without any recent investigative activity. The Department additionally does not have any established authorized procedures for conducting a forensic examination. The Department does not promote its forensic investigative services to State agencies. Of the two staff assigned

to perform forensic review on cases, only one is professionally certified to do so. The Department also does not appear to provide any written guidance to State agencies regarding maintaining the integrity of IT evidence.

*Effect:* In the absence of established authorized procedures and a reliable database, proper accountability over cases is greatly reduced.

*Cause:* Department staff indicated that a lack of personnel and the lack of a database for a case management system contributed to the condition.

*Recommendation:* The Department should obtain a database as intended to assist in the accountability of agency requests and cases; investigate such cases in their entirety to ensure timely review and closure; establish authorized written procedures for conducting its examinations; formally promote its services to State agencies; consider obtaining professional certification for staff working on investigations; and provide written guidance to State agencies as to how to protect the integrity of evidence prior to DOIT's receipt as part of the chain of custody process. (See Recommendation 17.)

*Agency Response:* "DOIT currently has an electronic means to track and account for all agency requests for forensic review. DOIT IT Security also has a hard copy back-up of all records. While not a full case management system, it does provide for the tracking and accountability of all DOIT activity with cases and their status. The timeframe which cases are handled are based on their status and urgency from the requesting agency. Those cases which require information for criminal investigations or have personnel on administrative leave are given priority not to delay any proceedings. Written outlines and checklists have been developed and are followed using industry standard forensic methodology. Professional certification is not required to perform forensic investigations. We promote our employees to attain certification as a Certified Information System Security Professional but do not have a requirement for it. Written guidance to State agencies is planned to be addressed this year as part of our overall security awareness program."

## RECOMMENDATIONS

Our prior report on the fiscal years ended June 30, 2004 and 2005, contained a total of 21 recommendations. Eleven of those recommendations have been resolved. Ten recommendations are repeated. The status of recommendations contained in this prior report is presented below.

### *Status of Prior Audit Recommendations:*

- The Department of Information Technology's Human Resources Unit should exercise greater care in maintaining evidence of performance evaluations. This recommendation has been modified to reflect current conditions. (See Recommendation 2.)
- The Department should monitor compensatory time more closely and flag the expiration of the time earned. This recommendation has been modified to reflect current conditions. (See Recommendation 1.)
- The Department of Information Technology should implement its own specific ethics statement to comply with the provisions of Section 1-83 of the General Statutes and institute exit interviews as required by the Ethics Compliance Plan issued as a result of Executive Order Number 1. This recommendation has been resolved.
- The Department should encourage the establishment of the information and telecommunication executive steering committee in accordance with Section 4d-12 of the General Statutes and take steps to comply with the reporting requirements of Sections 4d-7 and 4d-12 of the General Statutes. This recommendation has been repeated. (See Recommendation 5.)
- The Department of Information Technology should initiate steps to improve the timeliness of year-end financial reports. This recommendation has been repeated. (See Recommendation 6.)
- The Department of Information Technology should establish a repayment schedule to reimburse the Capital Equipment Data Processing Revolving Fund for amounts owed and adhere to repayment schedules for future borrowings. This recommendation has been resolved.
- The Department should consider establishing a procedure for the periodic reconciliation of the receipts log to the Core-CT system. This recommendation has been resolved.
- The Department should develop and maintain property records in accordance with the State Property Control Manual by tagging all equipment, performing a complete physical inventory, and developing an accurate and comprehensive software inventory system. This recommendation has been repeated. (See Recommendation 8.)

- The Department should modify its depreciation schedules for Revolving Fund assets to provide for conformance with generally accepted accounting principles. This recommendation has been resolved.
- The Department should ensure the retention of adequate documentation as support for interfund cost transactions. This recommendation has been resolved.
- The Department of Information Technology should continue its efforts to establish rates for all of the services that it offers. Where rates can't be readily assigned, consideration should be given to moving those functions out of the Revolving Fund to provide for a better matching of revenues to expenses. This recommendation has been resolved.
- The Department should improve controls over the sealed bid process by ensuring that all responses are time-stamped upon receipt. This recommendation has been modified to reflect current conditions. (See Recommendation 12.)
- The Department should comply with the public notice requirements of Section 4a-57 of the General Statutes by publishing all required information in at least two publications, as well as the Internet. This recommendation has been modified to reflect current conditions. (See Recommendation 13.)
- The Department should ensure that all documentation of individual review team scoring be on file as well as sign-off by all team members of the recommended vendor. This recommendation has been resolved.
- The Department should document its evaluation of all active master agreements to consider the costs and benefits to revise the agreements by incorporating new statutory and Governor-ordered language; establish end dates for same; and ensure that agreement provisions regarding price increases are monitored for compliance. This recommendation has been repeated. (See Recommendation 14.)
- The Department of Information Technology should adhere to the terms of negotiated contracts and limit price adjustments to those contracts that contain such provisions. This recommendation has been resolved.
- The Department of Information Technology should consider methods to provide for increased emphasis on the prohibition against mentioning the State in vendors' advertising. This recommendation has been resolved.
- The Department should consider a centralized tracking mechanism for all State technology employees' training requirements and arrange and pay for such training in

accordance with Section 4d-17 of the General Statutes. This recommendation has been repeated. (See Recommendation 15.)

- DOIT should establish a process to ensure that memoranda of understanding are drafted in a consistent manner. This recommendation has been resolved.
- The Department of Information Technology should consider expanding its involvement in the monitoring of fees charged for compiling computerized information by requesting that fee schedules be submitted for approval. This recommendation has been repeated. (See Recommendation 16.)
- The Department of Information Technology, in concert with the Office of the Attorney General and the State Insurance and Risk Management Board, should perform an analysis of the costs and risks associated with the exercise facility in order to assure, at a minimum, that direct costs are not borne by the State and that legal and insurance risks are addressed. This recommendation has been resolved.

*Current Audit Recommendations:*

- 1. The Department should abide by the directions provided by the Core-CT HRMS User Support Group to manually adjust Core-CT compensatory time records for any expiring compensatory time in accordance with collective bargaining unit contracts.**

Comment:

The Department did not have a process in place to actively monitor and manually adjust expiring compensatory time in accordance with collective bargaining unit contracts.

- 2. The Department's administration should consider assisting the Human Resources Unit in enforcing the submission of employee performance evaluations by DOIT managers.**

Comment:

We noted that 17 employee performance evaluations were not on file with the Human Resources Unit.

- 3. The Department should review the Core-CT Personnel Actions History Report in order to verify the propriety and authorization of any changes made to employees' files.**

Comment:

The Department's Human Resources manager was unaware of the existence of the

Core-CT Personnel Actions History Report.

- 4. The Department should properly account for the salary and fringe benefit costs for services provided.**

Comment:

We noted that a Department employee's salary and fringe benefit costs were directly charged entirely to the Department of Banking despite working only one day per week during a ten month period. No reimbursement was provided back by Department of Information Technology.

- 5. The Department should encourage the establishment of the information and telecommunication executive steering committee in accordance with Section 4d-12 of the General Statutes and take steps to comply with the reporting requirements of Sections 4d-7 and 4d-12 of the General Statutes.**

Comment:

The information and telecommunication executive steering committee did not exist during the audited period. The reporting requirements under Sections 4d-7 and 4d-12 of the General Statutes were not being met.

- 6. The Department of Information Technology should initiate steps to improve the timeliness of year-end financial reports.**

Comment:

We noted that the Department had not been able to produce year-end financial reports when due for both 2007 and 2008.

- 7. The Department should ensure that its rate structure for mainframe services is developed to eliminate excess profits.**

Comment:

Due to the Department's improper rate structure for mainframe services, overcharging for services to certain State agencies resulted in a reimbursement to certain Federal programs from the Department.

- 8. The Department should develop and maintain property records in accordance with the State Property Control Manual; segregate duties within the inventory control process; tag all equipment; perform a complete physical inventory with supporting documentation; combine records and values of component parts with that of the parent asset on the asset management system; establish authorized procedures for the handling and recordkeeping of equipment designated as surplus and scrap; and develop an accurate and comprehensive software inventory system.**

Comment:

Among various issues, we noted that primarily the Department did not maintain its property records in accordance with the State Property Control Manual and did not maintain an accurate and comprehensive software inventory system.

- 9. The Department should establish a Statewide software policy identifying the proper method of disposal of applications from assigned hardware and the proper disposal of the physical software media.**

Comment:

A Statewide software policy for disposing of physical software media and applications from hardware does not exist.

- 10. The Department should exercise greater care for ensuring that costs on vendor invoices are in agreement with the applicable master agreement terms.**

Comment:

For seven out of 17 expenditure transactions, we noted that we were unable to verify vendor pricing to master agreement terms.

- 11. The Department should charge training and education costs of General and Revolving Fund employees in accordance with the position funding of such employees.**

Comment:

Training and education costs were charged entirely to either the General Fund or Technical Services Revolving Fund regardless of the position funding of the employees attending.

- 12. The Department should improve controls over the sealed bid process by ensuring that all responses are time-stamped upon receipt.**

Comment:

We noted that a number of vendor bids sent via commercial carriers were not time-stamped upon receipt.

- 13. The Department should comply with the public notice requirements of Section 4a-57 of the General Statutes by publishing all required information in at least two publications, as well as the Internet.**

Comment:

The Department was publishing in a major newspaper only a reference to the procurement section of its website.

- 14. The Department should document its evaluation of all active master agreements to consider the costs and benefits to revise the agreements by incorporating new statutory and Governor-ordered language; establish end dates for same; and establish authorized procedures for the monitoring of vendor price increases for compliance with escalation provisions utilizing the Consumer Price Index as indicated within applicable master agreements.**

Comment:

Many of the Department's older originating master agreements continued to lack incorporation of new statutory and Governor-ordered language and agreement end dates. Authorized procedures for the monitoring of vendor price increases for compliance with master agreement escalation provisions using the Consumer Price Index did not exist.

- 15. The Department should consider a centralized tracking mechanism for all State technology employees' training requirements and arrange and pay for such training in accordance with Section 4d-17 of the General Statutes.**

Comment:

The Department did not have a process in place to arrange, budget, and track all State technology employees' training requirements.

- 16. For purposes of complying with Section 1-212 (b) (4) of the General Statutes, the Department of Information Technology should consider expanding its involvement in the monitoring of fees charged for compiling computerized information by requesting that fee schedules be submitted for approval.**

Comment:

The Department has not done any active monitoring of fees assessed by State agencies or municipalities, instead choosing to deal with questions or complaints as they arise.

- 17. The Department should obtain a database as intended to assist in the accountability of agency requests and cases; investigate such cases in their entirety to ensure timely review and closure; establish authorized written procedures for conducting its examinations; formally promote its services to State agencies; consider obtaining professional certification for staff working on investigations; and provide written guidance to State agencies as to how to protect the integrity of evidence prior to DOIT's receipt as part of the chain of custody process.**

Comment:

Among other issues, the Department's Information Technology Security Division primarily did not have adequate accountability over its cases; lacked authorized written procedures for conducting its examinations; and did not promote its services to State agencies.

## 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, 2006 and 2007. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grant agreements 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 grant agreements applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, 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, 2006 and 2007, 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 Department of Information Technology 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 Department of Information Technology'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 Agency'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 Agency's internal control over those control objectives.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance requirements was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that we consider to be a significant deficiency.

A *control deficiency* 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 on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control

deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to properly initiate, authorize, record, process, or report financial data reliably consistent with management's direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the Agency's internal control. 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 in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation # 8 indicates a significant deficiency in that the Department needs to address a number of issues related to inventory records and control.

*A material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with certain provisions of laws, regulations, contracts, and grant agreements or the requirements to safeguard assets that would be material in relation to the Agency's financial operations, noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions, and/or material financial misstatements by the Agency being audited will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over the Agency's financial operations, safeguarding of assets, and compliance with requirements, was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters:**

As part of obtaining reasonable assurance about whether the Department of Information Technology 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 Agency'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*. However, we noted certain matters which we reported to Agency management in the accompanying "Condition of Records" and "Recommendations" sections of this report.

The Department of Information Technology's response to the findings identified in our audit is described in the accompanying "Condition of Records" section of this report. We did not

audit the Department of Information Technology's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of Agency 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 assistance and courtesies extended to our representatives by the personnel of the Department of Information Technology during the course of this examination.

Ken Post  
Principal Auditor

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts