

STATE OF CONNECTICUT



***AUDITORS' REPORT
DEPARTMENT OF INFORMATION TECHNOLOGY
FOR THE FISCAL YEARS ENDED JUNE 30,
2008, 2009, 2010 AND 2011***

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

Table Of Contents

INTRODUCTION	1
COMMENTS	1
FOREWORD:	1
Significant Legislation.....	2
Commission for Educational Technology.....	2
RÉSUMÉ OF OPERATIONS:.....	4
General Fund:	4
Special Revenue Funds – Federal and Other Restricted Accounts:	4
Special Revenue Funds – Other:	5
Capital Improvements and Other Purposes Funds:	5
Internal Service Funds:.....	5
Technical Services Revolving Fund:.....	5
Capital Equipment Data Processing Revolving Fund:	6
CONDITION OF RECORDS.....	7
Administration of Longevity:	7
No Medical Certificate on File:.....	8
Employee Evaluations Not on File:.....	9
Misuse of State Resources:.....	10
Inadequate Maintenance of Inventory Records:	11
Lack of Statewide Software Disposal Policy:	12
RECOMMENDATIONS	14
INDEPENDENT AUDITORS' CERTIFICATION.....	18
CONCLUSION.....	20

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AUDITORS OF PUBLIC ACCOUNTS

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June 23, 2014

AUDITORS' REPORT DEPARTMENT OF INFORMATION TECHNOLOGY FOR THE FISCAL YEARS ENDED JUNE 30, 2008, 2009, 2010 AND 2011

We have examined the financial records of the Department of Information Technology (DOIT) for the fiscal years ended June 30, 2008, 2009, 2010 and 2011. 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, 2008, 2009, 2010 and 2011 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 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 as the CIO on February 18, 2005 and served until January 5, 2011. Mark Raymond was appointed as the CIO on June 2, 2011.

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.

This report on the audited period ending June 30, 2008, 2009, 2010 and 2011, is the last reporting period for which a separate audit report will be issued on the Department of Information Technology. The Department of Information Technology was dissolved, pursuant to Public Act 11-51 and, as such, all subsequent audit reports will be issued under its successor, the Department of Administrative Services – Bureau of Enterprise Systems and Technology.

Significant Legislation

Public Act 09-111 – Effective May 26, 2009, this act reduced the projected state General Fund deficit for fiscal year 2009, in part, by transferring \$3,500,000 from the Capital Equipment Data Processing Revolving Fund to the General Fund.

Public Act 11-51 – Effective July 1, 2011, this act dissolved the Department of Information Technology and made the Department of Administrative Services its successor department.

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, 2011, the members and their appointing authorities were:

Kendall Wiggin, Chair	State Librarian, Connecticut State Library
Marc Herzog, Vice Chair	Connecticut Technical Colleges
Donald Blevins	Connecticut Association of Boards of Education
Russell Feinmark	Representing the Speaker of the House
Patricia Fusco	Representing Connecticut Federation of Teachers
Kathy Giotsas	Connecticut Library Association
Judith Greiman	Connecticut Conference of Independent Colleges
Open	Connecticut State University System
Ed Klonoski	Charter Oak State College
David Gilbertson	University of Connecticut
Rich Mavrogeanes	Representing the President Pro-Tempore of the Senate
Open	Department of Education
Open	Department of Higher Education (Board of Regents, effective July 1, 2011)
Anthony Palermino	Department of Public Utility Control (Public Utilities Regulatory Authority)
Cheryl Prevost	Connecticut Education Association
Bill Silver	Connecticut Association of Public School Superintendents
Joshua Smith	Connecticut Educators Computer Association
Bart Stanco	Representing the Governor
Open	Department of Information Technology (Department of Administrative Services)

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 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-, \$20,605, \$-0-, and \$-0- for the fiscal years ending June 30, 2008, 2009, 2010 and 2011, respectively. These amounts represent refunds of prior year expenditures.

A comparative summary of Department of Information Technology expenditures from General Fund appropriations for the fiscal years ending June 30, 2008, 2009, 2010 and 2011 is presented below:

	<u>Fiscal Year</u> <u>2010-2011</u>	<u>Fiscal Year</u> <u>2009-2010</u>	<u>Fiscal Year</u> <u>2008-2009</u>	<u>Fiscal Year</u> <u>2007-2008</u>
Personal Services	\$ 6,283,604	\$ 6,560,924	\$ 9,174,090	\$ 9,421,478
Other Expenditures	5,534,948	5,668,213	6,376,031	7,800,790
Capital Equipment	-	-	-	-
CT Education Network	3,506,411	3,503,878	3,073,463	3,233,488
Internet and Email Services	4,511,808	4,980,592	5,492,751	4,983,076
Statewide Information Technology	19,976,011	20,990,257	-	-
Total General Fund Expenditures	<u>\$ 39,812,782</u>	<u>\$ 41,703,864</u>	<u>\$ 24,116,335</u>	<u>\$ 25,438,832</u>

General Fund expenditures amounted to \$25,438,832, \$24,116,335, \$41,703,864 and \$39,812,782 during the fiscal years ended June 30, 2008, 2009, 2010 and 2011, respectively.

The increase in General Fund expenditures in fiscal years 2010 and 2011 was attributable to a direct General Fund appropriation for Statewide Information Technology, pursuant to Public Act 09-3. This new appropriation was previously accounted for in the Technical Services Revolving Fund.

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, 2008, 2009, 2010 and 2011, totaled \$1,382,558, \$1,696,355, \$2,038,348 and \$10,286,854, respectively. A summary of fund expenditures is presented below:

	<u>Fiscal Year Ended June 30,</u>			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Health Insurance Portability & Accountability	\$ 33,049	\$ 42,280	\$ 214,350	\$ 734,287
CT GEO Initiative	-	-	697	(6,639)
CT GEO Information	16,995	27,015	-	(45,010)
ARRA-Expanded Education Safety Network	8,434,653	-	-	-
Employee Exercise Facility	14,269	18,613	25,397	18,650
ED-Net	2,319,828	714,545	1,071,256	1,059,196
E911 Telecommunication Fund BTOP Match	4,636,218	-	-	-
Total Special Revenue Fund Expenditures	<u>\$ 15,455,012</u>	<u>\$ 802,453</u>	<u>\$ 1,311,700</u>	<u>\$ 1,760,484</u>

Special Revenue Funds – Other:

The Capital Equipment Purchase Fund was used to purchase EDP hardware equipment totaling \$0, \$14,442, \$634,157 and \$384,273 during the fiscal years ended June 30, 2008, 2009, 2010 and 2011, respectively.

Capital Improvements and Other Purposes Funds:

Expenditures totaling \$5,025,410, \$1,264,405, (\$7,188) and \$390,575 for fiscal years ending June 30, 2008, 2009, 2010 and 2011, 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. The significant change in receipts and disbursements is attributable to the change in funding from the Revolving Fund to the General Fund. Revolving Fund cash receipts and disbursements for the 2007-2008, 2008-2009, 2009-2010 and 2010-2011 fiscal years were as follows:

	<u>2010-2011</u>	<u>2009-2010</u>	<u>2008-2009</u>	<u>2007-2008</u>
Cash Balance Beginning of Year	\$ 5,826,928	\$ 7,454,812	\$ 7,223,374	\$ 6,895,520
Receipts	5,171,692	6,130,012	34,108,740	35,164,447
Interfund Transfers	-	(3,285,116)	-	-
Total	10,998,620	10,299,708	41,332,114	42,059,967
Disbursements	5,195,197	4,472,780	33,877,302	34,836,593
Cash Balance End of Year	\$ 5,803,423	\$ 5,826,928	\$ 7,454,812	\$ 7,223,374

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. The significant change in disbursements is attributable to Public Act 09-111, which transferred \$3,500,000 from this fund to the General Fund. The Capital Equipment Data Processing Revolving Fund was eliminated in fiscal year 2011, resulting in a \$0 balance at June 30, 2011. Capital Equipment Data Processing Revolving Fund cash receipts and disbursements for the 2007-2008, 2008-2009, 2009-2010 and 2010-2011 fiscal years were as follows:

	<u>2010-2011</u>	<u>2009-2010</u>	<u>2008-2009</u>	<u>2007-2008</u>
Cash Balance Beginning of Year	\$ 12,783	\$ 12,783	\$ 3,282,127	\$ 2,770,257
Receipts	-	-	230,656	511,870
Total	12,783	12,783	3,512,783	3,282,127
Disbursements	12,783	-	3,500,000	-
Cash Balance End of Year	\$ -	\$ 12,783	\$ 12,783	\$ 3,282,127

CONDITION OF RECORDS

Our testing of the Department of Information Technology's records noted the following reportable matters.

Administration of Longevity:

Criteria: Prior to 2013, the State of Connecticut provided longevity payments as a fringe benefit to employees with at least ten years of state service.

Condition: We compiled a list of all employees who received longevity payments in October 2009 and noted two employees who received longevity payments to which they were not entitled. The agency determined that one employee was not eligible for the payment and took steps to successfully recoup the payment from the ineligible employee. We were informed by agency personnel that the agency recouped the payment from the other ineligible employee, but there was no evidence to support this.

We also compiled a list of all employees who received longevity payments in April 2011 and noted that one employee received a payment to which the employee was not entitled. Repayment was made by the employee for the payment. In addition, we noted that one employee who was entitled to longevity since October of 2004 did not receive the payments. The payments were subsequently made to the employee.

Effect: Two employees were overpaid a total of \$318 for fiscal year 2009 and one employee was overpaid \$170 for fiscal year 2011. The department failed to pay another employee longevity amounting to \$12,663 since 2004.

Cause: For one employee, the cause appears to be a leave of absence with a prior state agency that the current agency was not aware of. The other two employees' time appears to have been calculated incorrectly. For the third employee, who did not receive longevity payments, the cause appears to be an incorrect calculation of war service.

Recommendation: The Department of Information Technology should thoroughly review employee records for breaks in state service that do not count towards longevity before making these payments to employees. Also, the agency should initiate steps to recoup payments that were made in error to employees.

Agency Response: “We agree. In 2010, the department conducted an audit on military war service credit for agency employees, and as a result, found that military leave was not correctly credited for two employees. This caused a longevity overpayment for one employee and an underpayment for another. Additionally, in FY 11, the department conducted an audit on the seniority and longevity of all former DOIT employees over a one year period, and made necessary adjustments to the records. The department has paid the proper amounts to the employee who was underpaid, has recouped the overpayments made to two of the employees identified, and is currently taking corrective action on the remaining overpayment.

The department recognizes that it must thoroughly review employee records before making longevity payments. Although the Core-CT human resources system calculates and adjusts an employee’s longevity date based upon the employment records in the system, the department understands that manual modifications to the longevity date must be made at times (i.e. when there are adjustments to paid time or retroactive leave of absences). DAS will review employee records before longevity payments are made to ensure that any such manual adjustments are made.”

No Medical Certificate on File:

Criteria: Section 5-247-11(a) of the Regulations of Connecticut State Agencies states an acceptable medical certificate, which must be on the form prescribed by the Commissioner of Administrative Services and signed by a licensed physician or other practitioner whose method of healing is recognized by the state, will be required of an employee by his appointing authority to substantiate a request for sick leave for any period of absence consisting of more than five consecutive working days.

Condition: Our testing disclosed that one employee, who was on sick leave for more than five consecutive working days, did not have the required medical certificate on file.

Effect: The department is not in compliance with section 5-247-11(a) of the Regulations of Connecticut State Agencies.

Cause: The Human Resources department could not locate the employee’s medical file to ascertain whether the employee provided a medical certificate.

Recommendation: The Department of Information Technology should take steps to improve controls over all employee personnel files and ensure the proper medical certification forms are maintained.

Agency Response: “The employee identified above was a DOIT employee who was laid off during the 2011 agency mergers and later rehired by another state agency in 2013. Pursuant to standard statewide practice, DAS transferred the employee’s personnel files to the new agency upon her rehire. The department has developed a process to confirm personnel file transfers in such instances, and will improve that process to better clarify and identify the specific files transferred and subsequently received. DAS has taken measures to ensure that proper medical certificates are on file when required.”

Employee Evaluations Not on File:

Criteria: Section 5-237-1 of the Regulations of Connecticut State Agencies 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: The department has an established control to track the completion of employee evaluations; however, we noted that two employees were identified as not having evaluations on file with the Human Resources Unit for fiscal year 2009. We also noted that 24 employees were identified as not having evaluations on file with the Human Resources Unit for fiscal year 2011.

Effect: The absence of employee performance evaluations prevents the verification of salary increases attributable to such reviews.

Cause: We were notified that, due to budget cuts, individuals responsible for performance evaluations and individuals who were missing evaluations either were laid off, transferred out of the agency or retired prior to the evaluations being completed.

Recommendation: The Department of Information Technology should comply with Section 5-237-1 of the Regulations of Connecticut State Agencies and perform annual performance evaluations of their employees.

Agency Response: “As indicated in the Cause section above, a number of performance evaluations for DOIT employees were not conducted because individuals responsible for completing these evaluations

were laid off, transferred out of the agency, or retired as a result of the 2011 agency merger. DAS understands the importance of performing annual performance evaluations for all its employees. The DAS Human Resources Unit distributes performance evaluation forms and correspondence to managers and supervisors on an annual basis outlining the timeframes in which ratings should be completed and served. The Human Resources Unit will implement an internal procedure to follow-up on evaluations not received.”

Auditors’ Concluding

Comment:

Although there were layoffs for some supervisors effective July 1, 2011, Section 5-27-1 of the Regulations of Connecticut State Agencies states, “...service ratings should be filed annually for each permanent employee at least three months prior to the employee’s annual increase date.”

Misuse of State Resources:

Criteria:

Section 4-33a of the General Statutes provides that state agencies shall promptly notify the Auditors of Public Accounts and the Comptroller of any unauthorized, illegal, irregular or unsafe handling of resources.

Condition:

Our sampling disclosed that three of the ten cases tested involved an irregular or unauthorized use of state resources that were not reported to our office or the Comptroller. One individual used a state-issued cell phone for personal use. This happened over a period of time and was investigated by the agency. Subsequent to the department’s investigation, the same employee used the cell phone for personal use again on various dates. The department investigated this and the employee reimbursed the state for all personal calls identified in both instances.

Another employee was investigated for viewing pornographic websites on state-issued computers. The department investigated this incident and the employee agreed to, and received, a thirty day suspension.

In both of these cases, the department failed to notify the Auditors of Public Accounts and the Office of the State Comptroller, as required by Section 4-33a of the General Statutes.

Effect:

The department is not in compliance with Section 4-33a of the General Statutes.

- Cause:* It appears that a lack of administrative oversight may have contributed to this situation.
- Recommendation:* The Department of Information Technology should promptly notify both the Auditors of Public Accounts and the State Comptroller of any unauthorized, illegal, irregular or unsafe handling of resources in order to be in compliance with Section 4-33a of the Connecticut General Statutes.
- Agency Response:* “The department agrees with the recommendation. DAS has put procedures in place to ensure that all unauthorized, illegal, irregular or unsafe handling of resources are reported to the Auditors of Public Accounts and to the Comptroller’s Office per C.G.S. § 4-33a.”

Inadequate Maintenance of Inventory Records:

- Criteria:* Section 4-36 of the General Statutes provides that an inventory of property shall be kept in the form prescribed by the Comptroller. The State Comptroller’s Property Control Manual specifies requirements and standards that state agency property control systems must comply with, including maintaining a software inventory to track and control all agency software media, licenses or end user license agreements, certificates of authenticity, documentation and related items and tagging, recording and maintaining capital assets and controllable property on the Core-CT Asset Management Module. The State Comptroller’s Property Control Manual requires that assets with a cost of \$1,000 or more be capitalized and, when applicable, property with a unit cost of less than \$1,000 be recorded as controllable.
- Condition:* We noted in our testing that one asset listed on the department’s inventory record with a current status of in service could not be located. We were notified that the part, with a book value of \$11,272, was returned to the vendor and not updated in the inventory records.
- Our testing also disclosed one asset that had a different asset tag number than the tag number listed in the inventory record.
- Effect:* Deficiencies in the control over equipment inventory provide a decreased ability to properly safeguard state assets and accurately report the department’s inventory. The department is not in

compliance with the requirements of the State Property Control Manual.

Cause: Internal controls over fixed assets and personal property were inadequate.

Recommendation: The Department of Information Technology should improve its internal controls over the custody and reporting of its property inventory.

Agency Response: “The department has made significant improvements in inventory controls in recent years. The department will update the inventory records to note the one asset that was returned to the vendor and will fix the incorrect tag number for the other asset identified by the Auditors.”

Lack of Statewide Software Disposal Policy:

Criteria: Section 4d-8 subsection (b) subdivision (2) of the Connecticut General Statutes identifies that the department is responsible for ensuring that software is properly disposed of.

Condition: There is no statewide policy for handling the removal of 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 has not created the software disposal policy as recommended in our previous audit report.

Recommendation: The Department of Information Technology 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.

Agency Response: “In July 2011, responsibility for IT policy was statutorily moved to the Office of Policy and Management (see Conn. Gen. Stat. § 4d-8a). DAS agrees that a central software acquisition, management, use, deployment and disposal platform and policy would provide better utilization of existing state resources. However, it is unclear if the effort to develop and implement such a policy would save

more than it would cost. DAS will work with OPM to draft a policy.”

Auditors’ Concluding

Comment:

In 2012, the State of Connecticut was subject to a software licensing compliance audit by one software manufacturer. Preliminary findings indicate that the state is not in compliance with software licensing on approximately 4,500 licenses. This non-compliance may result in a liability to the state in excess of 5.2 million dollars. This is an example of just one software compliance audit. It would appear, based on potential, future compliance audits and penalties that the benefits of a central software acquisition, management, use, deployment and disposal platform and policy would far outweigh the costs of development and implementation.

RECOMMENDATIONS

Seventeen recommendations were presented in our prior report. As indicated below, fourteen of those recommendations have been resolved. Three of the recommendations have not been fully resolved and are therefore repeated in this report.

Status of Prior Audit Recommendations

- 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. This recommendation has been resolved.
- The department's administration should consider assisting the Human Resources Unit in enforcing the submission of employee performance evaluations by DOIT managers. This recommendation has been repeated. (See Recommendation 3)
- The department should review the Core-CT Personnel Actions History Report to verify the propriety and authorization of any changes made to employees' files. This recommendation has been resolved.
- The department should properly account for the salary and fringe benefit costs for services provided. 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 resolved.
- The department should initiate steps to improve the timeliness of year-end financial reports. This recommendation has been resolved.
- The department should ensure that its rate structure for mainframe services is developed to eliminate excess profits. This recommendation has been resolved.
- 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. This recommendation is repeated in part. (See Recommendation 5)
- 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. This recommendation has been repeated. (See Recommendation 6)

- The department should exercise greater care for ensuring that costs on vendor invoices are in agreement with the applicable master agreement terms. This recommendation has been resolved, as control is now with the Department of Administrative Services.
- The department should charge training and education costs of General and Revolving Fund employees in accordance with the position funding of such employees. 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 resolved.
- 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 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 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. 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 resolved.
- 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. This recommendation has been resolved.
- 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. This recommendation will not be repeated.

Current Audit Recommendations:

- 1. The Department of Information Technology should thoroughly review employee records for breaks in state service that do not count towards longevity before making these payments to employees. Also, the agency should initiate steps to recoup payments that were made in error to employees.**

Comment:

Our testing disclosed three instances in which the amount of longevity calculated was incorrect.

- 2. The Department of Information Technology should take steps to improve controls over all employee personnel files and ensure the proper medical certification forms are maintained.**

Comment:

Our review disclosed one instance in which an employee was on extended sick leave and the department was unable to provide documentation pursuant to the Regulations of State Agencies, Section 5-247-11 (a), to support this absence.

- 3. The Department of Information Technology should comply with Section 5-237-1 of the Regulations of Connecticut State Agencies and perform annual performance evaluations of its employees.**

Comment:

Our review disclosed a number of employees who did not receive annual performance evaluations pursuant to the Regulations of State Agencies, Section 5-237-1.

- 4. The Department of Information Technology should promptly notify both the Auditors of Public Accounts and the State Comptroller of any unauthorized, illegal, irregular or unsafe handling of resources in order to be in compliance with Section 4-33a of the Connecticut General Statutes.**

Comment:

Our review disclosed three instances in which unauthorized use of state resources occurred and the department failed to notify the Auditors of Public Accounts and the Office of the State Comptroller.

- 5. The Department of Information Technology should improve its internal controls over the custody and reporting of its property inventory.**

Comment:

Our review disclosed two instances of incorrect inventory records.

- 6. The Department of Information Technology 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.

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, 2008, 2009, 2010 and 2011. This audit was primarily limited to performing tests of the department's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the department's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the department are complied with, (2) the financial transactions of the department are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the department are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Information Technology for the fiscal years ended June 30, 2008, 2009, 2010 and 2011, 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:

Management of the Department of Information Technology is responsible for establishing and maintaining effective internal control over financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts, and grants. 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 department's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control over those control objectives. Accordingly, we do not express an opinion on the effectiveness of the Department of Information Technology's internal control over those control objectives.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct on a timely basis unauthorized, illegal, or irregular transactions or breakdowns in the safekeeping of any asset or resource. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that noncompliance which could result in significant unauthorized, illegal or unsafe transactions and/or material noncompliance with certain provisions of laws, regulations, contracts, and grant

agreements that would be material in relation to the department's financial operations will not be prevented, or detected and corrected on a timely basis.

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. We did not identify any deficiencies in internal control over the agency's financial operations, safeguarding of assets, or compliance with requirements that we consider to be material weaknesses, as defined above. However, we consider the following deficiency, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be a significant deficiency: Recommendation 4 – non-compliance with Section 4-33a of the General Statutes. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the 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 department'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 department 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

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Department of Information Technology during the course of our examination.



Michael Abbatiello
Associate Auditor

Approved:



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts