

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
MILITARY DEPARTMENT  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013*

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

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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June 21, 2017

**AUDITORS' REPORT  
MILITARY DEPARTMENT  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013**

We have audited certain operations of the Military Department in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2012 and 2013. The objectives of our audit were to:

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

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

assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

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

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department. For the areas audited, we identified

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

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

## **COMMENTS**

### **FOREWORD**

Title 27 of the General Statutes contains the Military Department's statutory authority and responsibilities. The department's principle public responsibilities are to train, resource, and coordinate state emergency response assets and plan for and protect citizens and their property in times of war, terrorism, invasion, rebellion, riot, or disaster. The Military Department facilitates public safety during emergencies.

The Military Department is functionally divided into 4 major components: Headquarters, Connecticut Army National Guard, Connecticut Air National Guard, and the Organized Militia. Headquarters includes the Adjutant General and Assistant Adjutant General, who are appointed by the Governor. The Adjutant General is the commander of the National Guard and Organized Militia and oversees civilian employees who provide administrative support to the military personnel of the department. The Adjutant General commands the elements of the Military Department through the Joint Force Headquarters located in the William A. O'Neill Armory in Hartford. As of June 30, 2013, the Connecticut Army National Guard consisted of 4 major commands with 47 units stationed in 18 state readiness centers, 2 army aviation facilities, and 5 training facilities. The Connecticut Air National Guard consists of a headquarters and the 103rd

Airlift Wing. The Airlift Wing is comprised of the 103rd Air Control Squadron based in Orange and the 103rd Air and Space Operations Group, Maintenance Group, Operations Group, Mission Support Group, and Medical Group, all located in East Granby. The Organized Militia consists of the Connecticut State Guard, Connecticut State Guard Reserve, and the Governor's Foot and Horse Guards. The Connecticut State Guard and Connecticut State Guard Reserve may be called upon during emergencies to augment the state's military force structure with administrative and logistical support. The Governor's Guards also represent the Governor and the citizens of the state in a ceremonial capacity.

Major General Thaddeus J. Martin served as Adjutant General during the audited period and currently serves in that capacity.

### **Recent Legislation**

The following notable legislative changes affecting the department took effect during the audited period:

- Public Act 11-48, effective July 1, 2011, allowed nonprofit organizations receiving contributions that support the Governor's Horse Guard to use the horse guard's Avon and Newtown facilities for fundraising purposes without charge, provided it does not interfere with the facilities' military use.
- Public Act 12-1, of the June 12, 2012 Special Session, effective July 1, 2012:

Section 107 established a separate, non-lapsing account within the General Fund to be known as the "chargeable transient quarters and billeting account." The account shall contain proceeds of room service charges at Camp Niantic and shall be expended by the Adjutant General for the purposes of billeting members of the armed forces at Camp Niantic.

Section 108 established a separate, non-lapsing account within the General Fund to be known as the "Governor's Guards account." The account shall contain proceeds of Governor's Guards programs and shall be expended by the Adjutant General for the purposes of facilitating the operations of the Governor's Guards.

Section 109 established a separate, non-lapsing account within the General Fund to be known as the "Governor's Guards Horse account." The account shall contain donations for the specific purpose of offsetting the costs of maintaining Governor's Guards' horses and shall be expended by the Adjutant General for the purpose of facilitating the operations of the Governor's Guards.

- Public Act No. 12-200, effective July 1, 2012, established a separate, non-lapsing account within the General Fund to be known as the "Army National Guard state morale, welfare and recreation account." The account shall contain proceeds of state military morale, welfare, and recreation programs and shall be expended by the Adjutant General to operate these programs.

## **RÉSUMÉ OF OPERATIONS**

### **General Fund**

A summary of General Fund revenues during the audited period and the preceding fiscal year follows:

	<b><u>Fiscal Year Ended June 30,</u></b>		
	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>
Armory Rentals	\$8,674	\$7,018	\$1,180
Refunds of Expenditures	2,717	11,499	487,457
All Other	1,780	12,350	-
Total Revenue	<u>\$13,171</u>	<u>\$30,867</u>	<u>\$488,637</u>

The increase in General Fund revenues during the fiscal year ended June 30, 2013 is due to reimbursements the department received from the Department of Emergency Services and Public Protection for expenditures incurred due to winter storm Alfred.

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

	<b><u>Fiscal Year Ended June 30,</u></b>		
	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>
Personal Services & Employee Benefits	\$3,369,372	\$3,579,033	\$3,258,978
Purchased and Contracted Services	100,680	116,387	74,947
Rental and Maintenance – Equipment	52,414	58,512	64,873
Motor Vehicle Costs	120,886	115,375	110,998
Premises and Property Expenses	1,617,468	2,108,522	1,949,440
Information Technology	6,967	1,099	2,180
Communications	30,817	29,694	47,635
Purchase Commodities	119,446	88,232	59,155
Capital Outlays	21,246	1,930	1,937
Reimbursements	-	157,639	234,088
Grants	496,800	46,300	249,000
Total Expenditures	<u>\$5,936,096</u>	<u>\$6,302,723</u>	<u>\$6,053,231</u>

Total General Fund expenditures increased by \$366,627 during the fiscal year ended June 30, 2012 and decreased by \$249,492 during the fiscal year ended June 30, 2013. These changes resulted primarily from the following significant fluctuations in expenditures.

The \$209,661 increase in personal services expenditures during the fiscal year ended June 30, 2012 was primarily due to a greater use of Army and Air National Guard personnel to address weather-related emergencies in the state. The increase in premises and property expenses during the fiscal years ended June 30, 2012 and 2013 from fiscal year 2011 was due to renovation projects at the Hartford and Waterbury armories, and a repaving project at the Newtown Training Site.

The amounts reported as reimbursements during the fiscal years ended June 30, 2012 and 2013 are due to expenses incurred by the Army and Air National Guards during winter storms Alfred and Nemo, and Hurricanes Irene and Sandy. The amounts reported as grants consist of amounts paid for veteran service bonuses, which are awarded to qualified military personnel returning from deployment. The amount paid each year fluctuates, depending on the amount of qualified personnel that returned from deployment during the year.

### **Special Revenue Funds**

#### **Federal and Other Restricted Accounts**

A summary of Federal and Other Restricted Accounts Fund revenues during the audited period and the preceding fiscal year follows:

	<b><u>Fiscal Year Ended June 30,</u></b>		
	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>
Federal Grants	\$37,607,387	\$23,464,863	\$22,937,407
Non-Federal Aid	79,393	97,188	220,121
All Other	145,078	147,610	182,781
Total Revenue	<u>\$37,831,858</u>	<u>\$23,709,661</u>	<u>\$24,340,309</u>

The majority of the federal grants revenue received was from the Department of Defense to provide support to the Army and Air National Guards for the construction, maintenance, and operation of military facilities. The significant increase in federal grants revenue during the fiscal year ended June 30, 2011 was due to construction and restoration projects at the Niantic Readiness Center and Regional Training Institute at Camp Niantic.

The increase noted during the fiscal year ended June 30, 2013 in non-federal aid is due to amounts received by the Department of Emergency Services and Public Protection for shared expenses for the New England Disaster Training Center at Camp Hartell in Windsor. These reimbursements were previously reflected as a reduction in expenses rather than as revenue.

A summary of Federal and Other Restricted Accounts Fund expenditures during the audited period and the preceding fiscal year follows:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Federal:			
Personal Services & Employee Benefit	\$6,838,488	\$7,936,229	\$7,774,214
Purchased and Contracted Services	20,256,456	5,700,532	1,662,192
Rental and Maintenance – Equipment	138,811	125,822	123,815
Motor Vehicle Costs	77,136	59,518	70,861
Premises and Property Expenses	6,004,719	8,066,510	6,057,483
Communications	145,553	381,204	32,472
Purchase Commodities	140,641	53,634	59,583
Capital Outlays	973,078	423,100	58,642
Fixed Charges	1,553,061	649,070	1,360,171
Total Federal Expenditures	<u>36,127,943</u>	<u>23,395,619</u>	<u>17,199,433</u>
Non-Federal:	<u>42,212</u>	<u>54,763</u>	<u>105,093</u>
Total Expenditures	<u>\$36,170,155</u>	<u>\$23,450,382</u>	<u>\$17,304,526</u>

Federal and Other Restricted Accounts expenditures decreased during the fiscal year ended June 30, 2012 by over \$12 million and decreased again in the fiscal year ended June 30, 2013 by over \$6 million. The significant increase in expenditures during the fiscal year ended June 30, 2011 was primarily due to several construction, modernization, and renovation projects. Specifically, purchased and contracted services expenditures are associated with the construction of the East Haven Rifle Range, the Armed Forces Reserve Center located in Middletown, and the Niantic Readiness Center and Regional Training Institute at Camp Niantic.

Personnel services and employee benefit expenditures increased during the fiscal year ended June 30, 2012 by over \$1 million due to increased staffing levels and pay increases. There was also an additional pay period during the fiscal year ended June 30, 2012. The increase in premises and property expenses during the fiscal year ended June 30, 2012 was due to escalated costs for facility security; renovation and construction projects, including electrical updates at the Theater Aviation Sustainment Maintenance Group in Groton; the installation of an air conditioner and generator at Camp Niantic; and the demolition of outdated buildings at Camp Hartell in Windsor Locks and Camp Niantic.

Communications expenditures increased by over \$235,000 during the fiscal year ended June 30, 2012, mostly as a result of the department upgrading its telecommunication system. In addition, expenditures for purchased commodities increased during the fiscal year ended June 30, 2011 due to clothing and footwear expenses for 5 additional firefighter positions that were created.

Capital outlay expenditures mostly represent costs associated with equipment needed to furnish newly constructed or renovated buildings. Variances noted seem in line with the deviation with purchased and contracted services expenditures. Fixed charges mainly

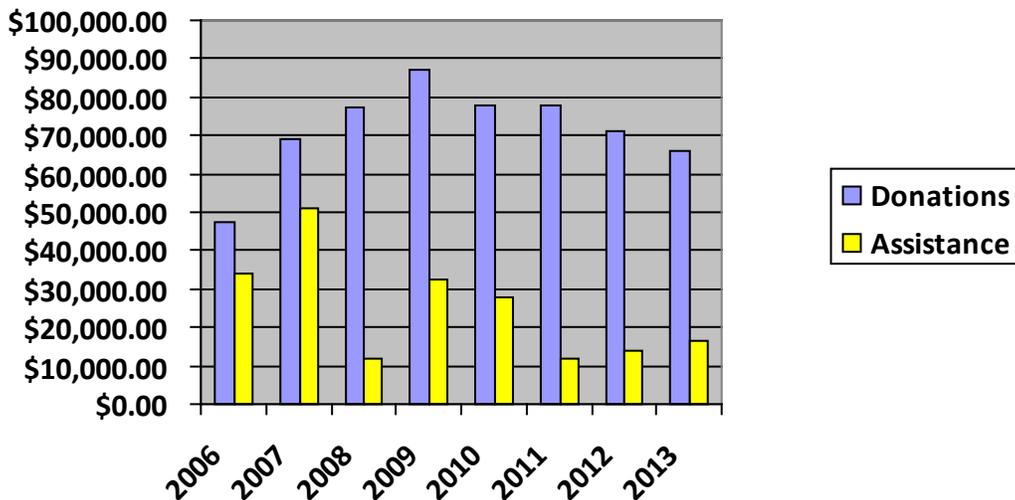
consist of grant transfers to the Bureau of Construction Services within the Department of Administrative Services for various construction, modernization, and renovation projects. Amounts for both these categories fluctuate based on the types of projects that the department is undertaking at the time.

### Military Family Relief Fund

The Military Family Relief Fund (MFRF) was established by Section 27-100a of the General Statutes for the purpose of providing financial assistance in time of hardship to immediate family members of military service personnel residing in the State of Connecticut. The fund is available to active duty service members as well as National Guard and Reserves who are on active duty. The Military Department established a grant application and approval process that includes a 6-person board responsible for awarding benefits to eligible applicants.

The MFRF is a separate, non-lapsing General Fund account administered by the Office of the State Treasurer. The account was established with an initial \$500,000 state appropriation. Ongoing funding is provided by public donations from the state income tax refund, which began July 1, 2005 for tax years commencing January 1<sup>st</sup> of that year. Donations collected and assistance awarded from July 1, 2005 to June 30, 2013 were \$573,293 and \$199,042, respectively. As of June 30, 2013, the MFRF program account had a balance of \$874,251. Net donations collected and assistance awarded in each calendar year since the program's inception is presented graphically below:

MFRF Donations & Assistance Awarded Calendar Years 2006 – 2013



### **Capital Equipment Purchase Fund**

From the Capital Equipment Purchase Fund, the department expended \$33,235, \$75,751, and \$145,981 for the fiscal years ended June 30, 2011, 2012, and 2013, respectively. Expenditures were for the purchase of motor vehicles and office equipment. The increase in expenditures was due to the purchase of a truck in 2012 and 2013 and the purchase of facility maintenance equipment such as a compact utility tractor, mower, and backhoe in 2013.

### **Capital Improvements Funds**

From the Capital Improvements Funds, the department expended \$327,471, \$478,568, and \$266,882 for the fiscal years ended June 30, 2011, 2012, and 2013, respectively. The Military Department uses bond funds to finance capital projects administered by the Department of Administrative Services Bureau of Construction Services. Year-to-year fluctuation of expenditures reflects the department's practice of designing projects one year and constructing in the next. In addition, the availability of funds also impacts bond fund expenditures in any given year.

### **Connecticut National Guard Foundation, Inc.**

The Connecticut National Guard Foundation, Inc. is a private nonprofit corporation with an independent governing body that is separate from the Military Department. The foundation is a public charity whose purpose is to provide familial assistance and support for members of the Connecticut National Guard and Organized Militia. The foundation raises funds from the general public, corporations, and corporate and governmental employees for temporary financial assistance, scholarships, special projects, and endowment for those needs. Benefits, in the form of clothing, food, medical/surgical aid, and general care and relief are provided to eligible candidates via an application process. The Military Department provides space to the foundation at no cost. The foundation's audited financial statements for the years ended December 31, 2012 and 2013 reported total revenues and support of \$112,758 and \$91,808, respectively. Total expenses reported for the same periods were \$136,682 and \$114,137, respectively.

Additional comments on the foundation can be found in the State Auditors' Findings and Recommendations section of this report.

### **Other Matters**

In December 2013, the Military Department received allegations that the building superintendent assigned to Camp Hartell in Windsor Locks had engaged in misconduct while performing his duties. Based on these allegations, the Adjutant General appointed a state and federal employee to investigate the allegations. The investigations disclosed that the building superintendent stole gas from state fuel pumps, sold copper and other scrap metal belonging to the state for financial gain, used wood from state property for personal use, used his state-owned vehicle for personal business, falsified timesheets,

consumed alcohol while on duty, and ordered his subordinates to perform work at his home and the home of his neighbors. During the course of the investigation, the building superintendent elected to retire from state service. He was arrested in September 2014, granted accelerated rehabilitation, and ordered to pay the state \$655 in restitution. He was also ordered to pay a civil penalty of \$5,500 for violating the State Code of Ethics. The investigation disclosed that 2 other employees were also found to have violated department policies and were terminated from employment. One of the employees assisted the building superintendent in selling the scrap metal, and was required to pay a civil penalty of \$250 for violating the State Code of Ethics.

## STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our testing of Military Department records identified the following reportable matters.

### **Cash Receipts Reconciliations Not Performed**

*Criteria:* The State Accounting Manual requires that cash proofs be periodically prepared to compare the moneys that were actually recorded with the moneys that should have been accounted for.

*Condition:* Our review of the department's procedures for processing receipts noted that the department did not reconcile cash receipts per its cash receipts journal to postings made to the general ledger.

*Effect:* Inadequate controls increase the risk that errors or irregularities may go unnoticed.

*Cause:* Internal controls over the processing of receipts were inadequate.

*Recommendation:* The Military Department should implement procedures to reconcile its cash receipts journal to postings made to the general ledger. (See Recommendation 1.)

*Agency Response:* "The agency concurs and a Cash Receipts Reconciliation Procedure has been created."

### **Grants Receivable GAAP Reporting Errors**

*Background:* Each year, state agencies are required to prepare and submit Generally Accepted Accounting Principles (GAAP) closing packages to the Office of the State Comptroller. Agency submissions contain financial information not available on the state's Core-CT accounting system. The information is used by the Office of the State Comptroller in preparation of the state's financial statements.

*Criteria:* The State Accounting Manual and the State Comptroller's GAAP closing and reporting instructions stipulate the procedures for completing GAAP reporting forms.

*Condition:* Our review of GAAP reporting forms, for the fiscal year ended June 30, 2012 and 2013, disclosed that grant receivables were understated by \$29,023 and \$69,148, respectively.

- Effect:* The state's GAAP basis financial statements could contain misstatements.
- Cause:* The department did not reconcile grant receivables reported on the GAAP reporting forms with receivables reported on the worksheet maintained by the agency to track outstanding vouchers billed to the federal government.
- Recommendation:* The Military Department should strengthen its internal controls to ensure that GAAP forms submitted to the State Comptroller are accurate and complete. (See Recommendation 2.)
- Agency Response:* "The agency concurs and staff has been instructed to recheck entries they make on the voucher tracking worksheet. Voucher tracking is to be compared against the Federal Form 270 to ensure they are both printed and coded for the same dollar amounts. A column has been added outside the form 3 of the GAAP report indicating special identification code (SID), budget reference, and voucher number for easy reference."

### **Petty Cash**

- Criteria:* The State Accounting Manual provides that employees receiving cash advances for travel expenditures from petty cash funds must submit an employee travel reimbursement form and supporting documentation within 5 working days after returning from travel.
- The State Accounting Manual states that whenever possible, a state purchasing card should be used instead of petty cash. Conference fees should be prepaid on a state purchasing card, if available. When time constraints exist, payments can be prepaid through petty cash.
- Comptroller Memorandum No. 2011-11 states that, effective July 1, 2011, payments for purchases by all state agencies under \$1,000 shall be made using the State of Connecticut purchasing card. Purchasing cards must be used for payments to any vendor that provides commodities, services, or utilities. Exceptions to this policy can be made for vendors who do not accept credit cards.
- Condition:* Our review of 10 petty cash expenditures for the fiscal years ended June 30, 2012 and 2013 totaling \$1,649 disclosed that employee reimbursement forms for 2 transactions, totaling \$1,050, were submitted up to 7 days late. We also noted 2 instances in which conference registration fees, totaling \$85, were processed through

the petty cash fund that should have been processed using a state purchasing card.

*Effect:* The agency was not in compliance with the State Accounting Manual and Comptroller Memorandum No. 2011-11. Late submission of the employee reimbursement forms can result in petty cash funds not being reimbursed in a timely manner.

*Cause:* There were weaknesses in the oversight of petty cash advances. In addition, it appears that it was the department's practice to process conference fees through petty cash.

*Recommendation:* The Military Department should strengthen internal controls over petty cash to ensure that employee reimbursement forms for travel advances are submitted in a timely manner and that state purchasing cards are used rather than petty cash when feasible. (See Recommendation 3.)

*Agency Response:* "The agency concurs and has transferred all travel related duties/functions to one individual who can closely monitor paperwork submissions and follow up with employees regarding deadlines and reinforce compliance with the state's policies regarding reimbursements.

As noted by the Auditors of Public Accounts, exceptions to the credit card use policy include vendors who do not accept credit cards. In prior years, attendees would print a hard copy of the registration form and the only payment options available were check or money orders. Going forward, the travel coordinator will be requiring a PC-1 (requisition form) for all conference fees and requestors will be instructed to provide website information so that registrations can be completed using the purchasing card."

### **Post-Employment Procedures**

*Criteria:* The State of Connecticut Code of Ethics provides that before any state employee leaves state service, an exit interview should be conducted by the agency's ethics liaison to remind the individual of potential issues relating to future employment opportunities. A written summary of the post-state employment rules should be provided at that time.

The Military Department completes a checklist to document that an exit interview and other procedures have been performed for each employee separating from state service. The procedures

include performing an ethics brief and collecting ID badges and office keys. The checklist is signed by the employee.

*Condition:* During the fiscal years ended June 30, 2012 and 2013, there were 15 Military Department employees who separated from state service. We reviewed 5 of these employees and noted that the department did not have a signed checklist on file for 1 employee to document that the employee was informed of the state's post-employment restrictions. In addition, 1 employee was allowed to retain a front door key to the Hartford Armory.

*Effect:* Former employees may not be aware of the state's post-employment restrictions. In addition, allowing a retired employee to retain access to a front door key weakens the physical security of the building and increases the risk of unauthorized access or damage to the facility.

*Cause:* The department did not obtain the proper written acknowledgements from an employee separating from state service because the employee was terminated. The retired employee was allowed to retain a key to the armory because the employee was going to be volunteering for an organization that uses space in the building.

*Recommendation:* The Military Department should ensure that employees who are leaving state service are informed of the state's post-employment restrictions and turn in all badges and keys to the building. (See Recommendation 4.)

*Agency Response:* "The agency concurs that one employee who separated from state service not in good standing did not complete an exit interview. Although a package was mailed to the employee no record of such exists and the agency will communicate via certified mail in any such future cases. The agency does not concur in regards to the retired employee having to be restricted to business hours. As a tenant of the building, key access or card access has been granted to the building and the office in which the volunteer work takes place."

*Auditors' Concluding*

*Comments:* During a time when military facilities are implementing heightened security measures, allowing non-military employees to access a military armory during non-business hours is unreasonable, weakens the physical security of the building, and increases the risk of unauthorized access or damage to the facility.

## **Rehiring of Retired Employees**

*Background:* The state's militia is divided into four classes, the Organized Militia, the Unorganized Militia, the National Guard, and the Naval Militia. The Organized Militia consists of the Governor's Guards, the Connecticut State Guard, and Connecticut State Guard Reserve. The Connecticut State Guard is authorized under Section 27-9 of the General Statutes. Section 27-9 of the General Statutes provides that whenever the Connecticut National Guard is called into federal service or whenever such a call, in the opinion of the Governor, is deemed to be imminent, the Governor shall forthwith raise, organize, maintain, and govern from the unorganized militia, a body of troops for military duty. The said body of troops, when so organized, shall be known as the Connecticut State Guard and, during the time of its existence as herein provided, it shall be a part of the organized militia. When a member of the Connecticut State Guard is ordered to duty, the individual serves under the State Active Duty Program.

*Criteria:* The Temporary Worker Retiree Program was established by Governor M. Jodi Rell's Executive Order Number 27-A. The program provides for temporary employment of state retirees for periods not to exceed 120 days per calendar year in cases where such employment is cost-effective and facilitates the maintenance of important programs or services. The executive order provides that a retired employee can be brought back to work under the following conditions:

- Any employment of a temporary worker retiree shall be part of an approved transition plan.
- The employment and compensation of any temporary worker retiree shall be reviewed by, and shall require the approval of, the Commissioner of Administrative Services, the Secretary of the Office of Policy and Management, and the Governor's office, prior to the employment of any such retiree.
- The compensation rate of any such temporary worker retiree who was covered by a collective bargaining agreement at the time of retirement and is brought back in the same capacity may not exceed the minimum hourly rate provided in such agreement for the job classification that the employee held immediately prior to retirement, or 75% of the hourly rate paid to such employee in the last pay period immediately prior to retirement, whichever is greater.

*Condition:* During the fiscal year ended June 30, 2015, the Military Department recruited a recently retired employee under the State Active Duty Program. The employee retired from the Military Department on August 1, 2014 and worked part-time under the State Active Duty Program from September 5, 2014 to June 30, 2015, earning \$20,756. A review of the duties performed by the employee under the State Active Duty Program disclosed that they mirrored the responsibilities the employee had prior to retirement and involved training current employees on how to perform tasks.

It does not appear that the hiring of this employee met the intent of the State Active Duty Program. Section 27-9 of the General Statutes provides that the Connecticut State Guard can be established when the Connecticut National Guard has been called into federal service or when the call is deemed imminent. While some portions of the Connecticut National Guard were deployed, a significant portion of the Connecticut National Guard remained in the state. Therefore, it does not seem appropriate for personnel to be recruited under the Connecticut State Guard. Since the employee appeared to perform the same functions as prior to retirement, it would have been more appropriate to hire the employee under the Temporary Worker Retiree Program.

*Effect:* Under the State Active Duty Program, the employee was paid \$1424 more compared to what the employee would have been paid if hired under the Temporary Worker Retiree Program. In addition, by recruiting the employee under the State Active Duty Program, the Military Department circumvented the requirement to obtain approval from the Commissioner of Administrative Services, the Secretary of the Office of Policy and Management, and the Governor's office prior to the hiring.

*Cause:* The Military Department considered the employee to be a subject-matter expert with extensive experience and unique military expertise and therefore felt that recruiting the employee under the State Active Duty Program was appropriate.

*Recommendation:* The Military Department should ensure that retired employees are properly rehired under the Temporary Worker Retiree Program with the approval of the Commissioner of Administrative Services, the Secretary of the Office of Policy and Management, and the Governor's office. (See Recommendation 5.)

*Agency Response:* "The agency does not concur. The agency did not rehire a retired employee. The agency utilized statutory authority to assess a qualified citizen into the armed forces of the state. Members of the

armed forces of the state are not employees. (See section 31-58e of the General Statutes). In accordance with statutory authorities, the State of Connecticut assessed a member of the armed forces. Once assessed, the member subjected himself to the oath of office, the Connecticut Code of Military Justice, and the requirements of a commissioned officer. Members of the armed forces are paid, when pay is authorized, a daily rate (salary). Members must perform duties based on mission requirements, including extended daily hours (in excess of eight hours a day), weekends and holidays.

Although the member's military salary may appear to be slightly higher than the hourly pay previously earned as a state employee (Material Storage Supervisor 3), he routinely performed duties in excess of 7.5 hours a duty day. In this regard, his earnings as a (salaried) military officer were considerably less than what he would have earned as a temporary post retirement employee. Additionally, as a member of the armed forces, the agency may place him on orders without pay, with the member's consent. In essence, utilization of the State Guard is a statutory past and current practice that has been utilized by the agency for many years to meet the military needs of the state. This practice is less expensive than utilizing state employees (or rehiring retirees). It is necessary, proper and appropriate for the agency to recruit members of the armed forces of the state.

The former state employee retains his membership as a commissioned officer in the State Guard subject to military duty (until age 64). While performing military duty, he performed duties well beyond the scope of his previous state employee duties. As a military officer he is required to "teach, advise, and evaluate." As a state employee, he was a warehouse supervisor. Although under military orders he may have performed some duties that were similar to those previously performed when employed as a state employee, many of the assigned duties were beyond the scope of duties performed when he was a state employee.

The Agency reiterates its contention that the assessing of an individual into the armed forces of the state, regardless of his previous status as a state employee or his current status as a state-employee retiree, is a legally viable option and the statutory prerogative of the Adjutant General, which is necessary for the state's military operations. See Agency Response # 9 below for the State Active Duty Program."

*Auditors' Concluding*

*Comments:*

The Temporary Worker Retiree Program was established to allow retired state workers to return to work in state government. Since the employee recruited under the State Active Duty Program was a retired state employee and he was going to be performing functions within state government similar to ones he previously performed, the rules and restrictions dictated by the Temporary Worker Retiree Program would apply. The employee was fulfilling an administrative function rather than a military function. The employee's duties included the administrative duties of overseeing the department's real and personal property, equine management programs, and administering the hunting program. The Military Department's broad definition of what constitutes a military need has allowed the department to utilize the State Active Duty Program to fulfill any employment need it may have and, in this case, allowed it to circumvent the requirement to obtain approval from the Commissioner of Administrative Services, the Secretary of the Office of Policy and Management, and the Governor's office prior to utilizing the services of the retired employee.

**Asset Management Not in Accordance with Prescribed Procedures**

*Criteria:*

Section 4-36 of the General Statutes requires that each state agency establish and maintain an inventory account in the form prescribed by the State Comptroller, and shall annually, on or before October 1st, transmit to the Comptroller a detailed inventory as of June 30th of all real property and personal property having a value of \$1,000 or more. For audit purposes, each state agency shall establish and keep a list of personal property having a value of less than \$1,000 and defined as controllable property in the property control manual published by the Comptroller.

The State of Connecticut Property Control Manual provides the following standards and procedures for maintaining a property control system.

- Agencies should report the value of all capitalized real and personal property on the CO-59 Asset Management/Inventory Report/GAAP Reporting Form and the number of agency-owned motor vehicles on the CO-648B, Summary Motor Vehicle Report, annually.
- All personal property should be tagged unless tagging the item would be impractical or would otherwise alter the item's usefulness. The tag should provide a unique number and the property owner's (agency) name.

- Firearms are to be reported on the agency's inventory regardless of the fair market value or cost.
- All agencies are required to establish a software inventory to track and control all of their software media, licenses or end user license agreements, certificates of authenticity, documentation and related items.
- Property that is deemed lost, missing, unaccountable, expired, spoiled, or damaged must be removed from the property record and a CO-853 form must be completed and submitted to the State Comptroller and the Auditors of Public Accounts.

*Condition:*

Our review of the Military Department's property control system disclosed the following.

- Amounts reported on the CO-59 Asset Management / Inventory Report / GAAP Reporting Form for the fiscal year ended June 30, 2013, did not agree with amounts per the department's inventory records. The amount reported on the buildings line on the CO-59 Report was \$174,305,311. However, the amount per the department's inventory records was \$174,410,749, a \$105,438 difference. In addition, the amount reported on the equipment line on the CO-59 Report was \$9,167,304. However, the amount per the department's inventory records was \$9,129,128, a \$38,176 difference.
- We noted 1 asset that was purchased for \$4,555 that was categorized as a controllable asset rather than being capitalized. This resulted in the equipment line on the CO-59 Report being understated.
- A CO-648B Summary Motor Vehicle Report was not completed for the fiscal years ended June 30, 2012 or 2013.
- The department did not maintain a software inventory during the fiscal years ended June 30, 2012 or 2013.
- We selected 25 items from the department's inventory records and attempted to locate them. Our review disclosed 1 item that was not properly tagged.
- We noted 55 weapons located at the Governor's Foot and Horse Guard that were not recorded on the inventory records.

- The department did not submit CO-853 loss reports for 11 items, totaling \$4,186, that were deemed lost or stolen. In addition, because agency records did not include the tag number for 5 of these items, we were unable to determine whether they were properly removed from the department's inventory records.

*Effect:* The risk of inventory being lost or stolen increases and the possibility of detecting such activity decreases when accurate inventory records are not maintained. In addition, inventory amounts reported on the state's Comprehensive Annual Financial Report (CAFR) are inaccurate.

*Cause:* The department has not made a sufficient effort to maintain accurate inventory records in accordance with the State of Connecticut Property Control Manual.

*Recommendation:* The Military Department should improve internal controls, maintain its property control system in accordance with the State of Connecticut Property Control Manual, and ensure that amounts reported on the CO-59 Asset Management/Inventory Report/GAAP Reporting Form and CO-648B Summary Motor Vehicle Report are accurate. (See Recommendation 6.)

*Agency Response:*

- 1) "The origin of the monetary discrepancies for the building and equipment lines cannot be located. The \$105,438.00 building line discrepancy was identical for FYE 2012 and FYE 2013. It appears that the discrepancy was carried over from year to year. A reconciliation process has since been instituted to complete the CO-59 Asset Management / Inventory GAAP Reporting Form, which includes but is not limited to reconciling the physical documentation with the Cost Accounting Detail Report (CORE). The agency has created an internal spreadsheet to reconcile.
- 2) The agency concurs with the one asset being incorrectly categorized as controllable resulting in the CO-59 being understated.
- 3) The Military Department has completed and submitted the CO-648B Summary Motor Vehicle Report for FYE 2014, FYE 2015.
- 4) The agency concurs that it did not maintain a software inventory at the time.

- 5) The Military Department uses adhesive paper barcode labels to tag the state property. The labels tend to become worn from repeated use, specifically tools and landscaping equipment. The end users have been instructed to request replacement tags when observed in poor condition. The Military Department has purchased a portable barcode label printer to replace any damaged/missing tags when the annual physical inventories are conducted. It should be noted that the item that was found without a state property tag is a sander, which dispenses sand onto the roadways during snow storms and is stored outside.
  
- 6) Thirty-four (34) of the fifty-five (55) weapons located at the Governor's Foot and Horse Guard are not "unit owned weapons." During a facility inspection, these weapons were found at the Foot and Horse Guard facilities. Inquiry as to their origin revealed that the unit had allegedly received the weapons as donations. As units may only possess government issued weapons and that the agency did not accept the weapons as belonging to unit members or donations, the weapons were considered a bailment and moved to the Hartford Armory vault. Once the agency exhausts all efforts to return the weapons to their owners (upon presentment of ownership documentation), any remaining weapons will be processed in accordance with Connecticut General Statutes 29-36k. Twenty-one (21) of the weapons are state weapons (2<sup>nd</sup> Governor's Foot Guard ceremonial muskets) and will be placed on the inventory.

The agency ensures accountability of all state-owned property (and those weapons it has found in facilities) by conducting semi-annual inventories. The agency accounted for weapons for which it has physical custody

The 21 muskets for the 2<sup>nd</sup> Governor's Foot Guard have been added to CORE. The state property tag numbers are R20000000E82-F04.

- 7) CO-853 reports have been submitted for the FYE 2014, 2015 & 2016."

### **Vehicle Usage Not in Compliance with Established State Procedures**

*Criteria:* The Department of Administrative Services (DAS) General Letter 115 contains the policies for the use of state-owned motor vehicles. General Letter 115 provides that each agency shall designate an agency transportation administrator. The agency transportation

administrator shall be a high-level manager or executive with fiscal and policy-making authority who reports directly to the agency head.

The agency is responsible for maintaining records regarding the agency's usage of state-owned vehicles, including daily mileage logs. Such logs provide a means of documenting that vehicles were used for official state business.

In general, all state-owned vehicles must be parked overnight at state-owned or leased facilities. In most situations, vehicles shall be parked within a 5-mile radius of the official duty station of the principal drivers. However, field personnel whose assigned geographic area is regional or statewide shall park their assigned vehicles at a facility determined by their agency transportation administrator, with approval from the Director of DAS Fleet Operations.

Federal Public Law 99-44 mandates that an employee's personal use of an employer-owned vehicle must be reported to the Internal Revenue Service (IRS) as taxable income. Personal use is defined as any non-business use, including commuting from an employee's home to his or her worksite. Agencies are required to calculate the taxable benefit to the employee in accordance with the Office of State Comptroller Memorandum No. 2012-04 and 2013-11.

*Condition:*

During our review of vehicle usage, we noted the following:

1. The employee designated as the agency transportation administrator during the audited period was a supervisor in the Asset Management Division and was not a high-level manager or executive with fiscal and policy-making authority who reports directly to the agency head.
2. Approval was not obtained from the Director of DAS Fleet Operations to permit 3 employees to park state-owned vehicles at state-owned parking lots in the employees' hometowns, which were more than 5 miles from their official worksite. We reviewed the vehicle usage of these 3 employees for a 6-month period and found that the vehicles were only used at the beginning of the work day to travel to locations other than the employees' worksite between 11% and 37% of the time. It appears that these vehicles were often used to commute from their hometown to their worksite. The department did not determine whether there was a taxable benefit to these employees for the personal use of the state-owned vehicle.

3. We reviewed 30 monthly motor vehicle usage reports and noted omissions and/or inaccuracies in 10 of them:
  - a. Four vehicle usage reports were not signed by the supervisor.
  - b. One vehicle usage report was not signed by the employee.
  - c. The amount of gas use was omitted from 6 usage reports.
  - d. The details of all locations traveled were omitted in 4 of the usage reports.

*Effect:* The department is not in compliance with General Letter 115 or its own policies. There is reduced assurance that state-owned vehicles are being used only for official state business and are effectively utilized. If vehicles are not effectively utilized, the state may be incurring unnecessary mileage reimbursement expenses for employees who use a personal vehicle rather than an available state vehicle. In addition, the failure to report the taxable benefit for the personal use of a state-owned vehicle violates Federal Public Law 99-44 and state procedures.

*Cause:* The department has not made a sufficient effort to monitor the use of state-owned vehicles.

*Recommendation:* The Military Department should strengthen its internal controls over state-owned vehicles to ensure compliance with established policies and procedures and to make certain that state resources are being used efficiently. (See Recommendation 7.)

*Agency Response:* “The agency concurs that the Agency Transportation Administrator (ATA) at the time of the audit was not a high-level manager or executive. However, since the audit a new ATA has been appointed by the Commissioner who meets the criteria of a high-level manager. The agency conducts periodic reviews of overnight parking of state owned vehicles by agency employees. The agency concurs that approval from the Director of DAS Fleet Operations was not obtained to permit three employees to park state-owned vehicles at state-owned parking lots close to employees’ hometowns. The agency has since ceased this practice with the exception of a select few where there is a direct benefit to the state.”

## **Construction Project Performed without Required Approvals**

*Background:* In September 2013 the Military Department began demolishing and rebuilding a 3,040 square foot building at Camp Niantic known as Building 65. The majority of the building construction was done by state employees. The building was completed and occupied in February 2015 and is being used as an office for the Connecticut Training Center Unit.

*Criteria:* Section 4b-52 of the General Statutes provides that no repairs, alterations, or additions involving expense to the state of \$500,000 or less shall be made to any state building or premises occupied by any state officer, department, institution, board, commission, or council of state government and no contract for any construction, repairs, alterations, or additions shall be entered into without the prior approval of the Commissioner of Administrative Services.

Section 29-252a(d)(2) of the General Statutes provides that no state building or structure erected or altered on and after July 1, 1989, for which a building permit has not been issued pursuant to subsection (b) of this section shall be occupied or used in whole or in part until the commissioner of the agency erecting or altering the building or structure certifies to the State Building Inspector that the building or structure substantially complies with the provisions of the State Building Code, Fire Safety Code, and regulations lawfully adopted under said codes for such building or alteration to such building, as the case may be.

The State of Connecticut Property Control Manual provides that the recorded asset cost for buildings should include the purchase or construction cost, professional fees for architects, attorneys, appraisers, or financial advisors, and any other expenditure necessary to put a building or structure into its intended state of operation. The value should include improvements to buildings as well as the original building costs, if the building improvements significantly extend the useful life or enhance the value of the building.

Sound business practice dictates that the department complete projects in the most efficient and cost-effective manner.

*Condition:* The Military Department did not obtain approval to demolish and construct Building 65 from the Commissioner of Administrative Services. In addition, the department did not certify to the State Building Inspector that the building substantially complies with the provisions of the State Building Code, the Fire Safety Code, and

the regulations lawfully adopted under said codes for such building prior to occupying the building.

Building 65 took 16 months to complete and the department did not track the total cost incurred to complete the project. It is estimated that at least \$160,000 was spent, but that does not include expenses that were paid through the department's purchasing card or the labor costs incurred by the state employees who worked on the building. The employees who constructed Building 65 often worked overtime to complete the project. The department did not perform an analysis prior to starting the project to determine whether there were more efficient or cost-effective ways to complete the project.

Building 65 is not recorded at the proper value in the department's inventory records. The building is currently recorded in the inventory records at \$31,629, which is low compared to how much was spent to construct the building. Since the department did not track the total cost of the project, we cannot determine the costs that should be included in the building's recorded value.

*Effect:* The department did not have approval to begin the project and the building should not have been occupied because a certification was never provided to the State Building Inspector. In addition, Building 65 may not have been constructed in the most efficient or cost-effective manner. Furthermore, inventory amounts reported on the state's Comprehensive Annual Financial Report (CAFR) are inaccurate.

*Cause:* It appears that the department did not consider the need to comply with the General Statutes pertaining to agency-administered construction projects. In addition, the department did not perform an analysis or go out to bid to determine the most efficient or cost-effective way to complete the project.

*Recommendation:* The Military Department should ensure that it complies with all General Statutes pertaining to agency-administered construction projects and verify that projects are completed in the most efficient and cost-effective manner. In addition, the department should ensure that buildings are valued in inventory records in accordance with the State of Connecticut Property Control Manual. (See Recommendation 8.)

*Agency Response:* "Building 65 is currently undergoing inspection to certify that the work substantially complies with the state building code. The inspection report is anticipated by the end of the year. The

Connecticut Military Department will provide a copy of the certification to the state auditors when it is issued.

The agency did not receive approval from the Commissioner of the Department of Administrative Services to execute this project as an agency-administered construction project before the project commenced. The agency acknowledges this error as the notification is required on any construction totaling over \$10,000. Initially, the expenditures on this project were considered commodities, not contracts, and mostly below this threshold.

The agency acknowledges that no analysis or bid information was completed before deciding to complete this project with staff personnel. This lack of analysis is due to the fact that the scope of the project grew once initiated and unsuitable conditions were discovered in the building that necessitated more work on the structure than originally intended.

After reviewing the purchases associated with building 65, agency records indicate all payments occurred after 7/1/2013 which would be outside of the audit scope. Expenses are as follows.

FY2014 \$112,013.13 – Bond Funds

FY2014 \$1,061.39 – Federal Funds

FY2015 \$49,784.54 – Bond Funds

FY2015 \$23,719.35 – Federal Funds

FY2016 \$31.78 – Federal Funds

As the project is now complete, the agency will update CORE to properly reflect the improved value of Building 65.”

### **Improper Use of the State Active Duty Program**

*Background:* The state’s militia is divided into four classes, the Organized Militia, the Unorganized Militia, the National Guard, and the naval militia. The Organized Militia consists of the Governor’s Guards, the Connecticut State Guard, and Connecticut State Guard Reserve.

*Criteria:* Section 27-9 of the General Statutes provides that whenever the Connecticut National Guard is called into federal service or whenever such a call, in the opinion of the Governor, is deemed to be imminent, the Governor shall forthwith raise, organize, maintain, and govern from the Unorganized Militia, a body of

troops for military duty. The said body of troops, when so organized, shall be known as the Connecticut State Guard and during the time of its existence as herein provided it shall be a part of the Organized Militia.

Section 27-10 of the General Statutes provides that the Governor shall order the Connecticut State Guard into active service whenever it is deemed necessary for the interests of the state and shall prescribe the number of officers and enlisted personnel required for that service, from time to time, as the necessity of the public interest requires. When ordered to duty, the individual serves under the State Active Duty Program.

*Condition:*

Our review of the State Active Duty Program disclosed that the department may not always be utilizing the program for its intended purpose. During the fiscal year ended June 30, 2012 and 2013, payments totaling \$2,023,437 were made to 1,791 individuals. We noted that 8 individuals worked close to full time for more than half the pay periods during the audited period and were paid a total of \$556,615. Since the State Active Duty Program was designed for state emergencies such as natural disasters, civil disturbances, terrorism, and other threats to life or property, it does not seem reasonable that some personnel would be getting paid so frequently under the program. A further review of these 8 individuals disclosed that all 8 employees worked at the same frequency since at least the 2009-2010 fiscal year. One of the employees had worked almost every pay period since the 2004-2005 fiscal year. In addition, 6 of the 8 employees were still working at the same frequency in the 2015-2016 fiscal year. These 8 employees were paid \$2,070,704 under the State Active Duty Program between the 2004-2005 and 2015-2016 fiscal years.

*Effect:*

The hiring of employees on a permanent or semi-permanent basis under the State Active Duty Program does not appear to meet the intent of Sections 27-9 and 27-10 of the General Statutes. If the positions are needed to accomplish the mission of the Military Department, they should be established, approved, and budgeted for as they would be by other state agencies. The use of funds for unapproved and non-budgeted positions results in less funds being available for use during emergency situations.

*Cause:*

It appears that the Military Department felt the services provided by the employees met the intent of Sections 27-9 and 27-10 of the General Statutes.

*Recommendation:* The Military Department should review its use of the State Active Duty Program to verify that it is only being utilized in emergency situations as intended. (See Recommendation 9.)

*Agency Response:* “The agency respectfully disagrees. It is important to apply the standard provided by Section 1-2z, Connecticut General Statutes, the plain meaning rule, which states, “The statutes shall, in the first instance, be ascertained from the text of the statute itself and its relationship to other statutes. Under Section 27-20(b) of the General Statutes, “the Adjutant General is charged in all matters pertaining to the command, discipline, employment and administration of the armed forces of the state, with the duty of...(7) managing and recruiting for the armed forces of the state.” Section 27-9 of the General Statutes authorize the military element entitled “Connecticut State Guard,” when the National Guard is federalized or when federalization of the Guard is imminent. Both of those conditions have continually been met since the call up and use of National Guard for the Persian Gulf War, which, by definition under Section 27-103 (a) means the period from August 2, 1990, to the date thereafter prescribed by Presidential proclamation or by law, and thus continues to the present. (38 U.S.C. § 101(33)). Section 27-9 does not require all or even any of the National Guard be federalized to stand up the State Guard – only that federalization is imminent, which during a period of war is imminent. The Adjutant General has the statutory authority to recruit members into the Connecticut State Guard. This is a statutory authority that Adjutants General have long utilized. There is no standard or statutory requirement that requires the State Active Duty program “is only utilized in emergency situations as intended.” That is not the intent of the program. The intent is to provide for the military needs of the state. The program is designed to provide military support for the state “as the necessity of the public interest requires.”

The use of the state armed forces of the state (including Guard members, organized militia and retirees) are by the order of and with the consent of the Governor (Section 27-61(e) of the General Statutes). Members provide service that is necessary for the interests of the state. It is important to understand that members of the State Armed Forces are not employees (Section 31-58e of the General Statutes). Since the member is not an employee, a member cannot be a “rehired employee.” Members of the armed forces of the state may be ordered to perform military duty, including training, with or without pay and allowances. (Section 27-61(2)(e)). There is no requirement for a state of emergency as a

condition precedent to order members to perform service. Orders are based on the needs of the state.

The State of Connecticut calls members of the state armed forces to respond to exigencies and to provide other military support as required. During the FY12 and 13 audit period, Connecticut called over 2,500 members for immediate response: 413 for Hurricane Irene (August 30 - September 6, 2011), 763 for Winter Storm Alfred (November 1-10, 2011), 887 for Hurricane Sandy (October 30 – November 9, 2012) and 441 for Blizzard Nemo (February 2013). Members are called to perform missions for which extensive military or disaster response experience is necessary (e.g., New England Disaster Training Center operations).

Members who volunteer to perform State Active Duty provide military service to the state at a significantly reduced cost than that paid for civilian employees, as members only receive their pay and allowances for their service. Members do not receive fringe or healthcare benefits or overtime. Members provide service during holidays and weekends without premium pay. Moreover, federal programs primarily fund the cost of the State Active Duty program. The Adjutant General's use of the State Active Duty program complies with the law and the law's intent. The Adjutant General has the prerogative to utilize military members or state civilian employees (Section 5-214 of the General Statutes). When determining which option to use to obtain services, the Adjutant General considers the mission, military and public interest of the state, cost and source of funds. See response # 5 above."

*Auditors' Concluding*

*Comments:*

The Military Department's broad definition of what constitutes a military need has allowed the department to utilize the State Active Duty Program to fulfill any employment need it may have. The Military Department's use of the State Active Duty Program during exigencies such as Hurricane Irene and Sandy and winter storms Alfred and Nemo is not being questioned. Rather, the hiring of employees on a permanent or semi-permanent basis for as long as 11 years is what is questioned. The functions provided by these employees seem to be mostly administrative in nature and do not appear to be for a specific military mission. If the Military Department has a constant need for additional employees then positions should be established and approved by the Office of Policy and Management and the Department of Administrative Services as required under Section 5-214 of the General Statutes as other state agencies would be required to do.

## **Issues Pertaining to the Military Family Relief Fund**

*Criteria:* Section 27-100a subsection (c) of the General Statutes states that the Military Department shall use the Military Family Relief Fund to make grants to immediate family members of eligible members of the armed forces for essential personal or household goods or services in this state if the payment for such goods or services would be a hardship for such family member because of the military service of the eligible member.

Section 27-100a subsection (e) of the statutes requires the Military Department to establish criteria for the approval of grant applications. To that end, the department developed certain processing standards, including the requirement that benefits be approved by a 6-person board. A majority of the board members must approve benefit amounts up to \$5,000 and a unanimous vote is required for benefit amounts greater than \$5,000. In addition, the department established eligibility criteria, which included the requirement that the immediate family member applying for the grant must be currently residing in the State of Connecticut with the intent to permanently reside in the state.

Section 27-100a subsection (f) of the statutes requires the Military Department on or before the 15<sup>th</sup> day following the close of each calendar quarter to submit a report that contains the following information: (1) The number of applications received, (2) the number of eligible members whose immediate family members received grants under this section, (3) the amount in grants made to the immediate family of each such eligible member, (4) the uses for such grants, and (5) any recommendations regarding the Military Family Relief Fund.

*Condition:* During the fiscal years ended June 30, 2012 and 2013, the Military Department made 9 grant awards totaling \$30,356 under the Military Family Relief Fund. We reviewed 5 of those grant awards totaling \$23,513 and noted the following.

- A grant award in the amount of \$9,000 was made for an immediate family member who does not intend to reside permanently in the State of Connecticut. The award provided financial assistance to the family of a disabled veteran that was moving out of state.
- There was insufficient documentation on file for 1 grant in the amount of \$3,795 to support the contention that the hardship was related to the deployment of the eligible member.

Our review of the department's Military Family Relief Fund reports disclosed 1 report that was not completed timely and 1 grant award, totaling \$2,068, that was not included on the report.

*Effect:* The department is not in compliance with Section 27-100a of the General Statutes. In addition, we were unable to confirm that all grant expenditures were for allowable purposes.

*Cause:* A lack of administrative oversight appeared to contribute to this condition.

*Recommendation:* The Military Department should maintain adequate documentation of grants awarded from the Military Family Relief Fund and ensure that grants are only awarded for allowable purposes. (See Recommendation 10.)

*Agency Response:* "The agency acknowledges that we failed to update the application form in a timely manner to properly reflect the eligibility criteria. The application form and the agency website: [www.ct.gov/mil/mrf](http://www.ct.gov/mil/mrf) have been updated.

Application #2012-004: This case was reviewed timely by the Military Family Relief Fund committee on September 6, 2012, October 5, 2012 and October 22, 2012. The determination of whether a hardship exists and whether military service was a contributing factor is at the discretion of the committee. The administrator of the program has the responsibility to interview an applicant and collect as much information as deemed necessary for the committee to make a decision. This case was reviewed three times because on the first two occasions there was not enough information to make a decision. On the third review, the committee determined that there was enough evidence to approve a grant. The committee is purposely composed of a diverse group of military and civilian personnel who have extensive knowledge of military service and the hardship it creates."

*Auditors' Concluding*

*Comments:* In the case of application 2012-004, there was insufficient documentation on file to support the contention that the hardship was related to the deployment of the eligible member. The eligible member did not live with the applicant prior to deployment and continued providing the same level of financial support to the applicant during deployment.

## **Connecticut National Guard Foundation**

*Background:* Title 27 of the General Statutes governs the operation of the Military Department. The department carries out both a federal and state mission via the Connecticut Army National Guard, the Connecticut Air National Guard, and the organized militia. The state mission is to coordinate, support, and augment federal, state, and local authorities in emergency response, to provide emergency response planning, and to conduct community service programs.

The Military Family Relief Fund (MFRF), which is administered by the Military Department, was established by Section 27-100a of the General Statutes for the purpose of providing financial assistance in time of hardship to immediate family members of military service personnel residing in the State of Connecticut. The fund is available to active duty service members as well as National Guard and Reserves who are on active duty.

Section 4-37e of the General Statutes defines a foundation as an organization, fund, or any other legal entity which is (A) exempt from taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, and (B) established for the principal purpose of receiving or using private funds for charitable, scientific, cultural, educational or related purposes that support or improve a state agency.

The expressed purpose of the Connecticut National Guard Foundation, Inc. is to provide temporary need-based financial assistance for the Connecticut National Guard and Organized Militia.

*Criteria:* Sections 4-37f through 4-37k of the General Statutes define and set requirements for foundations established for the principal purpose of supporting or improving state agencies. The requirements address the annual filing of an updated list of board members within the state agency for which the foundation was established, financial recordkeeping and reporting in accordance with generally accepted accounting principles, financial statement and audit report criteria, written agreements concerning the use of facilities and resources, compensation of state officers or employees, and the state agency's responsibilities with respect to affiliated foundations.

*Condition:* Policies have not been established to ensure compliance with Sections 4-37f through 4-37k of the General Statutes.

In response to our previous report, the department obtained an informal opinion on this matter from a representative of the Office of the Attorney General. While that opinion determined that the foundation does not meet the definition provided for in Section 4-37e, we believe that the authority cited was not directly on point. The fact that the foundation provides services to families in a similar manner as MFRF suggests that the purpose of the foundation is to support or improve the Military Department. In fact, we noted one grant application submitted to MFRF during the audited period was withdrawn because the applicant's needs were met through the Connecticut National Guard Foundation. It should be noted that an informal Attorney General opinion is not dispositive.

*Effect:* The department may not be in compliance with the statutes relating to foundations.

*Cause:* The Military Department maintains that the foundation is not a foundation as defined under Section 4-37e of the General Statutes because it is not regarded as providing support to the Military Department. Therefore, the applicability of the statutes has not been considered.

*Recommendation:* The Military Department should seek a formal opinion from the Office of the Attorney General regarding the applicability of Sections 4-37 et seq. with respect to the Connecticut National Guard Foundation. (See Recommendation 11.)

*Agency Response:* "The agency respectfully disagrees. The agency has considered the applicability of Section 4-37 of the Connecticut General Statutes. The 2010-2011 Audit Report raised the same issue. The agency responded as requested by the auditors and immediately sought an attorney general opinion, which was provided to the Auditors. The opinion found that the Connecticut National Guard Foundation Incorporated (CNGFI) was not a Chapter 47 corporation. The Auditors thereafter revised their request and sought the agency to seek a formal Attorney General Opinion. Although an informal opinion is not dispositive, there is no reason to believe that the formal opinion would conclude differently from the informal opinion. In fact, the Auditors have not concluded that the CNGFI provides support to the agency, but only that some of the same constituencies are served by the CNGFI and the Connecticut Military Department (CTMD). The state revised the statute governing the Military Relief Fund (P.A. 13-107), expanding eligibility to include members of the state's armed forces, who may now directly seek relief from the fund. Even with

expanded eligibility, an expanded constituency that CTNGFI also services, there is no finding by the auditors that CTNGFI provides support to the agency. Although the supported constituencies may overlap, there is no finding that the purpose of the foundation is to support or improve the Military Department. The previous Attorney General Opinion addresses these matters. In this regard, seeking another (official) opinion to find what the Auditors have not found (that the purpose of the CTNGFI is to support or improve the CTMD) is not reasonable."

*Auditors' Concluding*

*Comments:*

The Office of the Attorney General's informal opinion was based on limited information provided by the Military Department and was not the result of the comprehensive review that would have been conducted for a formal opinion. The mere fact that the foundation does not provide direct support to the Military Department, but rather provides support to the same constituencies, is not enough to determine that the foundation does not support or improve the Military Department. Other foundations that do not directly support a state agency, but rather augment the services provided by the agency, have been previously deemed a foundation as defined under Section 4-37e of the General Statutes. Therefore, a formal opinion from the Office of the Attorney General is warranted.

## RECOMMENDATIONS

Our prior report on the fiscal years ended June 30, 2011 and 2012 contained a total of 8 recommendations. Of those recommendations, 4 have been implemented, resolved, or are not being repeated. The status of recommendations contained in the prior report is presented below.

*Status of Prior Audit Recommendations:*

- **The Military Department should ensure that medical certificates are submitted when applicable and maintained on file in accordance with the department's policy.** The current audit did not disclose any missing medical certificates. Therefore, the recommendation is not being repeated.
- **The Military Department should assess the current method of documenting approval of overtime to ensure that advance approval by the appropriate supervisor is adequately supported.** In response to the previous recommendation, the department revised its overtime policy to remove the terminology that states overtime must be approved in advance. Employees receive verbal approval for overtime and supervisors later approve the overtime on the employees' timesheets. Therefore, the recommendation is not being repeated.
- **The Military Department should ensure that employees who are leaving state service are informed of the state's post-employment restrictions.** During our current audit, we reviewed 5 employees who separated from state service and noted that the department did not have a signed checklist on file for 1 employee to document that the employee was informed of the state's post-employment restrictions. Therefore, the recommendation is being repeated. (See Recommendation 4.)
- **The Military Department should accurately account for accrued vacation and sick time earned by each employee. The department should also comply with policies and procedures regarding employees separating from state service in accordance with state personnel policies.** Our current audit did not disclose any errors in accrued vacation and sick time calculations. Therefore, the recommendation is not being repeated.
- **The Military Department should obtain and maintain adequate documentation of grants awarded from the Military Family Relief Fund.** Our current audit disclosed grants awarded from the Military Family Relief Fund that were not adequately documented or were not for allowable purposes. Therefore, the recommendation is being repeated. (See Recommendation 10.)

- **The Military Department should ensure that all cash receipts are accounted for in accordance with the state’s statutory requirements.** The current audit did not disclose any cash receipts that were not accounted for in accordance with the state’s statutory requirements. Therefore, the recommendation is not being repeated.
- **The Military Department should review and follow the state and department policies and procedures to ensure that assets are properly recorded and correctly reported.** The current audit disclosed that the department is not maintaining its property control system in accordance with the State of Connecticut Property Control Manual and that amounts reported on the CO-59 Asset Management/Inventory Report and GAAP Reporting Form are not accurate. Therefore, the recommendation is being repeated. (See Recommendation 6.)
- **The Military Department should seek a formal opinion from the Office of the Attorney General regarding the applicability of Sections 4-37 et seq. with respect to the Connecticut National Guard Foundation.** The Military Department did not seek a formal opinion from the Office of the Attorney General regarding the applicability of Sections 4-37 et seq. with respect to the Connecticut National Guard Foundation. Therefore, the recommendation is being repeated. (See Recommendation 11.)

*Current Audit Recommendations:*

- 1. The Military Department should implement procedures to reconcile its cash receipts journal to postings made to the general ledger.**

Comment:

Our review noted that the department did not reconcile cash receipts per its cash receipts journal to postings made to the general ledger.

- 2. The Military Department should strengthen its internal controls to ensure that GAAP forms submitted to the State Comptroller are accurate and complete.**

Comment:

Our review disclosed misstatements in GAAP forms submitted for fiscal years 2012 and 2013.

- 3. The Military Department should strengthen internal controls over petty cash to ensure that employee reimbursement forms for travel advances are submitted in a timely manner and state purchasing cards are used rather than petty cash when feasible.**

Comment:

Our review disclosed employee reimbursement forms that were submitted up to 7 days late. We also noted that conference registration fees processed through the petty cash fund should have been processed using a state purchasing card.

- 4. The Military Department should ensure that employees who are leaving state service are informed of the state's post-employment restrictions and turn in all badges and keys to the building.**

Comment:

The department was unable to provide a signed checklist for 1 employee to document that the employee was informed of the state's post-employment restrictions. In addition, 1 employee who separated from state service was allowed to retain a front door key to the Hartford Armory.

- 5. The Military Department should ensure that retired employees are properly rehired under the Temporary Worker Retiree Program with the approval of the Commissioner of Administrative Services, the Secretary of the Office of Policy and Management, and the Governor's office.**

Comment:

The department recruited a recently retired employee under the State Active Duty Program rather than properly hiring the employee under the Temporary Worker Retiree Program.

- 6. The Military Department should improve internal controls, maintain its property control system in accordance with the State of Connecticut Property Control Manual, and ensure that amounts reported on the CO-59 Asset Management/Inventory Report/GAAP Reporting Form and CO-648B Summary Motor Vehicle Report are accurate.**

Comment:

Our review disclosed that amounts reported on the CO-59 Asset Management/Inventory Report/GAAP Reporting Form did not agree with the department's inventory records and CO-648B Summary Motor Vehicle Reports were not prepared. In addition, inventory records did not reflect the actual inventory on hand, some inventory items were not properly tagged, and the department did not maintain a software inventory during the audited period.

- 7. The Military Department should strengthen its internal controls over state-owned vehicles to ensure compliance with established policies and procedures and to make certain that state resources are being used efficiently.**

Comment:

Our review disclosed that an appropriate person was not designated as the agency transportation administrator during the audited period and that proper approval was not obtained to allow 3 employees to park state-owned vehicles at state-owned parking lots in their hometowns. It appears that these 3 vehicles were often used by the employees to commute from their hometown to their worksite and the department did not determine whether there was a taxable benefit to these employees for the personal use of the state-owned vehicle. In addition, we noted 10 omissions and/or inaccuracies on monthly motor vehicle usage reports the department utilized to monitor employee use of state vehicles.

- 8. The Military Department should ensure that it complies with all General Statutes pertaining to agency-administered construction projects and verify that projects are completed in the most efficient and cost-effective manner. In addition, the department should ensure that buildings are valued in inventory records in accordance with the State of Connecticut Property Control Manual.**

Comment:

Our review disclosed that the department did not obtain the proper approvals to demolish and construct a building at Camp Niantic, nor did it certify to the State Building Inspector that the building substantially complies with the provisions of the State Building Code, Fire Safety Code, and regulations lawfully adopted under said codes prior to occupying the building. No analysis was performed prior to starting the project to determine the most efficient or cost-effective way to complete the project, and the building is improperly valued in the department's inventory records.

- 9. The Military Department should review its use of the State Active Duty Program to verify that it is only being utilized in emergency situations, as intended.**

Comment:

Our review disclosed that the department may not always be utilizing the State Active Duty Program for its intended purpose. We noted 8 individuals who appear to be working on a permanent or semi-permanent basis under the program.

- 10. The Military Department should maintain adequate documentation of grants awarded from the Military Family Relief Fund and ensure that grants are only awarded for allowable purposes.**

Comment:

Our review of Military Family Relief Fund grant awards disclosed grants that were awarded for unallowable purposes or were not adequately supported.

- 11. The Military Department should seek a formal opinion from the Office of the Attorney General regarding the applicability of Sections 4-37 et seq. with respect to the Connecticut National Guard Foundation.**

Comment:

The Military Department did not seek a formal opinion from the Office of the Attorney General regarding the applicability of Sections 4-37 et seq. with respect to the Connecticut National Guard Foundation.

**CONCLUSION**

In conclusion, we wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Military Department during the course of our examination.

*Catherine L. Dunne*

Catherine L. Dunne  
Principal Auditor

Approved:



John C. Geragosian  
Auditor of Public Accounts



Robert J. Kane  
Auditor of Public Accounts