

STATE OF CONNECTICUT



*AUDITORS' REPORT
DEPARTMENT OF PUBLIC SAFETY
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008*

AUDITORS OF PUBLIC ACCOUNTS
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January 15, 2010

**AUDITORS' REPORT
DEPARTMENT OF PUBLIC SAFETY
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008**

We have examined the financial records of the Department of Public Safety for the fiscal years ended June 30, 2007 and 2008.

Financial statement presentation and auditing are performed on a Statewide Single Audit basis to include all State agencies. This audit has been limited to assessing the Department of Public Safety's compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating the Department's internal control structure policies and procedures established to ensure such compliance.

This report on our examination consists of the Comments, Condition of Records, Recommendations and Certification that follow.

COMMENTS

FOREWORD:

The Department of Public Safety (DPS) operates primarily under the provisions of Title 29, Chapters 528 through 541 of the General Statutes. The Commissioner of Public Safety is the chief administrative officer of the Department and is responsible for protecting and improving the quality of life for all by providing enforcement, regulatory, and scientific services, through prevention, education, and innovative use of technology.

Department Organization:

Office of the Commissioner

Division of State Police:

Office of Administrative Services

Office of Field Operations

Division of Fire, Emergency and Building Services:

- Office of Education and Data Management
- Office of Statewide Emergency Telecommunications
- Office of State Fire Marshal
- Office of State Building Inspector

Division of Scientific Services:

- Toxicology and Controlled Substances Laboratory
- Computer Crime and Electronic Evidence Laboratory
- Forensic Science Laboratory

Bureau of Management Support

- Fiscal Affairs
- Human Resources

The Police Officer Standards and Training Council, Board of Firearms Permit Examiners, Military Department, Statewide Narcotics Task Force Policy Board, and the Commission on Fire Prevention and Control were within the Department of Public Safety for administrative purposes only during the audited period. Our examinations of these agencies are reported upon separately, with the exception of the Statewide Narcotics Task Force Policy Board, which is included in this report.

Leonard C. Boyle was appointed Commissioner on August 16, 2004, and served in that position until March 2, 2007. John A. Danaher III was appointed Commissioner on March 5, 2007, and currently serves in that position.

STATEWIDE NARCOTICS TASK FORCE POLICY BOARD:

Statutory Authority	Section 29-179 of the General Statutes
Relation to DPS	Within DPS for administrative purposes only
Number of members	Nine (one of which is currently vacant)
Duties	Direct and supervise the formulation of policies and operating procedures and coordinate the activities of the Statewide Narcotics Task Force (SNTF) with other law enforcement agencies. Further, the Board may apply for and administer appropriations of grants made available for the SNTF, which operates under Sections 29-176 through 29-178 of the General Statutes. The operations of the SNTF are accounted for in the budgeted and restricted appropriation accounts of the Department of Public Safety.

The members of the Board at June 30, 2008, were as follows:

- John A. Danaher III, Commissioner of Public Safety
- Kevin T. Kane, Chief State's Attorney
- Brian Crowell, Resident Agent-In-Charge, United States Drug Enforcement Administration
- Chief Kevin J. Hale, President of the Connecticut Chiefs of Police Association

Chiefs of Police:

Douglas Dortenzio, Wallingford
 Joseph Faughnan, Clinton
 Michael E. Metzler, Seymour
 Paul Scirpo, Wolcott

RÉSUMÉ OF OPERATIONS:

During the fiscal years ended June 30, 2007 and 2008, DPS activity was accounted for in the General Fund, Special Revenue Funds, and Capital Project Funds.

A summary of revenues and expenditures of funds administered by the Agency during the audited period is presented below:

	Revenues		Expenditures	
	<u>2006-2007</u>	<u>2007-2008</u>	<u>2006-2007</u>	<u>2007-2008</u>
General Fund	\$18,091,844	\$17,066,166	\$163,838,229	\$173,115,258
Special Revenue Funds	37,503,225	39,798,798	36,368,615	39,078,840
Capital Projects Funds	0	0	4,296,802	2,846,330
Total	<u>\$55,595,069</u>	<u>\$56,864,964</u>	<u>\$204,503,646</u>	<u>\$215,040,428</u>

General Fund:

General Fund receipts are summarized below:

	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>
Receipt Type:			
Licenses, permits and fees	\$ 3,678,620	\$ 3,736,760	\$ 5,389,386
Recoveries of expenditures	237,092	362,947	283,346
Refunds of expenditures:			
Services of resident trooper	8,266,638	10,812,828	9,486,130
Other refunds	4,946,442	3,015,081	1,810,496
Other receipts	248,612	164,228	96,808
Total General Fund Receipts	<u>\$17,377,404</u>	<u>\$18,091,844</u>	<u>\$17,066,166</u>

General Fund receipts decreased \$1,025,678 between the fiscal years ended June 30, 2007, and June 30, 2008. This fluctuation is primarily attributable to receipts for the services of resident State troopers. Fiscal Services sends out invoices for resident State troopers in May of each year for services for the upcoming year. A large amount of receipts related to the May 2007 invoices were received prior to June 30, 2007, while a significant amount of receipts related to the May 2008 invoices were received after June 30, 2008.

The increase in receipts in the licenses, permits and fees category in the fiscal year ended June

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30, 2008, can be primarily attributed to Public Act 07-1 of the June Special Session. This Public Act became effective July 1, 2007, and changed the renewal period on elevator inspections from each year to every two years. The renewal fee was also changed from \$40 to \$120, which resulted in a corresponding increase in elevator inspection receipts from \$495,000, in the fiscal year ended June 30, 2007, to \$1,672,000, in the fiscal year ended June 30, 2008.

General Fund expenditures are summarized below:

	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>
Personal services	\$112,393,407	\$122,657,583	\$129,933,918
Contractual services	24,882,903	26,117,144	26,709,106
Commodities	9,338,734	11,001,656	12,831,875
Sundry charges	3,820,873	3,774,527	3,534,985
Equipment	<u>188,145</u>	<u>287,319</u>	<u>105,374</u>
Total General Fund Expenditures	<u>\$150,624,062</u>	<u>\$163,838,229</u>	<u>\$173,115,258</u>

Expenditures increased \$13,214,167 (8.8 percent) and \$9,277,029 (5.7 percent) during the fiscal years ended June 30, 2007 and 2008, respectively. These increases can be primarily attributable to increases in the personal services and commodities expenditures categories. Increases in personal services were primarily related to salary increases and in the number of filled General Fund positions, and increases in overtime charges, while increases in commodities were related to motor vehicles costs such as fuel and maintenance.

Special Revenue Funds:

Special Revenue Funds receipts totaled \$37,503,225 and \$39,798,798, during the fiscal years ended June 30, 2007 and 2008, respectively. These receipts consist primarily of non-Federal restricted revenue, such as collections to administer the State's 9-1-1 telecommunications system, and the recovery of costs related to law enforcement services at the Mashantucket Pequot and Mohegan Indian casinos.

Special Revenue Funds expenditures are summarized below:

	<u>2006-2007</u>	<u>2007-2008</u>
Personal services	\$ 6,450,164	\$ 7,098,654
Contractual services	4,844,928	4,007,289
Commodities	2,525,578	1,560,397
Sundry charges	17,952,518	18,920,807
Equipment	<u>4,595,427</u>	<u>7,491,693</u>
Total Special Revenue Funds Expenditures	<u>\$ 36,368,615</u>	<u>\$ 39,078,840</u>

Expenditures increased \$2,710,225 (seven percent) during the fiscal year ended June 30, 2008, which can be primarily attributed to an increase in expenditures for digital in-car video systems for police vehicles.

Capital Projects Funds:

Expenditures for capital projects totaled \$4,296,802 during the fiscal year ended June 30, 2007, and \$2,846,330 during the fiscal year ended June 30, 2008. Expenditures were primarily for capital improvements.

CONDITION OF RECORDS

Our review of the financial records at the Department of Public Safety disclosed some areas of concern. Those areas are described in this section of the report.

Property Control - Equipment Inventory and Reporting:

Criteria: Section 4-36 of the General Statutes requires each State agency to establish and maintain an inventory account in a form prescribed by the State Comptroller. Further guidance is provided by the State Comptroller's *Property Control Manual*. The Property Control Manual requires a detailed subsidiary record to support the categories of inventory included on the annual *Asset Management/Inventory Report/GAAP Reporting Form* (Form CO-59). The Property Control Manual also requires the prompt recording of new acquisitions, disposals, and any changes in location.

Condition: We reviewed the *Asset Management/Inventory Report/GAAP Reporting Form* (Form CO-59) for the fiscal year ended June 30, 2008, and related records. We also performed physical inspections of several samples of inventory items. These tests disclosed the following:

- The Grand Total of Real and Personal Property reported on the CO-59 for the fiscal year ended June 30, 2008, was \$169,595,712. The total of the supporting documentation provided was \$164,320,556, a variance of \$5,275,156.
- We selected a sample of 33 items of equipment purchased during the audited period. From this sample, we noted five instances in which the value reported on the inventory listing did not agree with the cost of the item as recorded in the accounts payable records.
- We randomly selected ten existing equipment items to confirm inclusion on the inventory listing. From this sample, we noted that one item was not tagged. We also noted that one item was tagged, but the tag number was excluded from the inventory listing.
- We noted 40 handguns, with a unit cost of approximately \$3,000, that were not included in the Fixed Assets module in Core-CT. They were, therefore, excluded from the CO-59, *Asset Management/Inventory Report/GAAP Reporting Form*.

Effect:

- DPS could not adequately document the balance reported on its CO-59 for the fiscal year ended June 30, 2008.
- For five items included on the inventory listing, there was a variance

between the amount listed and supporting accounts payable documentation.

- We noted discrepancies between our physical inspection of equipment items and the inventory listing.
- Inaccuracies to the CO-59, *Asset Management/Inventory Report/GAAP Reporting Form* occurred due to the exclusion of 40 handguns with a unit cost of approximately \$3,000 from the Fixed Assets module in Core-CT.

Cause: The agency was not in compliance with the requirements of the State Comptroller's *Property Control Manual*.

Recommendation: DPS should comply with the requirements of the State Comptroller's *Property Control Manual*. (See Recommendation 1.)

Agency Response: "The Agency agrees with this finding. The Asset Management Unit historically has one Para-Professional employee as the Asset Coordinator for the agency. During the last two audited periods, the key Asset Coordinator employees left this position, (one interagency transfer and one retirement).

For each audit period, a newly assigned key Asset Coordinator was reassigned to this function. In addition, the Core-CT system was relatively new to the Agency as it was implemented at the end of the 2005-2006 fiscal year.

As the Core-CT asset management system is technically sophisticated and had been enhanced with system upgrades during this timeframe, the training period for new employees can be lengthy. Each time a new employee was assigned to this function due to attrition, the training phase began again in order to provide the new employee with the appropriate knowledge and skill sets to adequately utilize the Core-CT system as well as to learn the agency asset operations.

The transition of (2) new employees into this key position coupled with the Asset Management Core-CT system implementation in the 2005-2006 fiscal year led to a number of erroneous reports being generated from the Core-CT system. The erroneous reports reflected both under and over reported items in the additions and deletions categories on the CO-59, and inaccuracies for the five instances in which the value reported on the inventory listing did not agree with the cost of the item as recorded in accounts payable records.

This issue has been resolved, whereas the technical expertise of the newly assigned key Asset Coordinator has grown, due to the fact that she has had sufficient time and training.

The Department is in the process of revising the CO-59 report for resubmission to OSC which will reflect the over reporting amounts.

In addition, the Agency agrees with the findings that one item had been tagged and was not on the inventory system, and one item was found to be both not tagged or updated to the inventory system. The Agency will be proactive in ensuring that all items are both tagged and posted to the Core-CT asset management system.

The Agency agrees that there were 40 handguns with a unit cost of approximately \$3,000 that were not included in the Fixed Assets module in Core-CT. Each handgun will be entered into the Core-CT system in accordance with the State Comptroller's *Property Control Manual*.

The Department would like to note that it seriously considers the management of our valuable assets a top priority. We are requesting that this finding of one or two items missing from a sizeable inventory be considered minimal and be removed from the report.”

Access to the Connecticut On-Line Law Enforcement Communications Teleprocessing (COLLECT) System:

Background:

COLLECT is a statewide information network that provides 24-hour on-line coverage to law enforcement and criminal justice organizations throughout the State. COLLECT coordinates information from several State agencies. For example, the following records are available in COLLECT:

- Protective orders from the Judicial Department
- Motor vehicle records from the Department of Motor Vehicles
- Inmate files from the Department of Corrections
- Selected corporate records from the Secretary of State

Data is also retrieved from the Federal Bureau of Investigation (FBI) and the National Law Enforcement Telecommunications System.

COLLECT users include local police departments, the Departments of Corrections and Motor Vehicles, and several Federal agencies.

The Department of Public Safety is responsible for maintaining and managing the system for the State of Connecticut.

Criteria:

Proper internal control procedures require that terminated employees have their access to the data in information systems disabled in a timely manner.

Condition:

We tested the access of eleven terminated employees to the COLLECT

System and noted that five individuals continued to have access after their termination. At the date of our testing, these five individuals had been terminated from DPS for a period between 11 months and one year, eight months.

Effect: Unauthorized access to a protected information system can jeopardize the security of the information contained in the system.

Cause: The COLLECT Unit is responsible for monitoring and authorizing access to users of the COLLECT System. The Unit has not been terminating access to the System of employees who leave State service.

Recommendation: The COLLECT Unit should terminate an individual's access to the COLLECT System when the individual leaves State service. (See Recommendation 2.)

Agency Response: "The Agency agrees with this finding. Currently, the Human Resources (HR) Unit provides the supervisor of the COLLECT Unit and the unit secretary with email notification of upcoming terminations (due to retirement, disability, resignation, transfer, etc.) as they are received in Human Resources as well as a monthly listing of all employees who have terminated from the agency for the previous month. The COLLECT Unit will ensure that anyone on the list who has access to the COLLECT System has their access terminated in a timely manner. The agency already has a process in place to disable COLLECT System access to those employees who have had their powers of arrest suspended on a temporary basis."

Petty Cash Travel Advances:

Criteria: The State Accounting Manual requires that, within five days of return from State travel, an employee will submit a completed voucher, with the required documentation, to the Business Office.

Condition: We reviewed a sample of 25 travel vouchers submitted during the fiscal years ended June 30, 2007 and 2008. From this sample, we noted that 14 of the 25 travel vouchers, or 56 percent, were not returned to the Business Office within the required five business days. These 14 travel vouchers were returned to the Business Office between one and 79 business days later than required; the average was 11 business days later than required.

Effect: The petty cash fund is not being replenished in a timely manner.

Cause: Requirements to ensure timely submission of travel vouchers were not followed.

Recommendation: Petty cash fund travel vouchers should be submitted to the Business Office within the time frame established by the State Accounting Manual (See Recommendation 3.)

Agency Response: “The Agency agrees with this finding. Fiscal Services implemented procedures to bring the Department of Public Safety into compliance with the Statewide policy related to the filing of documentation with the Business Office within five days of return from travel in November 2006.

This process required each employee receiving a Petty Cash Travel Advance to sign an acknowledgement letter indicating the date the Employee Reimbursement Documentation (CO-17XP-PR) must be filed with Fiscal Services. This document specifically states that it is mandatory to file a reimbursement within five (5) days of return if receiving a Petty Cash Travel Advance.

Fiscal Services reviews this data for the Petty Cash due dates on a weekly basis. Past due notifications are prepared and submitted to the employee if applicable. DPS will change the current practice of the late notification by including the supervisor on the second notification letter and to include the Commanding Officer and/or Manager of the Division if there is a need for a third notification for non-compliance. We are confident that this change will result in the return of Petty Cash Travel Advances within five (5) days of return policy.”

Agency-administered Construction Projects:

Criteria: Section 4b-52 of the General Statutes states, “No repairs, alterations or additions involving expense to the state of five hundred thousand dollars or less shall be made to any state building or premises occupied by any state department and no contract for any repairs shall be entered into without the prior approval of the Commissioner of Public Works. Repairs which are made pursuant to such approval of the Commissioner of Public Works shall conform to all guidelines and procedures established by the Department of Public Works for agency-administered projects.”

The guidelines and procedures are prescribed in the Department of Public Works (DPW) *Guidelines and Procedures Manual for Agency Administered Projects*.

Condition: The Agency administered the replacement of a roof at one of the buildings at the Leo J. Mulcahy Complex in Meriden. The cost of this project was \$39,850. The roof was replaced on September 17, 2007, while the approval on file from DPW was dated January 15, 2008.

- Effect:* A roof replacement was made prior to the approval of the Department of Public Works.
- Cause:* The cause is not known.
- Recommendation:* The Agency should comply with Section 4b-52 of the General Statutes, which requires an agency to obtain the approval of the Commissioner of Public Works prior to performing any repairs, alterations or additions costing less than five hundred thousand dollars on a state building. (See Recommendation 4.)
- Agency Response:* “The Agency agrees with this finding. The Agency forwarded by fax, its *Request for Approval for Agency Administered Project* to the Department of Public Works (DPW) on September 13, 2007. The request was verbally approved and the work was performed. In this particular incident, there was a delay in receipt of the paperwork from DPW for written approval of the project. DPS recognizes that the timely and proper submission of documentation in support of agency-administered construction projects is the standard agency business practice. DPS Facilities will monitor more closely the receipt of written requests from approving agencies.”

Interagency Agreement with the Connecticut State University:

Background: Sections 101 to 108 of Public Act 07-7 of the June Special Session are known and may be cited as the Connecticut State University (CSU) Infrastructure Act. The purpose of the Act is to establish and fund numerous capital improvements of the four campuses and the System Office of the CSU. The improvements, detailed in Section 104, subsection (a), are projected to cost approximately \$950,000,000, and are to be funded from the proceeds of general obligation bonds.

Criteria: Section 104, subsection (e), requires the Commissioner of DPS and the Chancellor of the CSU system to enter into and maintain a memorandum of understanding that shall provide for the assignment of personnel from the Department of Public Safety to ensure that buildings or projects that are part of the program are designed and constructed in compliance with various State fire and building codes.

The Memorandum of Understanding (MOU) between DPS and the CSU was dated April 1, 2008. The sections of the MOU that specify the funding source for reimbursement of the building and fire personnel state:

1. On or before June 30, 2009, the cost shall be borne by CSUS out of general funds.
2. On or after July 1, 2009, the cost shall be paid in accordance with an

amendment to this MOU reached by parties no later than September 30, 2008, that specifies the funding source identified by the State.

Condition: We discussed this matter with personnel at DPS and the Office of Policy and Management. The amendment to the MOU addressing costs incurred after July 1, 2009, has not been executed as of June 2009. Although the funding source for these costs incurred after July 1, 2009, appears to be CSUS general funds, this has not been stated in a formal agreement.

Effect: Uncertainty related to the source of these funds could complicate the reimbursements process.

Cause: The cause is unknown.

Recommendation: The amendment to the Memorandum of Understanding related to DPS costs for the benefit of the CSU Infrastructure Act incurred after July 1, 2009, should be executed in accordance with MOU guidelines. (See Recommendation 5.)

Agency Response: “DPS agrees with this finding. DPS is currently addressing this issue related to DPS costs for the benefit of the CSU Infrastructure.”

Expenditures - Receiving:

Criteria: The State Accounting Manual (SAM), promulgated by the State Comptroller, requires the receiver to record the date of receipt of goods or services on the CO-17, *Receiving Report*.

Condition: We selected a sample of 25 expenditures for the procurement of goods and/or services from each fiscal year. From these samples, we noted six instances in each fiscal year in which receiving reports were not dated properly.

Effect: Internal control weaknesses related to the recording of receipt dates were noted.

Cause: The Department did not comply with established criteria in this area.

Recommendation: The Agency should require that the receipt of goods or services is recorded by receivers. (See Recommendation 6.)

Agency Response: “The Agency agrees with this finding. The receipt dates of goods or services should be noted on receivers. The Accounts Payable unit has significantly reduced the number of instances in which receiving reports were not dated properly from the previous audit in the 2005-2006 fiscal year. The Accounts Payable unit has pulled a sampling of twenty (20) documents from the 2008-2009 fiscal year and the 2009-2010 fiscal year to audit receipt dates finding

one hundred percent of the (20) documents having proper receipt dates. If the receiving report form CO-17 is not dated properly, the form will be returned to the Troop/Unit as incomplete. As an added measure, the Accounts Payable unit will begin to also check the Form CO-17's for the proper date when the incoming mail is processed daily."

Payroll – Review of Daysheets – Sworn Personnel:

Criteria: Internal controls related to payroll require that daysheets for sworn personnel be adequately reviewed by each employee's supervisor.

Condition: We reviewed daysheets for a sample of 17 sworn personnel for the fiscal year ended June 30, 2007, and for a sample of 16 sworn personnel for the fiscal year ended June 30, 2008. From these reviews we noted numerous instances in which these daysheets were not signed by the shift supervisor.

Effect: Daysheets are not being reviewed properly.

Cause: Internal control procedures are not being adhered to.

Recommendation: Supervisors should be reviewing and signing the daysheets for sworn personnel. (See Recommendation 7.)

Agency Response: "The Agency agrees with this audit finding. The agency is currently working on implementing the Atlas attendance system, which is the front-end system to Core-CT. This system will reduce data entry into Core-CT and allows for supervisory review and approval. This will increase auditing capabilities, which will allow us to take a more proactive approach to this and other issues which have diminished our ability to audit efficiently since the inception of Core-CT. In addition, we have put a manual review in place since July 2008 so that any daysheets that are received without a signature are either sent back or a signed copy is requested. This manual review was put in place until the entire agency is in production for the Atlas scheduling front-end system."

Elevator Inspections Receipts:

Criteria: Proper internal control over cash receipts requires that the department that generates receipts should not also receive those funds.

Condition: Fees related to elevator inspections totaled more than \$1,670,000 during the fiscal year ended June 30, 2008. These fees consisted of receipts from renewal inspections, blueprint reviews and new inspections. Renewal inspections generated approximately \$1,442,000 in revenues, while blueprint reviews and new inspections generated approximately \$229,000.

Our review of the internal processing of all of these receipts noted that the fees generated through blueprint reviews and new inspections are received in the Bureau of Elevators. We consider this to be an internal control weakness.

Effect: An internal control weakness exists related to the fees generated by blueprint reviews and new inspections.

Cause: The funds for fees generated by blueprint reviews and new inspections are initially received in the Bureau of Elevators in order to facilitate internal procedures related to these services. These services could continue to be performed with a minor change in the internal processing of these funds.

Recommendation: Fees generated by blueprint reviews and new inspections performed by the Bureau of Elevators should not be processed by that department. (See Recommendation 8.)

Agency Response: “The Agency agrees with this finding. Approximately 99 percent or the majority of all elevator inspection fees are received directly by the Fiscal Services unit on a daily basis. A small number of receipts are sent directly to the Bureau of Elevators. However, those receipts are picked up twice daily by the Fiscal Services Unit. We are recommending that those receipts remain unopened by the Bureau of Elevators to be picked up, opened, and recorded by Fiscal Services to address this internal control weakness.

In addressing the issue of internal weakness in the methodology for receipts for blueprints, effective September 1, 2009, Fiscal Services will directly receive the blueprint packages received via mail, make a copy of the check received and retain the original check to be recorded and deposited on a daily basis. The blueprint packages along with the copy of the check will be forwarded to the Bureau of Elevators for review and approval. In the event a refund is required to be processed regarding these fees, a memo will be sent from the Bureau of Elevators to Fiscal Services with the applicable refund information.”

Software Inventory:

Criteria: The State Comptroller’s *Software Inventory Control Policy and Procedures Manual* requires each agency to maintain a software inventory to track and control all of their software media, licenses or end user license agreements.

Condition:

- We identified a sample of purchases that occurred during the fiscal year ended June 30, 2008, that should have been added to the agency’s software inventory. This sample consisted of 28 individual purchases totaling \$37,072.

From this sample, we noted nine separate purchases that we were unable

to trace either entirely or partially to the agency's software inventory. The total of these purchases was \$16,095.

- We reviewed the agency's existing software inventory. From this review, we noted numerous instances in which relevant information was not present. Missing information included such details as date of installation or purchase, purchase price, quantity purchased, or number of licenses.

Effect: The agency was not in compliance with the requirements of the State Comptroller's *Software Inventory Control Policy and Procedures* manual.

Cause: DPS does not have formal policies and procedures in place to track all software that has been purchased.

Recommendation: DPS should comply with the requirements of the State Comptroller's *Software Inventory Control Policy and Procedures* manual. (See Recommendation 9.)

Agency Response: "The Agency agrees with this finding. Due to early retirement and other personnel reassignments and table of organization realignments, the Department has identified a dedicated unit to maintain and administer its software inventory control policies and procedures. Directives are now in place to ensure the agency's full compliance with the State Comptroller's *Software Inventory Control Policy and Procedures* manual."

Interagency Agreement with the Department of Transportation:

Criteria: In order to reduce uncertainty related to the level of service and the subsequent payment for those services, an arrangement to provide services to another entity should be based on an executed agreement.

Condition: The Department of Public Safety's Troop W provides the services of State Troopers and Airport Police for Bradley International Airport. These services have been provided for many years without a formal agreement between the Department of Transportation and DPS.

Costs incurred by Troop W were \$8,935,983 and \$7,111,772, during the fiscal years ended June 30, 2007, and June 30, 2008, respectively. Payments from DOT to DPS for these services were \$3,686,270 and \$3,893,732, during the same fiscal years.

Effect: The Department of Public Safety is not receiving full compensation for the costs of operating Troop W, and is absorbing the costs in its own budgetary accounts. In addition, without a formal agreement, the level of services to be provided is susceptible to dispute.

Cause: These departments have been unable to reach an agreement for these services.

Recommendation: The Department of Public Safety and the Department of Transportation should execute an agreement for the law enforcement services provided by Troop W. (See Recommendation 10.)

Agency Response: “The Agency agrees with this finding. The Department of Public Safety is currently in negotiations drafting the Memorandum of Understanding with the Department of Transportation.”

Indirect Cost Recoveries on Federal Programs:

Criteria: The State Comptroller’s *Indirect Cost and Fringe Benefit Cost Recovery Manual* requires indirect costs to be charged at least annually to each Federal program.

Condition: The agency did not recover indirect costs allocable to Federal programs of \$300,935 in the fiscal year ended June 30, 2007, and \$386,988 in the fiscal year ended June 30, 2008.

Effect: Indirect costs were not charged to applicable Federal programs.

Cause: The staffmember who had been preparing the indirect cost recovery plans retired several years ago. Subsequent plans were not prepared in a timely manner.

Recommendation: DPS should recover indirect costs related to applicable Federal programs. (See Recommendation 11.)

Agency Response: “The agency agrees with this finding. The Office of the State Comptroller has approved the Department of Public Safety’s Indirect Cost Recovery Plan for the fiscal years 2003-2004 through 2007-2008. The plans have been submitted to the United States Department of Justice. The Department of Justice is currently reviewing the five submissions. It is anticipated that the Department’s plan for fiscal year 2008-2009 will be finalized in mid-August and forwarded to the Office of the State Comptroller for their review and approval. It is also anticipated that the Department will complete the fiscal year 2009-2010 plan in mid-September.

The Department of Public Safety Grant Program Managers will be advised to use the fiscal year 2007-2008 Proposed Indirect Cost Rate in their grant applications for the fiscal year 2009-2010 grants. Upon receipt of DOJ approval for the fiscal year 2009-2010 Indirect Cost rate, DPS Grant Program Managers will submit Grant Adjustment (GAN) requests to DOJ as allowable.

The General Accounting Unit of Fiscal Services will continue to work with OSC and DOJ to ensure that Indirect Cost Rate Agreements are approved and applied against approved grants in accordance with procedures established by the State Accounting Manual for Indirect Cost and Fringe Benefit Recovery.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- Supervisors should be reviewing the daysheets for sworn personnel. Our current review noted similar findings from the previous audit. This recommendation is being repeated. (Recommendation 7.)
- The Agency should comply with all regulations related to P-Card purchases. We noted improvements in this area; this finding is not being repeated.
- The Agency should comply with proper internal controls and DAS requirements related to the procurement process. Testing of this area in the current audit noted improvement, so the finding is not being repeated.
- The Agency should require that the receipt date of goods or services be noted by receivers. Testing conducted during this audit noted a recurrence of this condition; the recommendation is being repeated. (See Recommendation 6.)
- The Agency should comply with the requirements contained in OPM's *Personal Service Agreements Standards and Procedures* guide. Our review of PSAs noted an improvement, so the finding is not being repeated.
- Fees generated by blueprint reviews and new inspections performed by the Bureau of Elevators should not be processed by that department. This finding is being repeated. (See Recommendation 8.)
- The COLLECT Unit should terminate an individual's access to the COLLECT System when the individual leaves State service. We noted a similar condition in the current audit. This recommendation is being repeated. (See Recommendation 2.)
- Petty cash fund travel advances should be settled within the time frame established by the State Accounting Manual. A similar condition was noted in the current audit, so the finding is being repeated. (See Recommendation 3.)
- The Agency should comply with Section 4b-52 of the General Statutes, which requires an agency to obtain the approval of the Commissioner of Public Works prior to performing any repairs, alterations or additions costing less than five hundred thousand dollars on a state building. Testing in the current audit disclosed a recurrence, so the finding is being repeated. (See Recommendation 4.)
- The Agency should comply with all policies and procedures when processing workers' compensation claims. Testing of related procedures in the current audit noted improvement in this area, so the finding is not being repeated.

Current Audit Recommendations:

- 1. DPS should comply with the requirements of the State Comptroller's Property Control Manual.**

Comment:

Testing in this area noted that the supporting documentation to the Grand Total of Real and Personal Property was \$5,275,156 (three percent) less than the amount reported on the CO-59. We also noted variances between the value of an item reported on the inventory listing and accounts payable records, discrepancies in tagging records, and items that were excluded from the Fixed Assets module in Core-CT.

- 2. The COLLECT Unit should terminate an individual's access to the COLLECT System when the individual leaves State service.**

Comment:

We noted that five individuals who had terminated from the Department of Public Safety continued to have access to the COLLECT System after termination. At the time of our testing, these five individuals had been terminated from DPS for a period between 11 months and one year, eight months.

- 3. Petty cash fund travel vouchers should be submitted to the Business Office within the time frame established by the State Accounting Manual.**

Comment:

Our testing in this area disclosed that 14 of the 25 items in our sample were submitted later than the required five business days. These 14 vouchers were returned to the Business Office between one and 79 business days later than required, with the average being 11 business days later than required.

- 4. The Agency should comply with Section 4b-52 of the General Statutes, which requires an agency to obtain the approval of the Commissioner of Public Works prior to performing any repairs, alterations or additions costing less than five hundred thousand dollars on a state building.**

Comment:

We noted that DPS administered the replacement of a roof costing almost \$40,000 on one of its buildings. The approval of the Department of Public Works was obtained four months after the roof was replaced.

5. **The amendment to the Memorandum of Understanding related to DPS costs for the benefit of the CSU Infrastructure Act incurred after July 1, 2009, should be executed in accordance with MOU guidelines.**

Comment:

The amendment to the MOU addressing the costs incurred after July 1, 2009, has not been executed as of June 2009. Although the funding source for these costs appears to be CSUS general funds, this has not been stated in a formal agreement.

6. **The Agency should require that the receipt of goods or services is recorded by receivers.**

Comment:

We selected a sample of 25 expenditures for the procurement of goods and/or services from each fiscal year. From these samples, we noted six instances in each fiscal year in which receiving reports were not dated properly.

7. **Supervisors should be reviewing and signing the daysheets for sworn personnel.**

Comment:

Our testing of sworn employees' daysheets disclosed numerous instances in which the supervisory review of these payroll documents was not performed adequately.

8. **Fees generated by blueprint reviews and new inspections performed by the Bureau of Elevators should not be processed by that department.**

Comment:

We reviewed the internal processing of fees generated through elevator blueprint reviews and new inspections for elevator systems. We noted that the fees for these services are received in the Bureau of Elevators, which we consider to be an internal control weakness.

9. **DPS should comply with the requirements of the State Comptroller's *Software Inventory Control Policy and Procedures Manual*.**

Comment:

We noted several purchases during the fiscal year ended June 30, 2008, that should have been added to the agency's software inventory. We were unable to confirm that such purchases were added to the inventory. We also reviewed the agency's existing software inventory and noted instances in which relevant information was excluded from the inventory.

- 10. The Department of Public Safety and the Department of Transportation should execute an agreement for the law enforcement services provided by Troop W.**

Comment:

Payments received from the Department of Transportation for these services are significantly less than the costs incurred by the Department of Public Safety for providing the services.

- 11. DPS should recover indirect costs related to applicable Federal programs.**

Comment:

We noted that the agency did not recover indirect costs allocable to Federal programs of \$300,935 in the fiscal year ended June 30, 2007, and \$386,988 in the fiscal year ended June 30, 2008.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the Department of Public Safety for the fiscal years ended June 30, 2007 and 2008. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Public Safety for the fiscal years ended June 30, 2007 and 2008, 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 Public Safety complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain 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 Controls over Financial Operations, Safeguarding of Assets and Compliance:

In planning and performing our audit, we considered the Department of Public Safety's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Agency's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the Agency's internal control over those control objectives.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to properly initiate, authorize, record, process, or report financial data reliably, consistent with management's direction, safeguard assets,

and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial management, unsafe treatment of assets, or noncompliance with laws, regulations, contracts, and grant agreements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the following deficiencies, described in detail in the accompanying "Condition of Records" and "Recommendations" sections of this report, to be significant deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 1 – Noncompliance with requirements of the State Comptroller's *Property Control Manual*; Recommendation 6 – Receipt of goods or services should be recorded by receivers; Recommendation 7 – Review of daysheets for sworn personnel; Recommendation 9 – Noncompliance with the requirements of the State Comptroller's *Software Inventory Control Policy and Procedures Manual*; Recommendation 10 – Agreement with the Department of Transportation for law enforcement services provided by Troop W; and Recommendation 11 – Indirect cost recoveries on Federal programs.

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

Our consideration of the internal control over the Agency's financial operations, safeguarding of assets, and compliance with requirements, was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider the following items to be material weaknesses: Recommendation 6 – Receipt of goods or services should be recorded by receivers; and Recommendation 7 – Review of daysheets for sworn personnel.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Department of Public Safety complied with laws, regulations, contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Agency's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which we reported to Agency management in the accompanying "Condition of Records" and

“Recommendations” sections of this report.

The Department of Public Safety’s responses to the findings identified in our audit are described in the accompanying “Condition of Records” section of this report. We did not audit the Department of Public Safety’s responses and, accordingly, we express no opinion on it.

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

CONCLUSION

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

Timothy M. LePore
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts