

# STATE OF CONNECTICUT

**AUDITORS' REPORT  
DEPARTMENT OF PUBLIC UTILITY CONTROL  
AND  
OFFICE OF CONSUMER COUNSEL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2003**

**AUDITORS OF PUBLIC ACCOUNTS  
KEVIN P. JOHNSTON ♦ ROBERT G. JAEKLE**

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October 7, 2004

**AUDITORS' REPORT  
DEPARTMENT OF PUBLIC UTILITY CONTROL  
AND  
OFFICE OF CONSUMER COUNSEL  
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2003**

We have examined the financial records of the Department of Public Utility Control and the Office of Consumer Counsel for the fiscal years ended June 30, 2002 and 2003. This report on our examination consists of the Comments, Recommendations and Certification that follow.

The financial statement presentation and auditing of the books and accounts of the State are done on a Statewide Single Audit basis to include all State agencies including the Department of Public Utility Control and the Office of Consumer Counsel. This audit examination has been limited to assessing compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating both agencies' internal control structure policies and procedures established to ensure such compliance.

**DEPARTMENT OF PUBLIC UTILITY CONTROL  
COMMENTS**

**FOREWORD:**

The Department of Public Utility Control (the Department) operates primarily under Title 16, Chapters 277, 281 through 284, and 289 of the General Statutes, and is under the direction of the chairperson of the Public Utilities Control Authority as provided for in Section 16-1b of the General Statutes. The chief administrative officer of the Department is the executive director, who is appointed by the chairperson, in accordance with Section 16-2, subsection (f), of the General Statutes.

The Department has primary regulatory responsibility for investor-owned electric, gas, water, telecommunications and cable television companies in Connecticut. Decision-making responsibility resides with the Public Utilities Control Authority.

Costs and industry assessments, which can be expended only by appropriations of the General Assembly, are accounted for by the Department in a special revenue fund called the Consumer Counsel and Public Utility Control Fund, according to Section 16-48a of the General Statutes.

Significant legislation affecting the Department during the audited period included the following:

- Public Act 02-94 specifies that utility costs include the reasonable cost of security for the utility's assets, facilities, and equipment incurred solely to respond to security needs associated with the September 11, 2001 attacks and the continuing war on terrorism. The effective date of this Act was October 1, 2002.
- Public Act 03-135 revises the electric restructuring law, particularly those provisions requiring electric utilities to provide service to customers who do not choose a competitive supplier. It extends for three years the requirement that utilities provide standard offer service to such customers and increases the maximum rate that they can charge for the service. It also required the Department to restart the program to educate consumers about the new law. The effective date of this Act was July 1, 2003. The consumer education program is the subject of a Program Evaluation in this report.

**PUBLIC UTILITIES CONTROL AUTHORITY:**

The Authority is comprised of five members appointed by the Governor with the advice and consent of the General Assembly. As of June 30, 2003, the members were as follows:

	<b><u>Term Expires June 30,</u></b>
Donald W. Downes, Chairperson	2005
Glenn N. Arthur, Vice-chairperson (retired 6/1/2003)	2007
Linda J. Kelly	2007
John W. Betkoski, III	2005
Jack R. Goldberg	2007

Ann C. George was appointed Commissioner for a four-year term commencing on July 1, 2003.

Donald W. Downes continued to serve as Chairperson of the Authority during the audited period.

**RÉSUMÉ OF OPERATIONS-DEPARTMENT OF PUBLIC UTILITY CONTROL (DPUC):**

A comparative summary of receipts credited to the Consumer Counsel and Public Utility Control Fund for the fiscal years ended June 30, 2002 and 2003 is as follows:

	<b>Fiscal Year Ended June 30,</b>	
	<u>2002</u>	<u>2003</u>
Public service company assessments	\$17,269,146	\$18,870,166
Other receipts	<u>292,987</u>	<u>256,178</u>
<b>Total Receipts</b>	<b><u>\$17,562,133</u></b>	<b><u>\$19,126,344</u></b>

Receipts consisted primarily of assessments received from public service companies for the costs of operating the Department of Public Utility Control and the Office of Consumer Counsel. In accordance with Section 16-49 of the General Statutes, each public service company having more than one hundred thousand dollars of gross revenue in the State must pay its share of all expenses of the Department and of the Office of Consumer Counsel. Other receipts included fines and costs, refunds of prior year expenditures, and miscellaneous fees.

Assessment revenues increased by \$155,604 (less than one percent) and increased \$1,601,020 (nine percent) during the 2001-2002 and 2002-2003 fiscal years, respectively, as compared with the 2000-2001 fiscal year assessment revenues, which totaled \$17,113,542. The increase of \$1,601,020 was primarily the result of receipt adjustments necessary to offset a \$1.7 million deficit (receipts less than adjusted expenditures) in fiscal year 2000-2001. As of June 30, 2003, the available cash balance of the Consumer Counsel and Public Utility Control Fund (Fund 1106) was \$5,679,674.

In addition to the receipts deposited to the Consumer Counsel and Public Utility Control Fund, the Department also deposited receipts to the General Fund. General Fund receipts totaled \$390,058 and \$444,611 in the 2001-2002 and 2002-2003 fiscal years, respectively. The majority of General Fund receipts consisted of Federal receivables collected for two Federal Grant programs: "Gas Pipeline Safety" and "Call Before You Dig". Other General Fund receipts included fines and costs, and sales and use tax collections.

Lastly, the Department deposited General Fund receipts for the Military Department under the Nuclear Safety Emergency Preparedness program established by Section 28-31 of the General Statutes. Amounts deposited under the Statute totaled \$851,396 and \$1,139,858 in fiscal years 2001-2002 and 2002-2003, respectively.

A summary of Department expenditures from the Consumer Counsel and Public Utility Control Fund for the audited period is presented below:

	<b>Fiscal Year Ended June 30,</b>		
	<u><b>2001</b></u>	<u><b>2002</b></u>	<u><b>2003</b></u>
Personal services	\$9,803,859	\$9,972,008	\$9,826,101
Contractual services	1,853,939	1,946,388	1,633,823
Commodities	88,787	74,695	53,611
Sundry charges	3,855,564	4,328,702	4,252,872
Equipment	<u>78,365</u>	<u>83,957</u>	<u>37,986</u>
<b>Total Expenditures</b>	<b><u>\$15,680,514</u></b>	<b><u>\$16,405,750</u></b>	<b><u>\$15,804,393</u></b>

Personal service costs and related employees' fringe benefits accounted for the largest increase in expenditures during the audited period. Expenditures for personal services increased by \$168,149 (two percent) in the fiscal year 2001-2002 and decreased by \$145,907 (one percent) in fiscal year 2002-2003. The net increase in fiscal year 2001-2002 can be attributed to general annual salary increases. The net decrease in fiscal year 2002-2003 can be attributed to general salary increases offset by reduced personal services expenditures due to layoffs and early retirements. The Department's filled positions decreased from 149 as of June 30, 2001, to 118 as of June 30, 2003.

Sundry charges, consisting primarily of employee fringe benefit costs, increased \$473,138 and decreased by \$75,830 during the 2001-2002 and 2002-2003 fiscal years, respectively. The primary reason for the 2001-2002 fiscal year increase was additional fringe benefit costs based on higher rates. The decrease in the 2002-2003 fiscal year resulted from a reduction in personal services.

General Fund expenditures during the audited period totaled \$307,609 and \$290,091 for the fiscal years 2001-2002 and 2002-2003, respectively. The expenditures were primarily for personal services, related employee fringe benefits and indirect overhead paid from a Federal contribution account that accounts for both the "Gas Pipeline Safety" program and the "Call Before You Dig" program.

**PROGRAM EVALUATION:**

Section 2-90 of the General Statutes authorizes the Auditors of Public Accounts to conduct a program evaluation as part of our audits of public and quasi-public agencies. Public Act 98-28 required the Department to establish a Consumer Education Outreach Program (the "Outreach Program") to educate consumers about electric restructuring, or "electric choice". Our program evaluation reviewed the Department's implementation of the Outreach Program in order to assess its effectiveness in educating electric consumers about the new law.

For our evaluation, we reviewed the relevant Public Acts and General Statutes, and interviewed Department of Public Utility Control and Office of Consumer Counsel personnel. We reviewed the minutes from the Consumer Education Advisory Council meetings and

analyzed financial data from the Department's records and from the docket cases filed by the electric distribution companies. Lastly, we reviewed a number of articles about electric choice.

Public Act 98-28 allowed customers to choose their electric supplier. The primary objectives of electric restructuring are to foster competition among electric suppliers to promote lower prices, encourage the production of cleaner forms of electricity, and provide better service to customers. Customers had four years, between January 1, 2000 and December 31, 2003, to choose their electric supplier. During this time, the two major electric utilities, now known as "distribution companies", purchased electricity from suppliers and resold it to their customers at "standard offer" rates equal to those rates in effect as of December 31, 1996, less ten percent.

As noted, Public Act 98-28 required the Department to establish a Consumer Education Outreach Program. The goals of the program, according to the Public Act, shall be to "*maximize public information, minimize customer confusion and equip all customers to participate in a restructured generation market*". The Department established a Consumer Education Outreach Program Unit, consisting of a Program Manager and eight other positions, to speak directly with organizations and general public audiences about electric restructuring, staff trade show booths, community fairs and other public events, distribute posters, and generally support the education and outreach efforts. At the time of our review (April 2004), the Program Manager's position has been vacant since June 1, 2003.

The Outreach Program, as of June 30, 2003, has cost approximately \$9.3 million, consisting of some \$6.1 million in non-personnel expenses paid from the Service Benefit Charge (SBC) assessed on electric bills, and about \$3.2 million from Departmental appropriations for personnel costs and incidental expenses. We estimate the program will cost over \$13 million by the time it is scheduled to end on December 31, 2006, with approximately \$8.7 million coming from the SBC and about \$4.5 million coming from Departmental appropriations. We compiled these numbers from various sources, including the Department's appropriation ledgers and from docket cases filed by the electric distribution companies. We note that the Department has produced only two Outreach Program reports; one at inception and one at its "restart".

Public Act 98-28 also created the Consumer Education Advisory Council (the Council) which is chaired by the Consumer Counsel, and advises the Department in the establishment and activities of the Outreach Program. The Council's mission is to determine the information to be distributed to consumers as part of the education effort, how customers can exercise their right to participate in retail access, and other information determined by the Council to be necessary for customers in this process. The Council also advises the Outreach Program's advisor on methods of distributing that information, and the timing of such distribution.

A reading of Council minutes suggests that the relationship between the Department and the Council has not been as productive as it may have been. The Department and the Council were not in agreement on some key early program decisions. The mass advertising campaign conducted in 1999 is one example. This may have affected the attendance of the Council's membership. Twenty-four members attended the first council meeting on December 10, 1998. Only about ten Council members are currently attending meetings on a regular basis. The number of Council meetings also has gone down considerably since calendar year 2000. The

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Council met twenty times in 1999, but by 2003 the Council met only four times with four meetings scheduled for 2004.

As of the end of the standard offer period on December 31, 2003, less than one percent of Connecticut residential customers had chosen an electric supplier and only about one in five consumers surveyed was aware of electric choice. Few suppliers were actively marketing to residential customers. Because of this lack of progress, Public Act 03-135 extended the period for consumers to choose an electric supplier until December 31, 2006. Electric rates were permitted to increase ten percent, to levels in place as of December 31, 1996. The Department believes that this will encourage more suppliers in the market, but acknowledged that education efforts had been scaled back and needed to be renewed.

Public Act 03-135 required the Department to “restart” the program. In late 2002, the Department hired the Connecticut Economic Resource Center (CERC) to prepare the Outreach Program for the three-year Transitional Standard Offer period, ending December 31, 2006. The selection of CERC, a consortium of the State’s utilities, appears to be a good one. As part of the restart efforts, the State’s two distribution companies have agreed to insert notices in the billing statements more often and include the basic restructuring message and new electric choice website on the billing envelope.

According to the Department, only 22 percent of residential customers surveyed are aware of the new law, down from a high of about 55 percent in the summer of 2000. The Department wants to achieve a 45 percent awareness rate by December 2006, with only about 30 percent, or \$2.7 million, of the original SBC budget remaining. Accordingly, we make the following recommendation:

*Criteria:* Public Act 98-28 required the establishment of a Consumer Education Outreach Program to educate the consumer about electric choice. Public Act 03-135 required the Department to “restart” the program for the “Transitional Standard Offer” period that ends December 31, 2006. The goal of the outreach program is to maximize public information, minimize public confusion and equip all customers to participate in a restructured generation market with the objective of reaching every electric customer.

*Condition:* Currently, only about 22 percent of Connecticut residential customers surveyed profess some knowledge of electric restructuring. With less than 30 percent remaining of the Service Benefit Charge budget and less than three years remaining in the Transitional Standard Offer period, the Department would like to achieve a 45 percent awareness rate. Active membership on the Consumer Education Advisory Council has been declining. Other than the two reports required by the Public Acts, no other reports on the progress and costs of the Outreach Program have been issued.

*Effect:* Without maximum outreach efforts between now and the end of the program on December 31, 2006, the goal of reaching all electric consumers with the message of electric choice may not be met.

*Cause:* The main cause is due to a number of factors, including an initial outreach program and advertising campaign that was not well-received by the Consumer Education Advisory Council and the absence of a competitive market to develop. The decline in active membership on the Consumer Education Advisory Council is due to a poorly defined relationship between the Council and the Department early in the program. The absence of progress reports is due to the fact that such reports were not statutorily required.

*Recommendation:* The Department of Public Utility Control and the Consumer Education Advisory Council should work more closely to achieve the objectives of the Consumer Education Outreach Program. Steps should be taken to increase the active membership of the Council. The Department of Public Utility Control should fill the vacant Outreach Program Unit's coordinator position, and should report periodically on the progress of the Outreach Program. (See Recommendation 1.)

*Agency Response:* "The Department of Public Utility Control (Department) recognizes the importance of working with the Consumer Education Advisory Council (CEAC) to achieve the objectives of the Consumer Education Outreach Program. The Department, however, respectfully disagrees with some conclusions reached in the "cause" section of the audit. While we recognize that the relationship between the Department and the Council early on was not as productive as it could have been, we assert that the most important factor for the drop in public awareness levels was our decision to halt the mass media advertising campaign. Our research shows that while the ads ran, they were very effective in increasing awareness levels. It can be expected that any campaign that has been dormant for several years is certain to lose a significant amount of public recall. The lack of a vibrant competitive market prompted the Department to make the decision to halt the ads in order to save allocated funds for when they would be more effectively utilized. Grassroots education efforts, however, have continued through the Department's internal Program Developers.

The Department also disagrees with the conclusions reached regarding the decline in CEAC participation. We can best respond to this by quoting from a CEAC member's letter to Consumer Counsel Mary Healy who stated "...diminished attendance...was discussed by the CEAC and undertaken in light of the slow development of the open market in Connecticut." He further stated that the members were able to conduct CEAC business through electronic means in place of physical meetings. On August 20, 2003, CEAC members requested that future meetings be

held on a quarterly, rather than monthly, basis until a more robust competitive market developed. With the advent of the Alternative Transitional Standard Offer, education efforts will increase. Accordingly, the Department and the Consumer Counsel are currently taking steps to increase active participation amongst CEAC members. The current relationship between the Department and CEAC is very positive, interactive and productive.

The Outreach Program Coordinator retired on June 1, 2003. Since that time, a Lead Outreach Program Developer has been acting in that capacity under the direct supervision of the Executive Director, who was the original Outreach Program Coordinator. The Department expects to fill this position in the near future.

The Department has submitted two reports on CEOP as required by

legislation. Also, we have kept The Energy & Technology Committee current on education efforts. The Department will submit progress reports not less than annually.

Based upon the remaining budget and the three years remaining in the Transitional Standard Offer Period, the Department feels that a realistic goal of 45% awareness has been set. The arrival at this goal was the result of a cooperative effort between the Department, the Consumer Counsel, CEAC and the Connecticut Economic Resource Center (CERC). ”

## CONDITION OF RECORDS

Our audit of the Department of Public Utility Control's records disclosed the following areas that require improvement.

### **Assessment Billings:**

*Background:* Section 16-49 of the General Statutes establishes guidelines for assessing certain regulated companies for the expenses of the Department and the Office of Consumer Counsel. The Department prepares, collects, records and deposits quarterly assessment billings from applicable public service companies for its operating expenses. Because assessments are based on estimated amounts adjusted for actual costs, there are numerous adjustments made to the accounts.

*Criteria:* Generally Accepted Accounting Principles over receivables require the use of a general ledger and subsidiary ledgers that clearly identify debit and credit entries, non-cash adjustments, and ending balances. The State Accounting Manual requires that accounts receivable records be accurate, complete, and requires agencies to collect amounts owed to the State in the most effective and efficient manner.

*Condition:* The Department's receivable system for assessments lacks a true general ledger and subsidiary ledgers. The Department uses a series of complex spreadsheets as its assessments receivable records, which are neither effective nor efficient and makes the audit trail difficult to follow. Determining an individual account's current balance is difficult without a detailed analysis of the records. We tested 25 accounts and found two accounts had large credit balances that differed substantially from the Department's records. We calculated that one company had a credit balance of \$246,633, while the Department's records indicated a debit balance of \$6,324, as of August 30, 2003. We calculated the other company had a credit balance of \$31,836 while the Department's records indicated a debit balance of \$32,014, as of August 30, 2003.

*Effect:* The Department's assessments receivable system does not permit the balancing of general ledger control totals with individual subsidiary ledger balances. Internal controls over assessments do not provide reasonable assurance that errors and omissions will be detected in the normal course of operations.

*Cause:* The cause is the inadequate design of the assessment receivable system.

*Recommendation:* The Department of Public Utility Control should redesign its assessments receivable system to provide for a general ledger and subsidiary ledgers and improved internal controls. (See Recommendation 2.)

*Agency Response:* “The Business Office is preparing temporary subsidiary ledgers and is working with the CORE system to develop a permanent replacement system for its assessments receivable system.”

**Late Deposits:**

*Criteria:* Section 4-32 of the General Statutes requires that any State agency receiving any money or revenues amounting to \$500 or more shall deposit such receipts within 24 hours.

*Condition:* We found thirteen receipts, totaling \$459,679 out of \$7,875,102 tested, for the fiscal years ended June 30, 2002 and June 30, 2003, that were deposited between one and four days late.

*Effect:* The Department was not in compliance with Section 4-32 of the General Statutes.

*Cause:* The Department cited a lack of personnel on certain days to make the deposits timely.

*Recommendation:* The Department of Public Utility Control should deposit receipts in accordance with Section 4-32 of the General Statutes. (See Recommendation 3.)

*Agency Response:* “The department deposited \$39,502,000 for Fiscal/Years 02 and 03. Each Business Office staff is now checking the receipts log daily to assure timely deposits. The Docket Office staff who actually make the deposit at the bank are also checking with the Business Office daily regarding required deposits.”

**Duplicate Payment and Obligations Incurred without a Valid Purchase Order:**

*Criteria:* Internal controls should be in place to prevent duplicate payments of vendor invoices.

Section 4-98 of the Connecticut General Statutes states that, except for emergency purchases, no obligations shall be incurred except by the issue of a purchase order.

*Condition:* In March 2003, a duplicate payment for the monthly lease charge of a photocopier was paid in the amount of \$2,575.

From September 2000 through October 2001 the Department incurred monthly security maintenance and monitoring services without a valid purchase order.

*Effect:* State funds were expended in error and had to be retrieved on a subsequent invoice.

The Department was not in compliance with Section 4-98 of the General Statutes.

*Cause:* Departmental personnel mistakenly thought a particular invoice for photocopier services had not been paid when in fact it had been paid. At the time the Department was leasing several copiers from this vendor. The Department discovered the overpayment about two months later and was able to recover the overpayment by offset against a current invoice.

In March 1999, the Department installed security equipment using a Department of Administrative Services contract award schedule that included both the installation of the equipment and the monthly maintenance and monitoring fee after the expiration of the one-year warranty. In March 1999, a purchase order was issued that only covered the installation of the equipment. The Business Office did not amend the original purchase order to reflect the monthly maintenance and monitoring fee which began in September 2000. A new purchase order was issued on September 19, 2001, retroactively covering these services for the period September 2000 through October 2001.

*Recommendation:* The Department of Public Utility Control should review internal controls over expenditures to prevent duplicate payments and the incurrence of obligations without a valid purchase order. (See Recommendation 4.)

*Agency Response:* “In March 2003, one duplicate payment of \$2,575 for the monthly lease charge of a photocopier was paid to a vendor that the department has been leasing several copiers from annually. This error existed for a two-month period. It was discovered through the department's internal control process and corrected.

The Department incurred monthly security monitoring services by issuing a purchase order referencing a DAS contract award schedule, which included maintenance after one year. The department did not amend the original purchase order to properly reflect the additional encumbrance.

The department is more closely monitoring its purchase order amendments and voucher payments.”

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

*Criteria:* Department of Administrative Services Management Personnel Policy Number 80-1 states that compensatory time earned by managerial employees must be significant in terms of total and duration, above and

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beyond the time normally required for the position, and does not include the extra hour or so a manager might work in a day. According to the “Connecticut Handbook for Appointed Officials”, appointed officials do not receive compensatory time.

*Condition:* We found that one managerial employee’s attendance record was posted with 60.5 hours of compensatory time in increments of one hour or less, and three appointed officials’ attendance records were posted with 96 hours of compensatory time.

*Effect:* Employees were granted compensatory time that is specifically not allowed by State policy.

*Cause:* The Department was apparently unaware of certain provisions with respect to granting compensatory time in these instances.

*Recommendation:* The Department of Public Utility Control should comply with State policy when granting compensatory time. (See Recommendation 5.)

*Agency Response:* “The Executive Director met the Commissioners and Directors and reviewed the State policy on granting compensatory time. Time sheets are being monitored by the Business Office for compliance.”

### **No Departmental Policy on Excessive Absenteeism:**

*Criteria:* Good business practices require that management have a written policy to address excessive absenteeism for instances of potential abuse.

*Condition:* The Department does not have a written policy to address instances of potential excessive absenteeism based on criteria such as the number of days taken, the pattern of usage, and other factors. Our review found that 22 of 52 employees tested potentially have used an excessive number of sick days (using twenty or more days during the audited period as the benchmark).

*Effect:* Without a written policy on excessive absenteeism, the Department cannot adequately address potential abuse of sick leave.

*Cause:* The cause was not determined.

*Recommendation:* The Department of Public Utility Control should develop a policy to address potential instances of excessive absenteeism. (See Recommendation 6.)

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*Agency Response:* “The department is in (the) process of discussing this matter with the Office of Labor Relations. Additionally the department plans to poll several State agencies regarding their policies on excessive absenteeism. Appropriate action will then follow.”

**Property Control Matters:**

*Criteria:* The State of Connecticut’s Property Control Manual requires all State agencies to submit, to the State Comptroller, on or before October 1<sup>st</sup>, a Fixed Asset/Property Inventory Report (CO-59). This report must reflect the sum total of the physical inventory as of June 30<sup>th</sup>.

*Condition:* Our review of the Department’s Fixed Assets/Inventory Reports (CO-59) revealed instances where inaccurate amounts were reported:

- Additions to capitalized equipment reported on the CO-59 Form for the fiscal year ended June 30, 2002, were understated by \$65,110 because two purchases processed by the Department of Information Technology in June 2002, and posted directly to the Department’s equipment appropriation, totaling \$66,765, were not included, and several items totaling \$1,655 were included incorrectly.
- Additions to capitalized equipment reported on the CO-59 Form for the fiscal year ended June 30, 2003, were understated by \$10,229 because a new item purchased was recorded at the wrong cost.
- Deletions to capitalized equipment reported on the CO-59 Form for the fiscal year ended June 30, 2003, was understated by \$22,799 because an item traded in was not properly removed from the fixed assets records.

*Effect:* The Department’s Fixed Assets/Property Inventory Reports to the State Comptroller for fiscal years ended June 30, 2002 and 2003, were understated by \$65,110 and \$52,540 for the fiscal years ended June 30, 2002 and June 30, 2003, respectively.

*Cause:* The Department did not report on its CO-59 Form the purchases made by DOIT because the Department used an expenditure report that did not include June 2002 expenditures and did not properly record all additions and deletions to the inventory records due to a misapplication of Property Control Manual requirements.

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*Recommendation:* The Department of Public Utility Control should correct inventory errors and take steps to ensure that Fixed Assets/Property Inventory Reports are correctly prepared. (See Recommendation 7.)

*Agency Response:* “\$56,851.85 of this amount was due to a purchase made directly by the Department of Information Technology (DOIT) using agency other expense funds. The department will more closely monitor the use of fund codes to purchase and for inventory control and reporting. The monitoring will also include purchases made by other agencies on behalf of the department.”

**OFFICE OF CONSUMER COUNSEL  
COMMENTS**

**FOREWORD:**

The Office of Consumer Counsel (the Office) operates under Section 16-2a of the General Statutes and is within the Department of Public Utility Control for administrative purposes only. The Office acts as the advocate for consumer interests in matters relating to public service companies. Under Section 4-38f of the General Statutes, an agency assigned to a department for “administrative purposes only” exercises its statutory authority independent of such department and without approval or control of the department.

The Office is under the direction of a Consumer Counsel appointed by the Governor with the advice and consent of either House of the General Assembly. Mary J. Healey was appointed as Consumer Counsel effective September 14, 2001, and continues to serve in that capacity.

**RÉSUMÉ OF OPERATIONS - OFFICE OF CONSUMER COUNSEL (OCC):**

A summary of the Office of Consumer Counsel expenditures from the Consumer Counsel and Public Utility Control Fund for the audited period is presented below:

	<b>Fiscal Year Ended June 30,</b>		
	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>
Personal services	\$1,174,161	\$1,206,454	\$1,160,918
Contractual services	342,162	420,043	410,430
Commodities	17,499	20,427	7,547
Sundry charges	542,167	787,021	683,914
Equipment	<u>12,925</u>	<u>18,197</u>	<u>0</u>
<b>Total Expenditures</b>	<b><u>\$2,088,914</u></b>	<b><u>\$2,452,142</u></b>	<b><u>\$2,262,809</u></b>

The Office’s expenditures from the Consumer Counsel and Public Utility Control Fund appropriations totaled \$2,088,914 in the 2000-2001 fiscal year, for comparative purposes. Total expenditures increased \$363,228 (17 percent) and then decreased \$189,333 (eight percent) in the fiscal years 2001-2002 and 2002-2003, respectively.

Personal services increased \$32,293 (three percent) and then decreased \$45,536 (four percent) in the fiscal years 2001-2002 and 2002-2003, respectively. The increase in fiscal year 2001-2002 was due primarily from annual salary increases. The decrease in the 2002-2003 was based primarily on reductions in the agency’s approved positions due to retirements and layoffs.

Sundry charges increased \$224,854 (41 percent) and decreased \$103,107 (13 percent) in the fiscal years 2001-2002 and 2002-2003, respectively. The increase in fiscal year 2001-2002 was due to increased expenditures for indirect overhead and higher fringe benefit costs over 1999-2000 levels. The decrease in total sundry charges in fiscal year 2002-2003 over fiscal year 2001-2002 levels was the result of decreased fringe benefit expenditures due to Department reductions in personnel levels and in indirect overhead charges.

**CONDITION OF RECORDS**

Our current audit of the Office of Consumer Counsel disclosed no audit findings as a result of our examination.

## RECOMMENDATIONS

### *Status of Prior Audit Recommendations:*

- The Department of Public Utility Control should improve its monitoring and enforcement of telecommunication quality-of-service regulations. This recommendation has been implemented.
- The Department of Public Utility Control should improve procedures and supporting documentation involving the assessment billing and reconciliation process. This recommendation has been repeated in revised form as Recommendation 2.
- The Department of Public Utility Control should comply with the requirements established in the State of Connecticut's Property Control Manual. This recommendation has been repeated in this report as Recommendation 7.
- The Office of Consumer Counsel should not contract with the Department of Administrative Services for services that should be requested from the Department of Public Utility Control. Due to layoffs and early retirements, the Department of Public Utility Control's ability to provide such services is presently limited. Accordingly, we are not repeating this recommendation at this time.
- The Office of Consumer Counsel should strengthen its equipment and software procedures to provide complete information and compliance with laws and regulations. This recommendation has been implemented.

### *Current Audit Recommendations:*

#### **Department of Public Utility Control:**

- 1. The Department of Public Utility Control and the Consumer Education Advisory Council should work more closely to achieve the objectives of the Consumer Education Outreach Program. Steps should be taken to increase the active membership of the Council. The Department of Public Utility Control should fill the vacant Outreach Program Unit's coordinator position, and should report periodically on the progress of the Outreach Program.**

#### Comment:

Currently, only about 22 percent of Connecticut residential customers surveyed profess some knowledge of electric restructuring. With less than 30 percent remaining of the Service Benefit Charge budget and less than three years remaining in the Transitional Standard Offer period, the Department would like to achieve a 45 percent awareness rate. Active membership on the Consumer Education Advisory Council has been declining. Other than the two reports required by the Public Acts, no other reports on the progress and costs of the Outreach Program have been issued.

- 2. The Department of Public Utility Control should redesign its assessments receivable system to provide for a general ledger and subsidiary ledgers and improved internal controls.**

Comment:

The Department's receivable system for assessments lacks a true general ledger and subsidiary ledgers. The Department uses a series of complex Excel spreadsheets as its assessments receivable records, which are neither effective nor efficient and makes the audit trail difficult to follow. Determining an individual account's current balance is difficult without a detailed analysis of the records. We re-calculated two utilities' billings and found each had large credit balances that differed substantially from the Department's records.

- 3. The Department of Public Utility Control should deposit receipts in accordance with Section 4-32 of the General Statutes.**

Comment:

We found thirteen receipts, totaling \$459,679 out of \$7,875,102 tested, for the fiscal years ended June 30, 2002 and June 30, 2003, that were deposited between one and four days late.

- 4. The Department of Public Utility Control should strengthen internal controls over expenditures to prevent duplicate payments and to prevent the incurrence of obligations without a valid purchase order.**

Comment:

In March 2003, a duplicate payment for the monthly lease charge of a photocopier was paid in the amount of \$2,575. From September 2000 through October 2001 the Department incurred monthly security monitoring services without a valid purchase order.

- 5. The Department of Public Utility Control should comply with State policy when granting compensatory time.**

Comment:

We found that one managerial employee's attendance record was posted with 60.5 hours of compensatory time in increments of one hour or less, and three appointed officials' attendance records were posted with 96 hours of compensatory time.

- 6. The Department of Public Utility Control should develop a policy to address potential instances of excessive absenteeism.**

Comment:

The Department does not have a written policy to address instances of potential excessive absenteeism based on criteria such as the number of days taken, the pattern of usage, and other factors. Our review found that 22 of 52 employees tested potentially have used an excessive number of sick days (using twenty or more days during the audited period as the benchmark).

- 7. The Department of Public Utility Control should correct inventory errors and take steps to ensure that Fixed Assets/Property Inventory Reports are correctly prepared.**

Comment:

Additions to capitalized equipment reported on the CO-59 Form for the fiscal year ended June 30, 2002, were understated by \$65,110 and additions to capitalized equipment reported on the CO-59 Form for the fiscal year ended June 30, 2003, were understated by \$10,229. Deletions to capitalized equipment reported on the CO-59 Form for the fiscal year ended June 30, 2003, were understated by \$22,799.

## 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 Utility Control and the Office of Consumer Counsel for the fiscal years ended June 30, 2002 and 2003. This audit was primarily limited to performing tests of each Agency's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of each Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to each Agency are complied with, (2) the financial transactions of each Agency are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of each Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Public Utility Control and the Office of Consumer Counsel for the fiscal years ended June 30, 2002 and 2003, are included as 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-related audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Department of Public Utility Control and the Office of Consumer Counsel complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grants and to obtain a sufficient understanding of the internal control to plan the audit and determine the nature, timing and extent of test to be performed during the conduct of the audit.

### **Compliance:**

Compliance with the requirements of laws, regulations, contracts and grants applicable to the Department of Public Utility Control and the Office of Consumer Counsel is the responsibility of the Department of Public Utility Control's management and the Office of Consumer Counsel's management.

As part of obtaining reasonable assurance about whether each Agency complied with laws, regulations, contracts, and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of each Agency's financial operations for the fiscal years ended June 30, 2002 and 2003, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under auditing standards generally accepted in the United States of America.

We did, however, note certain immaterial or less than significant instances of noncompliance that we have disclosed in the "Condition of Records", and "Recommendations" sections of this report.

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

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

However, we noted certain matters involving the internal control over each Agency's financial operations, safeguarding of assets, and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the Agency's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grants. We believe the following findings represent reportable conditions: the Department of Public Utility Control's need for improvements in its assessment billing system, the need for improvements over property control and improved controls over expenditures to prevent duplicate payments.

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

We also noted other matters that are described in the accompanying “Program Evaluation”, “Condition of Records” and “Recommendations” sections of this report.

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

**CONCLUSION**

We wish to express our appreciation for the cooperation and courtesy extended to our representatives by the Department of Public Utility Control and the Office of Consumer Counsel during this examination.

Gary P. Kriscenski  
Principal Auditor

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts

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