

STATE OF CONNECTICUT

**AUDITORS' REPORT
STATE PROPERTIES REVIEW BOARD
FOR THE FISCAL YEARS ENDED JUNE 30, 1999 AND 2000**

**AUDITORS OF PUBLIC ACCOUNTS
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September 11, 2001

**AUDITORS' REPORT
STATE PROPERTIES REVIEW BOARD
FOR THE FISCAL YEARS ENDED JUNE 30, 1999 AND 2000**

We have examined the financial records of the State Properties Review Board for the fiscal years ended June 30, 1999 and 2000. Financial statement presentation and auditing are being done on a Statewide Single Audit basis to include all State agencies. This audit examination has been limited to assessing the Board's compliance with certain provisions of financial related laws, regulations, contracts, and evaluating the Board'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 State Properties Review Board operates under the provisions of Title 4b of the General Statutes.

The Board reviews transactions proposed by State Executive Branch agencies involving the acquisition, construction, development and leasing of offices and other facilities of the State. The Board reviews and approves transactions involving the lease or sale of State-owned real estate to third parties. The Board approves the selection of architects, engineers and other design professionals for major projects, as proposed by the Commissioner of Public Works, pursuant to Sections 4b-1 and 4b-55 to 4b-59, inclusive of the General Statutes. In addition, the Board approves or disapproves any acquisition of development rights of agricultural land proposed by the Commissioner of Agriculture under Section 22-26cc of the General Statutes.

Members of the State Properties Review Board:

Members of the State Properties Review Board, as of June 30, 2000, were as follows:

	Term Expires <u>June 30,</u>
Rowland Ballek, Chairman	2002
Lisa A. Musumeci, Vice Chairman	2002
Pasquale A. Pepe, Secretary	2001
Bennett Millstein	2001
Edwin S. Greenberg	2003
Paul F. Cramer, Jr.	1999

The Speaker of the House of Representatives and the President Pro Tempore of the Senate jointly appoint three members and the minority leaders of the House and Senate jointly appoint the other three. Qualifications cited in the enabling act mandate persons experienced in the areas of architecture, building construction, engineering, purchase, sale and lease of real estate, business matters and the management and operation of State institutions.

Mr. Paul F. Cramer, Jr. continues to serve until his successor is appointed and has qualified.

Mr. George D. Edwards served as Executive Director of the State Properties Review Board for the two years covered by this examination.

RÉSUMÉ OF OPERATIONS:

The State Properties Review Board did not record any receipts during the fiscal year ended June 30, 1999. The Board did record receipts in the amount of \$240 during the fiscal year ended June 30, 2000.

General Fund expenditures during the fiscal years ended June 30, 1999 and 2000 are presented below:

	<u>1998-1999</u>	<u>1999-2000</u>
Personal services	\$283,121	\$301,649
Contractual services	153,602	173,035
Commodities	3,409	5,818
Equipment	<u>1,200</u>	<u>1,000</u>
Total General Fund Expenditures	<u>\$441,332</u>	<u>\$481,502</u>

Expenditures of the State Properties Review Board are primarily for salaries and wages to employees, per diem payments to board members as compensation for attendance at meetings and for the reimbursement of Board members for out-of-pocket expenses related to attending such meetings.

We noted that an additional \$19,000 was expended from the Capital Equipment Purchase Fund during the fiscal year ended June 30, 2000.

CONDITION OF RECORDS

We note the following areas which require improvement.

Time and Attendance Records:

Criteria: Sound business practice requires that time and attendance information be recorded accurately to enable adequate tracking for payment calculation and reporting purposes.

Condition: Our review of time and attendance records determined that one employee was incorrectly charged with two sick leave days on his attendance record and his accumulated sick leave balance was understated by the two days. In another case, the review of time sheets, attendance records and accumulated leave balances revealed that an employee used twelve hours of vacation time and was not charged on her attendance record. In addition, her accumulated vacation leave balance was overstated by the twelve hours. The employee subsequently left the State Properties Review Board to take a new State position. The cumulative vacation leave balance was incorrectly reported to her new Agency. Subsequent to our review, based on our audit findings, a revised report of the former employee's accrued vacation leave balance was submitted to the employee's current Agency.

Effect: The instances noted resulted in both overstatements and understatements of employee leave balances and incorrect reporting of accumulated balances.

Cause: The time and attendance records are prepared manually without the benefit of supervisory review.

Recommendation: The Board should improve controls over the time and attendance system. (See Recommendation 1.)

Agency Response: "Time and attendance records are prepared using a Lotus 1,2,3 spreadsheet to calculate hours added and deducted to each category of employee benefit. We have not had an error in this function for many years, and supervisory review does occur. Review responsibilities will be redefined. We have corrected our internal records, notified the employees involved and have sent a memo to the other State agency to correct their records."

Auditors' Concluding

Comments: In the instances noted which resulted in both overstatements and

understatements of employee leave balances and incorrect reporting of accumulated balances, supervisory review was not performed.

Lack of an Ethics Statement:

Criteria: Section 1-83, subsection (2), of the Connecticut General Statutes states “Each state agency, department, board and commission shall develop and implement, in cooperation with the Ethics Commission, an ethics statement as it relates to the mission of the agency, department, board or commission. The executive head of each such agency, department, board or commission shall be directly responsible for the development and enforcement of such ethics statement and shall file a copy of such ethics statement with the Department of Administrative Services and the Ethics Commission.”

Condition: Our prior audit discussed the fact that the State Properties Review Board lacked an ethics statement related to the primary mission of the Board which is to provide oversight of the various real estate transactions and consultant contracts proposed by State Executive Branch agencies.

A written ethics statement has been developed by the State Properties Review Board but only exists in draft form and has not been formalized or filed with the Department of Administrative Services and the Ethics Commission as required.

Effect: The ethics statement as it relates to the mission of the State Properties Review Board is integral to the Agency’s review and approval of all real estate transactions of the executive branch departments and agencies.

Cause: We were not able to determine what has delayed the formalization of the draft agreement.

Recommendation: The State Properties Review Board should take the steps necessary to formalize an ethics statement as it relates to the mission of the Board, and should file a copy of such ethics statement with the Department of Administrative Services and the State Ethics Commission, as required by Section 1-83, subsection (2), of the General Statutes. (See Recommendation 2.)

Agency Response: “The Board has been working on the development of an ethics statement for some time, and the members are aware of, and practice the tenets of the statutes which apply specifically to this Board and its employees, as well as the State Code of Ethics. As your report indicates, a draft of the statement had been prepared, a final version

was approved at the June 11, 2001, Board meeting. The “Board approved” ethics statement is being sent to the Department of Administrative Services and the Ethics Commission, as required by Statute.”

Commitment of Funds:

Criteria: Section 4-98 of the General Statutes requires that appropriated funds be committed in the form of a purchase order prior to obligating the State. With regard to personal services, an executed “Personal Service Agreement” serves as such commitment.

Section 4-213 of the General Statutes states that no State agency may hire a personal service contractor without executing a personal service agreement.

Condition: Our review of a \$2,560 expenditure to a data processing consultant for computer enhancements to the State Properties Review Board’s data base system showed these services were committed by a purchase order instead of a personal service agreement.

Effect: Budgetary control is reduced if obligations are incurred prior to the establishment of a valid commitment. The use of a purchase order (instead of a personal service agreement) to engage personal service contractors circumvents statutory approval processes within the Offices of Policy and Management and the Attorney General, and does not necessarily afford the desired level of assurance that all terms included in the Statement of Work are part of the purchase agreement.

Cause: A lack of administrative control may have contributed to these conditions. The Board’s failure to adhere to the provisions of Section 4-213 of the General Statutes resulted from following DOIT’s instructions directing agencies to use purchase orders to engage consultant contractors.

Recommendation: The State Properties Review Board should adhere to applicable statutes when hiring data processing consultants. (See Recommendation 3.)

Agency Response: “In December 1999, the Department of Information Technology (DOIT) wrote a “work order” to a consultant, so that the consultant could begin work on a computer database for the Board. The work order drew funds from a standing contract between DOIT and the consultant for work with small agencies, of which the Board is one, on the then impending “Y2K problem”. A figure of \$25,000 was

committed by DOIT to this consultant for the purpose in the work order.

As the June 30th end of the fiscal year approached, the database was about 75 percent complete, and discussions were held to extend the contract into the next fiscal year. At the eleventh hour of the fiscal year, we learned that extension of the work order was not possible, even though work on the database was still not complete. With the few dollars remaining in the Board's budget for 1999-2000, we were able to extend the work order and keep the consultant working on the database for a short time under the same terms and conditions as the DOIT work order, but at a cost of only \$2,560. The consultant had been "hired" (see Section 4-213 of the General Statutes) in December 1999 for this purpose, we assume, by a DOIT executed Personal Service Agreement. We extended the work order for a period of 40 hours with our own purchase order."

Auditors' Concluding

Comments:

These consulting services were engaged by way of a purchase order rather than a personal service agreement as required by Section 4-213 of the General Statutes. The Board should adhere to applicable General Statutes when hiring data processing consultants.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Two recommendations were presented in our prior report.

- Members of the State Properties Review Board should file financial statements with the Board as required by Section 4b-4, subsection (a), of the General Statutes. This recommendation has been resolved.
- The State Properties Review Board should develop an ethics statement as it relates to the mission of the board, and should file a copy of such ethics statement with the Department of Administrative Services and the State Ethics Commission, as required by Section 1-83, subsection (2), of the General Statutes. This recommendation is being restated to reflect current conditions. (See Recommendation 2.)

Current Audit Recommendations:

As a result of our current examination, we present three recommendations to the State Properties Review Board.

1. The Board should improve controls over the time and attendance system.

Comment:

We noted both overstatements and understatements of employee leave balances as well as incorrect reporting of accumulated balances.

2. The State Properties Review Board should take the steps necessary to formalize an ethics statement as it relates to the mission of the board, and should file a copy of such ethics statement with the Department of Administrative Services and the State Ethics Commission, as required by Section 1-83, subsection (2), of the General Statutes.

Comment:

We noted that the Board has drafted an ethics statement but has not formalized the statement or filed it with the Department of Administrative Services and the Ethics Commission as required.

3. The State Properties Review Board should adhere to applicable statutes when hiring data processing consultants.

Comment:

A review of a payment to a data processing consultant for data base system computer enhancements showed the consultants' services were committed by a purchase order instead of a personal service agreement as required by State statute.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the State Properties Review Board for the fiscal years ended June 30, 1999 and 2000. This audit was primarily limited to performing tests of the Board's compliance with certain provisions of laws, regulations and contracts, and to understanding and evaluating the effectiveness of the Board's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations and contracts applicable to the Board are complied with, (2) the financial transactions of the Board are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Board are safeguarded against loss or unauthorized use. The financial statement audits of the State Properties Review Board for the fiscal years ended June 30, 1999 and 2000, 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 generally accepted auditing standards 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 State Properties Review Board complied in all material or significant respects with the provisions of certain laws, regulations and contracts and to obtain a sufficient understanding of the internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Compliance:

Compliance with the requirements of laws, regulations and contracts applicable to the State Properties Review Board is the responsibility of the management of the State Properties Review Board.

As part of obtaining reasonable assurance about whether the Board complied with laws, regulations and contracts, 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 Board's financial operations for the fiscal years ended June 30, 1999 and 2000, we performed tests of its compliance with certain provisions of laws, regulations and contracts. 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 under *Government Auditing Standards*. However, we noted certain immaterial or less than significant instances of noncompliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

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

The management of the State Properties Review Board is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations and contracts applicable to the Board. In planning and performing our audit, we considered the Board's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Board's financial operations in order to determine our auditing procedures for the purpose of evaluating the State Properties Review Board's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations and contracts, and not to provide assurance on the internal control over those control objectives.

Our consideration of the internal control over the Board's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be material or significant weaknesses. 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 and contracts or failure to safeguard assets that would be material in relation to the Board's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Board being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control that we consider to be material or significant weaknesses.

However, we noted certain matters involving the internal control over the Board's financial operations, safeguarding of assets, and/or compliance, which are described in the accompanying "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

In conclusion, we wish to express our appreciation for the cooperation and courtesy extended to our representatives by the personnel of the State Properties Review Board during the course of our examination.

Josepha M. Brusznicki
Principal Auditor

Approved:

Robert G. Jaekle
Auditor of Public Accounts

Kevin P. Johnston
Auditor of Public Accounts

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