

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
STATE PROPERTIES REVIEW BOARD  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2007*

**AUDITORS OF PUBLIC ACCOUNTS**

KEVIN P. JOHNSTON ❖ ROBERT G. JAEKLE

**Table of Contents**

---

**INTRODUCTION**.....1

**COMMENTS**.....1

**FOREWORD**.....1

        Members of the State Properties Review Board .....2

**SIGNIFICANT LEGISLATION**.....2

**RÉSUMÉ OF OPERATIONS**.....3

**PERFORMANCE EVALUATION**.....3

**CONDITION OF RECORDS**.....5

    Software Inventory .....5

**RECOMMENDATIONS**.....7

**INDEPENDENT AUDITORS' CERTIFICATION** .....8

**CONCLUSION** .....10

April 29, 2009

**AUDITORS' REPORT  
STATE PROPERTIES REVIEW BOARD  
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2007**

We have examined the financial records of the State Properties Review Board for the fiscal years ended June 30, 2006 and 2007. 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 and reporting 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 various State Statutes including Sections 4b-2, 4b-3 through 4b-5, 4b-21, 4b-22a, 4b-23, 4b-24, 4b-29, 4b-32, and 22-26cc of the General Statutes.

The Board reviews and approves various transactions proposed by State executive branch agencies. The transactions reviewed and approved involve:

- The acquisition of land and buildings for State use.
- Leasing of private buildings for State agencies.
- Sale or lease of surplus State buildings and lands.
- State acquisition of development rights to agricultural land.
- Assignment of State agencies to State buildings.
- Selections of and contracts for design professionals and other consultants for the Department of Public Works (DPW).
- Lease and/or purchase of group homes for the Department of Developmental Services.
- Lease of warehouse/distribution space at the Connecticut Regional Market.
- Leases, operating, or concession agreements at State airports and piers for the Department of Transportation (DOT).
- Acquisition of railroad rights-of-way and related facilities for the DOT.
- Hear appeals by aggrieved parties concerning compensation paid for the acquisition of outdoor advertising structures.

The Board is also responsible for reviewing the annual Department of Public Works (DPW) report required pursuant to Section 4b-2 of the General Statutes. That report is to include all pertinent data on DPW operations concerning realty acquisitions, projected real estate needs of the State, and recommendations for statutory changes. After its review the Board is required to submit that report, along with its recommendations, comments, conclusions or other pertinent information, to the Governor and the members of the jurisdictional joint standing committees of the General Assembly. In addition, in each odd-numbered year the Board is responsible, under Section 4b-23 of the General Statutes, for reviewing the Office of Policy and Management's proposed State facility plan.

In accordance with Public Act 05-251, the Commissioner of Administrative Services, in consultation with the Secretary of the Office of Policy and Management, developed a plan for the Department of Administrative Services to provide personnel, payroll, affirmative action and business office functions to the State Properties Review Board. This consolidation became effective during the fiscal year ended June 30, 2006.

**Members of the State Properties Review Board:**

The State Properties Review Board consists of six members, appointed on a bipartisan basis; 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. Section 4b-3 of the General Statutes mandates that such appointees have specific experience in the areas of architecture, building construction, engineering, real estate sales and purchases, business matters, and the management and operation of State institutions.

Members of the State Properties Review Board, as of June 30, 2007, were as follows:

	<b>Term Expires</b>
	<b><u>June 30,</u></b>
Pasquale A. Pepe, Chairman	2005
Lisa A. Musumeci, Vice Chairman	2006
Edwin S. Greenberg, Secretary	2011
Paul F. Cramer, Jr.	1999
Bruce Josephy	2006
Bennett Millstein	2005

The members of the Board continue to serve beyond the above expiration dates of their terms. They will continue to serve until their successors are appointed, or until the Board is terminated by repeal of the enabling legislation.

Stanley T. Babiarz has served as the Executive Director of the State Properties Review Board since July 31, 2002.

**SIGNIFICANT LEGISLATION:**

Public Act 07-5, amending Section 8-23a of the General Statutes, modifies the method of determining the fair market value of outdoor advertising structures, or billboards, and requires the State Properties Review Board (the Board) to hear appeals from any person aggrieved by the

determination of compensation paid when the Department of Transportation acquires an outdoor advertising structure. The Board is required to render a decision on an appeal within thirty days of hearing the appeal, and the written decision of the Board shall be a final decision.

**RÉSUMÉ OF OPERATIONS:**

The Board did not have any receipts in the fiscal years ended June 30, 2006, and 2007.

General Fund expenditures during the fiscal years ended June 30, 2005, 2006, and 2007, are presented below for comparative purposes:

	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>
Personal services	\$274,248	\$283,855	\$291,999
Payments to Board members:			
Per diem compensation	126,800	125,000	130,000
Mileage reimbursement	17,054	19,480	20,422
All other expenditures	17,469	6,690	10,672
Total General Fund Expenditures	<u>\$435,571</u>	<u>\$435,025</u>	<u>\$453,093</u>

As indicated above, during the audited period, approximately 65 percent of expenditures consisted of personal services payments to State Properties Review Board employees. Approximately 33 percent of the expenditures consisted of payments to Board members in the form of per diem compensation (29 percent) and mileage reimbursements (four percent) to attend Board meetings. Pursuant to subsection (b) of Section 4b-3 of the General Statutes, Board members are paid a per diem rate for their service. Section 4b-5 provides in part that “Reasonable expenses of the Properties Review Board and its employees shall be paid from the budget of the board...”

**PERFORMANCE EVALUATION:**

Section 2-90 of the General Statutes provides that each of our audits may include an examination of performance in achieving expressed legislative purposes. To that end, we followed-up on our prior audit review of the Board’s program measures developed pursuant to Section 4-67m of the General Statutes. Section 4-67m requires that for budgetary purposes, outcome measures (which do not have to be limited to measures of activity) be developed for each agency. The State Properties Review Board developed and monitors the following three program measures:

- Number of proposals reviewed and processed.
- Average calendar days to process proposals.
- Savings to the State as a result of Board actions.

The number of proposals reviewed and processed increased from 364 in the fiscal year ended June 30, 2006, to 436 in the subsequent year. On average the number of calendar days required to process a proposal increased from 11.6 days to 18.7 days. During the audited period it is estimated that State Properties Review Board’s actions saved the State over \$1,800,000 at a cost of less than 48 percent of the amount saved.

A summary of key data follows:

Number of Transactions:

<u>Category:</u>	<u>Fiscal year 2004-2005</u>	<u>Fiscal Year 2005-2006</u>	<u>Fiscal Year 2006-2007</u>
<i>Department of Public Works:</i>			
Consultant Contracts	159	147	158
Real Estate Contracts	58	52	56
Total DPW	<u>217</u>	<u>199</u>	<u>214</u>
<i>Department of Transportation:</i>			
Sales	70	42	57
All others	79	92	108
Total DOT	<u>149</u>	<u>134</u>	<u>165</u>
<i>All other State agencies</i>	<u>33</u>	<u>31</u>	<u>57</u>
Totals	<u>399</u>	<u>364</u>	<u>436</u>
Average number of days to process a proposal	<u>9.73</u>	<u>11.64</u>	<u>18.75</u>
Estimated Annual Savings to the State	<u>\$1,236,715</u>	<u>\$914,362</u>	<u>\$909,526</u>

The Board calculated its savings to the State for the last five years to be as follows:

<u>Fiscal Year</u>	<u>Savings</u>
2002-2003	\$14,675,147
2003-2004	797,391
2004-2005	1,236,715
2005-2006	914,362
2006-2007	909,526

Individual savings items of note during the audited period included the following:

Fiscal Year 2005-2006:

The Board's initial rejection of a request to extend a lease-out agreement for the Mystic Education Center in Groton, resulted in a lease agreement more favorable to the State. The approval of the re-submitted lease amendment is estimated to result in savings to the State of \$473,525 over a sixty-five month term.

Fiscal Year 2006-2007:

It is estimated that the Board's rejection of an amendment to a construction administration contract for renovations to Henry Abbott Technical High School in Danbury, will result in savings to the State of \$717,594 over the two-year contract.

In conclusion, it appears that the Board has developed appropriate outcome measures as required by Section 4-67m of the General Statutes and is actively monitoring said measures.

## CONDITION OF RECORDS

Our review of the records of the State Properties Review Board revealed the following area requiring improvement.

### Software Inventory

*Criteria:* Section 4-36 of the General Statutes requires each State agency to establish and keep inventory records in the format prescribed by the Office of the State Comptroller, and to report annually, on or before October first, the value of inventory in the custody of such agency as of June thirtieth.

*The State of Connecticut's Property Control Manual*, issued by the State Comptroller, establishes accounting procedures to set agency standards for the use of approved and/or licensed software by State agencies, to maintain inventory control of software, and to establish a uniform policy for the prevention of software copyright infringement.

Among the specific procedures prescribed by the manual, each State agency is required to produce a software inventory report on an annual basis and make those reports available to the Auditors of Public Accounts. The agency is further required to perform a physical inventory of the software library, or libraries, at the end of each fiscal year and compare it to the software inventory report, with the comparison retained by the agency for audit purposes.

*Condition:* The business office and payroll functions of the State Properties Review Board (SPRB) were transferred to the Department of Administrative Services (DAS) during September 2005.

The Department of Administrative Services did not perform the required annual physical inventory of the software for the fiscal years ended June 30, 2006 and June 30, 2007. The required annual software inventory report was not prepared for the fiscal years ended June 30, 2006 and 2007. A complete software inventory was not available at February 2009.

*Effect:* The State Properties Review Board is not in compliance with the policies and procedures established by the Office of the State Comptroller, which state that software compliance is a legal responsibility for State agencies and non-compliance can impact the State, as the State may be held financially liable for the use of unlicensed copies of software.

*Cause:* We were not able to determine why the business office staff of the Department of Administrative Services did not prepare the software inventory report for the State Properties Review Board.

*Recommendation:* The State Properties Review Board should coordinate with the

Department of Administrative Services to develop procedures to ensure that the software inventory records are prepared and maintained in accordance with the software inventory policy and procedures as set forth in the *State of Connecticut's Property Control Manual*.

*Agency Response:*     *The State Properties Review Board provided the following response:*

“The State Properties Review Board agrees with the finding of non-compliance with the Office of the State Comptroller’s requirement to maintain an annual physical inventory of software. Therefore, the finding contained in the audit has been referred to the Department of Administrative Services (DAS) for response.”

*The Department of Administrative Services responded as follows:*

“DAS agrees with the finding on the software inventory but have implemented procedures to correct the finding in the next fiscal year.”

## RECOMMENDATIONS

*Status of Prior Audit Recommendations:*

The prior audit did not contain any recommendations.

*Current Audit Recommendations:*

1. **The State Properties Review Board should coordinate with the Department of Administrative Services to develop procedures to ensure that the software inventory records are prepared and maintained in accordance with the software inventory policy and procedures as set forth in the *State of Connecticut's Property Control Manual*.**

Comments:

The required annual software inventory report was not prepared for the fiscal years ended June 30, 2006 and 2007. A complete software inventory was not available at February 2009.

## 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, 2006 and 2007. This audit was primarily limited to performing tests of the Board's compliance with certain provisions of laws, regulations, contracts and grant agreements 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, contracts and grant agreements applicable to the Board are complied with, (2) the financial transactions of the Board are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, 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, 2006 and 2007 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 State Properties Review Board complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

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

In planning and performing our audit, we considered the State Properties Review Board'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 Board'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 Board'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 discussed 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 Board'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 misstatement, 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 Board'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-Lack of a Software Inventory.

*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 Board'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 Board'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, we believe that the significant deficiency described above is not a material weakness.

#### **Compliance and Other Matters:**

As part of obtaining reasonable assurance about whether the State Properties Review Board 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 Board'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 immaterial or less than significant instances of noncompliance, which is described in the accompanying "Condition of Records" and "Recommendations" sections of this report as the following item: Recommendation 1-Lack of a Software Inventory.

The State Properties Review Board's response to the findings identified in our audit are described in the accompanying "Condition of Records" section of this report. We did not audit the State Properties Review Board's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of Board's 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**

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.

Mary C. Avery  
Associate Auditor

Approved:

Robert G. Jaekle  
Auditor of Public Accounts

Kevin P. Johnston  
Auditor of Public Accounts