

STATE OF CONNECTICUT



*AUDITORS' REPORT
OFFICE OF WORKFORCE COMPETITIVENESS
FOR THE FISCAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006*

AUDITORS OF PUBLIC ACCOUNTS

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September 16, 2009

**AUDITORS' REPORT
OFFICE OF WORKFORCE COMPETITIVENESS
FOR THE FISCAL YEARS ENDED JUNE 30, 2004, 2005 & 2006**

We have made an examination of the financial records of the Office of Workforce Competitiveness for the fiscal years ended June 30, 2004, 2005 and 2006. This report on that examination consists of the Comments, Condition of Records, Recommendations and Certification which follow.

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

COMMENTS

FOREWORD:

The Office of Workforce Competitiveness (OWC) was created under Executive Order #14 (as revised by Executive Order #14A) and Public Act 00-192, and codified as Section 4-124w of the General Statutes. The OWC "...is intended to focus on the changes needed to prepare Connecticut's workforce for the rapidly changing and competitive economy of the 21st Century...". The responsibilities of the OWC include functioning as the Governor's principal workforce development policy advisor; serving as the liaison between the Governor and any local, State, or Federal organizations or entities in workforce development matters and implementation of the Workforce Investment Act of 1998; and coordinating all State agencies' workforce development activities.

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 of the Office of Workforce Competitiveness. This transfer became effective during the fiscal year ended June 30, 2006. Prior to the transfer the Office of Policy and Management administered these functions under Section 4-124w of the General Statutes.

The passage of the Federal Workforce Investment Act (WIA) of 1998 resulted in significant changes in the way Federal employment and training programs are administered at the State level. The responsibilities of the Governor include establishment of a State Workforce Investment Board, development of a strategic five-year workforce development plan for the State, and designation of local workforce development areas. Each state responded to the creation of the Workforce Investment Act in a different way. Some states used the legislation as a means to reorganize employment and training activities in their states by combining and reorganizing state agencies, others created new state agencies responsible for oversight and control of employment and training in the state, while others maintained the same infrastructure used to support the Job Training Partnership Act.

In Connecticut, the Governor responded to the changes in Federal policy by designating the Connecticut Employment and Training Commission as the State Workforce Investment Board in February 1999, pursuant to the provisions of Section 111(e) of the Workforce Investment Act. In June 1999, the General Assembly passed Public Act 99-195, which authorized the Connecticut Employment and Training Commission to implement the Workforce Investment Act.

In June 2002 the Governor accepted the Commission's recommendation to consolidate the State's eight Workforce Investment Areas into five. The consolidation was completed by July 1, 2003.

The Office of Workforce Competitiveness provides staff support to the Connecticut Employment and Training Commission and the Governor's Jobs Cabinet. The Director of this Office serves as the Governor's principal workforce development policy advisor and is responsible for coordination of workforce development activities of all State agencies. The Connecticut Employment and Training Commission is discussed later in this report.

In accordance with Executive Order Number 14, dated April 14, 1999, the current director, Ms. Mary Ann Hanley, was appointed by the Governor as Director of the Office of Workforce Competitiveness and currently performs her duties as Director under a personal service contract. Executive Order Number 14A, dated July 2, 1999, amended Executive Order Number 14 by removing the specific reference to the director by name.

Significant Legislation:

In recognition of the importance of creating and maintaining a technology-based economy in Connecticut, legislation was enacted during the audit period encouraging the collaboration of Connecticut resources to sustain technology, and provide education and training to maintain the expertise of the workforce. Additional legislation was enacted to require the identification of areas where there is a projected shortage of a qualified workforce, and expand educational and training opportunities to address these shortages. Notable changes are presented below:

- Public Act 03-66, effective July 1, 2003, amended Section 10-21c, subsection (a), of the General Statutes to allow any local or regional board of education to expand academic offerings to include subject areas where a projected workforce shortage has been identified by permitting the hiring of qualified specialists from the private sector to teach in the shortage area.
- Public Act 03-102, Section 1, effective July 1, 2003, was codified as Section 31-3ii of the General Statutes. The Act requires the Connecticut Employment and Training Commission, within available appropriations, to establish and report on a pilot program that expands existing adult education programs to enable the participation of individuals who are employed in the State, but who require additional skills, training or education.
- Public Act 03-142, Sections 1, and 2, effective June 26, 2003, were codified as Sections 4-124bb, and 4-124cc, of the General Statutes. These sections of the Act require the Office of Workforce Competitiveness, within available appropriations, to establish the Connecticut Career Ladder Advisory Committee whose purpose it is to promote the creation of new career ladders and the enhancement of existing career ladder programs and develop and report on a three-year plan for the creation or enhancement of career ladder programs for occupations in projected workforce shortage areas.
- Public Act 04-212, Section 2, effective July 1, 2005, amends Section 4-124w, of the General Statutes to require the Office of Workforce Competitiveness to coordinate the development and implementation of strategies regarding technology-based talent and innovation among State and quasi-public agencies. The strategies include acting as a clearing house and providing assistance to applicants in developing small business innovation research programs. Section 4-124w is further amended to state OWC shall: “Be the lead State Agency for the development of employment and training strategies and initiatives required to support Connecticut’s position in the knowledge economy.”
- Public Act 05-165, effective July 1, 2005, codified as Sections 32-716, through 32-178, of the General Statutes requires the Office of Workforce Competitiveness, in consultation with the Commissioner of Higher Education, to study and report on the inclusion of nanotechnology and other developing technologies at institutions of higher education.

- Public Act 05-198, Sections 1 through 3, effective July 1, 2005, codified as Sections 4-124ff, 4-124hh, and 4-124ii, of the General Statutes establishes the Council of Advisors on Strategies for the Knowledge Economy to promote the formation, and funding of university-industry partnerships to identify benchmarks for technology based workforce innovation. Section 4, requires the Office of Workforce Competitiveness to establish an Advisory Council on Nanotechnology and within available appropriations, prepare recommendations to advance the State's position in nanotechnology development.
- Public Act 06-182, Section 1, effective May 3, 2006, requires the Director of the Office of Workforce Competitiveness to convene a youth futures committee to develop and report on guidelines for the delivery of services to youths. The guidelines are to be established in consultation with numerous agencies and providers knowledgeable in the field of youth services.

Connecticut Employment and Training Commission:

As noted above, the Connecticut Employment and Training Commission was previously part of the Department of Labor. The Commission oversees the development of the Statewide Workforce Investment Policy. In accordance with Public Act 99-195, Section 31-3h of the General Statutes was modified to place the Commission within the Office of Workforce Competitiveness.

The Connecticut Employment and Training Commission's duties include:

- Carrying out the duties of a State Job Training Coordinating Council pursuant to the Job Training Partnership Act.
- Reviewing all employment and training programs in the State to determine their success.
- Developing a plan for coordination of all employment and training programs to avoid duplication and promote the delivery of comprehensive employment and training services.
- Overseeing the Regional Workforce Development Boards.
- Implementing the Federal Workforce Investment Act of 1998.
- Developing incumbent worker, and vocational and manpower training programs.
- Developing a strategy for providing comprehensive services to eligible youth, including apprentice programs.

In accordance with Section 31-3i, subsection (b), of the General Statutes, the Connecticut Employment Training Commission is to consist of twenty-four members, a majority of whom shall represent business and industry and the remainder of whom shall represent State and local governments, organized labor, education and community based organizations, including a representative of a community action agency, as defined in Section 17b-885. The Governor shall fill any vacancy on the commission from recommendations submitted by the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Majority Leader of the Senate, the Majority Leader of the House of Representatives, the Minority Leader of the Senate

and the Minority Leader of the House of Representatives. Members appointed to the Commission prior to June 23, 1999, shall continue to serve on the Commission as if they were appointed to the Commission on June 23, 1999.

At June 30, 2006, the members of the Commission were:

Wallace Barnes, Chair	Lewis A. Miller
James Abromaitis	Deborah Monahan
George Coleman	William Moore
Joseph Ercolano	John Olsen
Sonya Googins	Raymond R. Oneglia, Jr.
Noel Grant	Clarence Win Oppel, III
Lauren W. Kaufman	James Parent
Valerie F. Lewis	Stephen Pryor
Patricia Mayfield	Louis D. Saloom
Richard McAloon	Peter Schultz
Lawrence McHugh	Carol Wallace
Julio Mendoza	Patricia Wilson-Coker

RÉSUMÉ OF OPERATIONS:

General Fund expenditures during the fiscal years ended June 30, 2004, 2005 and 2006 are summarized below:

	Fiscal Year Ended June 30,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Personal Services	\$ 353,531	\$ 349,806	\$ 406,449
Contractual Services	457,888	211,384	1,041,490
Commodities & Equipment	0	2,834	8,765
Grants and Transfers	<u>2,516,226</u>	<u>5,011,887</u>	<u>4,508,636</u>
Total General Fund Expenditures	<u>\$ 3,327,645</u>	<u>\$ 5,575,911</u>	<u>\$ 5,965,340</u>

Grants and transfers accounted for approximately 76 percent of the OWC's total expenditures in 2003-2004, the total grants and transfers increased to 90 percent in 2004-2005, and decreased to 76 percent in 2005-2006. The number of programs and the associated funding increased during the fiscal year ended June 30, 2005. The majority of payments made to State agencies were to the Department of Labor for various program initiatives including the Jobs Funnel Program, and various Workforce Development training programs. The funding provided for these initiatives totaled approximately \$355,000 in each of the 2003-2004 and 2004-2005 fiscal years, and increased to \$616,674 in 2005-2006. Grants and transfers to other than State agencies for the fiscal years ended June 30, 2004, 2005, and 2006, were \$2,161,233, \$4,655,808 and \$3,941,962, respectively.

The expenditures for contractual services relate primarily to outside professional and management consulting services. The expenditures increased considerably during the 2005-2006 fiscal year primarily due to services provided in conjunction with the Small Business Innovation and Research Program, and the Jobs Funnel Projects.

CONDITION OF RECORDS

Our examination of the records of the Office of Workforce Competitiveness disclosed certain areas requiring attention, which are detailed in this section of the report.

Expenditures:

Criteria: The State Accounting Manual mandates accounting and other requirements that must be met by State Agencies. The manual stipulates that agencies are responsible for the existence and implementation of internal controls and procedures designed to ensure accurate payments. The agency must certify the accuracy and completeness of expenditure documents; ensure payments are made from original vendor invoices; and are supported by purchase orders and/or contracts. The invoice should be properly authorized, the receipt of goods or services verified, and all documents should be retained until audited.

Condition: Our review of the expenditures for the Office of Workforce Competitiveness for the fiscal years ended June 30, 2004, 2005, and 2006, noted the following exceptions:

Payment was made to a vendor for four invoices totaling \$1,252, which were either billed at a rate that did not reflect the negotiated rate of the purchase order, or included delivery charges which were specifically excluded by the terms of the purchase order.

A \$3,200 payment was made to a vendor based on a billing invoice which referenced three service invoices. The information contained on the service and billing invoices did not itemize the services or provide sufficient detail to determine how the total cost was calculated.

The lease for the space occupied by the Office of Workforce Competitiveness required payments for rent, utilities, and janitorial services. The payments for utilities and janitorial costs which were processed during the fiscal years ended June 30, 2004 and June 30, 2005, were incorrectly coded to the rent account.

Evidence of a valid, fully executed contract was not available to support a \$5,000 payment made to a contractor during the fiscal year ended June 30, 2005.

Effect: The balances in the accounts for rent, utilities, and cleaning do not accurately reflect the expenditures. The lack of itemized invoices prevented us from determining the accuracy of amounts billed. The failure to retain evidence of a fully executed contract eliminates the protections afforded the State by such contract.

Cause: The Office of Workforce Competitiveness did not follow the established controls designed to ensure accurate payment. Lack of administrative oversight resulted in proper supporting documentation not being available.

Recommendation: The Office of Workforce Competitiveness should adhere to the internal control procedures which are designed to ensure the accuracy of payments. Documentation to support such compliance should be retained. (See Recommendation 1.)

Agency Response: “The Office of Workforce Competitiveness agrees with this recommendation. In September 2005, the OWC’s business office and all business functions, including human resources and payroll services, moved to the Department of Administrative Services Small Agency Resource Team. For fiscal years 2004 and 2005, these functions were the responsibility of the Office of Policy and Management. This transition period led to some temporary inefficiencies. The OWC will continue to work with DAS to ensure the accuracy and correct coding of payments and to retain documentation to support such compliance.”

Property Control:

Criteria: Section 4-36 of the General Statutes requires the agency to establish and keep an inventory account in the form prescribed by the Comptroller, and annually on or before October first, to transmit to the Comptroller a detailed inventory, as of June thirtieth. The form should reflect the real property, and personal property having a value of one thousand dollars or more. Subsidiary records must be maintained to support the amounts reported. Amounts added to, and deleted from, such records should agree with purchasing and disposal records.

Condition: The “*Asset Management/Inventory Report/GAAP Reporting Form CO-59*” , for the fiscal year ended June 30, 2006, was prepared by the Department of Administrative Services on behalf of the Office of Workforce Competitiveness. The inventory report was overstated and contained numerous errors and omissions. The amount reported as additions during the 2006 fiscal year were actually duplicates of items included in the beginning balance. Adequate documentation to support the value of equipment recorded as disposals and deducted from the inventory was not available. The subsidiary records were not maintained in a manner to support the amounts reported.

Effect: The “*Asset Management/Inventory Report/GAAP Reporting Form CO-59*” filed by the Department of Administrative Services on behalf of the Office of Workforce Competitiveness for the fiscal year ended June 30, 2006, was overstated. The error carried through to the fiscal year ended June 30, 2007.

Cause: The existing inventory items may have been duplicated when a new computer system was implemented. A comparison of the physical inventory performed at year end to the accounting records was not performed.

Recommendation: An annual physical inventory should be performed and the results of the inventory compared to the accounting records and other supporting documents of the Office of Workforce Competitiveness. An accurate “*Asset Management/Inventory Report/GAAP Reporting Form CO-59*” should be prepared. (See Recommendation 2.)

Agency Response: “The Office of Workforce Competitiveness agrees with this recommendation. In September 2005, the OWC’s business office and all related business functions and reporting moved to the Department of Administrative Services Small Agency Resource Team. For fiscal years ended June 30, 2004 and 2005, these functions were the responsibility of the Office of Policy and Management. This transition period led to some temporary inefficiencies. The OWC will work to the fullest extent possible with DAS to ensure that DAS conducts an annual physical inventory and prepares an accurate report.”

Software Inventory:

Criteria: The *State of Connecticut’s Property Control Manual*, issued by the State Comptroller under authority granted by Section 4-36 of the General Statutes, details control policies and procedures relative to the establishment and maintenance of software inventory for State Agencies. The software inventory procedures set forth by the Property Control Manual are applicable to all State Agencies.

In accordance with the procedures, each State Agency will produce a software inventory report on an annual basis. A physical inventory of the software library, or libraries, will be undertaken by all agencies at the end of each fiscal year and compared to the annual software inventory report. The comparison will be retained by the Agency for audit purposes.

The Department of Administrative Services became responsible for the preparation of the software inventory for the Office of Workforce Competitiveness in September, 2005.

Condition: The Department of Administrative Services did not perform an inventory of the software for the fiscal years ended June 30, 2006, and June 30, 2007. A complete software inventory was not available at March 2008.

Effect: The Office is not in compliance with the software inventory policy and procedures issued by the Office of the State Comptroller.

Failure to maintain inventory control of software, and adhere to established policies, may result in unauthorized use, and consequently, the State may be held financially liable for the use of unlicensed copies of software.

Cause: We were unable to determine the cause.

Recommendation: The Office of Workforce Competitiveness and the Department of Administrative Services should implement the internal controls necessary to ensure that the computer software inventory of the Office of Workforce Competitiveness is maintained in accordance with the software inventory policy and procedures as set forth in the *State of Connecticut's Property Control Manual*. (See Recommendation 3.)

Agency Response: "The Office of Workforce Competitiveness agrees with this recommendation. As referenced in "Criteria" section above, in September 2005 the Department of Administrative Services became responsible for the preparation of the software inventory for the OWC. The OWC will work to the fullest extent possible with DAS to ensure that DAS conducts an annual software inventory and prepares an accurate report. In January 1, 2008, DAS/MIS implemented a software inventory of all agencies that it services for any software that is purchased through DAS/Purchasing Unit."

Evidence of Insurance Coverage for Contractors:

- Criteria:* In accordance with standard contract language used by the Office of Policy and Management (OPM), the Department of Administrative Services (DAS), and the Office of Workforce Competitiveness (OWC), contractors are required to have adequate insurance coverage in place to protect the State in the event of a claim against the contractors for workers' compensation, motor vehicle, and employer liability. Contractors are generally required to deliver evidence of coverage to the State at the time the contract is entered into.
- Condition:* Staff at the Office of Policy and Management, the Department of Administrative Services, and the Office of Workforce Competitiveness were unable to produce evidence of insurance coverage for any of the OWC's contractors. Adequate procedures to obtain evidence of insurance have not been established.
- Effect:* The lack of evidence of insurance coverage presents an increased risk to the State in the event of an accident or injury.
- Cause:* A lack of administrative control contributed to this condition.
- Recommendation:* The Office of Workforce Competitiveness and the Department of Administrative Services should institute steps to obtain evidence of current insurance coverage for contractors. (See Recommendation 4.)
- Agency Response:* "The Office of Workforce Competitiveness agrees with this recommendation and will establish procedures for carrying it out."

Employment Status of the OWC Director:

- Criteria:* Executive Orders Number 14 and 14A, issued by the Governor on April 14, 1999, and July 2, 1999, respectively, created the Office of Workforce Competitiveness and provided for the position of Director.
- The State's budget process includes authorized position counts to control the personal service costs. Agency heads are normally included in authorized position counts.
- Sound internal control practices dictate that the individuals approving an invoice for payment would be in a position to certify that the services have been rendered in accordance with contractual terms.

Condition: The Director of the Office of Workforce Competitiveness was engaged via the use of a personal service agreement, rather than by the standard employee-employer relationship.

Invoices submitted to the OWC by the Director were approved by a staff member of the OWC, as well as representatives of the Office of Policy and Management (OPM) and the Department of Administrative Services (DAS). The OPM and DAS officials are not well-positioned to authorize payments because they may not be aware of the true deliverables. The OWC staff are subordinate to the Director, placing them in a perceived conflict of interest when asked to approve invoices of the Agency head.

Effect: The practice of employing an Agency head outside of the normal process increases the risk that the Agency will exceed the authorized position count.

The reliance that can be placed on the approval of the Director's invoices by the OWC staff is reduced under these circumstances.

Cause: A formal job description for the Director's position had not been created at the time the position was filled. The OWC has requested that the Department of Administrative Services formally establish the position and salary range for the Director position. The Department of Administrative Services confirmed their receipt of the request in a September 2004 letter to the Director of the OWC. However, the position has not been established.

Recommendation: The Office of Workforce Competitiveness should follow through with the Department of Administrative Services to establish the position of Director of the Office of Workforce Competitiveness as an official State position. (See Recommendation 5).

Agency Response: "The Office of Workforce Competitiveness agrees in part with this recommendation. As referenced in the "Cause" section above, the OWC has repeatedly requested that DAS establish this position. The OWC, to the extent of its authority, has followed through with this request."

Reports Not Filed Timely:

Criteria: Section 31-3bb of the Connecticut General Statutes requires the Connecticut Employment and Training Commission to submit the "Report Card for Employment and Training" on or before October

1, 1998, and annually thereafter. The report requires at a minimum, the identification of program costs, number of persons satisfactorily completing the program, and employment placement rates.

Section 4-124dd, subsection (d), requires the Connecticut Allied Health Workforce Policy Board to submit a report on its findings and recommendations, to the committees of cognizance of the General Assembly no later than January 1, 2006, and annually thereafter.

Condition:

The “Report Card for Employment and Training Programs” for the fiscal year ended June 30, 2003, is dated March 2004. The Connecticut Employment and Training Commission (CETC) changed the format of the report from a three year to a five year trend analysis. No report was issued for the transition fiscal year ended June 30, 2004. The reports for the fiscal years ended June 30, 2005 and 2006, were issued in March 2006 and May 2007, respectively. Similar delays in reporting were noted during the prior audit.

The Office of Workforce Competitiveness has sought to resolve the conflict between the statutory requirements and the programmatic reporting requirements by requesting a technical change to the statute. The requested change which has not yet been made would result in the Report Card being due by April 1st of the following year.

The Annual Legislative Reports of the Connecticut Allied Health Workforce Policy Board were submitted February 22, 2006, and February 15, 2007. The legislature convened on February 8, 2006 and January 3, 2007.

Effect:

The timely submission of the required reports allows a determination to be made as to whether or not the programs are meeting their intended goals. The report requires at a minimum, the identification of program costs, number of persons satisfactorily completing the program and employment placement rates.

The required report and the included recommendations of the Connecticut Allied Health Workforce Policy Board submitted in a timely manner, allow the cognizant committees of the General Assembly to make a determination as to whether or not legislative or budgetary actions should be pursued.

Cause:

The “Report Card for Employment and Training Programs” includes wage information for the last quarter of the program year. The Unemployment Insurance wage file is obtained from the

Department of Labor and is used to determine percentages of various programs. The wage information for the last quarter of the program year is not available until October of the same year.

The delay in the release of the Allied Health Policy Board reports is partially attributed to the time required to obtain the approval of all the board members.

Recommendation: The Office of Workforce Competitiveness should continue to pursue technical legislative changes which would resolve the conflicts between the statutory requirements and the programmatic reporting requirements or submission dates. (See Recommendation 6.)

Agency Response: “The Office of Workforce Competitiveness agrees in part with this recommendation. Since 2004, the OWC has submitted requests to the Legislature for a technical change to Sec. 31-3bb of the Connecticut General Statutes which would require that the Report Card for Employment and Training Programs be submitted “on or before April 1, 2004 and annually thereafter.” This change in language would then accurately reflect when the Legislative Report Card would be completed based upon availability of the wage information used for the last quarter of the program year reported.”

RECOMMENDATIONS

Our prior report on the fiscal years ended June 30, 2002 and 2003, contained a total of five recommendations. Of those recommendations, two have been implemented, satisfied, or otherwise resolved. Three recommendations are being repeated in whole or a modified form. The status of the recommendations contained in the prior report is presented below.

Status of Prior Audit Recommendations:

- The Office of Workforce Competitiveness, and the Office of Policy and Management, should institute procedures to promote compliance with the personal service agreement guidelines established pursuant to Sections 4-212 through 4-219 of the Connecticut General Statutes. This recommendation is not being repeated.
- The Office of Workforce Competitiveness and the Office of Policy and Management should institute steps to provide evidence of current insurance coverage for contractors. This recommendation is being restated as Recommendation 4.
- The Office of Workforce Competitiveness should follow through on the initial steps taken to have the Department of Administrative Services establish the position of the Director of the Office of Workforce Competitiveness as an official State position. This recommendation is being repeated. See Recommendation 5.
- The Agency should seek legislation to resolve the conflict between the statutory requirements and the programmatic reporting requirements. This recommendation is being repeated in a modified form. See Recommendation 6.
- The Connecticut Employment and Training Commission should plan a schedule of meetings that adheres to the guidelines established in the By-Laws. This recommendation has been satisfied.

Current Audit Recommendations:

- 1. The Office of Workforce Competitiveness should adhere to the internal control procedures which are designed to ensure the accuracy of payments. Documentation to support such compliance should be retained.**

Comment:

Payments were processed without adhering to the established controls.

2. **An annual physical inventory should be performed and the result of the inventory compared to the accounting records and other supporting documents of the Office of Workforce Competitiveness. An accurate “*Asset Management/Inventory Report/GAAP Reporting Form CO-59*” should be prepared.**

Comment:

The Annual physical inventory did not agree with the supporting documentation.

3. **The Office of Workforce Competitiveness and the Department of Administrative Services should implement the internal controls necessary to ensure that the computer software inventory of the Office of Workforce Competitiveness is maintained in accordance with the software inventory policy and procedures as set forth in the *State of Connecticut’s Property Control Manual*.**

Comment:

The Annual software inventory was not prepared.

4. **The Office of Workforce Competitiveness and the Department of Administrative Services should institute steps to obtain evidence of current insurance coverage for contractors.**

Comment:

Documentation of insurance coverage for contractors was not available.

5. **The Office of Workforce Competitiveness should follow through with the Department of Administrative Services to establish the position of Director of the Office of Workforce Competitiveness as an official State position.**

Comment:

Initial requests to establish the Director’s position as an official State position have not been followed-up on.

6. **The Office of Workforce Competitiveness should continue to pursue technical legislative changes which would resolve the conflicts between the statutory requirements and the programmatic reporting requirements or submission dates.**

Comment:

The current report due dates specified in the Statutes conflict with the due date of the material required to compile the report, or the timing of the legislative session.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the Office of Workforce Competitiveness for the fiscal years ended June 30, 2004, 2005 and 2006. 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 Office of Workforce Competitiveness for the fiscal years ended June 30, 2004, 2005 and 2006, 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 Office of Workforce Competitiveness 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 Office of Workforce Competitiveness' 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 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 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 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 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 numbers 1 – Expenditures, 2 – Property Control, 3 – Software Inventory, 4 – Evidence of Insurance Coverage for Contractors.

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, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Office of Workforce Competitiveness 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 as the following items: Recommendation 5 – Employment Status of the OWC Director, Recommendation 6 – Reports Not Filed Timely.

The Office of Workforce Competitiveness' 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 Office of Workforce Competitiveness' responses and, accordingly, we express no opinion on them.

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

In conclusion, we wish to express our appreciation for the courtesies extended to our representatives by the personnel of the Office of Workforce Competitiveness during the course of our audit.

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Associate Auditor

Approved:

Kevin P. Johnston
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