

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
OFFICE OF WORKFORCE COMPETITIVENESS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008*

**AUDITORS OF PUBLIC ACCOUNTS**

KEVIN P. JOHNSTON ❖ ROBERT G. JAEKLE

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November 19, 2010

**AUDITORS' REPORT  
OFFICE OF WORKFORCE COMPETITIVENESS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008**

We have made an examination of the financial records of the Office of Workforce Competitiveness for the fiscal years ended June 30, 2007 and 2008. 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 21<sup>st</sup> 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 services 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 audited 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 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.
- Public Act 07-236, effective July 1, 2007 is codified as Section 4-124uu, of the General Statutes. The Act requires the OWC, in conjunction with the labor, education and economic and community development commissioners and the Commission on Culture and Tourism, to establish a program to develop a trained film industry workforce in the State. The program is designed to meet the employment needs of the State's film industry.
- Special Act 08-3, requires that not later than July 1, 2008, OWC convene a Youth Policy Council to continue the work of the former Youth Futures Committee which was created by PA 06-182. The Council shall support positive youth development.
- Public Act 08-163, effective July 1, 2008, codified as Sections 31-11bb through 31-11dd, of the General Statutes, requires the OWC to establish an Adult Literacy Leadership Board as a committee of the Connecticut Employment and Training Commission to review and advise the Commission on workforce investment and adult literacy programs and services.

**Connecticut Employment and Training Commission:**

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, 2008, the members of the Commission were:

Wallace Barnes, Chair	Julio Mendoza
Thomas Burns	Michael Meotti
Joseph Ercolano	Deborah Monahan
Lt. Gov. Michael Fedele	William Moore
Noel Grant	John Olsen
Marc Herzog	Raymond R. Oneglia, Jr.
Lauren W. Kaufman	Clarence Win Oppel, III
Patricia Mayfield	James Parent
Richard McAloon	Louis D. Saloom
Joan McDonald	Michael Starkowski
Lawrence McHugh	Carol Wallace
Dr. Mark McQuillan	Lyle Wray

**RÉSUMÉ OF OPERATIONS:**

General Fund expenditures during the fiscal years ended June 30, 2007 and 2008, as compared to the prior year are summarized below:

	Fiscal Year Ended June 30,		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Personal Services	\$ 406,449	\$ 423,738	\$ 446,341
Contractual Services	1,041,490	838,948	956,598
Commodities & Equipment	8,765	-	-
Grants and Transfers	<u>4,508,636</u>	<u>4,775,348</u>	<u>5,058,835</u>
Total General Fund Expenditures	<u>\$ 5,965,340</u>	<u>\$ 6,038,034</u>	<u>\$ 6,461,774</u>

Grants and transfers accounted for approximately 79 and 78 percent of the OWC's total expenditures, respectively, during the fiscal years ended June 30, 2007 and 2008, as compared to 76 percent in the previous year.

The majority of payments made to State agencies were to the Department of Labor for various Workforce Development training programs including the Jobs Funnel Program, a joint public-private effort to create career development for youth. The funding provided for these initiatives totaled approximately \$450,400 and \$1,219,672, respectively, in the 2006-2007 and 2007-2008 fiscal years, as compared to \$616,674 in the 2005-2006 fiscal year.

Grants and transfers expenditures during the fiscal year ended June 30, 2008 included a \$450,000 equipment purchase for the newly created Film Industry Training Program, and a \$456,000 Medicaid Infrastructure Grant to fund the implementation of an interagency Integrated Data Management System specific to individuals with disabilities.

Grants and transfers to other than State agencies for the fiscal years ended June 30, 2006, 2007, and 2008, were \$3,941,962, \$4,324,948, and \$3,839,163, respectively.

## 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. Effective internal controls should be established over the interagency transfer of funds and the accounting for such transfers. In order to ensure accurate reporting of Federal grant expenditures, separate accounts should be maintained for each Federal grant.

*Condition:* Our review of the expenditures processed by the Office of Workforce Competitiveness for the fiscal years ended June 30, 2007 and 2008, noted the following exceptions:

A \$75,000 voucher for services rendered under a grant was improperly coded to the accounting services account instead of the grant account.

The Office of Workforce Competitiveness received a \$1 million interagency Federal grant transfer which was not appropriately coded to an account maintained for Federal funds. The Office of Workforce Competitiveness (OWC) became aware of the error in recording the Federal funds. The OWC in conjunction with the Department of Administrative Services (DAS), and the Office of the State Comptroller established separate accounts to record the Federal funding and prepared the correcting entries.

The Office of Workforce Competitiveness and the Department of Administrative Services have developed procedures designed to identify Federal funding and ensure the proper recording of such funds.

*Effect:* The balances in the accounts for grants and accounting services do not accurately reflect the nature of the expenditures.

Federal program funding and expenditures were reported under incorrect accounts, which were identified and corrected.

*Cause:* We were not able to determine the reason for grant services coded to the accounting services account.

There were no controls to ensure the accurate identification and coding of Federal funds.

*Recommendation:* The Office of Workforce Competitiveness should adhere to the internal control procedures which are designed to ensure the accuracy of payments. (See Recommendation #1.)

*Agency Response:* “OWC agrees with this recommendation. In September 2005, OWC’s business office and all business functions, including human resources and payroll services, moved to the Department of Administrative Services (DAS) Small Agency Resource Team. As noted in the “Condition” section above, OWC and DAS have developed procedures designed to identify Federal funding and ensure the proper recording of such funds. OWC will continue to work with DAS to ensure the accuracy and correct coding of payments.”

### **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, 2007, was prepared by the Department of Administrative Services on behalf of the Office of Workforce Competitiveness. The inventory report was overstated by \$4,048. The amount reported as deletions did not include two items of equipment which were disposed of during the year.

*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, 2007, was overstated. The error carried through to the fiscal years ended June 30, 2008, and 2009.

*Cause:* The total deletions recorded on the 2007 Form CO-59 did not accurately reflect the subsidiary records. A comparison of the ending balance to the physical inventory performed at year end was not performed.

*Recommendation:* The results of the annual physical inventory should be 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:* "OWC agrees with this recommendation. In September 2005, OWC's business office and all related business functions and reporting moved to the Department of Administrative Services (DAS) Small Agency Resource Team. Since DAS prepares the "Asset Management/Inventory Report/GAAP Reporting Form CO-59" on behalf of our agency, we have consulted with DAS who also agrees that the 2007 inventory was overstated by \$4,048. DAS has informed OWC that this will be corrected in the current inventory."

### **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:* In January of 2008, DAS implemented a software inventory of all agencies that it services for any software purchased through the DAS/Purchasing Unit.

The Department of Information Technology (DOIT) performed a physical inventory of the software in use by the Office of Workforce Competitiveness at June 26, 2009. The physical inventory report prepared by DOIT has not been reconciled to the inventory records maintained by DAS.

A comprehensive inventory of software was not available at June 2010.

*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:* "OWC agrees with this recommendation. As referenced in the "Criteria" section above, in September 2005 the Department of Administrative Services became responsible for the preparation of the software inventory for OWC. However, since we have been informed that DAS only services those agencies purchasing software through DAS, OWC will take over the responsibilities of preparing and maintaining the computer software inventory in accordance with the policies and procedures set forth in the "State of Connecticut's Property Control Manual."

### **Evidence of Insurance Coverage for Contractors:**

*Criteria:* In accordance with standard contract language used by 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 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:* "OWC 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 services 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

Department of Administrative Services (DAS). The 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:* "OWC agrees in part with this recommendation. As referenced in the "Cause" section above, OWC has repeatedly requested that DAS establish this position. 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 years ended June 30, 2006 and 2007, are dated June 19, 2007 and June 23, 2008, 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 1<sup>st</sup> of the following year.

The Annual Legislative Reports of the Connecticut Allied Health Workforce Policy Board were submitted February 15, 2007 and March 4, 2008. The legislature convened on January 3, 2007 and February 6, 2008.

*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:* “OWC agrees in part with this recommendation. Since 2004, 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. OWC, to the extent of its authority, continues to pursue technical legislative changes to address this issue and recommends that the State Auditors of Public Accounts include this and other technical reporting changes for all agencies as part of its legislative proposals.”

**GAAP Closing Package:**

*Criteria:* Annually the Office of the State Comptroller issues instructions for the completion of the GAAP Closing package. The instructions for the GAAP Form 5-Contractual Obligations and Retainages excludes the obligations pertaining to capital or operating leases from being reported on the Form 5. Lease obligations are to be reported on the GAAP Form 6a-Leases-State as Lessee.

*Condition:* The obligated amount for future lease payments was recorded on the 2007 GAAP Form 5. The future lease payments were also reported on the form 6a Leases- State as Lessee. The 2008 and 2009 GAAP Forms 5 appropriately did not include lease obligations.

*Effect:* The 2007 GAAP Form 5-Contractual Obligations and Retainages was overstated by \$346,348.

*Cause:* We were not able to determine the cause.

*Recommendation:* The GAAP Form 5-Contractual Obligations and Retainages should be prepared according to the instructions issued by the Office of the State Comptroller. (See Recommendation #7.)

*Agency Response:* “OWC agrees with this recommendation and commends DAS for preparing the GAAP Form 5 according to the instructions issued by the Office of the State Comptroller.”

## RECOMMENDATIONS

Our prior report on the fiscal years ended June 30, 2004, 2005, and 2006, contained a total of six recommendations. Each of those recommendations is being repeated in whole or in a modified form. The status of those recommendations contained in the prior report are presented below.

### *Status of Prior Audit Recommendations:*

- 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. This recommendation is being repeated in a modified form. (See Recommendation 1.)
- 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. We will continue this recommendation in a modified form. (See Recommendation 2.)
- 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*. We will repeat this recommendation. (See Recommendation 3.)
- The Office of Workforce Competitiveness and the Department of Administrative Services should institute steps to obtain evidence of current insurance coverage for contractors. This recommendation is being repeated. (See Recommendation 4.)
- 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. This recommendation is being repeated. (See Recommendation 5.)
- 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. This recommendation is being repeated. (See Recommendation 6.)

*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.**

Comment:

Payments were processed without adhering to the established controls.

2. **The result of the annual physical inventory should be 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 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.

- 7. The GAAP Form 5-Contractual Obligations and Retainages should be prepared according to the instructions issued by the Office of the State Comptroller.**

Comment:

The 2007 GAAP Form 5-Contractual Obligations and Retainages was overstated.

## 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, 2007 and 2008. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Office of Workforce Competitiveness for the fiscal years ended June 30, 2007 and 2008 are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 7- GAAP Closing Package.

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.

Mary C. Avery  
Associate Auditor

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts