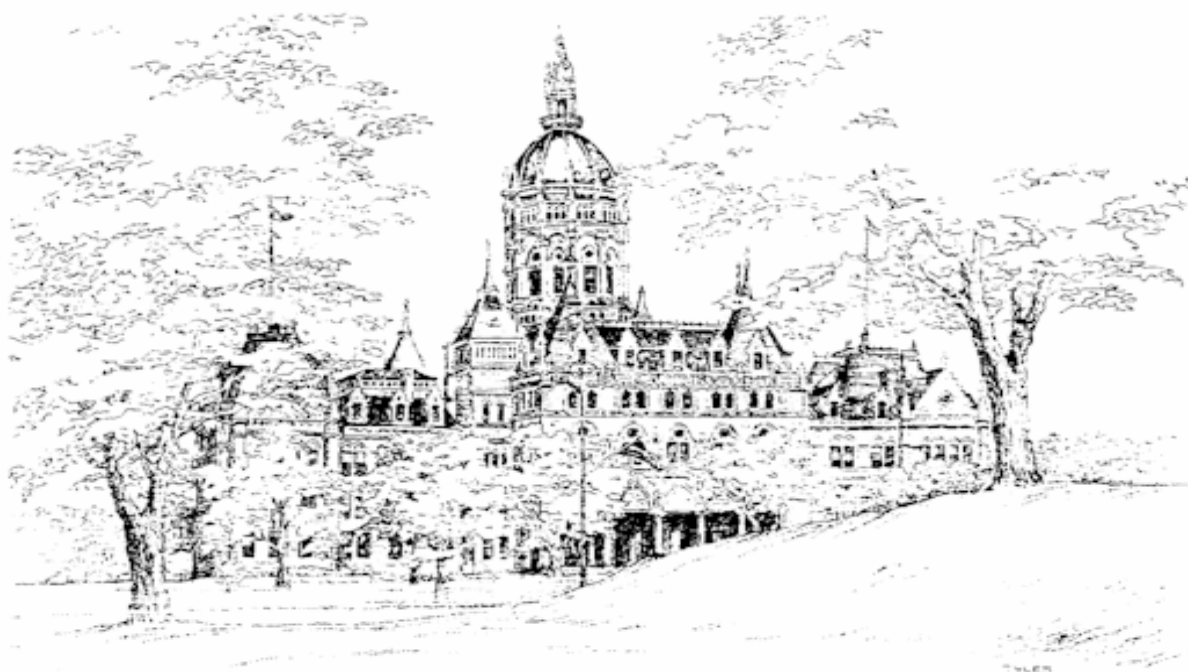


2004 ANNUAL REPORT

to the
Connecticut General Assembly



AUDITORS OF PUBLIC ACCOUNTS
KEVIN P. JOHNSTON ❖ ROBERT G. JAEKLE

January 28, 2005

Members of the General Assembly:

In accordance with Section 2-92 of the Connecticut General Statutes, we are hereby submitting our annual report on the operations of the Office of Auditors of Public Accounts.

The 2004 calendar year was a busy and challenging year for our Office. In addition to managing the challenges posed by the State's implementation of a new set of centralized financial and human resource management computer applications, collectively referred to as "Core-CT", our Office was also directly involved in assisting the Federal Bureau of Investigation and the General Assembly's Select Committee on Inquiry in their investigations into allegations of corruption on the part of the Rowland Administration. A significant amount of staff resources were devoted to both of these areas, requiring our Office to constantly reschedule audit work and reallocate staff resources, so that a high priority could be given to a number of tasks that needed to be completed within relatively short timeframes.

In addition to dealing with the above challenges, our Office also received a record number of whistleblower complaints during the year and a marked increase in requests for special audit reviews. This development has required further staff reallocations on the part of our Office. All of these aforementioned challenges are more fully described in Section I of this report under the caption "Recent Developments". General information on the operations of our Office can also be found in Section I. Pursuant to the provisions of Section 2-92 of the General Statutes, several recommendations for your consideration during the upcoming legislative session have been included in Section II of this report.

It should be noted that additional information on the operations of our Office can be found on our agency's website, which is located at www.state.ct.us/apa. A key feature of this website is that it provides for the electronic distribution of our reports. Accordingly, members of the public and other interested parties may download, for viewing and/or printing, copies of reports issued by our Office. It should be noted that a new feature on our website allows interested parties to sign-up and receive an e-mail notification whenever a new report is issued by our Office. The procedure to subscribe to this mailing list can be found at www.state.ct.us/apa/list.htm.

According to law, we maintain copies of reports and working papers for all audits we conduct of State agencies, State quasi-public bodies and State supported institutions. All of these documents, except those classified by statute as confidential, are available for review by members of the General Assembly and the public. Copies of our reports can be picked up in our offices at rooms 114 or 116 in the State Capitol, may be available on our website, or you can call us directly for information at 240-8651 or 240-8653.

It is our hope that you will avail yourselves of our services and reports.

In transmitting this annual report, we stand ready to be of service to you, the members of the Connecticut General Assembly.

Respectfully submitted,

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

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AUDITORS OF PUBLIC ACCOUNTS ORGANIZATIONAL STRUCTURE

STATE AUDITORS
Robert G. Jaekle
Kevin P. Johnston

SENIOR EXECUTIVE ASSISTANTS
Laura Lee Davis
Donna G. Moore

DEPUTY STATE AUDITOR
Stephen R. Eckels

**INFORMATION SYSTEMS
AUDIT UNIT**
Jessica L. Parent - *Principal Auditor*
Bruce C. Vaughan - *Principal Auditor*
Michael Abbatiello - *Auditor II*
Rosetta Weir - *Auditor I*
Christopher M. D'Amico - *Legislative Audit Trainee*
John R. Jakubowski - *Legislative Audit Trainee*

**AUDIT OPERATIONS
UNIT**

ADMINISTRATION UNIT
Debra A. Corbeil - *Budget Officer*
Paula R. Fierravanti - *Senior Admin. Services Coordinator*
Paul V. Spilka - *Senior Administrative Assistant*
Virginia A. Gray - *Senior Legislative Secretary*
Brendan R. Coppinger - *ITS Analyst*

**ADMINISTRATIVE
AUDITOR**
vacant

**ADMINISTRATIVE
AUDITOR**
Thomas W. Willametz

**ADMINISTRATIVE
AUDITOR**
Matthew S. Rugens

**ADMINISTRATIVE
AUDITOR**
Raymond H. Losnes

**ADMINISTRATIVE
AUDITOR**
Patricia A. Wilson

AUDIT GROUP # 1
Principal Auditors:
James K. Carroll
Timothy M. LePore
Daniel F. Puklin
Gregory J. Slupecki
Associate Auditors:
Ann Marie Brown
Michele L. Cosgrove
Walter J. Felgate
Cynthia A. Ostroske
David S. Paradie
AndreY. Salois
Auditor II:
Terri L. Brust
Todd A. Clark
Jeanette G. Elsea
Natercia C. Freitas
Colette Lesperance
Joan L. Main
Auditor I:
Frederick K. Armour
Claudette A. Graham
Karen E. Hogan
*Legislative Audit
Trainee:*
Jamie E. Nemeroff

AUDIT GROUP # 2
Principal Auditors:
Gary P. Kriscenski
Donald R. Purchla
Virginia A. Spencer
Anthony Turko
Associate Auditors:
Mark J. Fortin
Wendell M. Hinds
Stephanie Novello
Maura E. Pardo
William T. Zinn
Auditor II:
Lynne A. Adler
Vincent Filippa
David M. Tarallo
Rebecca M. Tarver
Kathrine E. Williams
Auditor I:
Ann Phung-Hoyt
*Legislative Audit
Trainee:*
Songlin Mo

AUDIT GROUP # 3
Principal Auditors:
Michael R. Adelson
Joseph M. Brusznicki
Robert G. Koch
Kenneth S. Post
Charles B. Woolsey
Associate Auditors:
Marc A. Amutice
Dennis R. Collins
Michael H. Hamilton
Ramona M. Weingart
Auditor II:
Mary C. Avery
Elaine L. Buhler
David B. Kanell
Auditor I:
Odete S. Melo
*Legislative Audit
Trainees:*
Aldo S. Carta
Michael A. Haynes
Peter Kuczynski
Nikolaos Perdikakis

AUDIT GROUP # 4
Principal Auditors:
Lisa G. Daly
Michael D. DiDomizio
Joseph L. Faenza
Frank LaRosa
Edward C. Wilmot
Associate Auditors:
Christine J. Delaney
Elaine C. O'Reilly
Auditor II:
Valerie Davis
Martha T. Escudero
Joan Kovel
Melanie M. Marcaurel
Kathleen A. McGuire
Jill A. Roberts
Jill A. Schiavo
Auditor I:
Andrea E. Evans
Cassandra L. Ferguson
Angelo Quaresima
Amy Rodrigue
*Legislative Audit
Trainees:*
William J. Baker
Marcin G. Baran
Catherine L. Dunne
Jacqueline Jones

AUDIT GROUP # 5
Principal Auditor:
John A. Rasimas
Associate Auditor:
Mark Dickerson
Auditor II:
Marva N. Robinson
Auditor I:
Latoya B. McPherson
*Legislative Audit
Trainee:*
Morgan E. Parsons

**PEFORMANCE
AUDIT UNIT**
Associate Auditors:
Patricia L. Mulroy
Laura D. Rogers
Moses C. Ude

**WHISTLE
BLOWER UNIT**
Principal Auditor:
Joanne S. Sibiga

SECTION I

REPORT ON THE OPERATIONS OF OUR OFFICE**Organization and Staff:**

The Office of the Auditors of Public Accounts can trace its origin to a charter granted in 1662 to the Colony of Connecticut, by King Charles the Second of England. The State Statutes of 1750 refer to the auditing of “the Colony’s account with the Treasurer of the Colony.” In 1786 when the Office of the Comptroller was created, the Auditors of Public Accounts were placed under its supervision and remained so until 1937 when legislation established the independent status of the Office. Its organization with two Auditors of Public Accounts, not of the same political party, makes Connecticut unique among State auditing agencies. From its colonial origin, Connecticut's audit function has been performed by more than a single auditor.

The Office of the Auditors of Public Accounts presently consists of 103 employees, including the two positions of State Auditor. We are assisted in the management of the Office by a Deputy State Auditor. The audit operations staff is composed of 94 auditors organized into five audit groups with each group under the general direction of an Administrative Auditor, and a Performance Audit Unit and a Whistle Blower Unit under the general direction of one of the Administrative Auditors. There is also an Information Systems Audit Unit presently consisting of six auditors. The Administration Unit has five employees providing administrative assistance to the Office, support services to the field audit teams and report processing services.

The professional auditing staff of the Office has been and will continue to be hired through a competitive selection process. Advancement within the Office is made through a process which included examinations conducted for us by the Department of Administrative Services. The staff is encouraged to continue studies for advanced degrees and/or professional certification and several of our staff members are completing requirements for such. About 45 members of our staff have relevant professional certifications and a total of 18 members have advanced degrees.

Auditing State Agencies:

During the 2004 calendar year, members of our field audit staff completed 61 audits of State agencies. A total of 388 audit recommendations were made in those reports. Agencies are asked to file with us corrective action plans related to those recommendations. Based on past experience agencies have implemented approximately 56 percent of our recommendations.

Our recommendations most frequently lead to benefits that cannot be quantified, such as new internal controls and management procedures put into place as a result of our audits. The benefits resulting from these improvements may be far more significant than any quantifiable savings that are identified. Nonetheless, some of our recommendations lead to documented cost savings and increased revenues. For example, during our most recent audit of the Department of Transportation we found that a \$1,348,429 receivable from a Federal government program, recorded in the Department's records as having been billed and received, had neither been billed nor received. As a result of this finding a billing was subsequently processed by the Department and the amount due was collected by the State. In addition, during our most recent audit of the Department of Environmental Protection we recommended that procedures be established to ensure the proper rental of State forest buildings and collection of rent thereon from Department and non-Department employees. The Department is in the process of implementing this recommendation and plans to begin collecting rents on the aforementioned State forest buildings as soon as the new lease agreements have been reviewed and approved by the Commissioner. It was estimated that approximately \$1,000,000 in rents were not collected by the Department over a five-year period.

Our audit approach entails, among other procedures, an examination and verification of financial statements, accounting records and supporting documents, a determination of the agency's compliance with statutory and budgetary requirements, an evaluation of the agency's internal control structure, verification of the collection and proper handling of State revenue, and an examination of expenditures charged to State appropriations. Reports on these audits consist of findings and recommendations and, where appropriate, certified financial statements setting forth the condition and operations of the State funds involved.

In accordance with Section 2-90 of the General Statutes, we report any unauthorized, illegal, irregular or unsafe handling or expenditure of State funds to the Governor, the State Comptroller, the Clerk of each House, the Legislative Program Review and Investigations Committee and the Attorney General. A total of three such matters were reported by formal letter in calendar year 2004, while numerous less serious matters such as minor losses and acts of vandalism were reported collectively by memoranda. State agency reports, filed with this Office and the State Comptroller in accordance with Section 4-33a of the General Statutes, disclosed approximately 1,406 losses, primarily through theft, vandalism and inventory shortages in the 2004 calendar year, involving an aggregate loss of some \$1,915,000.

In March 2004, this Office issued its annual Statewide Single Audit Report for the State of Connecticut. That report covered the audit of the financial statements as presented in the State's comprehensive annual financial report for the fiscal year ended June 30, 2003, and the schedule of Federal financial assistance received by the State during that year. This audit is done under the requirements of the Federal Single Audit Act and is a condition of the State's receiving nearly \$5,500,000,000 of Federal financial assistance.

In addition to this Statewide audit approach, we are also continuing to audit each State department on a cyclical basis and under a limited scope audit which focuses on the department's compliance with financial-related laws and regulations and its internal control structure. This auditing approach complements that being done annually under the Statewide Single Audit and avoids duplicating audit effort.

Under existing disclosure requirements for the offering and sale of State bonds or notes, the Treasurer must prepare an Official Statement for each offering. Included with such Official Statements, and those of Quasi-Public Agencies which include State disclosures, are selected State financial statements which require an audit opinion. With each issuance of an Official Statement, we are required to examine such statements and prepare an audit opinion for inclusion in the Official Statement. We also provide separate audit opinions in connection with the bonding programs of the Second Injury Fund, the Connecticut Health and Educational Facilities Authority, the Connecticut Higher Education Supplemental Loan Authority, the Connecticut Development Authority, the Capital City Economic Development Authority, the UConn 2000 Program, and the City of Waterbury. During the 2004 calendar year we were required to give nine such audit opinions in connection with the sale of bonds or notes of the State or Quasi-Public Agencies and in connection with the separate bonding programs noted above.

Although financial-compliance auditing is the principal responsibility of this Office, Section 2-90 of the General Statutes authorizes examinations of performance in order to determine the effectiveness of the audited agency in achieving expressed legislative purposes. To that end, 11 of the 58 departmental reports issued during the year included a section outlining our review of some aspect of the agencies' performance. In addition, one audit was devoted specifically to evaluating the grant monitoring functions of several State agencies under the State Single Audit Act.

Although the findings of an audit are usually made known to agency officials during the conduct of the audit, draft copies of the audit reports are delivered to agency officials for their comments. Such comments are then incorporated into the report in response to findings presented. When this is completed, the supervising auditor submits the report and its working papers for review. An Administrative Auditor conducting that review verifies that the audit met generally accepted auditing standards and that the findings of the report were supported by the evidence collected in the course of the audit. The report is also reviewed by the Deputy State Auditor and both State Auditors to assure compliance with policies and procedures of this Office. Draft copies of the approved audit report are delivered to agency officials and, when requested, an exit conference is held with such officials before final release and distribution of the report. Distribution of final reports is then made to agency

heads, the Leaders of the General Assembly, the Appropriations Committee, the Legislative Program Review and Investigations Committee, the Governor, the Comptroller, the Treasurer, the Attorney General, the Secretary of the Office of Policy and Management, the State Library, designated Federal agencies, news media and, when appropriate, to members of boards and commissions and others. Copies are also retained in our files and on our website (www.state.ct.us/apa) for use by our staff, members of the General Assembly and other interested persons.

A listing of the audit reports issued during 2004 and the number of recommendations included in each report follows:

<u>Reports</u>	<u>Date of Issue</u>	<u>Recommendations</u>		
		<u>Current Report</u>	<u>Prior Report</u>	<u>Implemented</u>
DEPARTMENTAL AUDITS:				
Elected Officials:				
State Comptroller – Departmental Operations	03/23/04	5	2	0
State Comptroller – State Financial Operations	06/16/04	0	0	0
State Treasurer – State Financial Operations	07/14/04	2	3	2
State Comptroller – State Retirement Funds	11/30/04	3	3	0
Lieutenant Governor	12/15/04	0	0	0
General Government:				
State Properties Review Board	02/20/04	5	3	2
Department of Veterans Affairs	05/14/04	9	5	0
Ethics Commission	05/17/04	2	0	0
Investment Advisory Council	05/26/04	0	0	0
Office of Workforce Competitiveness	06/08/04	5	5	2
Elections, FOI, OCA, OVA	09/09/04	3	4	1
Division of Criminal Justice	12/21/04	5	5	1
Regulation and Protection of Persons and Property:				
Department of Banking	06/09/04	2	1	1
Workers' Compensation Commission	09/07/04	4	2	0
Military Department	09/10/04	3	4	1
Department of Public Utility Control	10/07/04	7	5	3
Connecticut Siting Council	11/12/04	4	3	2
Department of Consumer Protection	11/15/04	3	5	4

<u>Reports</u>	<u>Date of Issue</u>	<u>Recommendations</u>		
		<u>Current Report</u>	<u>Prior Report</u>	<u>Implemented</u>
Conservation and Development:				
Department of Environmental Protection	04/13/04	19	23	12
Connecticut Agricultural Experiment Station	07/16/04	2	2	2
Department of Agriculture	07/21/04	12	8	2
Department of Economic and Community Development	08/18/04	9	10	8
Health and Hospitals:				
Office of the Chief Medical Examiner	02/18/04	10	9	1
Department of Mental Health and Addiction Services	04/19/04	8	9	5
Office of Health Care Access	05/19/04	2	5	3
Department of Mental Retardation	08/25/04	6	10	4
Department of Public Health	10/13/04	9	9	2
Transportation:				
Department of Transportation	04/21/04	18	16	7
Human Services:				
Soldiers', Sailors', and Marines' Fund	06/14/04	3	1	1
Higher Education:				
Asnuntuck Community College	02/10/04	10	8	2
Central Connecticut State University	03/12/04	10	11	7
Gateway Community College	05/11/04	6	8	4
Western Connecticut State University	06/21/04	7	5	2
Department of Higher Education	08/06/04	8	4	2
CCSU – Intercollegiate Athletics Program	09/22/04	0	0	0
Three Rivers Community College	09/24/04	4	7	6
Capital Community College	09/27/04	3	3	3
Quinebaug Valley Community College	10/05/04	2	4	4
Tunxis Community College	10/26/04	6	9	5
Naugatuck Valley Community College	10/27/04	2	3	1
Charter Oak College Foundation, Inc.	11/01/04	0	0	0
Norwalk Community College	11/10/04	4	5	1
Connecticut State University System Office	12/16/04	5	8	5
Other Education:				
Department of Education	01/13/04	9	11	6
Teachers' Retirement Board	02/09/04	10	13	5
Connecticut State Library and Commission on the Arts	04/30/04	10	3	3
Commission on the Deaf and Hearing Impaired	05/04/04	4	2	1
Board of Education and Services for the Blind	09/15/04	8	5	3

<u>Reports</u>	<u>Date of Issue</u>	<u>Recommendations</u>		
		<u>Current Report</u>	<u>Prior Report</u>	<u>Implemented</u>
Children and Families:				
Department of Children and Families	03/10/04	18	20	8
Authorities, State-Aided Institutions and Other:				
Connecticut Higher Education Supplemental Loan Authority	02/23/04	0	0	0
Connecticut Resources Recovery Authority	04/15/04	8	9	5
Connecticut Innovations	04/28/04	5	0	0
Tweed-New Haven Airport Authority	05/06/04	0	1	1
American School for the Deaf	06/17/04	2	0	0
Connecticut Health and Educational Facilities Authority	08/24/04	0	0	0
Community Economic Development Fund	09/01/04	0	0	0
State Employee Campaign	09/29/04	0	0	0
Connecticut Housing Finance Authority	12/20/04	<u>3</u>	<u>4</u>	<u>4</u>
Total Recommendations - Departmental Audits		<u>304</u>	<u>295</u>	<u>144</u>
STATEWIDE AUDITS:				
State of Connecticut – Federal Single Audit Report	03/24/04	<u>66</u>	<u>64</u>	<u>27</u>
OTHER AUDITS:				
PERFORMANCE AUDIT FOLLOW-UP:				
Monitoring of State Financial Assistance - State Single Audit Act	06/07/04	10	44	34
SPECIAL AUDITS:				
Special Review of the Bureau of Public Transportation	10/25/04	<u>8</u>	<u>N/A</u>	<u>N/A</u>
Total Recommendations - Other Audits		<u>18</u>	<u>44</u>	<u>34</u>
Total Recommendations - All Audits		<u>388</u>	<u>363</u>	<u>205</u>
Percentage of Recommendations Implemented or Resolved Within One Audit Cycle				<u>56%</u>

The departmental audit reports issued by our Office generally contain recommendations calling for various improvements in an agency's internal control structure, as well as recommendations calling for compliance with certain laws, regulations, contracts and grants when instances of non-compliance are found. A summary analysis of the recommendations appearing in our audit reports is presented on the following page:

	<u>Number of Recommendations</u>
Internal Control Recommendations:	
Bank accounts, cash accounts, petty cash funds	9
Billings, receivables and control accounts	17
Cash management and cash handling and depositing	12
Cash receipts	10
Computer operations	14
Equipment/supplies inventories	36
Establishment of written procedures, policies or guidelines	20
Financial reporting and accounting	14
General accounting and business office functions	18
Grant and other programs - administrative controls	21
Payroll and personnel control	27
Purchasing of goods and/or services	27
All others	<u>22</u>
Total Internal Control Recommendations	<u>247</u>
Compliance Recommendations:	
Accounting and auditing laws and regulations	10
Payroll and personnel laws and regulations	6
Purchasing laws, regulations and contractual agreements	5
Reporting laws and regulations and public meeting laws	14
All other laws and regulations	<u>8</u>
Total Compliance Recommendations	<u>43</u>
Miscellaneous Recommendations:	
Amendment or clarification of laws or regulations	7
Improve or automate administrative practices	6
Request Attorney General opinion	<u>1</u>
Total Miscellaneous Recommendations	<u>14</u>
Total Departmental Audit Recommendations	<u>304</u>

In addition to the departmental audit recommendations mentioned above, our Office issued a Statewide Single Audit Report, which contained 66 audit recommendations calling for various improvements in controls over State-administered Federal programs and compliance with related laws and regulations. In addition, our Office issued several performance and special audit reports during the 2004 calendar year. These reports contained 18 audit recommendations calling for improvements in the operations of State programs.

Whistle Blower Matters:

Under the provisions of Section 4-61dd of the General Statutes, known as the Whistle Blower Act, we receive complaints from anyone having knowledge of any matter involving corruption, unethical practices, violations of State laws or regulations, mismanagement, gross waste of funds, abuse of authority or danger to the public safety occurring in any State department or agency or quasi public agency. Section 4-61dd also applies to large State contracts. We investigate such matters and report our findings and recommendations to the Attorney General. At the request of the Attorney General or on our own initiative, we assist in any continuing investigation. During the fiscal year ended June 30, 2004, we received 86 complaints covering such matters as misuse of grant money, harassment, conflicts of interest and various fee collection problems.

As required by the aforementioned Section 4-61dd, an annual report on such matters was prepared as of September 1, 2004, and filed with the clerks of the House and Senate. By law, the identity of the complainant cannot be disclosed, but the general nature of each complaint is available in our Office.

In addition to the confidentiality of the complainant, the records of any investigation of whistle blower matters are considered exempt records and do not require disclosure under the Freedom of Information statutes. This exemption aids our investigation of complaints and permits the extension of anonymity to others providing information on the matter.

The following is a summary of those complaints received during the 2003-2004 fiscal year and the action taken thereon, updated to December 31, 2004.

<u>Whistle Blower Matters Received</u>	<u>Date</u>	<u>Date Reported To Attorney General</u>
<u>Agency/Subject</u>	<u>Date</u>	<u>General</u>
Administrative Services:		
Failure to Administer Exams	11/20/03	01/22/04
Review of Promotion Process	05/26/04	08/09/04
Agriculture:		
Inappropriate Influence on Decisions	12/29/03	04/16/04
Attorney General:		
Possible Illegal Activities and Unfair Treatment	04/01/04	05/12/04
Board of Education and Services for the Blind:		
Birth to Three Program	04/23/04	*

<u>Whistle Blower Matters Received</u>		<u>Date</u>	<u>Reported</u>
<u>Agency/Subject</u>	<u>Date</u>	<u>To Attorney</u>	
		<u>General</u>	
Children and Families:			
Releasing Confidential Information	06/24/03	07/28/03	
Personnel Issues	12/30/03	06/16/04	
Various Issues	02/23/04	04/01/04	
Alleged Corruption of Social Worker Supervisor in Manchester Office	02/24/04	04/01/04	
Failure to Act on Report/Hotline	05/17/04	*	
Comptroller:			
Retirement Benefits	03/08/04	08/11/04	
Corrections:			
Out of State Placement of Inmates	03/03/04	09/22/04	
Contract Award	03/05/04	06/10/04	
Culture and Tourism:			
Sale of Tickets	05/26/04	*	
Economic and Community Development:			
Misuse of Community Development Block Grant Money	09/22/03	12/31/03	
Various Allegations	01/26/04	04/15/04	
NVDC/Tomasso	02/20/04	06/02/04	
Education:			
Failure to Act on Report/Hotline	05/17/04	*	
Environmental Protection:			
Unfair Application Processing	09/29/03	01/22/04	
Gifts from Contractor	02/10/04	04/28/04	
Non-Enforcement of Cleanup Agreements	03/01/04	06/21/04	
Housing Issue	03/17/04	04/28/04	
Oil Spill Cleanup and Cost	03/17/04	06/04/04	
Alleged Acceptance of Gifts from State Contractors	04/24/04	06/03/04	
Vendor Favoritism	04/26/04	07/14/04	

<u>Whistle Blower Matters Received</u>	<u>Date</u>	<u>Date Reported To Attorney General</u>
<u>Agency/Subject</u>	<u>Date</u>	<u>General</u>
Environmental Protection (continued) :		
Alleged Ignoring of Contamination of Soil, Water and Cancer Rates***	04/29/04	*
Hiring Process	05/25/04	07/09/04
Work Hours of Employee	06/24/04	*
Fraudulent Reports and Overtime Payments	06/23/04	*
Governor's Office:		
State Steering Statutes	02/09/04	05/10/04
Possible Ethics Violations**	03/01/04	05/21/04
Cottage Flooring	04/20/04	05/05/04
Political Activity Using State Resources	05/13/04	10/20/04
Higher Education:		
Teachers Certification Process	03/23/04	*
Human Rights and Opportunities:		
Various Complaints	07/22/03	10/30/03
Insurance Department:		
Potential Corruption and Mismanagement	08/19/03	03/03/04
Kaynor Regional Vocational-Technical School:		
Personnel Matters	03/19/04	*
Labor:		
Possible Abuse of Power	04/02/04	04/19/04
Legislative Management:		
Ethical Issues	12/29/03	09/07/04
Marshal Commission:		
Failure to Investigate Complaint	11/14/03	12/01/03
Mental Health and Addiction Services:		
Work Hours	01/26/04	*
Construction at the Whiting Forensic Institute	04/15/04	*

<u>Whistle Blower Matters Received</u>	<u>Date</u>	<u>Date Reported To Attorney General</u>
<u>Agency/Subject</u>	<u>Date</u>	<u>General</u>
Mental Health and Addiction Services (continued):		
"Aged Out" Sex Offenders	04/02/04	*
Mental Retardation:		
Misuse of State Equipment	10/21/03	11/05/03
Personal Business on State Time	10/30/03	*
Housing of a State Trooper	03/17/04	07/28/04
Motor Vehicles:		
Alleged Illegal and Fraudulent Emissions Testing Procedures	04/26/04	*
Public Health:		
Use of State Vehicles	09/17/03	11/05/03
Alleged Fraudulent Licensing	10/31/03	12/31/03
Personnel Issues	12/29/03	07/09/04
Procedural Irregularities RFP's	02/03/04	03/22/04
Failure to Enforce Laws	02/26/04	08/09/04
Children with Special Needs Program	02/25/04	*
Failure to Follow-up on a Complaint	02/27/04	07/14/04
Accountability of Exam Fees	05/06/04	*
Investigation of Complaint	05/05/04	*
Alleged Ignoring of Contamination of Soil, Water and Cancer Rates***	04/29/04	*
Alleged Scheme to Defraud the State of Services	06/02/04	*
Public Official:		
Earth Work Allegedly Performed for a Public Official	11/13/03	12/12/03
Public Safety:		
Personal Business on State Time	09/30/03	02/09/04
Possible Ethics Violations**	03/01/04	05/21/04
Public Utility Control:		
Work Hours	07/24/03	10/30/03
Various Allegations	03/18/04	11/23/04

<u>Whistle Blower Matters Received</u>	<u>Date</u>	<u>Date Reported To Attorney General</u>
<u>Agency/Subject</u>	<u>Date</u>	<u>General</u>
Public Works:		
Renewal of Lease - Department of Children and Families	03/23/04	04/02/04
Secretary of the State:		
Political Activity	05/26/04	*
Social Services:		
Alleged Withholding of Application for Benefits	06/27/03	12/12/03
Alleged Check Cashing by Employee	10/23/03	11/14/03
Improper Patient Care	10/21/03	10/30/03
Private Business on State Time	02/14/04	*
Possible Fraud in SAGA Program	03/03/04	*
Promotion Issues	05/04/04	*
Southern Connecticut State University:		
Copyright Fees	10/23/03	11/26/03
Personal Business on State Time	11/19/03	02/23/04
State University:		
Adjunct Professor	03/17/04	05/12/04
Teachers Retirement Board:		
Alleged Bribery	06/04/04	*
Transportation:		
Bidding Irregularities	01/02/04	08/31/04
Promoting Practices and Favoritism	03/30/04	*
Contract Relating to Bradley International Airport	03/26/04	07/08/04
No Bid Contract	05/26/04	10/15/04
UCONN:		
Work Hours	01/30/04	10/15/04
Move of Waterbury Campus	05/26/04	08/24/04
UCONN Health Center:		
Time Card Fraud	08/22/03	10/29/03
Employee Benefits	01/30/04	03/03/04

<u>Whistle Blower Matters Received</u>		<u>Date</u>	<u>Reported</u>
<u>Agency/Subject</u>	<u>Date</u>	<u>To Attorney General</u>	
UConn Health Center (continued):			
Improper Long-Term Disability Payments	06/02/04	*	
Various State Agencies:			
Alleged Over-billing by Vendor	10/30/03	01/27/04	
State Contracts	11/28/03	12/05/03	
Veterans Affairs:			
Employee Housing	09/16/03	01/02/04	
Worker's Compensation:			
Consultant Issues	04/08/04	06/10/04	

* Matters Currently Under Review

** 04-44 Whistle Blower Against Two Agencies: Governor's Office and Public Safety

*** 04-73 Whistle Blower Against Two Agencies: Environmental Protection and Public Health

Generally Accepted Government Auditing Standards (GAGAS):

An audit consists of a review and examination of records, documents and financial statements and the collection of information needed to certify to the fairness of presentations in financial reports and compliance with statutory requirements and regulations and to evaluate management's efficiency and effectiveness in carrying out responsibilities. Standards have been set by national organizations for the conduct of audits and for the preparation and issuance of audit reports. Generally Accepted Government Auditing Standards (GAGAS) are auditing standards established by the United States General Accountability Office (GAO) that are codified into a publication entitled "Government Auditing Standards," which is more commonly referred to as "the Yellow Book."

Although the standards prepared by GAO are only required in connection with entities supported by or receiving Federal assistance, they are so comprehensive that their application to all governmental audits is generally encouraged. Because the Auditors of Public Accounts in the State of Connecticut function in many respects as the GAO does in the Federal Government, we have chosen to accept and follow "Government Auditing Standards" in the performance of virtually all of our audit work.

Following GAGAS has had a significant impact on our operations. Continuing education for our professional staff, periodic external quality control review assessments (peer reviews) and compliance with recent Statements on Auditing Standards (SAS) issued by the American

Institute of Certified Public Accountants (AICPA) require constant attention, updating of policies and procedures, and monitoring.

Continuing Education:

With respect to continuing education, auditors responsible for planning, directing, conducting, or reporting on government audits must complete, every two years, at least 80 hours of appropriate continuing education and training, with at least 24 of the 80 hours in subjects directly related to the government environment and government auditing. Accordingly, we have adopted and follow a training policy statement which provides for reasonable assistance in the form of expanded training and seminars on State time and at State expense, together with tuition reimbursement programs for staff taking appropriate courses on their own time. As a matter of economy and convenience, during 2004 the training program included in-house presentations and contracted seminars.

Peer Review:

With respect to an external quality control review assessment, GAGAS mandates that audit agencies have such reviews at least once every three years. In order to comply with this requirement our Office hired a CPA firm to review our Office's quality control procedures in order to determine whether such procedures were sufficient to ensure that all audits performed by our Office during the review period were conducted in accordance with professional auditing standards. Our last review, commonly referred to as a "peer review," was completed in the Spring of 2003 and covered the 2002 calendar year. The final report on this review resulted in a very favorable unqualified opinion for our Office. An organization such as ours is also expected to monitor its operations between peer reviews to ensure continuing effectiveness of the quality control system. To that end, we require an annual inspection be conducted to assure us that the control system is working as intended. Currently, two members of our staff are finishing such an inspection for the 2003 calendar year.

Recent Developments:

As provided for in Section 2 of Public Act 03-133 of the January 2003 Regular Session of the General Assembly, our Office is required to conduct or contract for an annual compliance audit of each quasi-public agency that is subject to the audit requirements of Chapter 12 of the General Statutes. To this end, our Office has developed revised audit procedures for all of our quasi-public agency audit engagements. The effect of these revisions will be to expand the scope of our audit coverage so that it meets the audit requirements of Public Act 03-133.

Back during February 2000, the Governor and the State Comptroller jointly announced the undertaking of a major project to replace the State's aging core financial and administrative systems with a more modern enterprise resource planning software package. This new system, which is based on a customized version of PeopleSoft's enterprise resource planning software, is known as the Core-CT System. During the 2003 calendar year, after more than three years of evaluation and systems development work, the Core-CT System was finally placed into production by the State in two separate phases. The financial applications of the Core-CT

System were placed into production on July 8, 2003, while the human resources applications were placed into production on October 27, 2003.

Due to the complexity and state-of-the-art technology employed by the Core-CT applications, learning how to process State financial and human resource transactions under the Core-CT System has been a challenging process for all State agencies involved in the implementation of this new computer system. Our own business office staff has attended numerous training classes and has spent many hours preparing our agency's data for conversion to the new Core-CT System. Overall, the first phase implementation and operation of this new computer system required a significant amount of extra work by our administrative staff.

Currently our administrative staff is working on the second implementation phase of the Core-CT Project. This second phase calls for the deployment of the Core-CT Billing module during February 2005, and the Core-CT Asset Management module during July 2005. It is anticipated that the effort needed by our Office to transition to these two new Core-CT modules during the second implementation phase will be significantly less than that which was expended during the first implementation phase.

Unlike most State agencies, in addition to getting our business office staff trained on how to use this new computer system, we also had to provide training for our professional audit staff. In order for our audit staff to be able to conduct audits under the new Core-CT System, they had to learn how transactions were processed under this new system, as well as how to retrieve transaction data for audit purposes. In addition to training our professional audit staff, many of our standard audit procedures were revised in order to accommodate transaction processing under the new Core-CT System. While a significant amount of work in this area has already been completed, a few more revisions to our Office's audit procedures are planned in the coming months.

It should be noted that our professional audit staff is currently in the middle of completing its first annual audit of the State's financial statements involving transactions which have been processed under the Core-CT System. In conjunction with our audit of the State's financial statements our staff is also completing work on its first "Single Audit" of Federal grant expenditures processed under the Core-CT System. As noted earlier in this report, this latter audit is a requirement of the Federal Single Audit Act.

While revisions to our standard audit procedures have allowed our staff to audit individual transactions processed under the Core-CT System, difficulties encountered by the State Comptroller's Office in trying to finalize and close the general ledger within the Core-CT System have significantly delayed the preparation and subsequent submission of draft financial statements to our Office for audit review. As of this writing it is anticipated that the State Comptroller's Office will not be able to provide draft "budgetary basis" financial statements to our Office until the end of January. With regard to the financial statements to be included in the State's Comprehensive Annual Financial Report, it is our understanding that a draft of these financial statements will not be provided to our Office until the end of February. In order to enable the State to meet all of its statutory and regulatory reporting requirements, our Office normally has completed its audit of the State's financial statements by the end of December.

Given the current schedule of the State Comptroller's Office, it is apparent that our Office will not be able to complete an audit of either of these sets of financial statements by the established reporting deadlines.

During the 2004 calendar year, in addition to facing the challenges posed by the State's implementation of the Core-CT System, our Office had to deal with numerous ad-hoc requests for assistance relative to various investigations and inquiries into allegations of corrupt conduct by the Rowland Administration. These requests for assistance came primarily from Federal law enforcement authorities and from the Select Committee on Inquiry, which was created by the General Assembly to investigate allegations of misconduct by the Rowland Administration.

Generally, these requests required our staff to collect and summarize information on payments processed by various State and quasi-public agencies to a wide range of State contractors. In addition, pertinent information contained in our audit workpaper files was provided to State and Federal investigators on several occasions. It should be noted that all such requests received by our Office were treated on a "priority basis". To this end, a significant amount of staff resources were expended by our Office in order to make sure that all such requests were carried-out and completed in an expeditious manner. This investigative effort eventually culminated with the resignation of Governor Rowland on July 1, 2004, and the subsequent succession to the Office of Governor by M. Jodi Rell.

One of Governor Rell's first official actions was to issue Executive Order No. 1. This Executive Order, which was dated July 1, 2004, established the position of Special Counsel for Ethics Compliance within the Office of the Governor. One of the many responsibilities assigned to this position was to "coordinate efforts with the Auditors of Public Accounts to cause ethics compliance to be part of the State audit process." To this end, our Office Manual Committee has drafted a new set of audit procedures which are designed to test ethics compliance at each State and quasi-public agency audited by our Office. A draft of these new audit procedures has been submitted to the Special Counsel for Ethics Compliance for review and comment. Once these procedures have been approved and finalized, they will be formally incorporated into the standard set of audit procedures followed by our staff in conducting their agency audits. This will effectively implement one of the key objectives of Executive Order No. 1.

One of Governor Rell's next official actions was to establish a Task Force on Contracting Reform. This Task Force was charged with reviewing and recommending improvements in the procedures used by the State of Connecticut to purchase goods and services. We were appointed by the Governor to serve on this Task Force along-side twenty-four distinguished public officials and members of the public. As requested, we and select members of our staff attended several Task Force and/or working group meetings. In an effort to offer our input, we provided the Task Force with a copy of a performance audit report issued by our Office during April 2002, which contained several recommendations concerning the processing of personal service agreements by State agencies. We also offered our observations on several other recommendations being considered by the Task Force. As required in the Task Force's initial charge, a final report on recommended improvements to the State's contracting process was provided to Governor Rell on September 1, 2004.

On July 21, 2004, our Office received a special request from Governor Rell to conduct a full and complete audit of the Bureau of Public Transportation after Department of Transportation officials uncovered irregularities with regard to financial, contractual and processing practices employed by the Bureau. A specialized audit scope was developed to review the various areas of concern. A final report on our review was transmitted to the Governor on October 25, 2004, and the results of the review confirmed the existence of a number of irregularities in the Bureau's operations. Several audit recommendations were included in this report in an effort to improve internal controls over the Bureau's processing procedures.

Other requests for special audits were received from various other State agencies during the 2004 calendar year as follows:

- During January 2004, the Commissioner of the Department of Public Works requested that our Office conduct a special review of the procedures followed to process a close-out payment to a specialty contractor who was hired to work on the Department's Stamford Courthouse project. This review arose from concerns within the Department that there was a deviation from standard agency processing procedures.
- On February 2, 2004, the President Pro Tempore of the Senate requested that our Office conduct a special review of the use of Federal funds by the Department of Public Safety's Division of Homeland Security. This review arose from concerns that such funds were being used, in part, to pay for unnecessary overtime in an effort to maximize pension benefits for a select group of Division employees.
- During October 2004, the Department of Children and Families requested that our Office conduct a special review of the Adolescent Services Unit, including the administration of the Federally funded John F. Chafee Foster Care Independence Program. This review arose from concerns within the Department over certain policies, procedures and practices employed by this Unit.
- On November 8, 2004, the Commissioner of Motor Vehicles requested that our Office conduct a special review of the business processes and procedures associated with the issuance of Connecticut driver's licenses by the Department of Motor Vehicles. This review arose after allegations of the issuance of fraudulent driver's licenses by Department employees surfaced in the media.
- On December 10, 2004, our Office was asked to perform a special audit of a Federal program administered by the Department of Children of Families that receives grant funds authorized by the Federal Children's Justice Act. This review arose from concerns about possible irregularities in the administration of this program.

It should be noted that the increase in the number of requests for special audit reviews received by our Office seems to be the result of an increased sensitivity by State managers towards detecting potential corruption within the State government. This can probably be attributed to the various investigations into allegations of corruption by the Rowland

Administration and the extensive media coverage given these investigations. The fact that the new administration is making ethics in government its top priority appears to be setting the desired tone for all State employees to follow.

This increased sensitivity towards the detection of corruption within State government can also be found within the public-at-large, as the number of whistleblower complaints received by our Office during the 2004 calendar year totaled 137 complaints, a 78 percent increase over the 77 whistleblower complaints our Office received during the 2003 calendar year. Our Office is planning to reallocate staff resources to help address not only the increase in the number of whistleblower complaints received by our Office, but the increase in the inherent complexity of these complaints, as well.

On a more routine note, our Office participated in a State-wide initiative to reduce printing and publishing costs at all State agencies by maximizing the use of the internet and electronic publishing methods. While our Office has for a number of years made all reports issued by our Office available in electronic form on our agency website, we took the additional step during the 2004 year of establishing a “list serve” page on our website, which provides procedures for individuals to subscribe and receive automatic notification when a new audit report has been added to our website. This new functionality has allowed our Office to reduce by half the number of hard copy reports that are mailed out to individuals and organizations on our report mailing list. As anticipated, this has resulted in our Office realizing several thousand dollars in savings on printing and mailing costs.

In a related matter, our Office also revised the format of the “Reports” page on our agency website in order to make it easier for interested parties to find the particular audit report they may be looking for or check for any changes.

SECTION II

RECOMMENDATIONS

Many recommendations of a financial or recordkeeping nature are presented in the written audit reports prepared in this Office. Most of these are addressed to department heads and stress the need for compliance with legislative policies or sound accounting and business principles. Areas encountered in which statutory revisions or additional legislative actions appear desirable are presented to the General Assembly throughout the year and in the following recommendations.

- 1. The General Assembly should enact legislation to amend Public Act 01-9 (June Special Session), which exempted the Interdistrict Magnet School for the Performing Arts in the City of Waterbury from project oversight by the Department of Education.**

Comment:

The Naugatuck Valley Development Corporation was the local education authority responsible for the planning and construction of the Waterbury Arts Magnet School, and in that capacity, selected the construction firm of Tomasso Brothers Incorporated to construct the school. The General Assembly authorized \$57,000,000 for this project. For such projects, the Department of Education (Department) would normally be responsible for processing and approving the project application, reviewing and approving construction plans, payment review and processing and ensuring that a final project audit was completed.

Early in the process of design and construction, the Waterbury Arts Magnet School project was removed from the Department's oversight as a result of the passage of Public Act 01-9 in the June 2001 Special Session. Section 22, subsection (a), of the Public Act specifically excludes the Waterbury Arts Magnet School from compliance with Chapter 173 of the General Statutes, which contains those statutes governing such school construction projects including the requirement for a final project audit. It replaced that oversight with a Project Oversight Committee composed of representatives from the Waterbury Board of Education, the Waterbury Parking Board and the Naugatuck Valley Development Corporation. In effect, the Department's established role of an oversight agency for such projects was reduced to that of a conduit for project payments, and oversight given to the organization in charge of the project.

We recommend that the General Assembly amend Section 22 of Public Act 01-9 to authorize the Department to perform or obtain a final audit of the Waterbury Arts Magnet School construction project. That audit shall be conducted in accordance with such standards and procedures that the Department considers reasonable based upon the circumstances. Further, we believe that such exemptions to the Department's oversight responsibility should be avoided in the future.

2. **The General Assembly should consider an amendment to Section 5-164a, subsection (c), of the General Statutes to discontinue the practice of allowing employees of State-aided institutions to retire and return to full-time positions at State-aided institutions while continuing to receive full retirement benefits from the State Employees' Retirement System.**

Comment:

The American School for the Deaf, the Connecticut Children's Medical Center and the Connecticut Institute for the Blind are all State-aided institutions as defined in Section 5-175, subsection (a), of the General Statutes. Prior to Public Act 92-226, which was codified as Section 5-192nn of the General Statutes, employees of State-aided institutions, who were hired before January 1, 1993, were allowed to participate in the State Employees' Retirement System (SERS). Pursuant to Section 5-164a, subsection (c), of the General Statutes, the reemployment of retired State employees is restricted in order to limit the payment of full retirement benefits and full salary to the same individual to no more than 120 days in any given calendar year. No such restriction exists, however, for certain employees of State-aided institutions.

As a result, retired employees of State-aided institutions who are members of SERS may be rehired by the institution enabling such individuals to collect their full pension benefits from SERS and their full salaries from the State-aided institution, without having to adhere to the 120 day limitation that is placed on other rehired SERS retirees.

It should be noted that legislation to amend Section 5-164a, subsection (c), of the General Statutes to restrict reemployment of SERS member employees of State-aided institutions was included in Section 222 of Public Act 03-185. This legislation was vetoed on June 13, 2003.

3. The General Assembly should consider limiting the conditions under which waivers of established State control procedures for construction contracts should be used.

Comment:

Section 4b-91 of the General Statutes specifies that contracts estimated to exceed \$500,000 for the construction, repair, or demolition of any public building for work by the State shall be awarded to the lowest responsible qualified bidder on the basis of competitive bids. The passage of Public Act 03-215 appears to have strengthened the controls over the awarding of such contracts.

In recent years, however, legislation has been enacted, which is designed to expedite the completion of certain projects managed by the Departments of Public Works and the Department of Transportation. Waivers from competitive bidding allowed the selection of contractors by interview and negotiation. Legislation was also passed removing certain municipal school construction projects from normal oversight of the Department of Education.

Regardless of the statutory provisions that are in place, by-passing these same internal control procedures eliminates many of the requirements that would normally be used as benchmarks to both discern the optimum proposal and identify any irregularities that may have occurred in the selection process. For this reason, waivers of established State control procedures covering the selection and oversight of construction contractors should be used only rarely and with sufficient deliberation.

4. The General Assembly Should Consider Introducing Legislation Extending the State Properties Review Board's Authority.

Comment:

The State Properties Review Board is required by Statute to review and approve specific types of real estate transactions including:

- The acquisition of land and buildings for State use
- Leasing of private buildings for State agencies
- Sale or lease of surplus State buildings and land
- State acquisitions of development rights to agricultural land
- Assignment of State agencies to State buildings, and
- Selections of design professionals and other consultants for the Department of Public Works

However, other significant real estate transactions are not subject to its review. For instance, the Board does not have the authority to review construction contracts awarded by the Department of Public Works. During the 2003-2004 fiscal year, construction contract awards amounted to \$27,060,976, while during the 2002-2003 fiscal year construction contract awards amounted to \$67,751,659. Nor does the Board have the authority to review construction change orders approved by the Department of Public Works. During the 2003-2004 fiscal year, change orders processed by the Department of Public Works amounted to approximately \$20,000,000, while during the 2002-2003 fiscal year change orders processed amounted to approximately \$17,000,000. Finally, the Board does not have the authority to review property management contracts entered into by the Department of Public Works. As of June 30, 2004, such contracts amounted to approximately \$77,000,000, while as of June 30, 2003, they amounted to approximately \$86,000,000.

By law, the Board is comprised of individuals having varied real estate expertise, including expertise in construction, leasing, and the operation of State institutions. Accordingly, it has the expertise to review construction contracts, change orders, and the State's property management contracts. Extending the Board's review to such transactions would improve control and could also be cost effective. The Board's records indicate that its reviews resulted in savings of \$797,391 during the 2003-2004 fiscal year and \$14,675,147 during the 2002-2003 fiscal year. Extending those reviews to these other transactions could similarly result in savings in those areas.

5. **The General Assembly should consider limiting the conditions that may be used to justify a waiver from competitive bidding, when services are contracted for under a personal service agreement. Limiting such conditions to those that are specifically presented within Section 4-215, subsection (a), of the General Statutes would accomplish that objective.**

Comment:

State agencies that are proposing to enter into personal service agreements with a cost of more than \$20,000 are to competitively bid for the services unless a waiver is obtained from the Office of Policy and Management (OPM). Section 4-215, subsection (a), of the General Statutes provides OPM with authority to adopt guidelines for determining the types of services that may qualify for such waivers. The Statute presents specific conditions that would justify a granted waiver, but also gives OPM discretion in establishing such, in that it is not limited to the specific conditions presented. OPM has added two additional conditions to those presented in the Statute. One often-used condition is that a waiver may be obtained if such services are “provided by a contractor who has special capability or experience.” This is an overly broad condition that could conceivably be argued to exist for any agreement that is entered into with a contractor somewhat experienced in a given field and thus its use may limit competition.

6. **The General Assembly should enact legislation and provide sufficient funding to enable the Department of Public Safety, the Department of Correction and the Judicial Department to track and evaluate recidivism in the State's adult offender population.**

Comment:

Our performance audit report, issued on September 25, 2003, dealt with alternative incarceration programs. It was noted that while various evaluations on recidivism rates have been completed on the Juvenile Alternative programs versus traditional juvenile lock-down facilities, there was no information on the same data for the adult offender population. A prior recommendation in this area issued by the Legislative Program Review and Investigations Committee was addressed to the Department of Public Safety. Although the tracking and evaluation of recidivism rates is essential in determining the success of the judicial and correctional systems, both through the alternative incarceration programs and the correctional institutions, currently no single State agency tracks the rate of recidivism among released inmates or the large group of convicted felons placed on probation rather than incarcerated in prison.

7. **The General Assembly should enact legislation to address the practice of negotiating special separation agreements that provide for separation payments or other benefits in excess of that currently allowed to employees leaving state service.**

Comment:

Our performance audit report, issued on January 30, 2001, dealt with special compensation agreements or payments to State employees. It was noted that State agencies have been granting separation payments, called “notice period pay,” under an unwritten policy that has been in effect since 1973. This policy, as explained by the Department of Administrative Services, “is to allow agencies some flexibility where the affected employee's presence at the regular work site could create disruption and discord.” The “notice period pay” is intended to facilitate the immediate removal of an employee from the workplace. Although we understand that the immediate removal of an employee is sometimes necessary, this policy does not place any limitation on the number of days granted the employee as paid leave and has had the effect of granting to such employees more monetary or other benefits than is presently allowed by State statutes and regulations. This unwritten policy does not have its basis in the statutes or in the regulations, and without guidelines that are more specific or provide more oversight, benefits to certain State employees can be granted in a manner that may be unfair or discriminatory to other State employees.

- 8. The General Assembly should enact legislation to address the practice of reemploying retirees, for the same or similar position the retired employee originally held, at a higher hourly rate. It should also address the practice of reemploying retirees for critical management positions including agency heads on a part time basis for considerable lengths of time.**

Comment:

Our performance audit report, issued on January 30, 2001, dealt with former State employees that have been granted reemployment contracts. We noted that the General Statutes allow retired State employees to be reemployed for a maximum of 120 working days in any one calendar year without loss of retirement benefits, if that reemployment is not on a permanent basis. We found it is a common practice for State agencies to rehire retirees as consultants or for special projects, or for retired employees to refill their original assignment until replacement staff is recruited. However, there have been contracts granted with hourly rates greatly in excess of what a full time State employee in a comparable position would receive.

In addition, we have noted cases in which senior managerial level employees were reemployed in their previous positions on a part time basis after retirement for an extended period. While we recognize that it may be advantageous to hire a former employee on an interim basis, managers in critical positions, particularly those assigned to agencies involved with the safety of the public and the safety of clients under the State's care, should be held directly responsible for administering those agencies on a full time basis.

9. **The General Assembly should repeal or revise Section 32-4a of the General Statutes, entitled “Assistance to Connecticut Economic Resource Center, Incorporated,” to preclude State funds from being spent without adequate safeguards and accountability.**

Comment:

Section 32-4a specifies that “The State, acting through the Department of Economic and Community Development or any other State agency, governmental entity or the private sector, may, within available appropriations, provide financial assistance, lend staff or provide other in-kind contributions to the Connecticut Economic Resource Center, Incorporated (CERC).” Other than this statutory provision for providing assistance to CERC, we can find no other reference in the Statutes to CERC or to what the State can expect to receive in return for the assistance it provides to CERC.

We have concluded that Section 32-4a may serve to encourage the uneconomical expenditure of State resources in that it permits State agencies to provide State funds to the Connecticut Economic Resource Center, Incorporated, without utilizing such normal safeguards as competitive bidding. Further, under Section 32-4a, a State agency could provide resources to CERC without obtaining any service or product in return for that support. We recognize that it is possible that CERC may provide valuable services and that State agencies may be able to exert some degree of control through contractual or other provisions. However, given Section 32-4a, there is currently no statutory way to guarantee that the State receives value for the support it provides because nothing is required of CERC in return for the State resources it receives.

We thus recommend that the General Assembly repeal Section 32-4a. Repealing this section would not prevent State agencies from doing business with CERC if CERC proves it can economically provide services in competitive bidding situations. If, however, the General Assembly believes that CERC has certain unique capabilities that other organizations do not possess and which are necessary to further the well being of the State, we would recommend that the General Assembly enact new legislation that would incorporate CERC as a Quasi-Public agency such as the Connecticut Innovations, Incorporated. In this way, the General Assembly could ensure that the purposes that it envisions for CERC would be defined and that an annual audit would be accomplished to ensure accountability.

- 10. The General Assembly should establish formal standards and procedures for the evaluation and approval of contracts to privatize services provided by State departments.**

Comment:

We have noted that the only State guidelines and requirements in place over the execution of privatization contracts are the standard State purchasing laws and regulations that govern the procurement of all goods and services by State agencies. It is possible that operational areas of the State government, such as parts of the information technology services, may be selected as possible candidates for privatization in the future.

Given the inherent risk that attaches to privatization initiatives originating in the government sector, and the potential they have for dramatically impacting the way government services are delivered to the public, there exists a need for the General Assembly to establish formal standards and procedures in order to help ensure that sufficient planning and analysis have been conducted to support a decision by State management to enter into a contract for the privatization of government services.

11. **The General Assembly should enact legislation to require the probate courts to submit all forms PC-200 (Application for Administration or Probate of Will) to the Department of Administrative Services for that agency's research and, if warranted, action to recover prior assistance payments to the decedent and/or his or her heirs.**

Comment:

In addition to its billing and collection services, the Department of Administrative Services is responsible for recovering the cost of various types of public assistance in certain circumstances. One way the Department effects collection is through a claim on the estate of a decedent when the decedent or his or her heirs has ever received care or aid from the State of Connecticut or the Department of Veterans' Affairs. The probate courts are required to submit forms PC-200 (Application for Administration or Probate of Will) when the applicant indicates that the decedent or the spouse or children of the decedent did receive such assistance.

The Department of Administrative Services and the Probate Court Administration have undertaken a voluntary cooperative effort whereby all the probate courts are requested to notify DAS of all probate cases that are opened in the State, not just those where prior assistance has been indicated with an "x" in the appropriate box on the form. DAS can then research these cases and, if warranted, try to recover the cost of public assistance provided to a decedent and/or his or her heirs.

The Probate Court Administration issued TR 00-506 in July 2000. This document requests that the probate court judges and personnel cooperate with DAS by forwarding copies of all forms PC-200 to the Department of Administrative Services. For calendar year 2001, compliance with this request was 68.3 percent overall, and ranged from 0.00 percent to 100 percent among the 133 probate courts in the State.

Collection results were remarkable, with a 93.7 percent increase in collections from April 2001 through March 2002 over the same time frame in the previous year. April 2001 marked the beginning of increased collections attributable to the increased PC-200 reporting. Recoveries totaled \$11,226,687 for this 12-month period compared to \$5,795,819 for the previous 12-month period. The \$7,073,449 collected from April 1, 2002, through September 30, 2002, represents a 38.3 percent increase over the same six-month period in the prior year.

With an increase in the number of probate applications submitted to DAS for its review and action, revenues are expected to increase even more. A statutory requirement, supplanting the current voluntary arrangement, would ensure that DAS is promptly notified of the opening of all probate cases in the State.

12. **The General Assembly should enact legislation within Title 11, Chapter 188, of the General Statutes to provide enforcement powers to the Public Records Administrator with regard to the records management program. The legislation should include penalties to those employees who destroy records without prior approval of the Public Records Administrator. Legislation should also be enacted for the Public Records Administrator to provide an annual report to the General Assembly indicating those departments that are not in compliance with and/or have violated Record Retention laws.**

Comment:

The State Librarian has been given the responsibility for a records management program and has appointed an assistant to be the Public Records Administrator in accordance with Section 11-8 of the General Statutes. However, the General Statutes do not provide for penalties to State agencies or employees who do not comply with records retention rules or who destroy records without prior approval of the Public Records Administrator.

Section 1-240 of the General Statutes, under the Freedom of Information Act, provides penalties for persons who destroy records. Section 53-153 of the General Statutes, within Chapter 942 of the General Statutes, Offenses Against Public Justice, also provides penalties for the unlawful removal or alteration of records. However, neither of these Statutes is referenced as penalties that the Public Records Administrator can enforce when the Administrator determines that an employee has destroyed State records.

A recent audit of the Department of Environmental Protection revealed that a Director had instructed his employees to dispose of land records without the approval of the Public Records Administrator. Each State agency is required to have a designated Record Management Liaison Officer. The Department's designated Liaison Officer became aware of the disposing of records situation after some records were already sent to the recycling center. Upon inspection of the Department of Environmental Protection premises at a later date, the Liaison Officer found more bins of records that were about to be disposed of and saved these records. The Liaison Officer had the Public Records Administrator and State Archivist determine if these saved records should have been disposed of without prior authorization. The Public Records Administrator and State Archivist stated in a letter to this Director at Department of Environmental Protection, dated January 30, 2002, that "original State Land Acquisition records were disposed of without prior authorization from the State Library." It should also be noted that since January 1990 the State Records Administrator has been informing this same Director that his land records are permanent and vital to the operations of the State. Also, this same Director is required to submit a records retention schedule and has been requested to do so for some time. As of December 30, 2004, a records retention schedule still has not been filed by the Director for approval by the State Records Administrator. It should be noted that there were no penalties to this employee or the Department for the destruction of records and the failure to comply with developing a records retention schedule for the land records.

13. **The General Assembly should consider limiting the reporting, auditing, and other requirements of Chapter 12 of the General Statutes to those quasi-public agencies that have active operations.**

Comment:

Section 1-120 of the General Statutes identifies the quasi-public agencies that are subject to the various reporting, auditing, and other requirements of Chapter 12 of the General Statutes. Included on the list of quasi-public agencies is the Connecticut Hazardous Waste Management Service. In response to our inquiry, our Office was informed that the Connecticut Hazardous Waste Management Service no longer exists as an active entity. We found that State funding for this quasi-public agency ceased on June 30, 2001, and its staff was eliminated at this time. The inclusion of a reference to the Connecticut Hazardous Waste Management Service in Section 1-120 of the General Statutes no longer appears necessary.

14. **The General Assembly should grant the Connecticut Siting Council the authority to impose late fees, where appropriate, on administrative assessments which have been billed by the Council to applicable energy, telecommunications and hazardous waste industries, pursuant to the provisions of Section 16-50v of the General Statutes.**

Comment:

During a recent audit of the Connecticut Siting Council, we found that over sixty percent of the administrative assessments imposed by the Council under Section 16-50v of the General Statutes, totaling approximately \$978,000, were paid from one month to 18 months late. Currently the Council does not have the authority to impose interest penalties for the late payment of administrative assessments.

Technical Corrections and Other Matters:

- a. Section 12-19a of the General Statutes should be reviewed and clarified, if needed, to ensure proper payment of grants in lieu of taxes on State property. Section 12-19a requires a grant to municipalities equal to 100 percent of property taxes lost due to the tax exemption on property used for correctional facilities. The grant is payable based on an annual August 1 certification by the Commissioner of Correction of such facilities in use during the preceding fiscal year. Although it would seem that the phrase “preceding fiscal year” means the fiscal year immediately before the certification, in practice it has been interpreted to be the year before the municipalities’ assessment date. This postpones by a year the 100 percent calculation and requires only a 20 percent calculation as is used for other types of State property for one extra year.
- b. Newington Children’s Hospital changed its name to Connecticut Children’s Medical Center and entered into a relationship agreement with Hartford Hospital. Since the former Hospital and its operation are referred to in a number of sections of the General Statutes, revisions are needed to reflect the name change and, possibly, to recognize the expanded mission of the former Hospital and its relationship with Hartford Hospital.
- c. Sections 19a-87b of the General Statutes provides for the inspection of at least one-third of the family day care homes each year but does not require that each facility be inspected within any fixed time period. By regulation the Department of Public Health must inspect each licensed child day center or group day care home at least every two years. Section 19a-87b should be amended to require each family day care home to be inspected at least every two or three years.
- d. Section 10a-25g of the General Statutes provides that the Department of Economic and Community Development is to administer two of three programs collectively known as the Yankee Ingenuity Initiative Program. However, beginning in the 1992-1993 fiscal year the Legislature passed various special acts, which appear to have transferred the administration of the Program to Connecticut Innovations, Inc., which in fact administers it. Section 10a-25g should be amended to recognize this situation.
- e. Section 4-9 of the General Statutes provides that the Governor appoint Executive Directors of all boards and commissions with few exceptions. However, Section 7-294d, subsection (a), (14), authorizes the Police Officer Standards and Training Council to employ an Executive Director. This apparent conflict in statutes should be resolved.
- f. Public Act 98-68 resulted in the creation of Section 4-37j of the General Statutes. This Section adds whistle blower protection to foundation employees and requires the development of policies for the investigation of corruption and various abuses. Section 4-37f, (8) delineates audit requirements for the foundations and specifies reporting on conformance with Sections 4-37e to 4-37i. Reference to Section 4-37j is not included in the reporting requirement. Section 4-37g, subsection (b), grants access by our Office to books of the foundations and workpapers of auditors that report violations of Section 4-37e through 4-37i inclusive “and any other provision of the general statutes.” Given the

nature of Section 4-37j, it would appear reasonable to expect auditors to report on the failure of foundations to comply with that Section as well as any other statute. While Section 4-37g could certainly be construed to include Section 4-37j, specifying that Section in the law would appear more appropriate.

- g. Public Act 93-80, Section 56, attempted to limit the provisions of expired collective bargaining agreements which may remain in effect until approval of a new agreement. However, Section 5-278a continues to permit negotiated extension agreements without General Assembly approval even though they might include provisions of expired agreements which Public Act 93-80 attempted to limit. A consistent legislative policy is needed for such extension agreements if the General Assembly intends to limit such extensions to salary and compensation matters.
- h. Section 4-32 of the General Statutes generally requires that all State revenues be deposited and accounted for within twenty-four hours of its receipt. While State agencies can still comply with the twenty-four hour deposit requirement, new processing procedures, instituted as part of the implementation of the State's Core-CT accounting system, no longer allow State agencies to account for receipts within a twenty-four hour time period. Agencies must now wait for deposit information to be downloaded from the bank into the Core-CT accounting system before an appropriate accounting can be made. This download process generally takes at least a day. A change to allow for an accounting of all State receipts in accordance with instructions provided by the State Treasurer would give recognition to these new processing procedures.
- i. Section 10-304 of the General Statutes requires the establishment of a sales and services account for the Board of Education and Services for the Blind for the purpose of aiding the blind by providing sales and service opportunities. With the closing of the Board's Industries Program and workshops in January 2003, this statute is no longer being enforced. The Agency does not believe the Industries Program will be reopened. If the General Assembly agrees that this program is not necessary, it should repeal Section 10-304 of the General Statutes.
- j. Chapter 445a of the General Statutes defines and established the Connecticut Hazardous Waste Management Service. Section (j) of Section 22a-134bb of Chapter 445a states that the service shall continue until its existence is terminated by law. We inquired of the status of the Connecticut Hazardous Waste Management Service and were informed that it no longer exists. We found that State funding for this quasi-public agency ceased on June 30, 2001, and its staff was eliminated at that time. If the General Assembly agrees that this quasi-public agency is no longer necessary, it should repeal Chapter 445a of the General Statutes or take whatever other action it deems necessary to legally terminate this entity. If Chapter 445a is repealed, the reference in Section 22a-163u of the General Statutes, which requires the Low Level Radioactive Waste Advisory Committee to advise the Connecticut Hazardous Waste Management Service on the suitability of sites for the management of low-level radioactive waste should be modified or eliminated.