

# 2007 ANNUAL REPORT

to the  
Connecticut General Assembly



**AUDITORS OF PUBLIC ACCOUNTS**

KEVIN P. JOHNSTON ❖ ROBERT G. JAEKLE

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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**January 31, 2008**

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 2007 calendar year was another busy and challenging year for our Office. In addition to managing the challenges posed by the State's on-going implementation of a new set of centralized financial and human resource management computer applications, collectively referred to as "Core-CT", our Office continued to receive a greater than usual number of whistleblower complaints during this period. During this period our Office also began auditing State Marshall trust accounts in accordance with the authorization provided for in Section 31 of Public Act 06-186. A significant amount of staff resources were devoted to these areas, requiring our Office to reschedule audit work and reallocate staff resources, accordingly.

These 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 Office's website, which is located at [www.state.ct.us/apa](http://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 another feature on our website allows interested parties to sign-up for 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](http://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.

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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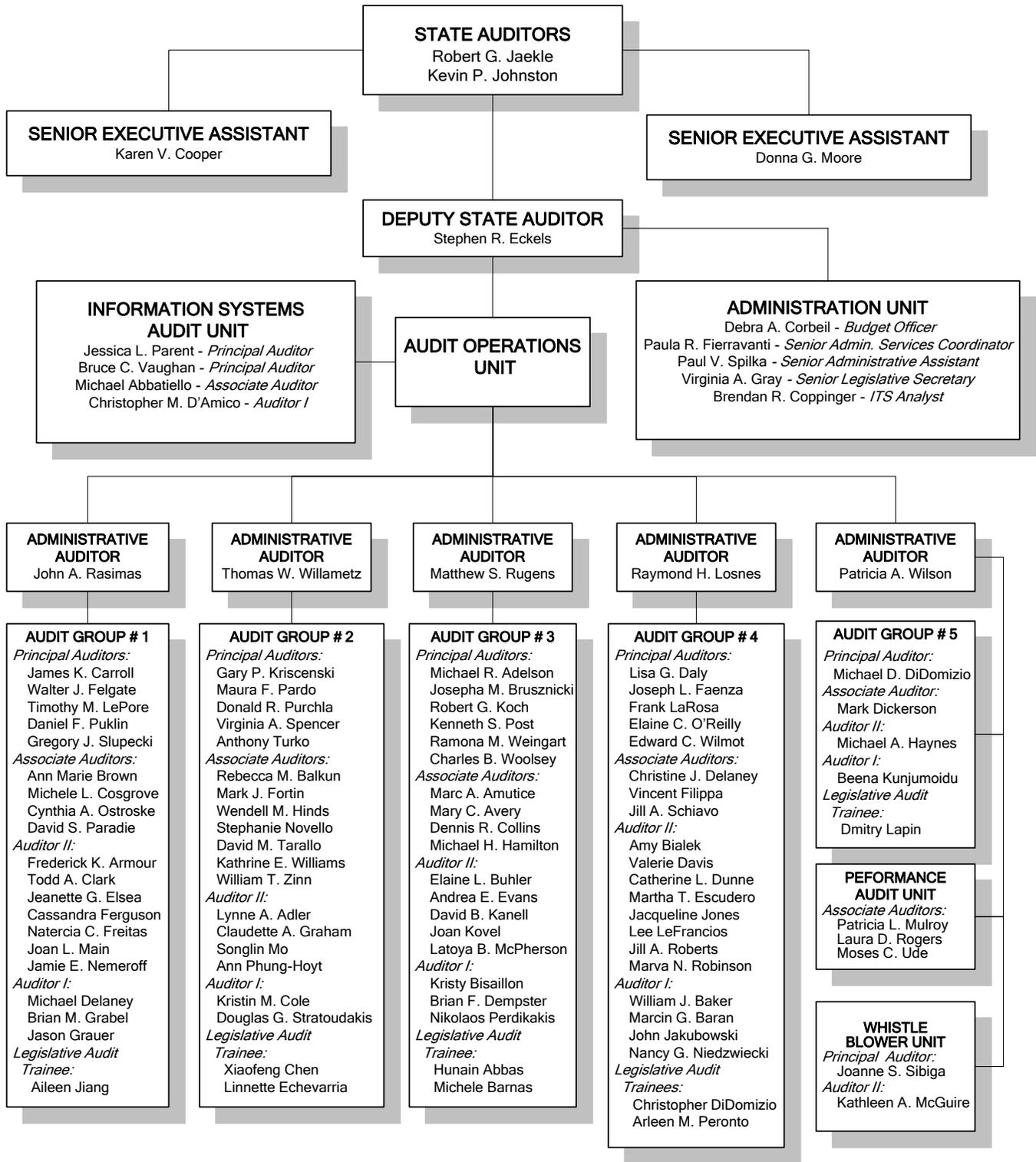
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# AUDITORS OF PUBLIC ACCOUNTS ORGANIZATIONAL STRUCTURE



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 was 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 111 employees, including our 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 101 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 four 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 competitive process which includes the annual performance evaluations and interviews by the State Auditors. 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 48 members of our staff have relevant professional certifications and a total of 29 members have advanced degrees.

**Auditing State Agencies:**

During the 2007 calendar year, members of our field audit staff completed 60 audits of State agencies. A total of 514 audit recommendations were made in those reports. During the past calendar year agencies have implemented approximately 44 percent of our recommendations.

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. Such matters can be reported by formal letter, while numerous less serious matters such as minor losses and acts of vandalism are generally 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 6,500 losses, primarily through theft, vandalism and inventory shortages in the 2007 calendar year, involving an aggregate loss of some \$19,090,000.

It should be noted that this aggregate total is some \$16,020,000 greater than the cumulative amount of property losses reported during the 2006 calendar year. This is primarily due to the write-off of 3,100 inventory items which could not be physically accounted for by the Department of Information Technology during the conduct of the Department's first physical inventory in over ten years. These items had a cumulative value of some \$15,470,000. In accordance with procedures issued by the State Comptroller's Office such items were properly reported as property losses.

In April 2007, 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, 2006, 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 \$5,600,000,000 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 Connecticut Higher Education Supplemental Loan Authority, the Connecticut Housing Finance Authority and the UConn 2000 Program. During the 2007 calendar year, we were required to give seven 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, four of the 52 departmental reports issued during the year included a section outlining our review of some aspect of the agencies' performance. In addition, one comprehensive performance audit report was issued during the year. This report was devoted to evaluating the Enterprise Rent-A-Car contract administered by the Department of Administrative Services.

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 during 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 by them, 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 Lieutenant 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](http://www.state.ct.us/apa)) and are available for review by our staff, members of the General Assembly, State officials and members of the general public.

A listing of the audit reports issued during 2007 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>
<b>DEPARTMENTAL AUDITS:</b>				
<b>Elected Officials:</b>				
State Comptroller – Departmental Operations	02/13/07	6	5	1
State Comptroller – State Financial Operations	02/21/07	10	9	1
State Treasurer – State Financial Operations	05/30/07	9	14	8
State Comptroller – State Financial Operations	07/20/07	9	10	2
State Treasurer – State Financial Operations	11/07/07	7	9	4
<b>General Government:</b>				
Department of Revenue Services	01/24/07	6	4	2
Department of Information Technology	07/18/07	21	17	8
State Properties Review Board	08/31/07	0	5	5
Division of Special Revenue	09/12/07	1	4	4
Department of Revenue Services	10/19/07	13	6	3
Division of Criminal Justice	10/26/07	5	5	1
Department of Public Works	11/21/07	18	24	8
<b>Regulation and Protection of Persons and Property:</b>				
Military Department	03/02/07	9	3	0
Department of Consumer Protection	03/09/07	5	3	1
Department of Emergency Management and Homeland Security	07/13/07	3	N/A	N/A
Department of Labor	09/07/07	4	3	1
Connecticut Siting Council	09/21/07	5	4	3
Commission on Fire Prevention and Control	11/06/07	8	6	3
Police Officer Standards and Training Council	12/03/07	3	0	0
Department of Public Utility Control	12/05/07	11	7	4
<b>Conservation and Development:</b>				
Department of Environmental Protection	07/03/07	15	15	7
Connecticut Agricultural Experiment Station	09/10/07	3	3	1
Connecticut Commission on Culture and Tourism	10/30/07	14	5	0
<b>Health and Hospitals:</b>				
Office of the Chief Medical Examiner	06/29/07	8	10	6
Department of Mental Retardation	09/07/07	11	6	2
Office of Health Care Access	10/01/07	2	2	0
Office of the Chief Medical Examiner	11/05/07	6	8	5
Department of Public Health	11/26/07	16	9	1

<u>Reports</u>	<u>Date of Issue</u>	<u>Recommendations</u>		
		<u>Current Report</u>	<u>Prior Report</u>	<u>Implemented</u>
<b>Transportation:</b>				
Department of Transportation	12/13/07	15	21	13
<b>Human Services:</b>				
Department of Social Services	05/18/07	19	20	7
Soldiers', Sailors', and Marines' Fund	07/23/07	3	3	2
<b>Higher Education:</b>				
Central Connecticut State University	03/06/07	18	10	3
Eastern Connecticut State University	03/14/07	12	10	2
Connecticut State University System Office	03/27/07	7	5	1
University of Connecticut	05/09/07	15	13	12
Connecticut Community College System	06/12/07	17	30	20
Southern Connecticut State University	07/27/07	13	11	1
CCSU – Intercollegiate Athletics Program for 2006	10/15/07	N/A	N/A	N/A
<b>Other Education:</b>				
Teachers' Retirement Board	09/19/07	14	10	0
Board for State Academic Awards	12/07/07	6	3	2
<b>Correction:</b>				
Department of Correction	03/22/07	7	6	1
<b>Children and Families:</b>				
Department of Children and Families	01/05/07	22	36	22
Connecticut Children's Trust Fund Council	10/12/07	7	N/A	N/A
Department of Children and Families	11/08/07	14	22	11
<b>Quasi-Public Agencies and Other:</b>				
Connecticut Health and Educational Facilities Authority	01/10/07	0	0	0
Tweed New Haven Airport Authority	02/07/07	0	0	0
Capital City Economic Development Authority	03/08/07	2	1	1
Connecticut Student Loan Foundation	03/21/07	1	0	0
Connecticut Housing Finance Authority	07/06/07	2	0	0
Connecticut Higher Education Supplemental Loan Authority	08/22/07	2	0	0
Connecticut Development Authority	10/05/07	3	4	2
Connecticut Innovations, Inc.	10/17/07	2	6	4
Total Recommendations - Departmental Audits		<u>429</u>	<u>407</u>	<u>185</u>
<b>STATEWIDE AUDITS:</b>				
State of Connecticut – Federal Single Audit Report	04/27/07	<u>69</u>	<u>76</u>	<u>27</u>

<u>Reports</u>	<u>Date of Issue</u>	<u>Recommendations</u>		
		<u>Current Report</u>	<u>Prior Report</u>	<u>Implemented</u>
<b>OTHER AUDITS:</b>				
<b>PERFORMANCE AUDITS:</b>				
Enterprise Rent-A-Car Contract	08/24/07	<u>3</u>	<u>N/A</u>	<u>N/A</u>
<b>STATE MARSHAL AUDITS:</b>				
State Marshals (Sixteen Audits)	Various	<u>53</u>	<u>N/A</u>	<u>N/A</u>
<b>FINANCIAL STATEMENT AUDITS:</b>				
Connecticut State University Foundation	03/13/07	N/A	N/A	N/A
Charter Oak State College Foundation	05/22/07	3	N/A	N/A
Foundation for Connecticut Women	08/31/07	N/A	N/A	N/A
Governor’s Residence Conservancy, Inc.	09/14/07	2	N/A	N/A
State Employee Campaign	11/02/07	N/A	N/A	N/A
<b>INFORMATION SYTEMS AUDITS:</b>				
Core-CT – General Controls (Financials and Human Resources Management System)	07/30/07	<u>8</u>	<u>N/A</u>	<u>N/A</u>
Total Recommendations - Other Audits		<u>69</u>	<u>N/A</u>	<u>N/A</u>
Total Recommendations - All Audits		<u>567</u>	<u>483</u>	<u>212</u>
Percentage of Recommendations Implemented or Resolved Within One Audit Cycle (Excluding Other Audits)				<u>44%</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 follows:

	<u>Number of Recommendations</u>
<b>Internal Control Recommendations:</b>	
Bank accounts, cash accounts, and petty cash funds	11
Billings and receivables	14
Cash management and cash handling and depositing	23
Computer operations	18
Equipment/supplies inventories	36
Financial reporting and accounting	35
General accounting and business office functions	28
Miscellaneous State programs - administrative controls	28
Payroll and personnel controls	49
Policies, procedures, and guidelines	17
Purchasing of goods and/or services	38

Welfare, activity and other State funds	15
All others	<u>49</u>
Total Internal Control Recommendations	<u>361</u>
<b>Compliance Recommendations:</b>	
Payroll and personnel laws and regulations	6
Public meeting laws and regulations	8
Purchasing laws, regulations and contractual agreements	5
Reporting laws and regulations	15
All other laws and regulations	<u>16</u>
Total Compliance Recommendations	<u>50</u>
<b>Miscellaneous Recommendations:</b>	
Amendment or clarification of laws or regulations	7
Improve or automate administrative practices	4
Request Attorney General opinion	<u>7</u>
Total Miscellaneous Recommendations	<u>18</u>
Total Departmental Audit Recommendations	<u>429</u>

In addition to the departmental audit recommendations mentioned above, our Office issued a Statewide Single Audit Report, which contained 69 audit recommendations calling for various improvements in controls over State-administered Federal programs and compliance with related laws and regulations. Our Office also issued several special audit reports during the 2007 calendar year. These reports contained 16 audit recommendations calling for improvements in the operations of various 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, 2007, we received 139 complaints covering such matters as misuse of State funds, harassment, conflicts of interest and improper investigations.

As required by the aforementioned Section 4-61dd of the General Statutes, an annual report on such matters was prepared as of September 1, 2007, 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.

The following is a summary of those complaints received during the 2006-2007 fiscal year and the action taken thereon.

<u>Whistle Blower Matters Received</u>		<u>Date</u>	<u>Reported</u>
<u>Agency/Subject</u>	<u>Date</u>	<u>To Attorney General</u>	
<b>Administrative Services:</b>			
Workers Compensation Contract	05/29/07	08/10/07	
<b>Agriculture:</b>			
Misuse of Purchasing Card	04/02/07	*	
<b>Asnuntuck Community College:</b>			
Various Matters	12/11/06	01/12/07	
<b>Attorney General:</b>			
Opinion on Reverter Clause	12/28/06	03/05/07	
<b>Central Connecticut State University:</b>			
Various Matters	09/14/06	*	
<b>Chief State's Attorney's Office:</b>			
Job Performance	03/16/07	07/26/07	
<b>Children and Families:</b>			
Various Issues	10/02/06	*	
Licensing and Harassment Issues	11/06/06	*	
Safety of Clients	01/07/07	*	
Safety Issues	05/09/07	*	
Calls to Hotline	05/14/07	*	
<b>Commission on Human Rights and Opportunities:</b>			
Various Issues	08/08/06	10/06/06	
Commission's Authority	08/30/06	10/06/06	

<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>
<b>Commission on Human Rights and Opportunities (continued):</b>		
Alleged Improper Payroll Transaction	08/28/06	12/08/06
Retaliation for Investigation	10/13/06	03/01/07
Alleged Violation ADA, HIPAA, and Privacy Laws	01/22/07	*
Possible Misrepresentation of Powers	02/09/07	*
Personal Business on State Time	03/14/07	*
Personal Business on State Time	05/09/07	*
Issues Involving Affirmative Action Plans	05/11/07	*
<b>Comptroller:</b>		
Medicare Part B Reimbursements	07/31/06	09/05/06
<b>Criminal Justice:</b>		
Alleged Misconduct by Assistant State's Attorney and Public Safety Employees (C)	02/13/07	*
<b>Connecticut Higher Education Supplemental Loan Authority:</b>		
Repayment of Loan	02/28/07	*
<b>Connecticut Resources Recovery Authority:</b>		
Private Bid Opening	10/24/06	11/08/06
<b>Consumer Protection:</b>		
Separation of Powers	03/08/07	*
Liquor License	06/05/07	*
<b>Correction:</b>		
Billing for Services not Performed	06/28/06	01/26/07
Alleged Health Insurance Fraud	06/16/06	05/14/07
Training Issues	09/19/06	*
Administrative Investigation Process	10/10/06	06/25/07
Inadequate Investigation	03/23/07	*
Satellite System	05/14/07	08/14/07
Possible Double Billing for Services (A)	05/04/07	*

<b><u>Whistle Blower Matters Received</u></b>	<b><u>Date</u></b>	<b><u>Date Reported To Attorney General</u></b>
<b><u>Agency/Subject</u></b>	<b><u>Date</u></b>	<b><u>General</u></b>
<b>Economic and Community Development:</b>		
Urban Act Grant	02/20/07	*
Goodspeed Opera House	03/16/07	*
<b>Education:</b>		
Investigation of Complaint	01/30/07	10/05/07
Priority Grant	06/05/07	*
<b>Education and Services for the Blind:</b>		
Alleged Misappropriation of Funds	10/10/06	*
Various Issues	12/20/06	*
Salary and Other Issues	02/05/07	*
Sarah Brown Fund	05/05/07	*
<b>Environmental Protection:</b>		
Docking System	10/06/06	*
Confidentially of Complainant	04/04/07	09/12/07
Overtime Issues	04/26/07	10/19/07
Land Swap	02/02/07	09/05/07
Alleged Misconduct by State Contractor (B)	12/22/06	*
Hiring Practices	06/03/07	*
<b>Governor's Office:</b>		
Alleged Improper Fundraiser	11/03/06	02/27/07
Political Activity by State Employees	02/06/07	04/04/07
<b>Information Technology:</b>		
Misuse of Federal Funds	12/20/06	03/20/07
<b>Insurance:</b>		
Allegations of Management Wrongdoing	11/24/06	10/19/07
<b>Judicial:</b>		
Alleged Unethical Treatment and Other Issues	08/07/06	11/26/07
Various Issues	08/17/06	*
Affirmative Action	01/25/07	08/27/07
Attendance Issues		*

<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>
<b>Judicial (continued):</b>		
Lack of Safety Precautions	04/24/07	*
Various Issues	04/26/07	*
Court Reporter Issues	05/11/07	*
Possible Double Billing for Services (A)	05/04/07	*
Alleged Misconduct by Judges and a Guardian ad litem	06/06/07	*
<b>Large State Contractor:</b>		
Possible Illegal Conduct	09/07/06	02/09/07
Various Issues	09/28/06	11/05/07
Filing of Complaint with State Agency	11/20/06	*
Allegations of Fraud	11/28/06	12/22/06
Contractor Billing and Other Irregularities	12/05/06	*
Nursing Home Patient Care	03/13/07	*
Unsanitary Conditions and Lack of Care	06/27/07	*
<b>Latino and Puerto Rican Affairs Commission:</b>		
Mishandling of Funds	07/19/06	08/23/06
<b>Mental Health and Addiction Services:</b>		
Inadequate Investigation	09/13/06	*
Whiting Forensic Institute	10/25/06	08/08/07
Testimony and Risk to Children Issues	03/16/07	*
<b>Mental Retardation:</b>		
Selection of Group Home	06/23/06	09/11/06
Client Safety	05/24/07	*
<b>Middlesex Community College:</b>		
Various Issues	09/20/06	*
Safety and Work Related Issues	10/13/06	09/14/07
<b>Military Department:</b>		
Overtime and Telecommuting Issues	09/18/06	*
First Company Governor's Foot Guard	02/16/07	06/05/07
Connecticut National Guard	04/03/07	*

<b><u>Whistle Blower Matters Received</u></b>		<b><u>Date</u></b>	<b><u>Reported</u></b>
<b><u>Agency/Subject</u></b>	<b><u>Date</u></b>	<b><u>To Attorney</u></b>	
		<b><u>General</u></b>	
<b>Motor Vehicles:</b>			
Compensatory Time	09/28/06	*	
Improper Investigation	01/31/07	*	
Improper Use of Computer	03/01/07	*	
<b>Office of Policy and Management:</b>			
Steap Grant	12/01/06	01/08/07	
<b>Office of State Ethics:</b>			
Possible Unethical Behavior	04/24/07	*	
<b>Public Health:</b>			
Review of Complaint	07/14/06	11/29/06	
Selection of Consultants for Review	08/15/06	*	
Personnel and Mileage Issues	01/17/07	10/05/07	
Possible Misuse of Funds	02/02/07	*	
Various Issues	02/09/07	*	
Inadequate Investigation	03/07/07	*	
Lack of Action to Protect Children	04/03/07	*	
Dental Licensing and Related Matters	03/19/07	*	
<b>Public Official:</b>			
Fundraising	03/16/07	04/12/07	
<b>Public Safety:</b>			
Misuse of State Time	07/25/06	*	
Attendance Issues	11/16/06	04/27/07	
Overtime and Other Issues	12/10/06	*	
Invitations	01/05/07	01/22/07	
Personnel Issue	01/18/07	07/11/07	
Forensic Science Laboratory	03/28/07	08/10/07	
Outside Employment	04/18/07	10/26/07	
Outside Business	04/18/07	07/25/07	
Retirement Issues	06/13/07	*	
Alleged Misconduct by Assistant State's Attorney and Public Safety Employees (C)	02/13/07	*	

<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>
<b>Public Utility Control:</b>		
Contract and Audit Issues	02/09/07	*
<b>Public Works:</b>		
State Vehicle Issues	12/08/06	*
Leasing Space State Agencies	01/26/07	*
Dental Contract	03/06/07	*
Cheshire Emissions Center Building	03/23/07	*
<b>Secretary of the State:</b>		
Purchase of Banner	01/24/07	*
<b>Social Services:</b>		
Transportation Services	09/19/06	02/02/07
Long Term Care Ombudsman Program	01/08/07	*
HUSKY Members	02/01/07	*
Community Action Agency of New Haven	04/18/07	10/12/07
Possible Double Billing for Services (A)	05/04/07	*
Community Renewal Team, Inc.	03/15/07	*
Union Work	06/08/07	*
<b>Southern Connecticut State University:</b>		
Improper Conduct on University Trip	10/25/06	03/14/07
Failure to Report	02/05/07	*
Unethical Behavior	04/16/07	*
Possible Improper Student Loan Practices	04/11/07	*
<b>Three Rivers Community College:</b>		
Alleged Discrimination	05/16/07	*
<b>Transportation:</b>		
Personal Business on State Time	07/06/06	*
DUI Grant Monies	08/02/06	06/13/07
I-84 Construction	10/13/06	12/06/06
Security Breach	10/13/06	07/13/07
Contract Issue	12/26/06	04/27/07
Bradley Parking Garage	02/08/07	07/24/07

<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>
<b>Transportation (continued):</b>		
Alleged Misconduct by State Contractor (B)	12/22/06	*
<b>Tunxis Community College:</b>		
Various Issues	06/30/06	*
<b>UCONN:</b>		
Department of Public Policy	07/07/06	12/08/06
Falsifying Time Sheets	08/03/06	10/25/06
Accounting Issues	10/11/06	02/27/07
In-State Tuition Issues	04/12/07	*
Misuse of Position	04/21/07	*
Alleged Misconduct of Police Officer	03/19/07	*
<b>UCONN Health Center:</b>		
Alleged Abuse of Grants	10/06/06	08/22/07
Mileage	10/13/06	07/05/07
Improper Use of Computer and E-mail	10/25/06	05/23/07
Policy and Grant Issues	10/27/06	06/06/07
Attendance Issues	12/07/06	07/11/07
Dental Practices	12/20/06	09/04/07
Failure to Investigate Safety Issue	04/05/07	*
<b>Various Agencies:</b>		
Possible Improper Billing	06/15/07	*
<b>Western Connecticut State University:</b>		
Activity Fees	04/23/07	*

\* Matters currently under review

(A) Department of Correction, Judicial Department, and Department of Social Services

(B) Department of Environmental Protection and Department of Transportation

(C) Division of Criminal Justice and Department of Public Safety

**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 the 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. In order to provide more effective training to our audit staff, during 2007 the training program included in-house presentations and contracted seminars.

**Peer Review:**

GAGAS mandates that audit agencies have an external quality control review assessment 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 during the Spring of 2006 and covered the 2005 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 2006 calendar year.

**Recent Developments:**

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 computer systems with a more modern 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 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. A third phase saw the implementation of the Core-CT billing application during January 2005 and the Core-CT asset and inventory management applications during July 2005. In addition, major version upgrades to the human resources and financial application software were implemented during April and November 2006, respectively. The fourth and final development phase was completed when the State implemented the Core-CT projects/contracts application during July 2007. It should be noted that through the end of the 2007 fiscal year, some \$130,000,000 has been spent by the State to develop, implement and upgrade the Core-CT System.

Due to the complexity and state-of-the-art technology employed by the Core-CT applications, learning how to process State financial, human resources, and other transactions under the Core-CT System has been a challenging process for all State agencies involved in the development and implementation of this new computer system.

It should be noted that our professional audit staff recently completed its third annual audit of the State's financial statements involving transactions which had been processed under the Core-CT System. In conjunction with our audit of the State's financial statements our staff has also recently completed work on its third "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, as in past years, difficulties encountered by the State Comptroller's Office in trying to finalize and close the general ledger within the Core-CT System contributed to delays in the preparation of the State's financial statements for the fiscal year ended June 30, 2006.

In order to enable the State to meet all of its statutory and regulatory reporting requirements, our Office would normally have completed its audit of the State's 2005-2006 financial statements by December 31, 2006. Because our Office did not receive a final set of these

financial statements until February 27, 2007, we were not able to complete our audit of these financial statements until April 25, 2007. This delay in finalizing the State's financial statements also delayed the completion of our "Single Audit" of the State's Federal grant expenditures for the fiscal year ended June 30, 2006, and thereby delaying the issuance of our Single Audit Report until April 25, 2007. Normally, our Office would have completed this audit and issued our report by the Federally mandated deadline of March 31, 2007. It should be noted that the State, anticipating this reporting delay, requested and received from the Federal government an approved extension to the normal Single Audit Report filing deadline. It is anticipated that all future Single Audit Reports issued by the State will be filed by the required March 31<sup>st</sup> reporting deadline.

In addition, to the above scheduled audit work, our Office continued to respond to special requests for assistance during the 2007 calendar year, as follows:

- In January 2007, our Office initiated a special review of the internal audit function at the University of Connecticut based upon a request our Office received from University management. This request arose because the University was required to arrange for such a review pursuant to the provisions of a Compliance Agreement that the University had entered into with the Federal Environmental Protection Agency.
- On December 13, 2007, the Governor's Office asked our Office to conduct a special review of those University of Connecticut construction transactions that have resulted in changes to the "UConn 2000" bond indentures. This request arose due to concerns resulting from irregularities that had occurred in the administration of the "UConn 2000" construction program.

It should be noted that the continued receipt by our Office of requests for special audit reviews seems to be the result of an increased sensitivity by State officials towards detecting irregularities within the State government. This increased sensitivity towards the detection of irregularities within State government can also be found within the public-at-large, as the number of whistleblower complaints received by our Office during the 2007 calendar year totaled 139 complaints. This total represents the highest number of complaints our Office has received in a given calendar year since our Office was first assigned the responsibility for reviewing whistleblower complaints and is part of an upward trend that first started back in 2004. Due to the high number of complaints we have been receiving over the last few years, our Office has been forced to reallocate staff resources to 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. This has increased pressure on our Office to meet its other statutory auditing responsibilities.

As provided for in Section 31 of Public Act 06-186, effective July 1, 2006, our Office was granted the authority to audit trust accounts maintained by State Marshals. In accordance with this provision, our Office conducted its initial audits of State Marshal trust accounts during the 2007 calendar year. Sixteen such audits were completed during 2007 and the results of these audits were transmitted to the State Marshal Commission for follow-up action. It should be noted that the results of these 16 audits disclosed 53 instances where State Statutes or State

Marshal Commission policies governing the administration of State Marshal trust accounts were not complied with.

On a more routine note, during 2007, our Office initiated a project in cooperation with the Joint Committee on Legislative Management to upgrade and modernize our Office's data and voice telecommunications infrastructure. This initiative calls for our Office to migrate its entire telecommunications infrastructure to Legislative Management's computer network and telephone system during early 2008.

SECTION II

**RECOMMENDATIONS**

Many recommendations of a financial or recordkeeping nature are presented in the written audit reports prepared by 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 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 required to competitively bid for the services desired unless a waiver from competitive bidding is obtained from the Office of Policy and Management (OPM). Section 4-215, subsection (a), of the General Statutes specifies that waivers from competitive bidding can be granted by OPM when (1) services are being sought for which the cost to the State of a competitive selection procedure would outweigh the benefits of such procedure, (2) proprietary services (i.e. sole source) are being sought by a State agency, (3) services being sought are to be provided by a contractor that is specified through an act of the General Assembly, and (4) emergency services are being sought, especially those involving public safety concerns. In addition to the waiver conditions specified in Section 4-215, this Section also provides OPM with the discretionary authority to adopt additional types of conditions that may qualify for such waivers. To date OPM has used this authority to add conditions for (1) services that will be used in specific academic areas that include instructional or research activities, and (2) services that require a contractor that has special capabilities or experience. One of our past performance audits indicated that this latter condition is an often-used condition for granting waivers from competitive bidding. Because this is an overly broad condition that could conceivably be argued to exist for any personal services agreement that is entered into with a contractor somewhat experienced in a given field, its use may limit competition and effectively override attempts by the General Assembly to restrict the use of waivers from competitive bidding. Ultimately, whenever a competitive bid process is not used by a State agency when entering into a personal services agreement, it cannot be determined if the State agency received the most favorable prices for the services being contracted for. Competitive bidding also helps to make sure that State contracts are awarded in a fair manner to vendors competing for State business.

2. **The General Assembly should consider enacting legislation that would allow for appointing a receiver for charter schools that are experiencing serious financial or operational problems that warrant intervention to protect the students and/or financial resources of the charter school.**

Comment:

Section 10-66bb of the General Statutes authorized the State Board of Education, on or after July 1, 1997, to grant within available appropriations, charters for local and State charter schools. State charter schools are funded through the Department of Education. Any person, association, corporation, organization or other entity may establish a charter school. Charter schools are governed by Boards of Directors which are responsible for the oversight of the schools' operations.

During the later part of 2005, the State Department of Education received allegations of wrongdoing at a State charter school and at the same time the Office of the Attorney General and our Office received the same allegations under the provisions of Section 4-61dd (the Whistleblower Act). Allegations were made concerning such areas as the misuse of school funds, the mismanagement of school resources, and nepotism involving both staff members and Board members. A joint investigation was conducted by the three agencies.

It was noted during the investigation that although the Department of Education has the authority to place a charter school on probation or revoke its charter, it does not have the authority to step in and directly oversee a charter school when serious problems arise. Allowing the Department of Education to appoint a receiver would ensure that there would be operational and/or financial oversight from an outside party when problems arise and it would ensure that both the students and the financial resources of the school are protected.

While the Department of Education is currently in the process of improving its internal monitoring procedures in order to better detect any signs of serious problems at State charter schools, a statutory revision granting the Department of Education additional emergency powers is still needed because at some point in the future serious financial or operational problems may again occur at a State charter school.

3. **The General Assembly should consider adopting legislation which would specifically prohibit any employee of Connecticut Innovations, Inc. (CI) from benefiting from employment with any CI startup company.**

Comment:

Connecticut Innovations, Inc. is classified as a quasi-public agency and was established to stimulate and encourage the research and development of new technologies and new products, the development and operation of science parks and incubator facilities and, to promote science, engineering, mathematics and other disciplines essential to the development of technology. It provides financial assistance to Connecticut businesses for the development and marketing of high-technology products, services, and processes.

State Ethics statutes contain certain hiring restrictions regarding the employment of persons who are hired by a company receiving State assistance within one year of such persons leaving a job with a State or quasi-public agency. One of our audits disclosed a situation in which a former CI employee, who played a significant role in the creation of a CI startup company, was hired by CI as a consultant immediately after the employee resigned from CI. The main reason for hiring this former employee as a consultant was so that this individual could serve as the Acting Chief Executive Officer (CEO) for the aforementioned startup company. It should be noted that prior to hiring this former employee as a consultant, CI entered into an agreement with the startup company that required it to reimburse CI for the hours that the consultant worked as the CEO. This arrangement continued until the reimbursement agreement expired, one year and one week after execution, at which point in time the former CI employee was hired as the CEO on a permanent basis. It should be noted that this employment arrangement resulted in the increase of this individual's base annual salary from \$105,000 to \$200,000.

4. **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 (i.e. "An Act Concerning Expenditures and Revenue for the Biennium Ending June 30, 2005). This legislation was vetoed on June 13, 2003.

5. **The General Assembly should enact legislation to redress the practice of reemploying retirees at a higher wage, 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:

One of our past performance audit reports dealt with former State employees that have been granted reemployment contracts. We noted that the collective bargaining agreement that governs the pension benefits of State employees allows 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.

6. **The General Assembly should 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, particularly with regard to ensuring that applicable services are obtained in the most cost effective manner.**

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 not serve to encourage the economical expenditure of State resources in that it permits State agencies to provide State funds to the Connecticut Economic Resource Center, Incorporated, without requiring the adherence to normal safeguards. Such safeguards include competitive bidding for the procurement of services and the execution of personal service agreements and/or grant agreements, whichever is applicable. While we recognize that CERC may be able to provide many valuable public services, given the provisions of Section 32-4a, there is currently no statutory safeguards in place to ensure that the services that the State receives from CERC are being provided in the most cost effective manner.

7. **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.

An audit of the Department of Environmental Protection conducted during a prior Commissioner's term revealed that a former 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 former Director at the 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 for some time the State Records Administrator had been informing this former Director that his land records were permanent and vital to the operations of the State and that he was required to submit a records retention schedule for these land records. While the unit responsible for the Department's land records did finally submit an approved records retention schedule during 2007, there are currently other units of the Department that have not yet submitted a formal records retention schedule for approval by the State Records Administrator.

- 8. The General Assembly should consider enacting legislation to require that State assets, whether they are tangible or intangible in nature, that are to be sold or otherwise conveyed to an outside party, be done so in a competitive manner.**

Comment:

During a recent review at The University of Connecticut, it came to our attention that certain water supply and wastewater rights had been granted to a property developer that was interested in constructing a residential housing project on property that is in close proximity to the University. Without such rights, the feasibility of such a project would be doubtful. As such, the water supply and wastewater rights, while intangible in nature, are of significant value, but were not sold or otherwise conveyed in a competitive manner.

We have noted that the General Assembly has addressed the need to require further controls over the competitive purchase of goods or services. The State possesses a number of assets and rights that are valuable. Extending the benefits of competitive bidding to the sale/conveyance of such assets and rights should also be considered

9. **The General Assembly should consider requiring that each State agency demonstrate that it has in place a business continuity plan to allow for the resumption of services in the event of a disaster. The Department of Information Technology should be required to assist in the development and maintenance of the technological portion of those plans for all Executive Branch agencies.**

Comment:

Our audits regularly contain findings relating to agencies' business continuity and disaster recovery plans being either out-of-date or non-existent. Since technology issues (data processing, telecommunications, etc.) are integral to most agencies' needs, the State would likely be best served if a central service agency such as The Department of Information Technology was designated to assist State agencies in the development and maintenance of the technological portions of these plans with the goal of eliminating duplication and assessing the feasibility of accomplishing the intended objectives in a cost-efficient and reasonable manner.

10. **The General Assembly should consider clarifying the provisions of Section 32-605 of the General Statutes to require that the Capital City Economic Development Authority (CCEDA) include in its annual report a listing of all vendors receiving payments from CCEDA funds, including those funds managed by the contractors operating the Convention Center on behalf of the Authority.**

Comment:

In accordance with Section 32-605 of the General Statutes, the Capital City Economic Development Authority is to include in its annual report a listing of all firms and individuals that receive in excess of \$5,000 as payment for services. This requirement is similar to that of other quasi-public agencies. However, it is complicated at CCEDA by the fact that CCEDA has contracted with outside vendors for the operation of the Convention Center, including the catering and concessions, the parking facilities, and the general management and bookings of the facility. These contractors make disbursements from bank accounts that are in the name of the Authority. CCEDA does not select or approve the vendors that these contractors conduct business with, but because the amounts are expended from CCEDA funds, reports detailing “Authority” expenditures should include these amounts because CCEDA has ultimate authority over these expenditures through the contracting process.

11. **The General Assembly should consider changes to the laws governing the ethics of public officials to clarify that quasi-public agencies are part of State government and subject to all provisions of the Code of Ethics, despite their designation as not being agencies of the State.**

Comment:

Section 1-84, subsection (i), of the General Statutes provides that no public official or State employee shall enter into any contract with the State, valued at \$100 or more, unless the contract was awarded through an open and public process. An Advisory Opinion (#2002-3) by the former State Ethics Commission concluded that the provisions of said Section do not apply to contracts between quasi-public agencies and its employees because the legislature did not define the term “State” to include quasi-public agencies. The Commission concluded that quasi-public agencies are not construed to be part of the “State”, despite the references to quasi-public agencies in the definition of the terms “state official” and “state employee”.

- 12. The General Assembly should consider modifying Section 32-657, subsection (g), of the General Statutes to authorize the Auditors of Public Accounts to perform the annual audits of the Rentschler Field operations upon the request of the Office of Policy and Management.**

Comment:

Current provisions call for an independent auditing firm to perform the annual audits of the Rentschler Stadium's financial operations. We believe that cost savings to the Stadium would be attainable if authority was given for our Office to perform these audits.

**Technical Corrections and Other Matters:**

- a. 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.
- b. 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, over the years 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.
- c. Section 4-9a 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.
- d. Public Act 98-68 resulted in the creation of Section 4-37j of the General Statutes. This Section adds whistleblower 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 should be included in the reporting requirement.
- e. 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.
- f. Section 1-123, subdivision (4), of the General Statutes provides that the annual reports of quasi-public agencies include "a balance sheet showing all revenues and expenditures". A balance sheet, however, is only intended to reflect assets and liabilities of an entity at the time they are produced. Operating statements normally reflect an entity's revenues and expenditures over a period of time. Amending this Section to refer to a balance sheet and an operating statement would help to resolve this situation.
- g. With regard to the Capital City Economic Development Authority, we noted that duplicative annual compliance audit provisions currently exist in the General Statutes.

In accordance with Section 1-122 of the General Statutes our Office is required to annually conduct a compliance audit of the Capital City Economic Development Authority. In addition, the Capital City Economic Development Authority is authorized, under Section 32-605, subsection (b), of the General Statutes, to annually contract for a compliance audit of its activities. The General Statutes should be amended to eliminate this inconsistency.

- h. The State Tax Review Commission was established in 1991 under Section 12-34d of the General Statutes to study and evaluate the State's entire tax system and make annual reports with findings and recommendations to the Governor and the General Assembly. In a report issued by the Office of Legislative Research, dated July 31, 2006, it was noted that the Commission only issued one interim report in January 1994, and its appointed members' terms expired later that year without new appointments or reappointments made by the Governor or legislative leaders. Without membership, the Commission ceased to operate. It should be noted that in 1997, the General Assembly passed an Act that, among other things, repealed the Commission's authorizing legislation. The Governor vetoed the Act and there has not been any other proposal since to repeal the Commission's legislation.
- i. Section 31-354 of the General Statutes was amended by Section 10 of Public Act 05-199 to require employers or insurance companies, acting as collection agents for the Second Injury Fund, to pay a penalty of fifteen percent or a minimum fifty dollars on the unpaid assessment or surcharge if they fail to make required payments to the Fund. In the absence of a "whichever is greater" clause, many have chosen to simply pay the fifty dollars. In addition, this Act did not specify that the penalty would be calculated on the unpaid balance as of the due date. Since State regulations require an interest payment of fifteen percent per annum from the date the sum should have been paid and do not allow for a minimum payment of fifty dollars, the regulations are now in conflict with the Statute. These regulations cannot be properly updated until this Statute is changed.