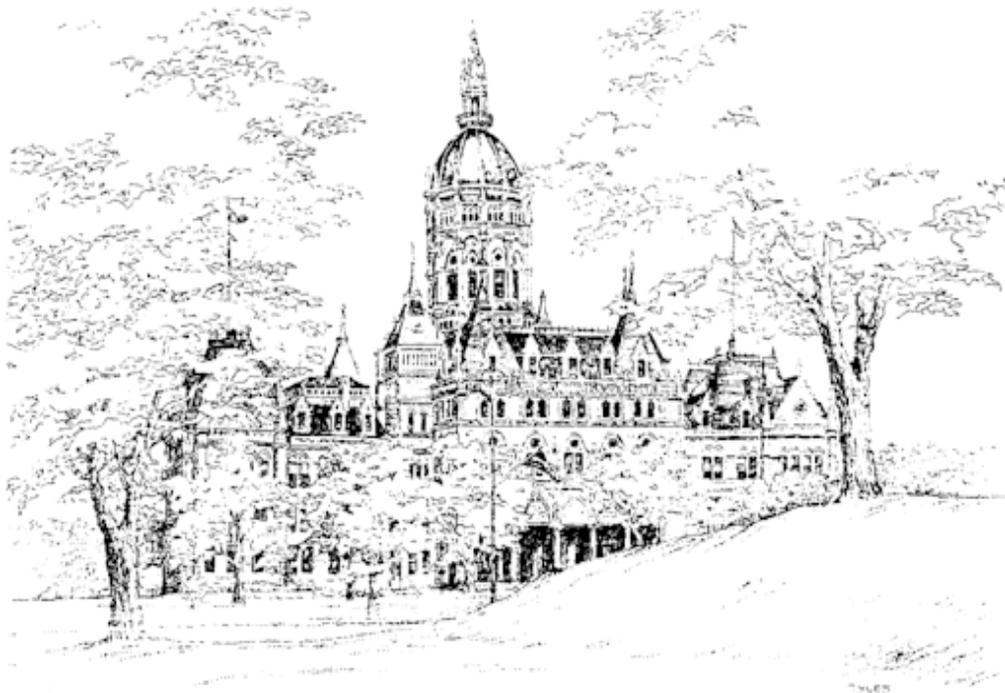


2008 ANNUAL REPORT

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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ROBERT G. JAEKLE

January 30, 2009

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 2008 calendar year was another busy and challenging year for our Office. In addition to carrying out our Office's various statutory auditing responsibilities, a couple of major technology projects were successfully completed during the year that should serve our Office well for a number of years. Also, during this period our Office received a record number of whistleblower complaints and, in accordance with the provisions of Public Act 08-185, began conducting annual audits of the Rentschler Stadium operation.

These achievements and 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.cga.ct.gov/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.cga.ct.gov/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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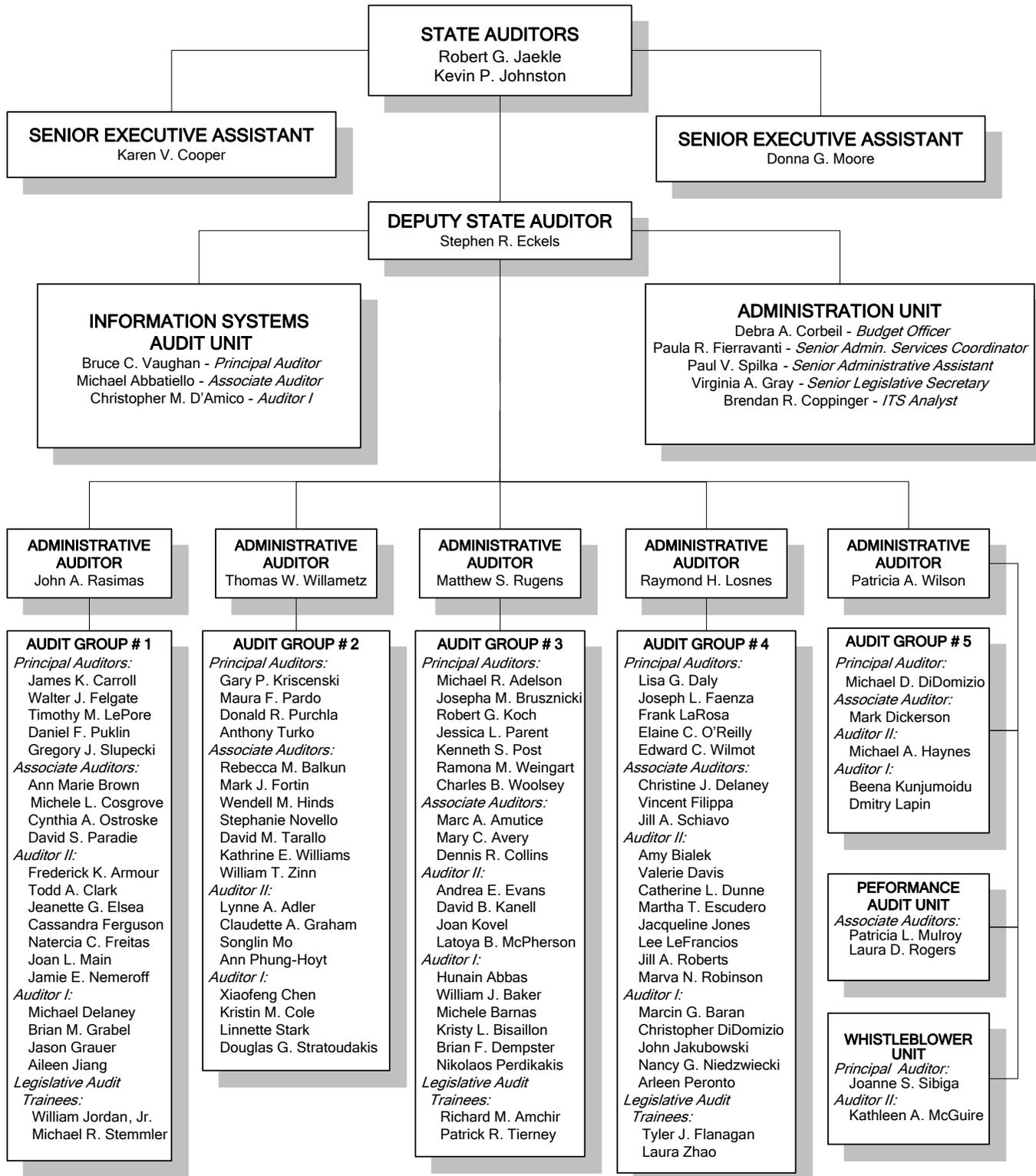
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AUDITORS OF PUBLIC ACCOUNTS ORGANIZATIONAL STRUCTURE



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 113 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 104 auditors organized into five audit groups with each group under the general direction of an Administrative Auditor, and a Performance Audit Unit and a Whistleblower Unit under the general direction of one of the Administrative Auditors. There is also an Information Systems Audit Unit presently consisting of three 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 36 members have advanced degrees.

Auditing State Agencies:

During the 2008 calendar year, members of our field audit staff completed 68 audits of State agencies, quasi-public agencies and State Marshal trust accounts. A total of 466 audit recommendations were made in the State and quasi-public agency reports. During the past calendar year these agencies have implemented approximately 47 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 Agriculture we found that over \$2,000,000 in receipts from the sale of dog licenses, which had been allowed to accumulate in a separate State fund, were not being transferred to the General Fund to reimburse it for the cost of funding the operation of the Department's Animal Control Unit. This oversight occurred when the business office function of the Department of Agriculture was transferred to the Department of Administrative Services' Small Agency Resource Team (SMART). Employees of this latter unit were apparently unaware of the aforementioned General Fund reimbursement requirement. By our Office bringing this oversight to the attention to State management, the General Fund will realize an estimated \$2,000,000 in additional receipts.

It should be noted that several weaknesses of this nature have also been identified in our audits of other State agencies whose business office functions have been transferred to the SMART Unit, pursuant to the provisions of Section 60(c) of Public Act 05-251. Accordingly, our Office plans to address these issues collectively in an upcoming audit report.

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 922 losses, primarily through theft, vandalism and inventory shortages in the 2008 calendar year, involving an aggregate loss of some \$911,000.

It should be noted that this aggregate total is some \$18,179,000 less than the cumulative amount of property losses reported during the 2007 calendar year. This is primarily due to the 2007 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 March 2008, this Office issued its annual Statewide Single Audit Report for the State of Connecticut. This 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, 2007, 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 Health and Educational Facilities Authority and the Capital City Economic Development Authority. During the 2008 calendar year, we were required to give six 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, five of the 50 departmental reports issued during the year included a section outlining our review of some aspect of the agencies' performance.

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.cga.ct.gov/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 2008 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:				
Legislative:				
Joint Committee on Legislative Management	10/03/08	1	3	2
Elected Officials:				
State Treasurer – Departmental Operations	02/20/08	9	13	6
State Comptroller – State Financial Operations	05/07/08	6	9	4
State Treasurer – State Financial Operations	07/16/08	7	7	2
Office of the Secretary of the State	09/24/08	15	8	1
Office of the Governor	09/26/08	1	0	N/A
Office of the Lieutenant Governor	09/29/08	2	0	N/A
State Comptroller – State Retirement Funds	10/01/08	5	4	3
General Government:				
Freedom of Information, Child Advocate, Victim Advocate	01/08/08	0	3	3
Office of Policy and Management	02/28/08	8	12	6
State Elections Enforcement Commission	04/16/08	1	0	N/A
Department of Administrative Services	05/16/08	14	17	10
State Insurance and Risk Management Board	06/18/08	3	4	4
Office of State Ethics	10/31/08	3	N/A	N/A
State Marshal Commission	12/03/08	10	10	2

<u>Reports</u>	<u>Date of Issue</u>	<u>Recommendations</u>		
		<u>Current Report</u>	<u>Prior Report</u>	<u>Implemented</u>
Regulation and Protection of Persons and Property:				
Department of Public Safety	07/09/08	10	12	5
Department of Banking	07/23/08	2	3	1
Department of Motor Vehicles	07/25/08	28	19	6
Office of Protection and Advocacy of Persons with Disabilities	09/08/08	4	4	4
Workers' Compensation Commission	10/20/08	5	3	2
Military Department	11/07/08	5	9	5
Department of Consumer Protection	11/12/08	4	5	2
Commission on Human Rights and Opportunities	11/26/08	15	12	8
Insurance Department and Office of Healthcare Advocate	12/10/08	2	1	1
Conservation and Development:				
Department of Agriculture	02/11/08	6	10	7
Department of Economic and Community Development	09/05/08	6	5	4
Department of Environmental Protection	12/24/08	12	22	15
Health and Hospitals:				
Department of Mental Health and Addiction Services	08/01/08	9	11	4
Office of Health Care Access	10/24/08	4	2	1
Higher Education:				
Central Connecticut State University	01/10/08	20	18	4
Western Connecticut State University	03/14/08	16	9	0
SCSU – Intercollegiate Athletics Program for 2006	04/04/08	0	0	N/A
University of Connecticut Health Center	07/30/08	13	9	4
CCSU – Intercollegiate Athletics Program for 2007	09/17/08	0	0	N/A
Connecticut State University System Office	11/14/08	11	7	0
Eastern Connecticut State University	11/21/08	12	12	4
University of Connecticut	12/05/08	12	15	14
Other Education:				
State Library	04/22/08	2	3	1
Department of Education	06/16/08	15	13	8
Commission on Deaf and Hearing Impaired	07/18/08	6	4	1
Correction:				
Department of Correction	12/17/08	5	7	3
Judicial:				
Public Defender Services Commission	02/08/08	3	1	1
Judicial Department	05/23/08	9	6	1

<u>Reports</u>	<u>Date of Issue</u>	<u>Recommendations</u>		
		<u>Current Report</u>	<u>Prior Report</u>	<u>Implemented</u>
Quasi-Public Agencies and Other:				
Capital City Economic Development Authority	01/04/08	3	2	1
Connecticut Lottery Corporation	03/20/08	1	0	N/A
Connecticut Housing Finance Authority	04/29/08	0	2	2
Connecticut Health and Educational Facilities Authority	05/02/08	0	0	N/A
Connecticut Higher Education Supplemental Loan Authority	06/13/08	0	2	2
Connecticut Innovations, Inc.	10/22/08	5	2	0
Connecticut Lottery Corporation	10/29/08	<u>2</u>	<u>1</u>	<u>1</u>
Total Recommendations - Departmental Audits		<u>332</u>	<u>321</u>	<u>155</u>
STATEWIDE AUDITS:				
State of Connecticut – Federal Single Audit Report	03/25/08	<u>81</u>	<u>69</u>	<u>30</u>
OTHER AUDITS:				
SPECIAL REVIEW:				
University of Connecticut – Special Review of UConn 2000 Expenditures	03/20/08	3	N/A	N/A
STATE MARSHAL AUDITS:				
State Marshal Trust Accounts (Twelve Audits)	Various	45	N/A	N/A
FINANCIAL STATEMENT AUDITS:				
Charter Oak State College Foundation	01/24/08	1	N/A	N/A
Connecticut State University Foundation	04/11/08	3	N/A	N/A
Charter Oak State College Foundation	09/22/08	1	N/A	N/A
Executive Chambers Conservancy, Inc.	10/27/08	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Recommendations - Other Audits		<u>53</u>	<u>N/A</u>	<u>N/A</u>
Total Recommendations - All Audits		<u>466</u>	<u>390</u>	<u>185</u>
Percentage of Recommendations Implemented or Resolved Within One Audit Cycle (Excluding Other Audits)				<u>47%</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>
Internal Control Recommendations:	
Bank accounts, cash accounts, and petty cash funds	11
Billings and receivables	10
Cash management and cash handling and depositing	16
Cash receipts	15
Computer operations	15
Equipment/supplies inventories	31
Financial reporting and accounting	10
General accounting and business office functions	21
Miscellaneous State programs - administrative controls	28
Payroll and personnel controls	58
Policies, procedures, and guidelines	10
Purchasing of goods and/or services	22
Welfare, activity and other State funds	10
All others	<u>45</u>
 Total Internal Control Recommendations	 <u>282</u>
Compliance Recommendations:	
Payroll and personnel laws and regulations	4
Public meeting laws and regulations	6
Reporting laws and regulations	7
All other laws and regulations	<u>17</u>
 Total Compliance Recommendations	 <u>34</u>
Miscellaneous Recommendations:	
Amendment or clarification of laws or regulations	9
Improve or automate administrative practices	<u>7</u>
 Total Miscellaneous Recommendations	 <u>16</u>
 Total Departmental Audit Recommendations	 <u>332</u>

In addition to the departmental audit recommendations mentioned above, our Office issued a Statewide Single Audit Report, which contained 81 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 2008 calendar year. These reports contained 16 audit recommendations calling for improvements in the operations of various governmental entities.

Finally, pursuant to the provisions of Section 2-90a of the General Statutes, our Office conducted twelve audits of State Marshal trust accounts during the 2008 calendar year. It should be noted that the results of these 12 audits disclosed 45 instances where State Statutes or State

Marshal Commission polices governing the administration of State Marshal trust accounts were not complied with. These audit findings were transmitted to the State Marshal and the State Marshal Commission for follow-up action.

Whistleblower Matters:

Under the provisions of Section 4-61dd of the General Statutes, known as the Whistleblower 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, 2008, we received 151 complaints covering such matters as misuse of State funds, harassment, conflicts of interest and improper investigations. It should be noted that a substantial increase in the number of claims of State agency retaliation against whistleblowers were filed with our Office during this same period. Our Office received 12 separate complaints of alleged retaliation against whistleblower complainants during the fiscal year ended June 30, 2008. In addition, whistleblower complainants filed another 11 complaints of alleged retaliation with our Office during the six-month period ending December 31, 2008.

As required by the aforementioned Section 4-61dd of the General Statutes, an annual report on such matters was prepared as of September 1, 2008, 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 whistleblower 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 2007-2008 fiscal year and the action taken thereon.

<u>Whistleblower Matters Received</u>	<u>Date</u>	<u>Reported To Attorney General</u>
<u>Agency/Subject</u>	<u>Date</u>	<u>General</u>
Administrative Services:		
Abuse of Time	08/08/07	*
BESB Personnel Issues	11/15/07	*
Failure to Investigate	04/10/08	*
Exam Process	05/12/08	*

<u>Whistleblower Matters Received</u>	<u>Date</u>	<u>Date Reported To Attorney General</u>
<u>Agency/Subject</u>	<u>Date</u>	<u>General</u>
Attorney General:		
Alleged Intimidation (B)	02/19/08	*
Board of Education and Services for the Blind:		
FLMA Issues	08/17/08	*
Children and Families:		
Alleged Falsifying of Records	08/07/07	11/07/07
Office Move	01/09/08	*
Overpayments	02/08/08	*
Safety and Care of Children	02/06/08	01/21/09
Review of Complaint	01/15/08	03/17/08
Hostile Work Environment	02/20/08	*
Alleged Unethical Work Practices	03/23/08	*
False Documents by Licensee	04/20/08	*
State Vehicle	06/09/08	*
Commission on Human Rights and Opportunities:		
Abuse of Time	07/26/07	*
Handling of Complaint	04/24/08	*
Handling of Complaint	04/16/08	*
Affirmative Action Plan Issues	05/27/08	*
Affirmative Action Plan Issues	05/20/08	*
Commission on Culture and Tourism:		
Questionable Proposal	08/10/07	11/26/08
State Film Office	09/13/07	*
Missing Items and Personnel Matters	06/21/08	*
Comptroller:		
Issue with Health Insurance	04/21/08	*
Correction:		
Workers' Compensation Claim	06/28/07	12/10/07
Disability Retirement	08/17/07	*
Inventory Matters and Retaliation	09/24/07	*

<u>Whistleblower Matters Received</u>	<u>Date</u>	<u>Date Reported To Attorney General</u>
<u>Agency/Subject</u>	<u>Date</u>	<u>General</u>
Correction (continued):		
Conflict of Interest (E)	10/04/07	*
Alleged Intimidation (B)	02/19/08	*
Alleged Kickbacks	02/13/08	*
Various Issues (C)	03/08/08	*
Various Issues (C)	03/08/08	*
Safety and Health Issues	03/28/08	*
Dental Fees	12/04/07	*
Developmental Services:		
Misuse of State Time and Equipment	07/18/07	*
Personal Use of State Computer	07/13/07	09/22/08
Patient Care	10/30/07	*
Issues at Group Home	12/07/07	10/14/08
Division of Public Defenders Services:		
Processing of Motion	02/19/08	*
Division of Special Revenue		
Misuse of State Vehicle	05/29/08	*
Use of State Vehicle	05/26/08	*
Education:		
Release of Confidential Information	08/20/07	10/22/07
Use of Social Security Numbers	03/21/08	08/27/08
Retaliation	06/02/08	*
Environmental Protection:		
Endangered Species	01/22/08	07/02/08
Inadequate Notification	01/29/08	*
Issues with Authority and Process	05/28/08	*
Housing Finance Authority:		
Management Issues	01/18/08	12/12/08
Housing Authority	12/04/07	*

<u>Whistleblower Matters Received</u>	<u>Date</u>	<u>Date Reported To Attorney General</u>
<u>Agency/Subject</u>	<u>Date</u>	<u>General</u>
Information Technology:		
Revolving Fund	07/31/07	02/27/08
Collection System (A)	09/20/07	10/15/08
Contract Issue	03/12/08	*
Judicial:		
Temporary Employees	07/11/07	06/30/08
Promotion and Attendance Issues	08/06/07	10/10/08
Private Property Management	10/26/07	07/09/08
Attendance Issues	01/15/08	06/18/08
Privatization Issue	01/11/08	06/30/08
Various Issues	01/28/08	*
Favoritism, Discrimination and Harassment	02/13/08	*
Staffing and Equipment Issues	02/15/08	*
Hiring Practices	02/27/08	*
Favors	02/13/08	*
Mileage	04/09/08	*
Workers' Compensation	06/23/08	*
Labor:		
Questionable Appointment	06/24/08	*
Large State Contractor:		
Alleged Improper Rebating and Kick backs	07/11/07	12/05/08
Medical Standards and Profit Reporting	07/13/07	11/05/07
Alleged Misuse of Trust Account	07/20/07	*
Alleged Misappropriation of Funds	07/20/07	*
Retaliation	08/17/07	10/24/07
Alleged Improprieties (Rushford Center)	08/30/07	*
Coordination of Benefits	08/15/07	*
Various Issues	10/15/07	*
Various Issues	10/29/07	*
Medicaid/Pharmacy Messages	11/13/07	*
Transportation Issues	12/27/07	05/23/08
Improper Expenditures	04/09/08	*
Retaliation	03/06/08	06/20/08

<u>Whistleblower Matters Received</u>	<u>Date</u>	<u>Date Reported To Attorney General</u>
<u>Agency/Subject</u>	<u>Date</u>	<u>General</u>
Large State Contractor (continued):		
Improper Care	05/23/08	*
Unlicensed Personnel	06/10/08	*
Energy and Food Assistance	06/16/08	*
Legislative Management:		
Political Activity	12/05/07	03/17/08
Use of State Equipment	04/17/08	08/27/08
Personal Business on State Time	06/04/08	08/27/08
Manchester Community College:		
Possible Release of Social Security Numbers	05/07/08	*
Personal Business on State Time	06/05/08	*
Mental Health and Addiction Services:		
Patient Funds and Patient Leases	08/18/07	*
CVH Patient Care	08/20/07	04/23/08
Retaliation	09/25/07	*
Southwest Connecticut Mental Health Center	08/18/07	*
Misuse of Computer	09/28/07	*
Arrest Warrants	03/25/08	*
Various Issues	03/21/08	01/15/09
Middlesex Community College:		
Hiring Issues	07/07/07	*
Payroll and Personnel Issues	11/30/07	*
Military Department:		
Various Issues	10/02/07	*
First Company Governor's Horse Guard	06/05/08	01/21/09
Motor Vehicles:		
Employee Scam	07/19/07	01/23/09
Abuse of Power	02/13/08	06/06/08
Driver Training School Issues	02/27/08	01/14/09
Possible Ethics Violation	03/19/08	*

<u>Whistleblower Matters Received</u>	<u>Date</u>	<u>Date Reported To Attorney General</u>
<u>Agency/Subject</u>	<u>Date</u>	<u>General</u>
Office of Policy and Management:		
Small Town Economic Assistance Program	11/15/07	*
Office of State Ethics:		
Personal Use of State Equipment	05/03/08	*
Office of the Victim Advocate:		
Refusal to Help (D)	04/15/08	*
Public Health:		
RFP and Records	08/01/07	*
Failure to Take Action	12/13/07	*
Failure to Properly Investigate	12/04/07	*
State Vehicle Use	02/29/08	*
Failure to Investigate	03/18/08	11/14/08
Failure to Investigate	04/05/08	*
Affirmative Action and Retaliation	06/27/08	*
Public Safety:		
Forensic Science Lab	08/10/07	*
Temporary Assignment to Higher Class	08/30/07	10/22/08
Aviation Unit	09/05/07	11/30/07
Collection System (A)	09/20/07	10/15/08
Promotion	09/26/07	*
Retaliation	10/22/07	*
Retaliation	10/29/07	10/31/07
Retaliation	11/28/07	11/30/07
Sick Leave	03/04/08	05/07/08
MRT Training	03/05/08	*
Harassment	03/03/08	*
Refusal to Help (D)	04/15/08	*
Retaliation	05/09/08	05/12/08
Sale of Guns	05/14/08	*
Retaliation	05/19/08	05/23/08

<u>Whistleblower Matters Received</u>	<u>Date</u>	<u>Date</u>
<u>Agency/Subject</u>	<u>Date</u>	<u>Reported</u>
		<u>To Attorney</u>
		<u>General</u>
Public Utility Control:		
Alleged Failure to Protect Consumers	02/17/08	04/24/08
Inadequate Response to a Complaint	04/30/08	*
Public Works:		
Leases	11/28/07	08/27/08
Change orders at SCSU	12/05/07	*
Revenue Services:		
Alleged Gambling/Betting Operations	08/16/07	*
Stolen Laptop Computer	09/04/07	11/30/07
Social Services:		
Paid Administrative Leave	01/16/08	10/14/08
Medicaid Reimbursements	01/17/08	*
Contract and Discrimination Issues	01/24/08	04/23/08
Conflict of Interest	02/07/08	*
Community Action Agency of New Haven	04/14/08	05/07/08
Southern Connecticut State University:		
Impeding CHRO Complaint	09/10/07	09/15/08
Contract Issues	05/02/08	*
Transportation:		
Service Not Rendered	06/01/07	05/02/08
Travel Issues	11/01/07	*
Attendance Issues	02/13/08	09/08/08
Merritt Parkway	03/21/08	07/16/08
Materials Testing	06/17/08	*
UCONN:		
Hiring Practices and Retaliation	10/30/07	*
Possible Misuse of State Resources	01/03/08	*
Timecard Manipulation	06/28/08	*

<u>Whistleblower Matters Received</u>	<u>Date</u>	<u>Date Reported To Attorney General</u>
<u>Agency/Subject</u>	<u>Date</u>	<u>General</u>
UCONN Health Center:		
Hiring and Timecard Issues	07/18/07	05/05/08
Conflict of Interest (E)	10/04/07	*
Non-licensed Personnel	12/03/07	08/06/08
Bidding Process	02/06/08	03/17/08
Bidding Process	02/05/08	*
Various Issues (C)	03/08/08	*
Improper Investigation of Complaint	03/25/08	*
Veterans' Affairs:		
Security Monies	09/27/07	06/18/08
Hiring Issues	12/20/07	*
Unfair Treatment	04/17/08	*
Western Connecticut State University:		
Change in Contract	08/07/07	07/18/08
Workers' Compensation Commission:		
Attendance Issues	03/31/08	*
Unknown:	02/25/08	04/23/08

* Matters currently under review

- (A) Department of Information Technology and Department of Public Safety
- (B) Department of Correction and Office of the Attorney General
- (C) Department of Correction and University of Connecticut Health Center
- (D) Office of Victim Advocate and Department of Public Safety
- (E) Department of Correction and University of Connecticut Health Center

Generally Accepted Governmental 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 2008 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 2007 calendar year. It should be noted that during the next couple of months our Office will be seeking requests for proposals from CPA firms to conduct a peer review of our Office for the 2008 calendar year. This review is scheduled to be performed during the Spring of 2009

Recent Developments:

In addition, to our regularly scheduled audit work, our Office was able to respond to a number of special requests for assistance during the 2008 calendar year. A description of the more significant requests follows:

- 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. A report on the results of our review was issued on March 20, 2008, and contained three audit recommendations.
- On January 7, 2008, the Chairman of the State Properties Review Board, on behalf of the Board, requested the assistance of our Office in reviewing the adequacy of certain documentation related to a design/builder's monetary claim involving a Department of Public Works project. As a result of our review, we were able to substantiate that the design/builder's monetary claim was valid.
- On February 26, 2008, the Secretary of the Office of Policy and Management asked our Office to conduct an audit to evaluate the expenditures of the Department of Public Safety, the Division of Special Revenue, and the Department of Consumer Protection, as pertains to their regulation of the Mohegan Sun and Foxwoods casinos. This request arose due to several points of contention that exist concerning the provisions of the State's Compact with the Indian tribes, particularly the requirement that the Indian tribes "reimburse the State for reasonable and necessary costs of regulating gaming operations and conducting law enforcement investigations." A report on the results of our review was transmitted to the Secretary on July 14, 2008.

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 2008 calendar year totaled 153 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. In this latter regard, we are finding that our audit staff must increasingly perform review procedures that go beyond those normally performed by financial auditors, but which instead resemble procedures that are more appropriately performed by professional investigators. In any case, this increased workload in the area of whistleblower complaints has increased pressure on our Office to meet its other statutory auditing responsibilities.

With regard to our statutory auditing responsibilities, it should be noted that during the 2008 Session the General Assembly assigned a new audit responsibility to our Office. As provided for in Section 2 of Public Act 08-185, effective June 12, 2008, our Office shall conduct annual comprehensive audits of the Rentschler Stadium operation. In accordance with this provision, our Office is currently conducting its initial comprehensive audit of this stadium operation.

On a more routine note, during 2008, our Office was able to complete a number of technology related projects which served to upgrade and modernize our Office's underlying technology infrastructure. These projects were done in cooperation with the Joint Committee on Legislative Management (JCLM) through its Office of Information Technology Services. The completed projects include the following:

- Successfully migrated our Office's telecommunications services to JCLM's telecommunication system.
- Successfully migrated our Office's network services to JCLM's computer network
- Successfully migrated our Office's e-mail function to JCLM's e-mail server
- Successfully migrated our Office's Internet web site to JCLM's web server
- Successfully integrated our Office computer hardware procurement needs with JCLM's computer hardware lease for the Legislative branch of government.

In addition, during 2008 our Office successfully participated in the Governor's mobile computing security initiative which required, in part, that encryption software be installed on all State-owned laptop computers. This project was completed in cooperation with the Department of Information Technology and was done in order to better secure sensitive and/or confidential State data that may be residing on the laptop computers utilized by our Office.

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 revising Section 1-122 of the General Statutes to allow for the conduct of quasi-public agency compliance audits on a biennial basis rather than on an annual basis.**

Comment:

Pursuant to the provisions of Section 2-90 of the General Statutes, our Office is required to audit, on a biennial basis, the books and accounts of each State agency and those quasi-public agencies created by Public or Special Act of the General Assembly. Revising Section 1-122 of the General Statutes to allow our Office to conduct the compliance audits required by this Section on the same biennial basis as the rest of the audit work conducted by our Office would facilitate our audit planning and allow us to deploy our audit staff members in a more cost effective manner. Our Office's experience in conducting annual compliance audits of quasi-public agencies during the past five years shows that the audit findings resulting from these audits would not appear to warrant an annual audit approach considering that major State agencies, such as the Department of Transportation and the Department of Social Services, can be audited on a biennial basis. Given the current Legislative focus on making State government more efficient, a conversion to a biennial audit approach for these quasi-public compliance audits would allow our Office to redirect its audit effort to those major State departments that directly spend State funds appropriated by the General Assembly.

2. **The General Assembly should consider clarifying the provisions of Section 2-90 and Section 12-15 of the General Statutes to provide for access by the Auditors of Public Accounts to confidential tax information when reviewing matters that arise from whistleblower investigations.**

Comment:

The General Statutes, as currently constructed, clearly grant the Auditors of Public Accounts access to confidential taxpayer information when performing their auditing duties in accordance with Section 2-90. However, the Auditors are also required to conduct investigations under Section 4-61dd (the Whistleblower Act) and the Commissioner of Revenue Services has denied the Auditors the same access for these inquiries.

3. **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, subsection (a), 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.

4. **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.

5. **The General Assembly should consider providing all State regulations on-line for public access, as is currently done with the State Statutes.**

Comment:

In light of today's current technology, the availability of State regulations via the Internet would allow the general public to obtain critical specific information pertaining to State agencies with relative ease, while reducing the amount of outside inquiry and inconvenience to State agencies, and continuing in the State-advocated spirit of a paperless environment. Currently, some State agencies make applicable parts of the Regulations of State Agencies available on their own websites. There is no on-line access available to the entire set of State regulations.