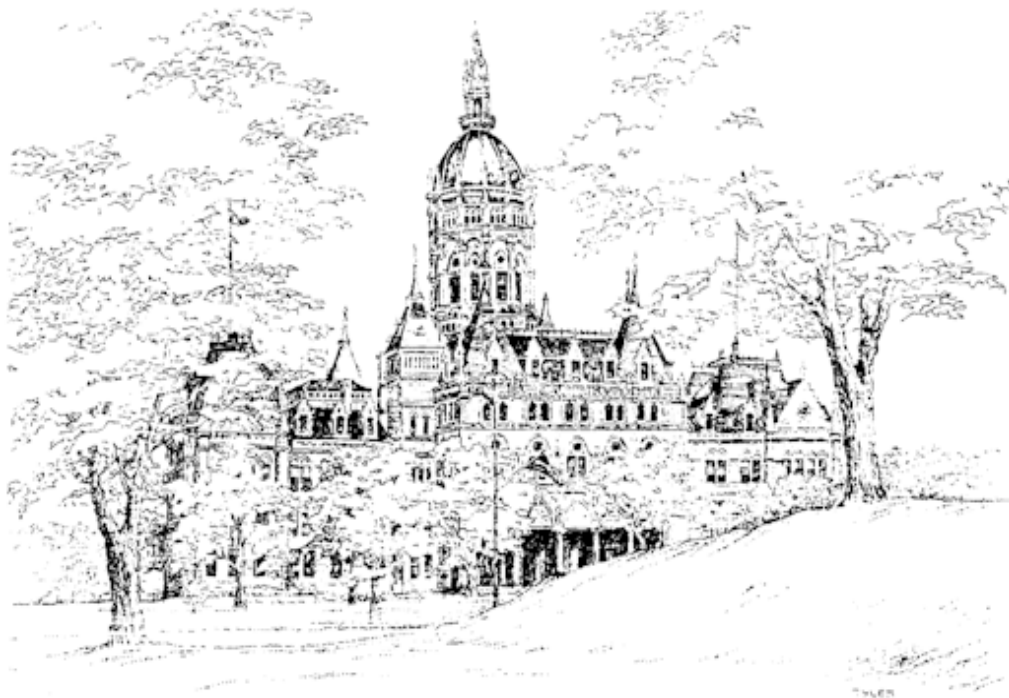


2009 ANNUAL REPORT

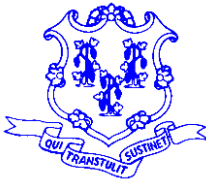
to the
Connecticut General Assembly



AUDITORS OF PUBLIC ACCOUNTS

KEVIN P. JOHNSTON ❖ ROBERT G. JAEKLE

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

KEVIN P. JOHNSTON

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

ROBERT G. JAEKLE

January 29, 2010

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 2009 calendar year was another busy and challenging year for our Office. In addition to carrying out our Office's various statutory auditing responsibilities, we took steps to assume the additional Federal audit responsibilities that were placed upon our Office as a result of the passage of the American Recovery and Reinvestment Act of 2009 by the United States Congress. This Act requires our Office to audit all "stimulus funds" expended by the State in accordance with Federal audit requirements that are more stringent than those normally required for audits of Federal financial assistance programs. Under this new program, the State is expected to receive some \$3 billion in additional Federal financial assistance over a three-year period. It is anticipated that auditing these "stimulus funds" will require significant additional work on the part of our audit staff, particularly during the 2010 and 2011 calendar years, when the State will expend the largest portion of the \$3 billion in financial assistance it expects to receive from the Federal government under this Act.

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 (860) 240-8651 or (860) 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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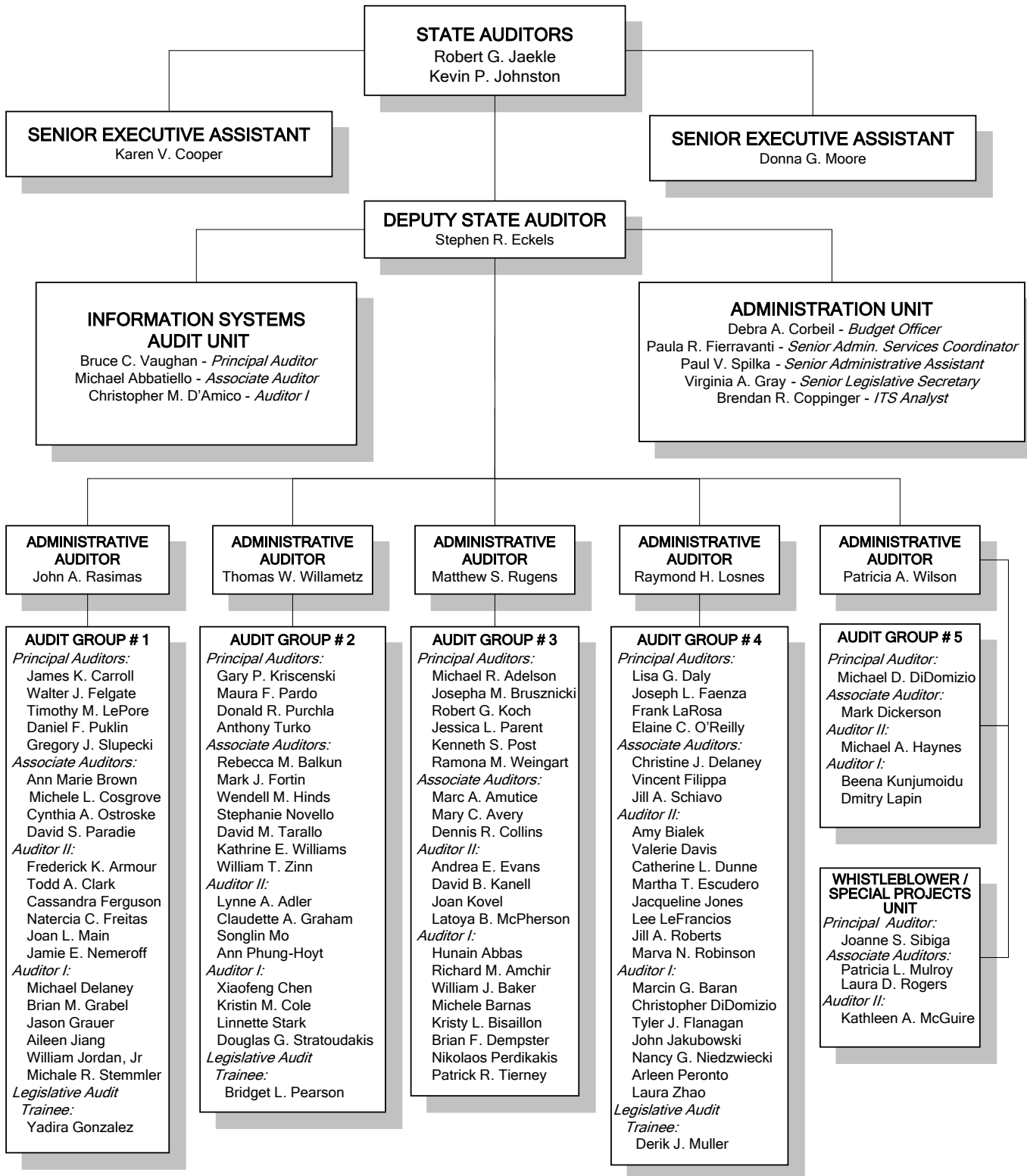
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AUDITORS OF PUBLIC ACCOUNTS ORGANIZATIONAL STRUCTURE



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 103 auditors organized into five audit groups with each group under the general direction of an Administrative Auditor, including a Whistleblower/Special Projects 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. Some 48 members of our staff have relevant professional certifications and a total of 36 members have advanced degrees.

Auditing State Agencies:

During the 2009 calendar year, members of our field audit staff completed 66 audits of State agencies, quasi-public agencies and State Marshal trust accounts. A total of 445 audit recommendations were made in the State and quasi-public agency reports. During the past calendar year these agencies have implemented approximately 51 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 audit work and related recommendations lead to documented cost savings and increased revenues. For example during the course of our most recent audit of the Office of Policy and Management, we were asked by the Secretary of the Office of Policy and Management to conduct a review of the most recent calculation of casino regulatory costs incurred by the Department of Public Safety, the Division of Special Revenue, and the Department of Consumer Protection, which, in accordance with the provisions of the State Compact, are subsequently billed to the Mashantucket Pequot and Mohegan Tribes to cover the regulation of the casino operations at Foxwoods and the Mohegan Sun, respectively. As a result of our review we found that for the fiscal year ended June 30, 2007, the Mashantucket Pequot and Mohegan Tribes were together under-assessed \$3,081,000 by the State for that fiscal year. Using the results of our review as a basis, the Secretary of the Office of Policy and Management was able to subsequently negotiate increased assessments with both tribes for the 2008-2009, 2009-2010, and 2010-2011 fiscal years. After considering the effects of inflation, it is estimated that the State General Fund will realize some \$7,000,000 in additional receipts over this three-year period, as a result of the Office of Policy and Management using more accurate expenditure information in the calculation of the casino regulatory assessments on the Mashantucket Pequot and Mohegan Tribes.

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 in our audit reports or by formal letter, while numerous less serious matters such as minor losses and acts of vandalism are generally reported collectively by memoranda. State loss reports, filed with this Office and the State Comptroller in accordance with Section 4-33a of the General Statutes, disclosed approximately 1,186 losses, primarily through theft, vandalism and inventory shortages in the 2009 calendar year, involving an aggregate loss of some \$834,000.

In March 2009, 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, 2008, 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 \$5,800,000,000 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, the Connecticut Housing Finance Authority and the UConn 2000 Program. During the 2009 calendar year, we were required to give eleven 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 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 2009 and the number of recommendations included in each report follows:

| <u>Reports</u> | <u>Date of Issue</u> | <u>Recommendations</u> | | |
|---|----------------------|------------------------|---------------------|--------------------|
| | | <u>Current Report</u> | <u>Prior Report</u> | <u>Implemented</u> |
| DEPARTMENTAL AUDITS: | | | | |
| Elected Officials: | | | | |
| State Comptroller – State Financial Operations | 06/15/09 | 3 | 6 | 3 |
| State Treasurer – State Financial Operations | 07/24/09 | 6 | 7 | 4 |
| State Treasurer – Departmental Operations | 11/06/09 | 7 | 9 | 6 |
| State Comptroller – Departmental Operations | 11/25/09 | 3 | 6 | 5 |
| General Government: | | | | |
| Department of Information Technology | 02/25/09 | 17 | 21 | 11 |
| State Properties Review Board | 04/29/09 | 1 | 0 | N/A |
| Office of Workforce Competitiveness | 09/16/09 | 6 | 5 | 2 |
| Freedom of Information Commission | 09/24/09 | 1 | 0 | N/A |
| Department of Revenue Services | 12/04/09 | 18 | 13 | 6 |
| Department of Veterans’ Affairs | 12/21/09 | 4 | 8 | 5 |
| Regulation and Protection of Persons and Property: | | | | |
| Board of Firearms Permit Examiners | 06/09/09 | 4 | 5 | 1 |
| Department of Labor | 09/25/09 | 4 | 4 | 3 |
| Connecticut Siting Council | 12/18/09 | 3 | 5 | 4 |
| Conservation and Development: | | | | |
| Department of Agriculture | 02/04/09 | 11 | 6 | 1 |
| Connecticut Agricultural Experiment Station | 04/13/09 | 3 | 3 | 1 |
| Department of Economic and Community Development | 10/21/09 | 12 | 6 | 3 |
| Health and Hospitals: | | | | |
| Office of the Medical Examiner | 10/01/09 | 8 | 6 | 2 |
| Department of Developmental Services | 10/02/09 | 8 | 11 | 3 |
| Human Services: | | | | |
| Department of Social Services | 03/25/09 | 16 | 19 | 6 |
| Soldiers’ Sailors’ and Marines’ Fund | 07/08/09 | 3 | 3 | 3 |
| Higher Education: | | | | |
| Department of Higher Education | 01/16/09 | 11 | 6 | 3 |
| Southern Connecticut State University | 02/11/09 | 17 | 13 | 2 |
| Connecticut Community College System | 05/07/09 | 22 | 36 | 14 |
| CCSU – Intercollegiate Athletics Program for 2008 | 09/11/09 | 0 | 0 | N/A |
| Central Connecticut State University | 12/16/09 | 11 | 20 | 12 |

| <u>Reports</u> | <u>Date of Issue</u> | <u>Recommendations</u> | | |
|---|----------------------|------------------------|---------------------|--------------------|
| | | <u>Current Report</u> | <u>Prior Report</u> | <u>Implemented</u> |
| Other Education: | | | | |
| Teachers' Retirement Board | 07/20/09 | 8 | 14 | 12 |
| Board for State Academic Awards | 07/22/09 | 4 | 6 | 3 |
| Board of Education and Services for the Blind | 10/23/09 | 4 | 7 | 4 |
| Commission on Deaf and Hearing Impaired | 12/02/09 | 2 | 6 | 4 |
| Judicial: | | | | |
| Office of the Probate Court Administrator | 09/23/09 | 1 | 3 | 3 |
| Quasi-Public Agencies and Other: | | | | |
| Connecticut Development Authority | 01/21/09 | 3 | 3 | 0 |
| Tweed-New Haven Airport Authority | 01/23/09 | 1 | 0 | N/A |
| Connecticut Housing Finance Authority | 03/13/09 | 2 | 0 | N/A |
| Connecticut Resources Recovery Authority | 06/01/09 | 3 | 5 | 3 |
| Connecticut Health and Educational Facilities Authority | 08/26/09 | 6 | 0 | N/A |
| Connecticut Resources Recovery Authority | 08/28/09 | 8 | 3 | 0 |
| Community Economic Development Fund | 09/02/09 | 0 | 0 | N/A |
| Connecticut Higher Education Supplemental Loan Authority | 09/09/09 | 2 | 0 | N/A |
| Connecticut Innovations Incorporated and Clean Energy Fund | 09/14/09 | 1 | 5 | 5 |
| Connecticut Lottery Corporation | 10/19/09 | 0 | 2 | 2 |
| Connecticut Development Authority | 10/28/09 | 2 | 3 | 1 |
| Capital City Economic Development Authority | 10/30/09 | 1 | 3 | 3 |
| Connecticut Student Loan Foundation | 12/11/09 | <u>4</u> | <u>1</u> | <u>1</u> |
| Total Recommendations - Departmental Audits | | <u>251</u> | <u>279</u> | <u>141</u> |
| STATEWIDE AUDITS: | | | | |
| State of Connecticut – Federal Single Audit Report | 03/26/09 | <u>80</u> | <u>81</u> | <u>41</u> |
| OTHER AUDITS: | | | | |
| State Marshal Trust Accounts (Twenty Audits) | Various | 112 | N/A | N/A |
| FINANCIAL STATEMENT AUDITS: | | | | |
| Connecticut Heritage Foundation | 01/14/09 | 0 | N/A | N/A |
| State Employee Campaign | 10/14/09 | 0 | N/A | N/A |
| Charter Oak State College Foundation | 10/16/09 | <u>2</u> | <u>N/A</u> | <u>N/A</u> |
| Total Recommendations - Other Audits | | <u>114</u> | <u>N/A</u> | <u>N/A</u> |
| Total Recommendations - All Audits | | <u>445</u> | <u>360</u> | <u>182</u> |
| Percentage of Recommendations Implemented or Resolved Within One Audit Cycle (Excluding Other Audits) | | | | <u>51%</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 | 6 |
| Billings and receivables | 13 |
| Cash management and cash handling and depositing | 11 |
| Grantee and contractor monitoring | 5 |
| Computer operations | 5 |
| Equipment/supplies inventories | 25 |
| Financial reporting and accounting | 11 |
| General accounting and business office functions | 15 |
| Miscellaneous State programs - administrative controls | 14 |
| Payroll and personnel controls | 42 |
| Policies, procedures, and guidelines | 8 |
| Purchasing of goods and/or services | 24 |
| Welfare, activity and other State funds | 7 |
| All others | <u>20</u> |
| Total Internal Control Recommendations | <u>206</u> |
| Compliance Recommendations: | |
| Payroll and personnel laws and regulations | 3 |
| Public meeting laws and regulations | 5 |
| Reporting laws and regulations | 8 |
| All other laws and regulations | <u>13</u> |
| Total Compliance Recommendations | <u>29</u> |
| Miscellaneous Recommendations: | |
| Amendment or clarification of laws or regulations | 12 |
| Improve or automate administrative practices | <u>4</u> |
| Total Miscellaneous Recommendations | <u>16</u> |
| Total Departmental Audit Recommendations | <u>251</u> |

In addition to the departmental audit recommendations mentioned above, our Office issued a Statewide Single Audit Report, which contained 80 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 financial statement audit reports during the 2009 calendar year. One of these reports contained two audit recommendations calling for improvements in the operations of a higher education foundation.

Finally, pursuant to the provisions of Section 2-90a of the General Statutes, our Office conducted twenty audits of State Marshal trust accounts during the 2009 calendar year. It should be noted that the results of these 20 audits disclosed 112 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 all such whistleblower 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, 2009, we received 115 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 19 separate complaints of alleged retaliation against whistleblower complainants during the fiscal year ended June 30, 2009. In addition, whistleblower complainants filed another six complaints of alleged retaliation with our Office during the six-month period ending December 31, 2009.

As required by the aforementioned Section 4-61dd of the General Statutes, an annual report on such matters was prepared as of September 1, 2009, 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 investigations of complaints by both our Office and the Office of the Attorney General.

The following is a summary of those complaints received during the 2008-2009 fiscal year and the action taken thereon.

| <u>Whistleblower Matters Received</u> <u>Agency/Subject</u> | <u>Date</u> | <u>Date</u> <u>Reported</u> <u>To Attorney</u> <u>General</u> |
|--|--------------------|--|
| Administrative Services: | | |
| Insurance Brokerage Services | 07/15/08 | 04/18/09 |
| Contract Issue (C) | 02/23/09 | * |
| Agriculture: | | |
| Connecticut Farm Wine Development Council | 12/12/08 | 05/01/09 |
| Attorney General: | | |
| Personnel Issues | 09/26/08 | * |
| Auditors of Public Accounts: | | |
| Timekeeping and Alleged Surveillance Activities (D) | 02/26/09 | 03/13/09 |
| Board of Education and Services for the Blind: | | |
| Retaliation | 11/17/08 | 01/21/09 |
| Various Issues | 04/01/09 | * |
| Capital Community College: | | |
| Alleged Political Activity | 12/05/08 | 06/01/09 |
| Central Connecticut State University: | | |
| Police Department | 07/02/08 | * |
| Connecticut State University System: | | |
| Security Issues | 06/01/09 | * |
| Children and Families: | | |
| Confidential Records | 08/13/08 | 11/20/09 |
| Issue with Employee | 08/28/08 | 09/12/08 |
| Mismanagement of Resources | 10/28/08 | * |
| Riverview Hospital | 11/24/08 | * |
| Alleged Mismanagement of Employee Actions | 12/16/08 | * |
| Failure to Investigate Complaint | 02/02/09 | 09/16/09 |
| Various Issues | 03/05/09 | * |
| Retaliation | 05/12/09 | 07/22/09 |
| Improper Use of State Vehicle | 06/19/09 | * |

| <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> |
| Connecticut Innovations Incorporated: | | |
| Clean Energy Fund | 07/23/08 | 05/27/09 |
| Connecticut Lottery Corporation: | | |
| Payouts | 01/14/09 | 06/12/09 |
| Lease | 05/01/09 | 06/12/09 |
| Consumer Protection: | | |
| Misuse of State Equipment | 06/01/09 | 11/30/09 |
| Corrections: | | |
| Illness of Inmates (A) | 09/17/08 | 10/15/08 |
| Improper Relationship with Inmate | 08/13/08 | * |
| Alleged Illegal Behavior | 10/30/08 | 11/07/08 |
| Attendance | 12/08/08 | * |
| Union Leave | 12/22/08 | * |
| Alleged Misuse of Funds | 02/26/09 | * |
| Alleged Missing Money | 04/03/09 | * |
| Management Abuse | 04/28/09 | * |
| Workers' Compensation Issues | 05/07/09 | * |
| Developmental Services: | | |
| Health Care Fraud | 09/03/08 | * |
| Retaliation | 09/10/08 | 12/24/08 |
| Possible Abuse of State Funds | 11/19/08 | * |
| Possible Overpayment on Contract | 03/04/09 | * |
| Economic and Community Development: | | |
| Bid Process | 11/20/08 | 08/21/09 |
| Grant Monies | 05/11/09 | * |
| Education: | | |
| Alleged Improper Reimbursement (Norwalk School System) | 10/03/08 | * |
| Emergency Management and Homeland Security: | | |
| Contract Issue (C) | 02/23/09 | * |

| <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> |
| Environmental Protection: | | |
| Mishandling of Documents | 09/02/08 | * |
| Union Business Leave | 12/03/08 | * |
| Favoritism | 02/24/09 | * |
| Failure to Act | 06/25/09 | 09/11/09 |
| Freedom of Information Commission: | | |
| Freedom of Information Request (B) | 11/14/08 | * |
| Judicial: | | |
| Alleged Corruption | 06/16/08 | * |
| Harassment | 08/18/08 | 11/21/08 |
| Retaliation | 08/15/08 | 10/24/08 |
| Confidential Information | 10/03/08 | * |
| Retaliation | 12/14/08 | 01/15/09 |
| Alleged Abuse of Sick Time | 05/28/09 | * |
| Labor: | | |
| Retaliation | 12/12/08 | 12/29/08 |
| State Labor Board of Mediation and Arbitration | 03/01/09 | 05/20/09 |
| Filing of Complaint | 06/12/09 | 08/18/09 |
| Large State Contractor: | | |
| Alleged Abuse | 07/10/08 | * |
| Overbilling | 08/21/08 | * |
| Retaliation | 09/24/08 | 09/26/08 |
| Care Issues | 09/01/08 | 03/25/09 |
| Retaliation (Resources for Human Development) | 11/05/08 | 11/07/08 |
| Multidimensional Family Therapy Services | 10/23/08 | * |
| Retaliation | 11/24/08 | 12/24/08 |
| Alleged Patient Abuse and Safety Issues | 11/26/08 | * |
| Medicare Payments | 12/09/08 | * |
| Safety Issues | 11/25/08 | * |
| Operating After Being Dissolved | 12/09/08 | * |
| Treatment Issues | 04/20/09 | 09/14/09 |
| Retaliation | 06/22/09 | 07/22/09 |

| <u>Whistleblower Matters Received</u> <u>Agency/Subject</u> | <u>Date</u> | <u>Date Reported</u> <u>To Attorney</u> <u>General</u> |
|--|-------------|--|
| Mental Health and Addiction Services: | | |
| Treatment of Client | 06/30/08 | * |
| CT Valley Hospital's Schedules and Retaliation | 12/12/08 | * |
| Abuse of State Time | 01/08/09 | * |
| Patient Care Issues | 03/04/09 | * |
| Norwalk Community College: | | |
| Personnel Issue | 02/28/09 | * |
| Office of Health Care Advocate: | | |
| Alleged Inappropriate Action | 08/05/08 | 06/12/09 |
| Police Officer Standards and Training Council: | | |
| Certification Process | 10/06/08 | * |
| Public Health: | | |
| Alleged Inadequate Investigation | 01/02/09 | * |
| Attendance and Other Issues | 04/02/09 | * |
| Money to Public Health Foundation | 03/28/09 | * |
| Inadequate Review of Complaint | 05/18/09 | * |
| Public Safety: | | |
| Alleged Inappropriate Assistance | 07/03/08 | * |
| Alleged Employee Influence | 09/16/08 | 02/06/09 |
| Retaliation | 09/24/08 | 10/03/08 |
| Retaliation | 10/30/08 | 11/12/08 |
| Freedom of Information Request (B) | 11/14/08 | * |
| Harassment and Retaliation | 12/30/08 | 01/16/09 |
| Overtime Issues | 02/18/09 | 11/09/09 |
| DUI Grants (E) | 04/28/09 | 07/10/09 |
| Retaliation | 04/24/09 | 06/03/09 |
| Contract Issues | 06/19/09 | * |
| Forensic Laboratory | 06/25/06 | * |
| Public Works: | | |
| Tank Replacement | 02/23/09 | * |

| <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> |
| Revenue Services: | | |
| Employee Access to Documents | 07/01/08 | 12/18/09 |
| Social Services: | | |
| State Administered General Assistance (SAGA) Overbilling | 07/23/08 | * |
| Nursing Home Closures | 09/17/08 | * |
| Bureau of Rehabilitation Services | 12/03/08 | 04/17/09 |
| Transportation Contract | 11/19/08 | * |
| Aging Services Division | 03/23/09 | 09/16/09 |
| Contract Issue | 03/10/09 | * |
| Southern Connecticut State University: | | |
| Lack of Investigation of Complaints | 08/06/08 | * |
| Alleged Financial Mismanagement and Other Matters | 06/01/09 | * |
| Special Revenue: | | |
| Changing Documents | 11/14/08 | * |
| Treasurer: | | |
| Short Term Investment Fund | 07/18/08 | * |
| Transportation: | | |
| Bradley Airport | 12/18/08 | 06/29/09 |
| DUI Grants (E) | 04/28/09 | 07/10/09 |
| Tunxis Community College: | | |
| Attendance Issues | 03/05/09 | 06/12/09 |
| Failure to Properly Investigate Complaint | 01/14/09 | * |
| UCONN Health Center: | | |
| Use of State Equipment | 07/07/08 | * |
| Misuse of State Vehicle | 07/17/08 | 09/03/08 |
| Failure to Investigate Complaint | 07/25/08 | * |
| Attendance Issues | 08/04/08 | * |
| Purchasing and Hiring Issues | 09/05/08 | 07/31/09 |
| Illness of Inmates (A) | 09/17/08 | 10/15/08 |

| <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 (continued): | | |
| Retaliation | 09/22/08 | 09/24/08 |
| Alleged Misuse of State Resources | 10/02/08 | * |
| Alleged Improper Arrest | 11/20/08 | 07/22/09 |
| Retaliation | 02/19/09 | 02/27/09 |
| Timekeeping and Alleged Surveillance Activities (D) | 02/26/09 | 03/13/09 |
| Failure to Investigate | 04/27/09 | * |
| Attendance and Pay Issues | 06/02/09 | * |
| Various Agencies: | | |
| Improper Billing by Vendor | 07/30/08 | * |
| Veterans' Affairs: | | |
| Donations and Veteran's Pay | 03/24/09 | * |

* Matters currently under review

- (A) Department of Corrections and UConn Health Center
- (B) Freedom of Information Commission and Department of Public Safety
- (C) Department of Administrative Services and Emergency Management and Homeland Security
- (D) Auditors of Public Accounts and UConn Health Center
- (E) Department of Transportation and Department of Public Safety

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 internal and external quality control review assessments 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, together with tuition reimbursement programs for staff taking appropriate courses. In order to provide more effective training to our audit staff, during 2009 the training program included contracted seminars and self-study courses.

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. Two members of our staff conducted such inspections for the 2006 and 2007 calendar years and reports on the results of these inspections were issued during February 2008 and April 2009, respectively.

Recent Developments:

On February 17, 2009, after being passed by both houses of Congress, the American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law by the President of the United States. This Act, which includes an authorization of \$787 billion, includes Federal tax cuts, expansion of unemployment benefits and other social welfare provisions, and domestic spending in education, health care, and infrastructure, including the energy sector. The Federal spending authorized by this law was intended to provide a stimulus to the U.S. economy in the wake of the on-going economic downturn.

Currently the State of Connecticut receives some \$7.6 billion in financial assistance annually from the Federal government. As a result of the passage of this Act, the State is expected to receive some \$3 billion in additional Federal financial assistance over a two and one-half year period. It should be noted that this Act requires our Office to audit all stimulus funds expended by the State in accordance with Federal audit requirements that are more stringent than those normally required for audits of Federal programs. As a result, it is anticipated that auditing these stimulus monies will require significant additional work on the part of our audit staff, particularly during the 2010 and 2011 calendar years, when the State will expend the largest portion of the \$3 billion in additional Federal financial assistance it expects to receive under this Act.

During the first half of the 2009 calendar year our Office's ARRA audit effort was primarily devoted to developing a workplan to accommodate the new Federal audit requirements pertaining to these stimulus monies. This planning, however, was hampered, in part, by the speed in which this new program was rolled out by the Federal Office of Management and Budget. Because of the speed of this roll-out, the Office of Management and Budget had difficulty issuing detailed Federal audit requirements to State and local governments on a timely basis. A phased issuance approach was eventually adopted by the Office of Management and Budget. Currently, our Office is still waiting for at least one more installment of Federal audit requirements. In the meantime, our audit staff has begun auditing the initial expenditure of stimulus funds under this Act utilizing the Federal audit guidance that has been issued to date.

Until all Federal audit requirements for these ARRA programs have been issued by the Office of Management and Budget it is difficult to accurately determine how much additional audit effort will be required of our Office to audit these stimulus monies. In addition, managing this audit effort will only be further complicated by the budgetary restrictions being placed on all State agencies, including our Office, as a result of the State's current budget problems.

On May 27, 2009, the Legislative Program Review and Investigations Committee voted to undertake a study of Connecticut's Whistleblower Law, which is codified in Section 4-61dd of the Connecticut General Statutes. In order to assist the Committee in its review, we appeared before the Committee at a public hearing on October 1, 2009, and presented testimony giving our Office's perspective on the various problems it has encountered over the years in trying to carry out its responsibilities under the Whistleblower Act. A report on the results of this Committee study was issued on December 15, 2009. It should be noted that this report contained a number of recommendations for corrective action and addressed two areas of concern that have proven

problematic for our Office as it has struggled to deal with the increasing volume and complexity of the whistleblower complaints it has received in recent years.

The first area of concern involves the broad statutory definition of a whistleblower complaint which results in virtually any complaint filed with our Office being classified as a whistleblower complaint requiring investigation, even when there are other statutory or administrative mechanisms that have been established within the State government to address a given type of complaint. The other area of concern is that the statutory requirement that our Office review all whistleblower complaints filed with our agency, affords our agency no discretion in deciding which complaints are worthy of spending limited State resources to review and investigate. The next step is for the Legislative Program Review and Investigations Committee to decide which of the report's recommendations to include in a legislative proposal that the Committee can present to the entire General Assembly for its consideration during the 2010 Regular Session.

SECTION II

RECOMMENDATIONS

Many recommendations of a financial or recordkeeping nature are presented in the written audit reports prepared by our 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 enacting legislation to implement the recommendations proposed by the Legislative Program Review and Investigations Committee as a result of its recent review of Connecticut's Whistleblower Law.**

Comment:

On May 27, 2009, the Legislative Program Review and Investigations Committee voted to undertake a study of Connecticut's Whistleblower Law. A report on the results of this Committee study was issued on December 15, 2009. It should be noted that this report contained a number of recommendations for corrective action and addressed two areas of concern that have proven problematic for our Office as it has struggled to deal with the increasing volume and complexity of the whistleblower complaints it has received in recent years. The first area of concern involves the broad statutory definition of a whistleblower complaint which results in virtually any complaint filed with our Office being classified as a whistleblower complaint requiring investigation, even when there are other statutory or administrative mechanisms that have been established within the State government to address a given type of complaint. The other area of concern is that the statutory requirement that our Office review all whistleblower complaints filed with our agency, affords our agency no flexibility in deciding which complaints are worthy of spending limited State resources to review and investigate. Of concern is the fact that the current system, which involves various State agencies, does not seem to serve or adequately protect whistleblower complainants. Although the best alternative towards streamlining the entire whistleblower process may be by establishing a single independent agency to receive and investigate complaints and to protect complainants from retaliation, this may not be feasible given the State's current fiscal situation. Despite this fact there are a number of improvements that can be made to the existing whistleblower review process that will better serve whistleblower complainants and help ensure that complaints are investigated in an expedited manner and that statutory protections offered whistleblower complainants can actually be enforced.

2. **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. Section 1-122 of the General Statutes, however, requires our Office to conduct compliance audits of quasi-public agencies on an annual basis. Our Office's experience in conducting annual compliance audits of quasi-public agencies during the past six 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. 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 efficient and cost effective manner. Given the current Legislative focus on making State government more efficient, a conversion to a biennial audit approach to compliance audits of these quasi-public agencies would allow our Office to redirect its audit effort to those major State departments that directly spend State funds appropriated by the General Assembly.

3. **The General Assembly should consider clarifying the provisions of Section 2-90, 4-61dd, and/or 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 written, 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). The Commissioner of Revenue Services has denied our Office access to this same taxpayer information when conducting investigations under Section 4-61dd, citing the restrictive language contained in subsection (b)(2) of Section 12-15. It should be noted, that while our Office is authorized to access confidential information maintained by State agencies when conducting our audits, we are also required by Section 2-90 to maintain the confidentiality of such information in the same manner and to the same extent as the custodial State agency. Furthermore, if our Office fails to protect this information we are subject to the same penalties as would apply to the custodial State agency.

4. **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.

5. **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 has improved 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.

6. **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.