# STATE OF CONNECTICUT

*AUDITORS' REPORT*
*DEPARTMENT OF ADMINISTRATIVE SERVICES*
*FISCAL YEARS ENDED JUNE 30, 2018, 2019 AND 2020*


AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN ❖ CLARK J. CHAPIN

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**April 7, 2022**

## EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of the Department of Administrative Services (DAS) for the fiscal years ended June 30, 2018, 2019, and 2020. Our audit identified internal control deficiencies; instances of noncompliance with laws, regulations, and policies; and the need for changes in management practices that warrant the attention of management. The significant findings and recommendations are presented below:

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| Page 48 | We reviewed the audit reports and available workpapers for three school construction grants. The audit reports indicated that the engagements were performed in accordance with government auditing standards. However, the audits did not meet the independence requirements, because we determined that the department's School Construction Grant Program examiners were not organizationally independent. During our initial walkthrough of policies and procedures in October 2020, we informed the department about this threat to independence and other identified weaknesses with compliance to government auditing standards. DAS should ensure that the school construction audit unit is organizationally independent. The department should also ensure that school construction audits comply with generally accepted government auditing standards established by the U.S. Government Accountability Office if those audits indicate they are being performed under those standards. (Recommendation 23.) |
| Page 50 | Sixty-one percent of DAS school construction priority list projects approved in fiscal years 2019 through 2021 may have exceeded their construction cost per square foot cap. In addition, OSCGR could not find the cost estimates for three projects. DAS should establish controls to ensure that school construction projects are monitored for compliance with recommended cost caps or documented waivers. (Recommendation 24.) |
| Page 52 | DAS is supposed to cancel grant commitments for projects that have not begun construction within two years unless exigent circumstances beyond the school district's control caused a delay. In that case, the department would grant the district a one-year extension to begin construction. Our review found that the department did not grant an extension or cancel at least $253 million in grant commitments on projects that exceeded the construction deadline. DAS should improve the quality of school construction data in Core-CT to enhance the accuracy of its financial reporting and provide the department accurate information to improve its program operations. (Recommendation 25.) |
| Page 54 | Our review of school construction project change orders revealed many instances in which change orders exceeded 5% of the authorized project costs, which would make them ineligible for reimbursement without a waiver from the DAS commissioner or a designee. We also found instances in which the change order summaries were missing, incomplete, or misfiled. DAS should improve internal controls to ensure that school construction projects are reimbursed in accordance with Section 10-286(c)(4) of the General Statutes. (Recommendation 26.) |

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| **Page 42** | At the time of our review, the Department of Administrative Services Bureau of Elevators within the Office of the State Building Inspector did not conduct timely inspections of most registered elevators and escalators. Certificates of operation for numerous elevators and escalators had expired. DAS should obtain the necessary resources to ensure that it promptly performs elevator and escalator inspections in accordance with Section 29-195 of the General Statutes. The department should implement procedures to ensure certificates of operation are renewed in accordance with Sections 29-196 and 29-197 of the General Statutes and consider assessing penalties to address unpaid fees and improper elevator and escalator operation as permitted by Section 29-198 of the General Statutes (Recommendation 19.) |
| **Page 16** | DAS advises agencies to reclassify positions instead of obtaining Office of Policy and Management (OPM) approval to establish positions. DAS does not approve these reclassifications based on established criteria to ensure that the actions are organizationally sound and does not perform post-audits of these actions for this purpose. DAS should strengthen controls over the approval of position reclassifications and post-audits to ensure that it consistently evaluates whether agency actions are organizationally sound. (Recommendation 1.) |
| **Page 19** | DAS and OPM approved salary increases for certain non-represented, classified managers or confidential employees at various agencies with the justification that more responsibilities were assumed, many times due to reorganizations. DAS should coordinate with OPM to develop and implement procedures to clearly document and support the rationale and impact of individual and group salary adjustments. (Recommendation 2.) |
| **Page 21** | DAS does not have sufficient resources assigned to the post-audit unit. The department's post audit process is limited to the review of monetary calculations and does not consider the reasonableness of actions. DAS should enhance its post-audit unit by assigning necessary staffing and broadening its scope of review to ensure that delegated agency human resources actions were organizationally sound and in compliance with statutes. The department should enhance procedures to ensure retroactive transactions are identified for post-audits. Furthermore, the department should develop and implement procedures, and seek necessary legislative changes to correct errors and enforce agency compliance with post-audits. (Recommendation 3.) |
| **Page 38** | While in the process of procuring new systems, two of the Collection Services division's applications suffered catastrophic hardware failure, which resulted in the loss of data. DAS should complete its procurement of a new collections system that would include the necessary analytical tools to identify revenue opportunities and associated costs to ensure that increases in revenue would cover the cost of additional staff or further system improvements. The department should ensure all collection applications have appropriately configured backups to safeguard against the loss of data. (Recommendation 15.) |

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April 7, 2022

**AUDITORS' REPORT**
**DEPARTMENT OF ADMINISTRATIVE SERVICES**
**FISCAL YEARS ENDED JUNE 30, 2018, 2019 AND 2020**

We have audited certain operations of the Department of Administrative Services in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2018, 2019, and 2020. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions;

2. Evaluate the department's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions; and

3. Evaluate the effectiveness, economy, and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions. Our testing was not designed to project to a population unless specifically stated. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from various available sources, including but not limited to, the department's management and the state's information systems, and was not subjected to the procedures applied in our audit of the department. For the areas audited, we identified:

1. Deficiencies in internal controls;

2. Apparent non-compliance with laws, regulations, contracts and grant agreements, policies, and procedures; and

3. Need for improvements in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of the Department of Administrative Services.

## COMMENTS

### FOREWORD

The Department of Administrative Services (DAS) operates under the provisions of Title 4a, Chapter 57, 58 and 58a, and Title 5, Chapter 67 of the General Statutes. These provisions charge DAS with the establishment of personnel policy and the personnel administration of state employees; the purchase of supplies, materials, equipment, and contractual services; the certification of small and minority-owned business enterprises; the prequalification of construction contractors; printing; billing, and collection services.

Title 4b, Chapter 59 and 60a of the General Statutes, gives the agency's bureau of property and facilities management the responsibility for acquiring property for most state agencies through lease or purchase; selling surplus property; providing facility maintenance and security to state buildings in the greater Hartford area and certain properties outside of the Hartford area.

Under Title 4b, Chapter 60, Title 10, Chapter 173, and Title 29, Chapter 541 of the General Statutes, the department is responsible for the design and construction of a variety of state facilities, providing state building and fire code administration, and school construction grants administration.

The department's Bureau of Enterprise Systems and Technology operates under Title 4d, Chapter 61 of the General Statutes, and is responsible for developing and implementing an information and telecommunication systems strategic plan, and for identifying and implementing optimal information and telecommunications systems to efficiently service the needs of state agencies. The bureau is also responsible for purchasing and leasing all state agency information technology equipment and services, including approving or rejecting agency requests for such equipment or services.

The State Marshal Commission (Title 6, Chapter 78, of the General Statutes), State Insurance and Risk Management Board (Title 4a, Chapter 57a, of the General Statutes), State Properties Review Board (Title 4b, Chapter 59, of the General Statutes), and the Office of the Claims Commissioner (Title 4, Chapter 53, of the General Statutes) are within DAS, but have independent decision-making authority.

Presented below is a description of the department's bureaus and divisions during the audited period.

**Office of the Commissioner**

Melody A. Currey served as commissioner until February 2019. Governor Ned Lamont appointed Josh Geballe as commissioner in February 2019 and chief operating officer in February 2020. He served in those positions until February 2022. Governor Lamont appointed Michelle Gilman as commissioner in March 2022.

The Office of the Commissioner sets the policy and direction of the agency and provides legal support and oversight of DAS operations. The major functional areas of the Office of the Commissioner include:

- Business Services
- Human Resources
- Real Estate and Construction
- Bureau of Enterprise Systems and Technology
- Procurement Services
- Legal, Legislative and Communications

**Business Services Division**

The Business Services Division provides revenue accounting for DAS collections, purchasing, accounts payable, accounts receivable, grant administration, accounting, asset management, budget development, school construction auditing and payments, development of small business set-aside goals, statewide telecommunication service, accounting for state construction projects, purchasing card (p-card) administration, travel administration, and overall administrative services provided for DAS and other agencies.

The collection services unit, within the division, recovers money owed to the state in public assistance cases, charges for support of persons cared for or treated in state humane institutions, and provides billing and collection services for state agencies.

**Human Resources, Small Agency Resource Team (SmART) & Payroll Division**

The Human Resources (HR) and payroll units are responsible for performing a wide variety of HR tasks and functions serving the employees within DAS. The SmART unit administers the payroll* and HR functions for the following:

- Department of Agriculture
- Department of Banking (as of October 2018)
- Connecticut State Library
- Department of Consumer Protection
- Department of Economic and Community Development
- Office of Governmental Accountability
- Department of Housing
- Department of Insurance (as of October 2020)
- Paid Family and Medical Leave Insurance Authority (as of October 2019)
- Teachers' Retirement Board
- Office of the Governor
- Office of the Lieutenant Governor

*The payroll unit was moved to the Business Services Division early in 2020 ahead of the statewide centralization of human resources functions on August 28, 2020.

**Statewide Human Resources Management Division**

The Statewide Human Resources Management Division establishes, maintains, and communicates a uniform and equitable system of personnel administration for current and prospective state employees. The primary objective of the division is to effectively and efficiently secure and retain well-qualified employees. Its functions include recruitment, examination, selection, appointment, promotion, transfer, separation, layoff, classification, job evaluation, organizational structure, and compensation. The division is also responsible for the statewide human resources information system, specifically the Core-CT HR and time and labor modules.

In the fall of 2017, the department began using JobAps, a web-based recruiting and applicant tracking system, for its statewide hiring needs. Governor Lamont's Executive Order No. 2, effective July 31, 2019, directed the commissioner of Administrative Services to develop and execute a plan to modernize and centralize the state's human resources functions within DAS. As part of this announcement, the commissioner assigned a deputy commissioner to oversee the initiative and division. The centralization became effective August 28, 2020.

The statewide Workers' Compensation (WC) Program establishes operational procedures for state agencies, assists them in following these procedures, and helps them promote a culture of safety within their workforces. The State of Connecticut is self-insured for liabilities associated with work-related injuries and illnesses. Individual state agencies report and internally process all workers' compensation claims. A third-party claim administration company provides all claim adjusting services, the physician provider directory, and managed care services to the program. The workers' compensation unit oversees the third-party administrator and ensures contract compliance. This program became part of the Statewide HR Management Division when the statewide HR centralization of human resources became effective on August 28, 2020.

**Real Estate and Construction Services Division**

The division is led by a deputy commissioner and is the state's primary division for executive and judicial branch construction-related services, development, administration, and state building and fire code training.

The following offices relate to construction services:

- Office of Legal Affairs, Policy and Procurement
- Facilities Design, Construction and Building Services
- Regulatory and Technical compliance, which includes the Office of the State Building Inspector, the Office of the State Fire Marshal, and the Office of Education and Data Management
- Technical Services

The Office of School Construction and Grants Review is responsible for the grant administration, review, and audit for all public school construction projects seeking state reimbursement, administration of Connecticut Technical Education and Career System (CTECS) school projects, payment of vendors for CTECS projects, and the state hazardous materials abatement program. DAS entered into a memorandum of understanding with the Office of Policy and Management (OPM), effective November 20, 2019. As part of this agreement, the DAS Director of Construction Management transferred to OPM to assume the appointed deputy secretary position effective November 21, 2019. Also, as part of this agreement, the DAS commissioner delegated the program's administrative duties and responsibilities, including but not limited to the preparation of the school construction priority list, approval of applications for grants, payment of grants, and authorization of waivers to the OPM Secretary. The deputy secretary only assumed administrative and ministerial functions and did not assume discretionary or quasi-judicial powers. The school construction office's staff remained DAS employees but moved to OPM office space. The DAS commissioner terminated this agreement on October 28, 2021.

Fleet Operations is also within the division and serves over 60 state agencies by providing reliable, cost and fuel-efficient motor vehicles. The division leases more than 3,400 vehicles, rents dozens more, and maintains those state vehicles with a professional staff.

Property and Facilities Management administers the operation, maintenance, and security of state owned and leased buildings. The unit is responsible for the long-term management of these assets, including the physical integrity of the property, operating expenditures, environmental conditions, preventative maintenance, capital improvements, and administration of contracts for property management firms, service contracts, design consultants, and security services.

Leasing and Property Transfer manages the leasing of property for state use and leasing of state property to outside entities. The unit also acquires and disposes of real estate for state agencies.

**Bureau of Enterprise Systems and Technology**

The Bureau of Enterprise Systems and Technology, led by the chief information officer, is responsible for developing and implementing an information and telecommunication systems to efficiently serve the needs of state agencies and for purchasing and leasing all state agency information technology equipment and services, or approving agency requests for such equipment or services. In March 2021, DAS announced the establishment of a new information technology organizational structure, centralizing the state's IT resources under the department. DAS estimated that the transition would take a year.

**Procurement Services Division**

The Procurement Services Division purchases, leases or contracts all supplies, materials, equipment, and contractual services, as well as all information system and telecommunication system facilities, equipment, and services for executive branch state agencies.

**Significant Legislation**

The following legislative change affecting DAS took effect during the audited period:

- **Public Act 19-25**, effective June 21, 2019, established the Paid Family and Medical Leave Insurance Authority, a quasi-public agency. In October 2019, DAS began to provide certain personnel, payroll, affirmative action, and business office functions to the authority as outlined in a memorandum of understanding.

**RÉSUMÉ OF OPERATIONS**

**General Fund**

General Fund receipts for the 2018, 2019, and 2020 fiscal years, as recorded by the State Comptroller, totaled $99,090,747, $88,738,078, and $88,562,291, respectively.

A summary of those receipts, with the previous fiscal year, by category is as follows:

| | Fiscal Year | | | |
|---|---|---|---|---|
| | **2016-2017** | **2017-2018** | **2018-2019** | **2019-2020** |
| Recoveries of the Costs of: | | | | |
| Public Assistance | $53,454,213 | $60,394,375 | $57,398,269 | $56,954,183 |
| Hospitals | 25,638,230 | 22,481,010 | 19,797,499 | 17,638,629 |
| Title IV-E and Non-IV-E Programs | 3,878,371 | 3,654,243 | 3,745,250 | 4,067,053 |
| Other Receipts: | | | | |
| Inspection Fees | 2,331,891 | 3,697,116 | 2,596,494 | 3,464,295 |
| Refunds of Expenditures from Prior Years | 1,688,652 | 1,961,002 | 1,828,580 | 1,468,148 |
| Miscellaneous Recoveries | 3,704,719 | 6,903,001 | 3,371,986 | 4,969,982 |
| **Total Receipts** | **$90,696,077** | **$99,090,747** | **$88,738,078** | **$88,562,291** |

The collections unit also performed claims submissions for federal Medicaid, Medicare, Social Security, private insurance, and self-pay program billings. Approximately 98% of the total claims for the three fiscal years under review were from the Medicaid Title XIX program. The Medicaid program, established pursuant to Title XIX of the Social Security Act, provides medically-related care and services to needy persons. The state received 50% reimbursement from the federal government for claims accepted and paid under the Title XIX program. The collections unit reported claims for inpatient and outpatient medical assistance programs during the audited period and previous fiscal year as follows:

| | Fiscal Year | | | |
|---|---|---|---|---|
| | **2016-2017** | **2017-2018** | **2018-2019** | **2019-2020** |
| Department of Developmental Services: | | | | |
| Waiver | $ 897,401,867 | $ 964,455,493 | $ 881,553,507 | $1,010,304,312 |
| In-Patient Care Facility | 204,479,721 | 176,953,086 | 168,330,648 | 144,924,912 |
| Targeted Case Management | 34,238,389 | 32,896,445 | 35,068,173 | 40,457,316 |
| Birth to Three | 28,668,683 | 10,971,880 | - | - |
| Total Claims Reported for DDS | 1,164,788,660 | 1,185,276,904 | 1,084,952,328 | 1,195,686,539 |
| Department of Mental Health and Addiction Services (DMHAS): | | | | |
| In-Patient | 47,964,434 | 82,066,627 | 46,976,931 | 48,178,750 |
| Targeted Case Management | 15,145,348 | 14,742,499 | 8,566,601 | 6,329,342 |
| Out-Patient | 385,683 | 2,255,035 | 1,987,308 | 1,913,890 |
| Total Claims Reported for DMHAS | 63,495,465 | 109,064,162 | 57,530,840 | 56,421,983 |
| Department of Veterans Affairs: | | | | |
| In-Patient | 20,157,170 | 27,135,383 | 17,615,859 | 11,317,705 |
| Department of Children and Families: | | | | |
| In-Patient | 59,516,235 | 56,658,145 | 76,089,436 | 55,891,671 |
| Private Non-Medical Institutions | 4,171,852 | 3,439,400 | 3,561,855 | 2,558,280 |
| Total Claims Reported for DCF | 63,688,086 | 60,097,545 | 79,651,291 | 58,449,951 |
| Department of Social Services: | | | | |
| School-Based Child Health | 22,462,082 | 15,251,341 | 15,837,841 | 9,293,473 |
| **Total Claims** | **$1,334,591,463** | **$1,396,825,335** | **$1,255,588,159** | **$1,331,169,650** |

A comparative summary of DAS general fund expenditures for the fiscal years ended June 30, 2017, 2018, 2019, and 2020, is presented below:

| | Fiscal Year | | | |
|---|---|---|---|---|
| | **2016-2017** | **2017-2018** | **2018-2019** | **2019-2020** |
| Personal Services and Employee Benefits | $ 53,422,909 | $ 50,887,142 | $ 50,989,131 | $ 49,496,671 |
| Purchased and Contracted Services | 7,050,385 | 6,605,550 | 6,811,199 | 6,897,024 |
| Other Services | 13,651,902 | 12,503,926 | 13,606,091 | 16,270,400 |
| Rental and Maintenance – Equipment | 233,255 | 200,409 | 210,778 | 246,138 |
| Motor Vehicle Costs | 603,201 | 577,237 | 554,614 | 400,207 |
| Premises and Property Expenses | 36,201,886 | 32,653,189 | 33,565,447 | 31,469,196 |
| Information Technology | 12,024,719 | 10,096,691 | 10,994,836 | 12,109,715 |
| Communications | 2,066,137 | 1,617,031 | 1,314,107 | 1,427,147 |
| Purchased Commodities | 778,246 | 338,342 | 410,798 | 452,407 |
| Other Charges | 149,459 | 164,153 | 136,886 | 84,398 |
| Fixed Charges | 438,838 | 596,442 | 16,250 | 414,250 |
| Capital Outlays | 166,014 | 183,996 | 159,273 | 193,508 |
| Capital Outlays – Equipment | 404,665 | 276,892 | 252,382 | 401,371 |
| Capital Outlays – Buildings/Improvements | 511,521 | 342,209 | - | - |
| **Total General Fund Expenditures** | **$ 127,703,137** | **$ 117,043,209** | **$ 119,021,792** | **$ 119,862,433** |

The large decrease in expenditures for fiscal year 2018 primarily resulted from a 5% decline in the number of employees, reduction in the state agency footprint through building consolidations, and reductions in leasing costs.

**Other Funds**

A comparative summary of DAS expenditures from other fund types for the fiscal years ended June 30, 2017, 2018, 2019, and 2020, is presented below:

| | Fiscal Year | | | |
|---|---|---|---|---|
| | **2016-2017** | **2017-2018** | **2018-2019** | **2019-2020** |
| Special Revenue – Transportation | $ 10,862,271 | $ 13,170,483 | $ 14,663,182 | $ 14,634,838 |
| Capital Equipment Purchase Fund | 1,896,321 | 962,718 | 1,404,135 | 1,022,653 |
| STEAP – Grants to Local Governments | - | 29,302,232 | (324,118) | - |
| Federal & Other Restricted Accounts | 40,527,573 | 32,180,088 | 22,327,264 | 18,416,770 |
| School Construction | 2,068,830 | 2,866,112 | - | - |
| School Construction – Magnet Schools | 430,122,771 | 385,313,897 | 330,941,178 | 407,616,933 |
| Community Conservation & Development | 800,000 | - | - | - |
| Public Works Service Fund | 195,934 | (3,243,574) | (3,263,224) | 1,278,911 |
| CSUS 2020 | 25,949,530 | 51,268,373 | 67,493,067 | 53,209,699 |
| Capital Improvements & Other Purposes | 180,885,191 | 117,675,024 | 126,537,503 | 137,701,867 |
| **Total Other Fund Expenditures** | **$ 693,308,421** | **$ 629,495,353** | **$ 559,778,988** | **$633,881,671** |

Fluctuations between fiscal years are primarily due to the availability of funding for various grants or construction projects. State and school construction projects represent the largest costs.

**Workers' Compensation Claims**

In accordance with Section 4-77a of the General Statutes, the Departments of Developmental Services (DDS), Mental Health and Addiction Services (DMHAS), Correction (DOC), Transportation (DOT), Emergency Services and Public Protection (DESPP), and Children and Families (DCF) received direct appropriations for the payment of workers' compensation awards. The Department of Administrative Services administered the appropriations for the payment of workers' compensation claims for all other budgeted state agencies.

A summary of net expenditures charged to these six agencies' workers' compensation appropriations for the fiscal years ended June 30, 2017, 2018, 2019, and 2020, is presented below:

| | Fiscal Year | | | |
|---|---|---|---|---|
| | **2016-2017** | **2017-2018** | **2018-2019** | **2019-2020** |
| General Fund (GF): | | | | |
| DDS | $ 14,433,683 | $ 13,649,274 | $14,309,689 | $13,879,393 |
| DMHAS | 11,563,126 | 13,832,161 | 13,784,678 | 15,183,955 |
| DOC | 25,696,623 | 25,729,375 | 27,048,204 | 30,488,797 |
| DESPP | 4,587,241 | 3,940,373 | 3,482,374 | 3,891,826 |
| DCF | 12,678,615 | 11,898,936 | 10,862,681 | 9,247,153 |
| General Government | 26,348,401 | 26,478,374 | 25,586,318 | 25,789,063 |
| **Total GF** | **95,307,689** | **95,528,493** | **95,073,944** | **98,480,187** |
| | | | | |
| Special Transportation Fund (STF): | | | | |
| DOT | 5,883,245 | 6,188,197 | 5,809,799 | 5,798,703 |
| Motor Vehicles | 369,646 | 326,665 | 502,222 | 714,978 |
| **Total STF** | **6,252,891** | **6,514,862** | **6,312,021** | **6,513,681** |
| **Total All Funds** | **$101,560,580** | **$102,043,355** | **$101,385,965** | **$104,993,868** |

The total net expenditures are comprised of costs associated with medical benefits (ranging from 37% to 39% in fiscal years 2018 to 2020), indemnification against loss or other financial burden (averaging 53% in fiscal years 2018 through 2020) and other stipulations, and third-party administrator costs and allocated loss expenses. The primary cost driver for indemnity benefits are expenses associated with temporary total, temporary partial, and permanent partial disabilities.

The appropriation for the Department of Administrative Services includes all other state agencies not listed above. Of those, the judicial branch, the University of Connecticut Health Center, and the University of Connecticut at Storrs had the most indemnity payments for the three fiscal years.

In the State of Connecticut Annual Comprehensive Financial Report, long-term debt for Workers' Compensation was reported as $747,234,000, $771,753,000, and $797,164,000 for the fiscal years ended June 30, 2018, 2019, and 2020, respectively.

**General Services Revolving Fund**

During the audited period, DAS administered the Department of Administrative Services – General Services Revolving Fund (GSRF). Section 4a-75 of the General Statutes authorizes this fund for the financing and billing of goods or services provided by the Department of Administrative Services to other departments. The working capital of the fund is recovered by charges to agencies and institutions for commodities and services furnished to them by the various operations of the Business Services Division. Cash receipts and disbursements for the fund during the audited period were as follows:

| | Fiscal Year | | | |
|---|---|---|---|---|
| | **2016-2017** | **2017-2018** | **2018-2019** | **2019-2020** |
| Cash Balance, Beginning of Year | $(43,207,410) | $(36,873,429) | $(32,633,190) | $(34,621,468) |
| Receipts | 25,412,963 | 25,036,514 | 25,001,842 | 21,625,460 |
| **Total** | **(17,794,447)** | **(11,836,915)** | **(7,631,348)** | **(12,996,008)** |
| Disbursements | 19,078,982 | 20,796,275 | 26,990,120 | 19,283,817 |
| **Cash Balance, Year End** | **$(36,873,429)** | **$(32,633,190)** | **$(34,621,468)** | **$(32,279,825)** |

For the fiscal year ended June 30, 2017, DAS experienced a net operating profit of $122,125. For the fiscal years ended June 30, 2018, 2019, and 2020, DAS realized a net operating profit or (loss) of $769,094, $772,028, and ($1,693,424), respectively. The revolving fund's reported fund equity as of June 30, 2020, was approximately $35,570,492. The negative cash balance of $32,279,825 represents a liability on the department's revolving fund financial statements of $8,340,608 for amounts due to other funds as well as assets for which costs will be recovered over time and recognized as cash receipts in future periods. The purchase of vehicles was the primary factor affecting the cash balance.

As an internal service fund, the GSRF is expected to operate on a cost reimbursement basis. Generally Accepted Governmental Accounting Standards recognize that user charges need not cover the full cost of providing goods or services to other state agencies or units, and that transfers from other funds or units to subsidize, in part, the operations of an internal service fund do not negate the use of this fund type. Internal service funds should operate on a breakeven basis over time, inclusive of such transfers.

### Technical Services Revolving Fund

During the audited period, DAS also administered the Technical Services Revolving Fund (TSRF), which Section 4d-9 of the General Statutes authorizes. TSRF is used to account for some of the revenues and expenditures related to the operations of the agency's telecommunication and data processing operations furnished and billed to other state agencies. A significant portion of the telecommunication and data processing expenditures are administered through the General Fund.

| | Fiscal Year | | | |
|---|---|---|---|---|
| | **2016-2017** | **2017-2018** | **2018-2019** | **2019-2020** |
| Cash Balance, Beginning of Year | $ 7,367,508 | $ 7,612,311 | $ 4,733,874 | $5,031,763 |
| Receipts | 3,887,054 | 3,890,383 | 3,794,803 | 5,102,395 |
| Interfund Transfers | - | (3,000,000) | - | - |
| **Total** | **11,254,562** | **8,502,694** | **8,528,677** | **10,134,158** |
| Disbursements | 3,642,251 | 3,768,820 | 3,496,914 | 5,483,331 |
| **Cash Balance, Year End** | **$ 7,612,311** | **$ 4,733,874** | **$ 5,031,763** | **$ 4,650,827** |

DAS experienced a net operating profit/(loss) of ($2,590,167), $931,139, and ($832,300) for the fiscal years ended June 30, 2018, 2019, and 2020, respectively. The revolving fund's reported fund equity as of June 30, 2020, was $4,460,172. The primary factors affecting the cash balance of the department's revolving fund were receipts and disbursements for billed central services, such as telecommunications and mainframe services.

**Capital Projects and Public Works Service Fund**

Approved capital projects funded through bonding include budgeted amounts for acquisition costs, construction, contingencies, studies, architectural and engineering fees, and DAS construction services fees. Most of those costs are billed directly to the allotted bond funds of the appropriate state agency. However, DAS construction services fees are posted to the Public Works Service Fund and then billed to the appropriate state agency. Those service fees are entirely comprised of payroll. The Public Works Service Fund recovers project costs from the state agencies and fringe benefit charges related to payroll from the General Fund.

Some projects, principally those less than $500,000, have their service-related fees charged directly to a General Fund appropriation rather than through the revolving fund. Currently, that appropriation is $2.387 million. Some projects do not have an approved bond fund to charge against for a variety of reasons, including projects that are too small to merit a bond appropriation, preliminary work that may have been performed on projects that ultimately were not approved by the General Assembly, and funding that may not have been sufficient to cover all the project costs.

A summary of Public Works Service Fund activity for the fiscal years ended June 30, 2017, 2018, 2019, and 2020, is presented below:

| | **Fiscal Year** | | | |
|---|---|---|---|---|
| | **2016-2017** | **2017-2018** | **2018-2019** | **2019-2020** |
| Funding Sources: | | | | |
| Project Costs Recovered | $3,115,323 | $3,893,170 | $ 4,689,594 | $4,250,461 |
| OPEB Allocation Recovery | - | 115,992 | 108,064 | 103,463 |
| Recoveries of Fringe Benefit Costs | 2,745,715 | 6,414,313 | 5,447,231 | 623,244 |
| **Total Funding** | **5,861,038** | **10,423,475** | **10,244,889** | **4,977,168** |
| Less Expenditures – Project Costs | (6,056,972) | (7,179,901) | (6,981,665) | (6,501,198) |
| Expenditures in Excess of Funding | (195,934) | 3,243,574 | 3,263,224 | (1,524,030) |
| Fund Balance, Beginning of Year | (4,786,825) | (4,982,759) | (1,739,185) | 1,524,039 |
| **Fund Balance, End of Year** | **($4,982,759)** | **($1,739,185)** | **$1,524,039** | **$9** |

From fiscal years 2018 through 2020, net project costs have exceeded net recoveries of service fees and fringe benefits by $4,982,768, resulting in a decrease of the negative fund balance of ($4,982,759) at June 30, 2017 to $9 at June 30, 2020.

Capital projects expenditures were charged primarily to the capital projects and special revenue funds. Smaller amounts were charged to the General Fund. A summary of public works project expenditures by fund follows:

| | Fiscal Year | | | |
|---|---|---|---|---|
| | **2016-2017** | **2017-2018** | **2018-2019** | **2019-2020** |
| General Fund | $ 895,736 | $ 63,107 | $ - | $ - |
| Special Revenue Funds | 31,530,849 | 17,704,964 | 8,980,527 | 3,541,383 |
| Public Works Service Fund | 1,458,833 | 1,907,442 | 1,177,356 | 1,147,339 |
| CSUS-2020 | 25,965,813 | 51,268,373 | 67,493,067 | 53,209,699 |
| Capital Project Funds | 176,547,034 | 105,744,299 | 118,815,020 | 126,392,267 |
| **Total** | **$236,398,265** | **$176,688,185** | **$196,465,970** | **$184,290,688** |

The following table shows the capital project expenditures by activity:

| | Fiscal Year | | | |
|---|---|---|---|---|
| | **2016-2017** | **2017-2018** | **2018-2019** | **2019-2020** |
| **Capital Project Expenditures:** | | | | |
| Acquisitions | $ 990,824 | $ 95,803 | $ 14,191 | $ 1,218,687 |
| Design | 24,055,458 | 17,001,234 | 18,382,403 | 11,826,630 |
| Construction | 175,514,348 | 144,469,992 | 218,420,343 | 211,149,694 |
| Hazardous Material Abatement | 596,332 | 9,747,376 | 1,225,314 | 662,113 |
| Equipment | 4,565,022 | 2,130,190 | 4,691,600 | 9,805,881 |
| Art | 525,306 | 574,690 | 643,323 | 496,469 |
| Fees – Admin Oversight | 5,559,853 | 8,984,700 | 6,648,126 | 5,425,087 |
| Arbitration | 268,813 | (67,798) | - | - |
| Telecommunications | 2,422,679 | 466,334 | 2,896,857 | 1,731,929 |
| Testing Services | 1,478,876 | 1,112,024 | 1,667,176 | 292,490 |
| Construction Manager | 7,483,148 | 11,486,208 | 9,512,755 | 7,844,914 |
| Contingency/Change Orders | 12,937,607 | 2,410,364 | 1,081,257 | 5,236,936 |
| **Total** | **$236,398,266** | **$198,411,117** | **$265,183,345** | **$255,690,830** |

Capital project expenditures primarily were for projects involving the design and construction of state and educational facilities. The significant decrease in construction in fiscal year 2018 was likely due to a reduction in bond funding. The substantial increase in construction expenditures in fiscal year 2019, which was sustained in fiscal year 2020, was due to the start of several large state and school construction projects.

Construction costs were the largest expenditure activity and consisted of many small construction projects with expenditures less than $10 million. Between fiscal years 2018 and 2020, there were ten projects with costs in excess of $10 million with combined expenditures totaling $422,680,051. The largest construction cost recorded during the audited period were $137,339,207 for the renovation of State Office Building and Garage in Harford. A summary of projects over $10 million in the fiscal years ended June 30, 2018, 2019, and 2020 follows:

| | Fiscal Year | | |
|---|---|---|---|
| | 2017-2018 | 2018-2019 | 2019-2020 |
| **Public Works Project Expenditures:** | | | |
| State Office Building Renovations & Garage | $ 30,130,269 | $ 65,790,244 | $ 41,418,694 |
| DOC – York CI – Central Plant & Pipe Distribution System | - | - | 26,409,874 |
| CCSU – Barnard Hall Additions and Renovations | - | - | 13,620,137 |
| CCSU – New Rec Center & Kaiser Halls and Annex Renovations | 2,445,361 | 10,260,806 | 4,023,352 |
| CCSU – Willard & DiLoreto Halls Renovations | 25,097,732 | 21,395,628 | 869,175 |
| ECSU – Goddard / Communications Renovations | 10,714,553 | 10,428,708 | 355,098 |
| WCSU – Higgins Hall & Higgins Annex Classroom Renovations | - | 14,270,670 | 6,872,229 |
| CTHS – Grasso Additions & Renovations | 21,276,157 | 48,551,666 | 16,051,453 |
| **Total** | **$ 89,664,072** | **$170,697,722** | **$109,620,012** |

### Trustee Accounts

The commissioner of the Department of Administrative Services has designated the Collection Services Division to act as trustee for the accounts of certain people, subject to the following criteria:

**Estate administrator accounts –** pursuant to Section 4a-15 of the General Statutes, the estate administrator, appointed by the commissioner of the Department of Administrative Services, may act in a fiduciary capacity in connection with the property of any minor, incapable, incompetent, or deceased person who is or has been receiving financial aid from the state.

**Legal representative accounts –** pursuant to Section 4a-16 of the General Statutes, the court has designated the commissioner of the Department of Administrative Services to administer the funds of deceased persons.

**Representative payee accounts –** pursuant to Section 4a-12 (a) of the General Statutes, the majority of the accounts administered by the DAS Collection Services Division are for patients and/or residents of state humane institutions, for whom the payer of funds due these persons has agreed to permit DAS to act as a conduit of those funds. These arrangements usually involve DAS as named representative payee for the Social Security Administration, Veterans Administration, and other benefit providers. The primary distinction between these accounts and accounts in the other two categories is that they are the result of agreements while court proceedings designate the others in the estate administrator and legal representative categories.

Receipts for the legal representative accounts in the custody of the commissioner totaled $6,153,629, $6,296,152, and $5,286,884 during the fiscal years ended June 30, 2018, 2019, and 2020, respectively. Collections from claims against decedent estates to provide for the reimbursement of state costs, pursuant to Section 4a-16 of the General Statutes, amounted to $6,154,242, $6,297,169, and $5,287,563 during the fiscal years ended June 30, 2018, 2019, and 2020, respectively. In addition, interest was earned on account assets transferred to and invested in the State Treasurer's short-term investment funds (STIF). The interest generated by those investments totaled $613, $1,012, and $679 for the fiscal years ended June 30, 2018, 2019, and 2020, respectively.

Disbursements from the legal representative accounts totaled $6,084,396, $6,839,711, and $4,610,833 during the fiscal years ended June 30, 2018, 2019, and 2020, respectively. Disbursements for the reimbursement of state claims against decedent estates amounted to $6,019,184, $6,764,916, and $4,475,947, during the fiscal years ended June 30, 2018, 2019, and 2020, respectively. Other categories of disbursements included funeral and burial expenses and expenses of last illness, pursuant to Sections 17b-84 and 4a-16 of the General Statutes.

The legal representative accounts' assets totaled $1,174,780, $706,016, and $1,516,953 as of June 30, 2018, 2019, and 2020, respectively. The assets consisted of cash balances of $1,130,316, $661,553, and $1,472,490, and STIF investments of $44,464, $44,464, and $44,464 during the fiscal years ended June 30, 2018, 2019, and 2020, respectively.

The Collection Services Division also has custody of certain other cash and noncash assets held in trust for accounts in the legal representative category. Legal representative accounts' assets inventoried and on hand included coins, stocks and bonds, insurance policies, savings account passbooks, as well as other personal property.

Receipts for the representative payee accounts consisted primarily of revenues derived from Social Security benefit payments received by the state on behalf of individuals residing in state humane institutions. The receipts for the representative payee accounts totaled $6,153,629, $6,296,152, and $5,286,884 in the fiscal years ended June 30, 2018, 2019, and 2020, respectively. Interest earned on account assets transferred to and invested in STIF were $26,122, $41,324, and $27,388 during the audited period.

Disbursements from the representative payee accounts are primarily expenditures for the costs associated with the board, care, treatment, and personal expense allowances associated with patients in state humane institutions. The disbursements for representative payee accounts totaled $6,019,184, $6,764,916, and $4,475,947 in the fiscal years ended June 30, 2018, 2019, and 2020, respectively.

The representative payee accounts' assets consisted of cash balances and STIF investments totaling $2,108,173, $1,944,358, and $2,097,538 for the fiscal years ended June 30, 2018, 2019, and 2020, respectively.

**Other Matters – Disclosure of Consolidated Agency Audit Recommendations**

The Department of Administrative Services provided administrative functions for a multitude of agencies in accordance with consolidation agreements and public acts. The department provides personnel, payroll, affirmative action, and business office functions for these agencies. The primary objective of the consolidation was to bring those administrative functions under one office to achieve greater consistency and uniformity in the application of fiscal and personnel-related rules, laws, and regulations.

While these agencies had some or all of their administrative functions performed within DAS, they remained legally separate entities with their own management and appropriations. As such, they remain subject to separate audit by the Auditors of Public Accounts in accordance with Section 2-90 of the Connecticut General Statutes.

Of interest in our current review are those consolidated agency audits with recommendations that involve the administrative functions performed by DAS. A review of Small Agency Resource Team (SmART) agency recommendations did not disclose service provider-related conditions that required, or will require, the combined efforts of DAS and its client agencies to resolve.

## STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Department of Administrative Services disclosed the following 36 recommendations, of which 20 have been repeated from the previous audit:

### Statewide Human Resources – Expanded Use of Promotions by Reclassification

*Background:* The Department of Administrative Services Statewide Human Resources (SWHR) division provides consultation to all executive branch human resources professionals and executives regarding human resources programs, laws, regulations, and business rules. SWHR establishes statewide human resources policies and procedures to compliment and clarify statutory requirements. It provides guidance to and approves various personnel actions for executive branch agencies. As of August 28, 2020, the state centralized all in-scope executive branch human resources professionals under DAS.

*Criteria:* Section 5-227a of the General Statutes states that, whenever an employee's position in the classified service is reclassified, the promotion of the employee shall be made without examination provided: (1) the employee meets the minimum qualifications established for the career progression level of reclassified position; (2) the employee has maintained an adequate performance record and has received satisfactory appraisal on the two most recent consecutive performance evaluations; (3) the employee has worked at the existing level in the current position for a minimum period of six months; and (4) the reclassified position is approved by the commissioner of Administrative Services.

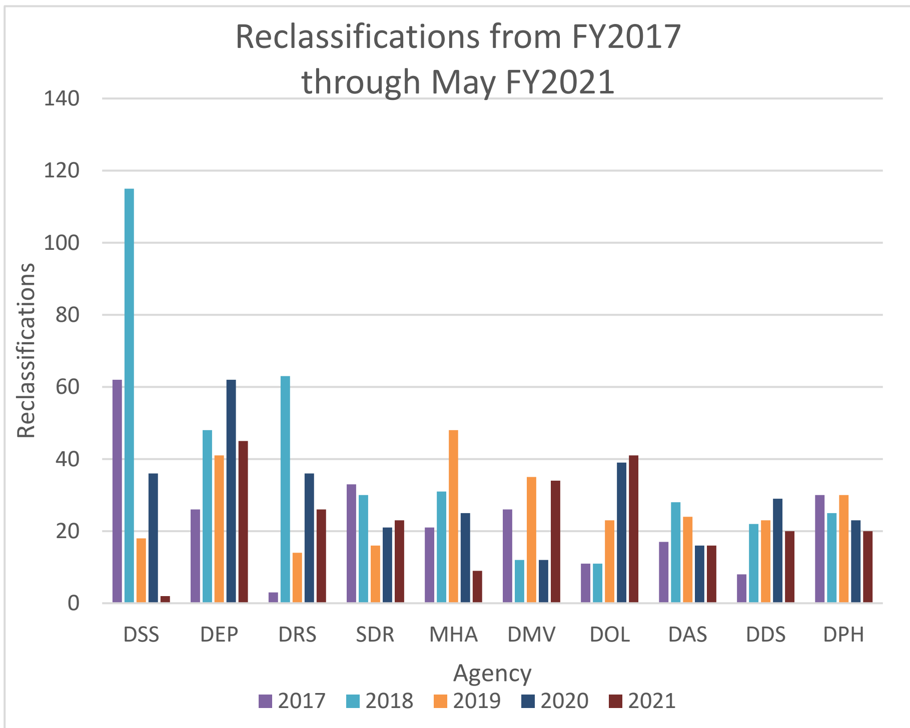
DAS General Letter No. 226 (GL226) provides the procedures for appointing authorities to promote employees by reclassifying positions, which includes justifying how the reclassification is organizationally sound and within the guidelines. GL226 requires, in part, the Statewide Human Resources division approval process to include verification that the growth in duties is practical where the organization is ultimately able to support the reclassification without significant change. Personnel actions are subject to post-audit by DAS.

*Condition:* Since the December 2016 revision of GL226, the Department of Administrative Services has advised agencies to reclassify positions instead of obtaining approval to establish positions from the Office of Policy and Management (OPM), to expedite the process. As a result, there were significant increases in the number of reclassifications in fiscal years 2018 and 2019, as we previously reported, and the practice continued through 2021.

Although procedures dictate that agencies must provide justification to DAS prior to approval, DAS relies on the agencies' assertion that its actions are organizationally sound, rather than developing its own criteria for evaluating overall appropriateness within the division or agency. This would ensure consistent decisions across agencies.

Furthermore, DAS does not currently perform post-audits of these actions to assess the appropriateness of reclassifications in relation to the entire division or agency.

*Context:* A summary of the top ten agencies that used the reclassification process follows:




*Effect:* Without proper review, approval, and timely post-audit of reclassifications, there is potential for misuse of such actions. This could lead to disparity in job classes, top-heavy divisions or units; and create future financial hardship with increased payroll and pension costs. Timely post-audits are essential, as it is not possible to rescind a reclassification after the 6-month working test period.

Furthermore, OPM only approves higher-level supervisory or managerial reclassifications, which may limit the budgetary oversight of lower-level position actions.

Employee morale may decline if there is perceived favoritism.

*Cause:* Responding to a survey of state agencies, DAS wanted to ease the restrictive nature of the former reclassification process.

Statewide Human Resources does not have sufficient staff assigned to the post-audit function of many personnel actions, which are subject to post-audit.

*Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2015 through 2017.

*Recommendation:* The Department of Administrative Services should strengthen controls over the approval of position reclassifications and post-audits to ensure it consistently evaluates whether agency actions are organizationally sound. (See Recommendation 1.)

*Agency Response:* "DAS continues to disagree with this finding because it is based upon a misunderstanding of the statutory roles of DAS and the appointing authorities and the purpose of the post-audit function. DAS agrees that the number of promotions by reclassification increased after DAS revised General Letter 226, a revision that ensured the policy and procedures relating to promotions by reclassification more closely adhered to the provisions of C.G.S. §5-227a and the State Personnel Act, as a whole. This increase was the intended outcome. It should not be interpreted as a failure to ensure that the promotions are organizationally sound.

A review of the State Personnel Act, as a whole, and the statutory history of C.G.S. §5-227a in particular, demonstrates that agency heads, as the appointing authorities, not DAS, have the final discretion to determine which candidates are the most qualified to fill the particular positions needed by the agency. We have been clear on what DAS' role is in this process in previous responses.

The staff responsible for post-audit do not have - and should not have - a role in the review of each individual promotion by reclassification. Inserting them into those transactions would simply add unnecessary bureaucracy and duplication of efforts, unnecessarily adding time and cost to each transaction. The purpose of post-audit is to spot-check the various personnel transactions conducted by agencies, not to review every transaction and substitute their judgement for that of appointing authorities.

The judgement as to which of the various statutorily-based methods for promoting employees best fits their agencies' needs at that time and the decisions as to which employees are most qualified for such promotions ultimately rests with appointing authorities, not DAS."

*Auditors' Concluding Comments:* The recommendation relates to position reclassifications being organizationally sound. The focus of this finding and associated recommendation does not revolve around the candidates filling the reclassified positions. The risk being highlighted is that divisions can become top-heavy with too many higher-level positions if this is not adequately considered.

**Statewide Human Resources – Approval of Certain Individual Salary Increases**

*Background:* Historically, the Department of Administrative Services, with the approval of the Office of Policy and Management, establishes the salary or salary adjustment of certain groups of unclassified, executive, appointed employees or officials. On rare occasions, certain individual employee adjustments are made as well. These actions are approved via signed memorandums called "E-Items" and are numbered for reference purposes. Other uses of "E-Items" include the extension of certain benefits negotiated for bargaining unit employees to non-represented employees, such as the extension of health benefits.

*Criteria:* Section 4-40 of the General Statutes states that the commissioner of Administrative Services, subject to the approval of the Secretary of Policy and Management, shall determine the salaries, compensation, and wages of all state officers, boards, commissions, deputies, and employees.

Section 5-200(p) of the General Statutes states that, when such authority is not otherwise conferred by statute, the commissioner may issue orders to provide that 1) executive or judicial department employees exempt from the classified service or not included in any prevailing bargaining unit contract, except unclassified employees of any board of trustees of the constituent units of higher education, be granted rights and benefits not less than those granted to employees in the classified service or covered under such contracts.

Section 5-210 of the General Statutes states that the commissioner of Administrative Services may establish one or more state incentive plans for employees whose positions have been designated as managerial or confidential. Annual salary increases or lump-sum payments for employees whose positions have been designated managerial or confidential may be based on annual performance appraisals made by agency heads or their designees in accordance with state incentive plans approved by the commissioner of Administrative Services. Such salary increases shall be in accordance with the provisions of the compensation schedule then in effect.

*Condition:* DAS (with OPM's approval) authorized individual salary increases on behalf of certain non-represented managers or confidential employees, explaining that the employees assumed more responsibilities, many times due to reorganizations. Below is a summary of managers by agency and range of increase:

| | **# of Managers/ Confidential Employees with Salary Increase** | | **Amount or Range of Increases by Manager/Confidential Employee** | | | |
|---|---|---|---|---|---|---|
| | | | **2020** | | **2021** | |
| **Agency** | **2020** | **2021** | **Dollar** | **%'age** | **Dollar** | **%'age** |
| Office of the Chief Medical Examiner | - | 1 | - | - | $4,154 | 5% |
| DAS | 2 | - | $13,449 to $16,466 | 10% to 12% | - | - |
| Department of Social Services | 1 | - | $6,820 | 5% | - | - |
| OPM | 3 | 4* | $6,558 to $7,932 | 5% to 7% | $7,763 to $10,692 | 5% to 10% |
| Office of the State Treasurer | 2 | - | $16,325 to $19,887 | 15% to 19% | - | - |
| | **8** | **5** | | | | |
| *Same manager received increases in both fiscal years. | | | | | | |

*Context:* Prior to fiscal year 2018, we did not note any similar occurrences. We noted five increases in addition to those noted above in which the increases appeared to be reasonably justified due to position consolidations, salary inequity, and other factors.

*Effect:* Significant salary increases granted to specific employees without clear and consistent treatment may open the state to claims of favoritism, decreased morale, and inequitable salaries.

*Cause:* Agencies felt that certain employees deserved salary increases due to significant growth or change in duties.

*Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2015 through 2017.

*Recommendation:* The Department of Administrative Services should coordinate with the Office of Policy and Management to develop and implement procedures to clearly document and support the rationale and impact of individual and group salary adjustments. (See Recommendation 2.)

*Agency Response:* "Each individual E-Item is evaluated and acted upon on a case-by-case basis. Again, DAS agrees that it is important to document salary adjustments and asserts that it has done so for each of the adjustments it, with OPM, approved during this audit period as well as with all prior salary adjustments. DAS disagrees with this finding (and concluding comments in FY 15, 16, and 17) to the extent that it implies such documentation does not exist and to the extent that it implies any of the salary adjustments referenced were inappropriate."

*Auditors' Concluding Comments:* We are still not suggesting there is an absence of documentation to support expanded duties. The finding indicates that agencies may not have consistently treated all managers who assumed additional duties. Managers at many agencies may have taken on additional responsibilities without receiving similar consideration, including pay increases. If managers' expanded duties are in line with their job specifications, pay increases should be given when all managers receive their annual increments or cost of living increases to ensure consistent treatment and avoid the appearance of favoritism.

**Statewide Human Resources – Inadequate Post Audits of Human Resources**

*Criteria:* Subsection (a)(7) of Section 5-200 of the General Statutes provides that the commissioner of Administrative Services or authorized agent shall establish personnel standards governing promotions, classifications, reclassifications, and the creation of positions that will provide guidance to all agencies in matters of personnel management and serve as a means to evaluate agency performance in conducting personnel management. Furthermore, Subsection (a)(8) provides that the commissioner shall see that all appointments, promotions, layoffs, demotions, suspensions, removals, and retirements are made in accordance with the applicable provisions of the general statutes and regulations. The commissioner may fully or partially delegate responsibilities to the heads of state agencies or their authorized agents, subject to audit, in order to improve human resources management.

*Condition:* Statewide Human Resources Management has not assigned sufficient resources to perform post-audits of personnel actions. As of fiscal year 2021, there were only three employees assigned to conduct post-audits on a part-time basis. As a result, these audits are limited to reviews of monetary calculations from promotions, hirings, rehirings, and demotions. SWHR does not perform post-audits assessing the reasonableness of certain actions.

We discovered a flaw in the department's method of compiling the universe of transactions, which resulted in transactions not being identified for post-audit review.

DAS does not follow up to ensure that agencies took corrective action on errors found and communicated during the post-audit process.

*Context:* The Department of Administrative Services delegated its authority for various statutory human resources functions to state agencies. DAS provides guidance to state agencies through issuance of general letters. These transactions, along with other non-delegated transactions, are subject to post-audit.

Transactions are identified for post-audit review through reports run against the Core-CT database, where all human resources transactions are recorded. Through our review, we found that reports are run shortly after the end of each month. However, certain actions may be entered retroactively. As a result, these actions are not identified or reviewed by Statewide Human Resources.

*Effect:* There is potential for improper transactions or salary adjustments occurring without proper oversight. The risk of inconsistencies also increases when transactions are processed by many human resources professionals. With the implementation of JobAps, the web-based recruiting and applicant tracking system, there are now significantly more opportunities for HR professionals to make subjective decisions statewide.

*Cause:* The SWHR post-audit unit has been downsized from five people in 2015 to three in 2021, one of whom is assigned part-time to the unit. The unit does not identify and review retroactive transactions due to the timing of the generation of post-audit transaction reports. In addition, the unit has other responsibilities. DAS does not follow up on errors identified in audits and cannot require agencies to do so.

*Prior Audit Finding:* This finding has been reported, in modified form, in the last audit report covering the fiscal years ended June 30, 2015 through 2017.

*Recommendation:* The Department of Administrative Services should enhance its post-audit unit by assigning necessary staffing and broadening its scope of review to ensure that delegated agency human resources actions were organizationally sound and in compliance with statutes. The department should enhance procedures to ensure retroactive transactions are identified for post-audits. Furthermore, the department should develop and implement procedures, and seek necessary legislative changes to correct errors and enforce agency compliance with post-audits. (See Recommendation 3.)

*Agency Response:* "DAS fundamentally disagrees with this. As such, our response is the same from our response in FY 15, 16, 17 report, which stated as follows: 'DAS disagrees with this finding because the finding is based upon a misunderstanding of the statutory roles of DAS and the appointing authorities and the purpose of the post-audit function.

A review of the State Personnel Act, as a whole, demonstrates that agency heads, as the appointing authorities, not DAS, have the final discretion to determine which candidates are the most qualified to fill the particular positions needed by the agency. During the audit period (and prior to that period) DAS worked with agency human resources personnel to ensure that personnel transactions were conducted efficiently, effectively, and in accordance with the State Personnel Act and other state and federal laws.

Moreover, the staff responsible for post-audit do not have - and should not have - a role in the review of each individual personnel transaction. Inserting them into those transactions would simply add unnecessary bureaucracy and duplication of efforts, unnecessarily adding time and cost to each transaction. The purpose of post-audit is to spot-check the various personnel transactions conducted by agencies, not to review every transaction.

It is also important to note that DAS's responsibility is not to second-guess the judgement of the appointing authorities as to which of the various statutorily-based methods for promoting employees best fits their agencies' needs at that time nor it is to second-guess their decisions as to which employees are most qualified to fill the agency's vacancies.'"

*Auditors' Concluding Comments:* An insufficient post-audit unit and process increases the risk of inconsistent and improper transactions. There is no enforcement of the recommendations in these limited reviews. In addition, the implementation of the statewide human resources centralization initiative removed an approval level. This, coupled with the highly subjective nature of personnel action decisions, underscores the importance of a more robust post-audit unit. Furthermore, DAS should consider establishing the post-audit unit independent of the Statewide Human Resources Management Division.

**Statewide Human Resources – Incorrect Salary Rate for DMHAS Employee**

*Background:* As of August 28, 2020, the state centralized its human resources functions for all in-scope executive branch agencies into the Department of Administrative Services. Salary calculations are performed by DAS Human Resources Business Partners (HRBP) or Generalists assigned to each agency. These calculations are subject to post-audit by the Statewide Human Resources (SWHR) division.

*Criteria:* State employee salaries are determined by salary plans based on job classifications. Each job class is assigned a minimum and maximum allowable salary. The Department of Administrative Service provides a compensation manual with instructions for accurately calculating an employee's new salary upon promotion.

*Condition:* Human resources incorrectly entered the salary of a Department of Mental Health and Addiction Services employee at the time of promotion in October 2020.

*Context:* Human resources correctly calculated and recorded the employee's salary in the Core-CT job data notes, but incorrectly entered the actual salary change. The incorrect salary was $26,230 over the correct salary, and $14,000 over the allowed maximum for the job classification.

*Effect:* The state overpaid the employee by $997.54 per pay period for 12 consecutive pay periods from October 23, 2020 through March 26, 2021. The total overpayment was $11,730, and the net overpayment, adjusted for taxes and other withholdings totaled $7,805. The department informed the employee about the overpayment on April 19, 2021. On May 3, 2021, the employee agreed to reimburse the state $488.77 per pay period until the overpayment is fully reimbursed.

*Cause:* We were unable to determine why the salary was entered incorrectly; however, we identified a flaw in the Statewide Human Resources post audit process, as this transaction was not identified for review. This condition is being separately reported.

*Prior Audit Finding:* This finding has not been previously reported.

*Recommendation:* The Department of Administrative Services should strengthen controls to ensure that salaries are calculated and entered correctly. (See Recommendation 4.)

*Agency Response:* "DAS acknowledges this finding. However, the context of this finding is that the overpayment situation was brought to the attention of the Department of Administrative Services in April 2021 via the Auditor assigned to the DMHAS audit and did not come directly to the Human Resources Policy and Information Systems Division. As a result, the HR Policy Unit responded to the Human Resources Administrator – HR Business Partners Division and to the Agency HR Business Partner. The HR Policy and Information Systems Division determined this overpayment was not found on post-audit because it was entered after the date the post-audit query was run. As a result of this situation, HR Policy has implemented in its post-audit procedures a second review of previous quarters, three months after the original post-audit. This second review will capture all transactions entered on or after the date of the original query."

**Human Resources – Lack of Disciplinary Action and Reporting after Substantiation of Misuse of State Resources**

*Criteria:* The Office of Policy and Management Acceptable Use of State Systems Policy, revised December 9, 2019, provides that state systems are to be used solely to conduct state business.

Section 5-240-1a(c) of the Regulations of Connecticut State Agencies defines "just cause" as any conduct for which an employee may be suspended, demoted, or dismissed and includes the misuse of any state funds, property, equipment, material, or supplies, or neglect of duty, or other employment-related misconduct. It further defines "reprimand" to mean a written statement by the appointing authority notifying an employee engaged in conduct that constitutes just cause for suspension, demotion, or dismissal, and which notice is placed in the employee's personnel file.

Section 4-33a of the General Statutes requires all state agencies to promptly notify the Auditors of Public Accounts and the Office of the State Comptroller of any unauthorized, illegal, irregular, or unsafe handling or expenditure of state agency funds, or breakdowns in the safekeeping of any other resources within their knowledge.

*Condition:* The department did not take appropriate disciplinary action after substantiating an employee's misuse of state resources. Furthermore, the department did not report the misuse of state resources to the Auditors of Public Accounts and the Office of the State Comptroller in accordance with Section 4-33a of the General Statutes.

*Context:* DAS informed us of an investigation that substantiated the abuse of state systems or resources that concluded in February 2020. The report recommended that the matter be referred for appropriate administrative review and possible remedial or disciplinary action. Human resources informed us that, upon our inquiry in August 2021, discussion with the Office of Policy and Management's Office of Labor Relations resulted in the decision to not discipline the employee due to the time that had passed since the identified misconduct.

*Effect:* Failure to take appropriate disciplinary action could result in employees believing they do not need to follow policies and procedures. The department did not comply with reporting requirements of Section 4-33a of the General Statutes.

*Cause:* The lack of disciplinary action and reporting was an oversight, as the investigation concluded at the start of the pandemic response. Furthermore, there was a change in leadership in the human resources department around that time.

*Prior Audit Finding:* This finding has been previously reported, in modified form, in the last audit report covering the fiscal years ended June 30, 2015 through 2017.

*Recommendation:* The Department of Administrative Services should promptly take appropriate disciplinary action when it substantiates misuse of state resources and report any breakdowns in the safekeeping of state resources to the Auditors of Public Accounts and State Comptroller as required by Section 4-33a of the General Statutes. (See Recommendation 5.)

*Agency Response:* "DAS acknowledges this finding. A pre-disciplinary meeting was held with the employee in March 2020 at the onset of the COVID 19 pandemic and during a time when there was no acting DAS SmART HR Director. Responding to the pandemic was the unit priority. Upon realizing the oversight and in review with OLR, the agency decided to audit the employee's system use for the 6 month period following the pre-disciplinary meeting to see if the found misuse of systems continued. The audit verified the behavior had ceased. Due to the length of time that elapsed and confirmation that the behavior was no longer occurring the decision was made to not impose discipline. The report will be forwarded to APA, and OSC as required by Section 4-33a."

**Human Resources – Inadequate Documentation for Personnel Actions**

*Criteria:* Good business practices dictate that the qualifications and references for candidates selected for hiring be verified prior to beginning their employment. Verification should be documented and maintained in employee files to support their qualifications.

Department of Administrative Services General Letter No. 226 – Promotions by Reclassification (revised), dated December 20, 2016, provides direction for DAS and its customer agencies to comply with Section 5-227a of the General Statutes. Promotions by reclassification shall be made without formal examination provided the employee meets the minimum qualifications for the reclassified position as detailed on the job specification; the employee has maintained an adequate performance record and has received a satisfactory appraisal on the two most recent consecutive performance evaluations; the employee has worked at the existing level in the current position for a minimum period of six months; and the commissioner of Administrative Services approves the reclassified position. Requests for promotion by reclassifications shall, at a minimum, include: a current application; a statement that the employee's last two consecutive performance evaluations have been at least satisfactory; a statement that the employee has successfully performed the duties and responsibilities of the current position for at least six months; a current and completed duties questionnaire completed by the employee; and a justification explaining how the promotion is organizationally sound and within established guidelines.

*Condition:* We identified instances in which the department did not have documents on file to support the hiring or promotions by reclassification of DAS and customer agency employees. Missing documents included reference verifications and degree or licensure verifications for new hires, and personnel action request forms (PARF) and duties questionnaires for promotions by reclassification.

*Context:* We reviewed the personnel and position recruitment files of 16 DAS and 34 customer agency new hires for documents supporting the personnel actions. Employment reference verifications were not on file for three DAS and 20 customer agency employees. Verifications of degrees, licenses, or certifications were not on file for two DAS and six customer agency employees.

We reviewed the personnel files for 15 DAS and 20 customer agency employee promotions. We found that personnel action request forms were not on file for three DAS and ten customer agency employees. The duties questionnaire was not on file for five DAS and eight customer agency employees. A current application was not on file for five DAS employees.

*Effect:* Inadequate documentation for new hires or promotions decreases the assurance that employees were qualified for their new positions and exposes the agency to questions about the appropriateness of personnel actions. Inadequate documentation also makes it difficult or impossible for human resources personnel to complete post-audit reviews of these actions.

*Cause:* It appears that the department has not instituted or enforced documentation expectations for certain steps in the hiring and promotional processes.

*Prior Audit Finding:* This finding has not been previously reported.

*Recommendation:* The Department of Administrative Services should strengthen controls to ensure that personnel actions are adequately supported. (See Recommendation 6.)

*Agency Response:* "DAS acknowledges this finding, but does not agree that it has inadequate documentation when new hires and promotions occur. Although DAS maintains adequate documentation, it was not able to provide that documentation to the auditors during the audit period for a variety of reasons outside of the agency's control. Specifically, during the audit period, all DAS and SmART customer agency personnel files were being scanned and digitized and therefore some information was not immediately accessible to the agency. In addition, during the pandemic and the unexpected and abrupt transition to telework, new hire and promotion documentation was maintained by individual HR staff until such time that it could be uploaded."

*Auditors' Concluding Comments:* Although we recognize the unusual circumstances of the pandemic and timing of the digitization initiative, we provided agency personnel months to gather the information. During that time, the agency acknowledged the digitizing of records and separate recordkeeping; however, its exhaustive search did not produce the requested documents.

**Human Resources – Lack of Annual Performance Appraisals**

*Criteria:* Section 5-237-1 of the Regulations of Connecticut State Agencies and collective bargaining agreements state that employees should receive an annual performance rating, completed at least three months prior to their annual increase date, and at other such times as the appointing authority deems that the quality of their service should be documented. This includes evaluations performed during a newly hired or promoted employee's working test period.

*Condition:* We identified numerous employees who did not receive annual performance appraisals or evaluations at the conclusion of their working test period during the fiscal years ended June 30, 2018, 2019 and 2020.

We reviewed annual performance appraisals for 49 DAS employees and found that the department evaluated only 12 employees in all three years of the audited period. Of the remaining employees, seven were not evaluated, and 30 had one or two appraisals on file.

We reviewed DAS employee records to verify working test period evaluations for 15 new hires and 14 promotions by reclassification. We found that seven were not on file for newly hired employees and 11 were not on file for employees promoted by reclassification.

*Context:* There were 539 employees requiring annual performance evaluations as of June 30, 2020.

There were 74 employees hired and 69 promotions by reclassification during the audited period.

*Effect:* Regular performance evaluations are an integral part of ensuring that employees adequately perform their duties. The absence of evaluations could lead to poor performance or other issues going unnoticed and unresolved or allow promotions of employees with inadequate job performance.

*Cause:* The lack of performance evaluations appears to result from the failure to monitor performance appraisal preparations.

*Prior Audit Finding:* This finding has not been previously reported.

*Recommendation:* The Department of Administrative Services should strengthen controls to ensure that it conducts necessary performance appraisals. (See Recommendation 7.)

*Agency Response:* "DAS acknowledges this finding and agrees with the recommendation. DAS will continue to send out notifications to all managers regarding annual service ratings and will implement controls to follow-up on outstanding items. DAS would note, however, that during the audit period, the agency was not able to provide that documentation to the auditors for a variety of reasons outside of the agency's control. Specifically, all DAS and SmART customer agency personnel files were being scanned and digitized and some information was not accessible. In addition, during the pandemic and the unexpected and abrupt transition to telework, new hire and promotion documentation was maintained by individual HR staff until such time that it could be uploaded."

*Auditors' Concluding Comments:* Although we recognize the unusual circumstances of the pandemic and timing of the digitization initiative, we provided agency personnel months to gather the information. During that time, the agency acknowledged the digitizing of records and separate recordkeeping; however, its exhaustive search did not produce the requested documents.

**Human Resources – Lack of Procedures over the Complaint and Investigation Process**

*Criteria:* A human resources investigative function should have formal administrative controls to ensure it records all complaints and conducts and documents investigations uniformly to provide a consistent process and result.

The State of Connecticut Violence in the Workplace Policy and Procedures manual states that agencies are responsible for responding to and promptly investigating all complaints. Agencies also should maintain information about the incident and investigation, including a summary of the findings, corrective actions, agency response, and disposition.

*Condition:* The DAS human resources administrator informed us that the department has no internal written policies and procedures for its complaint process.

*Context:* DAS provides human resources services to DAS and its client agencies. Human resources generalists serve specific agencies, and complaints can originate from a variety of sources. As of August 28, 2020, the human resources function for in-scope executive branch agencies was centralized under DAS.

*Effect:* The absence of formal investigative procedures increases the risk that investigations may fail to effectively document the basis for administrative action and ensure consistent outcomes.

*Cause:* The department's former human resources administrator did not value having well-defined policies and procedures governing the complaint process. However, the current Human Resources Business Partner in the DAS/Smart HR unit informed us that it is developing written procedures.

*Prior Audit Finding:* This finding has been previously reported, in modified form, in the last audit covering the fiscal years ended June 30, 2015 through 2017.

*Recommendation:* The Department of Administrative Services should formalize procedures to ensure it promptly, consistently, and completely conducts all human resources investigations. (See Recommendation 8.)

*Agency Response:* "DAS agrees in part and disagrees in part with this finding. Each allegation and complaint is highly fact-specific and individualized. DAS

HR staff perform an initial intake with complainants to determine whether a formal investigation is necessary and will notify the appropriate parties. As is documented in DAS' policies, DAS' equal employment opportunity ("EEO") unit investigates discrimination and harassment complaints. The EEO unit tracks all complaints and has formal written policies and procedures. Complaints alleging violations of human resources policies, including allegations of workplace violence, are investigated by the assigned OLR Labor Relations Specialist and all formal investigations are documented."

**Human Resources – Failure to Monitor Employees' Tax Withholding Status**

*Criteria:* The federal Department of the Treasury Internal Revenue Service (IRS) Publication 15 (Circular E), Employer's Tax Guide, requires that employees who previously claimed exemption from federal tax withholding in the prior year submit a new Form W-4, Employee's Withholding Certificate, by February 15$^{th}$ annually. If an employee does not submit a new form, the employer must begin withholding at the single or married filing separately rate.

The Office of the State Comptroller Payroll Division memorandum dated October 22, 2002, informed state agency payroll personnel of this annual requirement. The Comptroller also issues annual Core-CT Human Resources Management System daily mail reminders.

*Condition:* We identified two customer agency employees who were incorrectly exempted from federal tax withholding.

*Context:* Both employees were hired in 2019 and appear to not have claimed withholding exemptions at that time.

*Effect:* Inaccurate tax withholding may lead to a financial or administrative burden on the employee and the State of Connecticut.

*Cause:* The department does not monitor employees' withholding status to ensure that exemptions remain appropriate.

*Prior Audit Finding:* This finding has not been previously reported.

*Recommendation:* The Department of Administrative Services should implement procedures to ensure employees' withholding status remain appropriate in accordance with the federal employer's tax guide. (See Recommendation 9.)

*Agency Response:* "DAS agrees with this recommendation. The Federal Tax Withholding status' for the two employees identified in the audit have been corrected. DAS Payroll will routinely run reports to monitor for any DAS or

SmART agency employees whose status is Exempt for Federal Tax Withholding."

**Human Resources - Absence of Medical Certificates**

*Criteria:* Section 5-247-11 of the Regulations of Connecticut State Agencies provides that employees must provide an acceptable medical certificate, which must be on the form prescribed by the commissioner of Administrative Services and signed by a licensed physician or other practitioner whose method of healing is recognized by the state, to substantiate a request for sick leave for any period of absence consisting of more than five consecutive working days.

Department of Administrative Services General Letter 39 – Family and Medical Leave Entitlement Policy – states that employees absent for their own health reasons must use the Employee Medical Certificate (P-33A) Form. Other forms are available, depending on the reason for the leave.

*Condition:* We reviewed 25 personnel files and discovered 12 instances in which the required medical certificate was not on file for DAS and its customer agency employees. Two of 12 files had a doctor's note. Three additional files contained the required form but only covered part of the employee's absence.

*Context:* During the audited period, 89 DAS and 107 customer agency employees were on medical leave for more than five consecutive days. We reviewed five DAS and 20 customer agency employees.

*Effect:* When an agency does not obtain required medical certificates, there is an increased risk that employees may abuse sick leave.

*Cause:* Employees did not submit required medical certificates.

*Prior Audit Finding:* This finding has not been previously reported.

*Recommendation:* The Department of Administrative Services should improve monitoring of medical leave to ensure employees provide medical certificates for any absence of more than five consecutive working days as required by Section 5-247-11 of the Regulations of Connecticut State Agencies. (See Recommendation 10.)

*Agency Response:* "DAS acknowledges this finding, but does not agree that it has inadequate medical documentation. DAS was unable to provide all documentation because during the audit period for a variety of reasons outside of the agency's control, including that all DAS and SmART customer agency medical files were being scanned and digitized and some information was not accessible. As of August 2020 this function has been taken over by the centralized benefits and leaves unit and documentation should be more accessible on a going forward basis."

*Auditors' Concluding Comments:*

Although we recognize the unusual circumstances of the pandemic and timing of the digitization initiative, we provided agency personnel months to gather the information. During that time, the agency acknowledged the digitizing of records and separate recordkeeping; however, its exhaustive search did not produce the requested documents.

**Human Resources – Monitoring of Dual Employment**

*Criteria:*

Department of Administrative Services General Letter No. 204 – Dual Employment (Revised), dated May 31, 2017, provides direction for DAS and its customer agencies to comply with Section 5-208a of the General Statutes, effective July 1, 2013. It states that "no state employees shall be compensated for services rendered to more than one state agency during a biweekly pay period unless the appointing authority of each agency or his designee certifies that duties performed are outside the responsibility of the agency of principal employment, that the hours worked at each agency are documented and reviewed to preclude duplicate payment and that no conflicts of interest exist between services performed." This information is contained on the CT-HR-25, Dual Employment Request Form, which must be fully executed by both agencies and extended every 12 months by the secondary agency, if necessary. The letter provides further criteria, which states that employees cannot charge paid leave time to work in or travel to another state job. All agencies with a dual employment arrangement should regularly monitor dual employment assignments, using a standardized report, to find any that are not in compliance or due to expire.

*Condition:*

The department has not established and implemented monitoring procedures over dual employment to ensure compliance with the various guidelines.

*Context:*

We previously identified and reported on a dually employed individual who charged full days of leave at the primary agency and full days of work at the secondary agency on the same day. The department did not investigate to determine whether there were duplicate payments in these instances. We also noted that the CT-HR-25 forms were not completed or promptly executed. The dual employment arrangement ceased during the last audited period, and the employee retired.

*Effect:* The lack of adequate monitoring increases the risk of unidentified dually employed personnel and conflicting duties or schedules.

*Cause:* The agency did not enact additional dual employment monitoring.

*Prior Audit Finding:* This finding has been previously reported, in modified form, in the last two audit reports covering the fiscal years ended June 30, 2013 through 2017.

*Recommendation:* The Department of Administrative Services should establish and implement monitoring activities to reduce the department's susceptibility to noncompliance, overpayment, and theft of time. (See Recommendation 11.)

*Agency Response:* "DAS agrees that it should continue to improve its internal controls to reduce the instances of overpayments and reporting of time charged in dual employment situations."

**Human Resources – Failure to Provide Statutorily Required Training**

*Background:* The Department of Administrative Services and Charter Oak State College's Connecticut Distance Learning Consortium entered into a 5-year agreement, effective January 1, 2014, which formed the Connecticut Education Academy (CEA). The academy provided online training courses to state employees, such as diversity, workplace violence prevention, and sexual harassment to supplement in-person instruction. The CEA is no longer active.

As of June 2021, executive branch state employees can access LinkedIn Learning, a platform on which DAS plans to provide workplace violence prevention and diversity training. However, the Statewide Human Resources' Learning & Development unit has not developed these courses.

*Criteria:* Section 4a-2a(b) of the General Statutes requires full-time state employees to attend a workplace violence awareness, preparedness, and prevention program not later than six months from their date of hire.

Section 46a-54 (16) of the General Statutes requires state agencies to provide a minimum of three hours of diversity training and education to all newly hired supervisory and nonsupervisory state employees, not later than six months after their date of hire, with priority for such training to supervisory employees.

*Condition:* As of July 2021, DAS has not provided statutorily required workplace violence and diversity training to mandated employees since July 2017.

*Context:* DAS provides human resources and equal opportunity (EEO) services to the department and its customer agencies. The EEO office and the various human resources units handle DAS and other agency matters, including coordinating mandated training. As of August 28, 2020, DAS became responsible for the human resources functions of most executive branch agencies, which includes scheduling and verifying completion of mandatory training.

*Effect:* The risk of workplace violence and discrimination may increase without preventive education and training.

*Cause:* Workplace violence prevention and diversity training are not yet available on the LinkedIn Learning platform.

*Prior Audit Finding:* This finding has been previously reported in the prior audit report covering the fiscal years ended June 30, 2015 through 2017.

*Recommendation:* The Department of Administrative Services should provide employees statutorily required workplace violence and diversity training in accordance with Section 4a-2a(b) and Section 46a-54(16) of the General Statutes. (See Recommendation 12.)

*Agency Response:* "All learning and development resources were eliminated at DAS in 2017. DAS is in the progress of building back a Learning and Development unit. We agree with the recommendation, and note that work to deliver such training via LinkedIn Learning is in progress. For example, in November of 2021, DAS sent out the LinkedIn Learning Platform training for Active Shooter – which was renamed "Responding to an Active Killer" – as part of workplace violence awareness and preparedness."

**Human Resources – Inadequate Controls Over Overtime and Compensatory Time**

*Criteria:* Collective bargaining agreements and Management Personnel Policy 17-01 – Compensatory Time for Employees Exempt from Collective Bargaining require that employees receive preapproval for overtime and/or compensatory time, with certain exceptions, and sets compensatory time expiration periods using various plans within Core-CT.

Prudent business practices suggest that controls over overtime and compensatory time should ensure that recorded hours are valid, properly authorized, and completely and accurately recorded.

*Condition:* Through our review, we found that employees did not promptly submit compensatory and overtime requests. We also noted that many employees were enrolled in incorrect compensatory time plans and found expired compensatory time in employee leave balances.

*Context:* We reviewed compensatory time and overtime accruals for 20 DAS employees. Six of the ten employees who earned compensatory time submitted their requests between two and 13 days after earning the additional hours. Four of the ten employees who earned overtime submitted their requests between two and seven days after working the additional hours.

In our review of ten employees, we found expired compensatory time in all employees' leave balances. The expired time remained available for between three and 180 days. There were 297.5 expired hours that remained available to these employees, ranging from 5 to 78 hours per employee. There also were 150 employees who appeared to be in the incorrect compensatory time plan as of the end of fiscal year 2020.

*Effect:* Employees may be earning excessive or unnecessary time. Delayed overtime or compensatory time submissions may lead to the inaccurate reporting of hours.

Employees could use compensatory time balances past the permitted period established by their collective bargaining contract. Employees enrolled in incorrect compensatory time plans could earn more time than allowed or use time that should have expired.

*Cause:* The department did not enforce the requirement that employees submit requests prior to (or in emergency or on-call situations, immediately after) working additional hours. DAS permitted employees to submit several days of requests at the end of their work week or pay period.

The department did not monitor compensatory time balances to remove expired compensatory time.

*Prior Audit Finding:* This finding has not been previously reported.

*Recommendation:* The Department of Administrative Services should ensure compliance with compensatory time requirements in bargaining unit contracts and its management personnel policy. (See Recommendation 13.)

*Agency Response:* "DAS agrees in part and disagrees in part with this finding. During the audit period a majority of the time earned was a result of emergency response work related to the COVID 19 pandemic and it cannot be reasonably expected that requests for emergency work be submitted ahead of the emergency."

*Auditors' Concluding Comments:* As acknowledged in the cause, department policy allows employees to submit requests for emergency overtime or compensatory time immediately after earning the time. However, DAS permitted employees to submit several days of requests at the end of their work week or pay period.

**Payroll – Inadequate Controls Over Time Reporting**

*Background:* Most state agencies use the Core-CT Human Resources Management System to record time and attendance and process payroll. Employees in self-service agencies enter their time using time reporting codes. Time reporting codes are associated with earning codes during the payroll process.

*Criteria:* Proper internal controls ensure that employee timesheets are accurately completed, properly approved, correctly processed, and adequately monitored.

*Condition:* We identified 47 occasions in which 23 employees charged holiday time reporting codes on non-holidays for a total of 289.75 hours.

*Context:* We limited our review to verifying that employees who charged holiday time reporting codes on a non-holiday did not exceed the 12 state holidays in calendar years 2018 and 2019, or nine state holidays in calendar year 2020, the number of holidays through the date of our review.

*Effect:* Employees may be receiving time off to which they are not entitled.

*Cause:* Supervisory review of timesheets prior to approval is lacking. DAS does not monitor time reporting to identify and promptly address these instances.

*Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2015 through 2017.

*Recommendation:* The Department of Administrative Services should implement controls to ensure the appropriate time reporting codes are used. In addition, the department should correct and adjust employee leave balances to account for leave time. (See Recommendation 14.)

*Agency Response:* "DAS agrees that there is the potential for incorrect time reporting codes to be used. These errors are usually identified by employees' supervisors or payroll staff. DAS will continue to work to educate employees on correct time coding as well as to create additional reports to identify time reporting code errors."

**Maximizing Revenue Collections**

*Background:* The Department of Administrative Services is responsible for the state's centralized collection efforts. DAS has the authority to establish liens on decedent estates, unearned income or assets from lawsuits, personal injury insurance claims, and inheritances in order to collect monies from individuals or their legally liable relatives for state assistance received, costs of incarceration, and costs of care.

*Criteria:* The purpose of utilizing a statewide centralized collections process is to achieve economies of scale to maximize state collections and minimize recovery costs.

As such, the department should determine whether it needs additional staffing or other resources to increase collections and determine whether the additional costs would exceed the increase in collections.

To minimize the cost to the state and maximize the collection of money owed to the state, it is necessary to understand the relationship between collection efforts and subsequent outcomes. This should include how staff activities and system downtime impact the collection of amounts owed to the state.

*Condition:* When we requested records necessary to test various aspects of the collections process, the department disclosed that two of the Collection Services division's applications (Diamond and Ruby) suffered a catastrophic hardware failure on June 21, 2021, which resulted in data loss.

The department later reported that it returned Ruby to operation on August 24, 2021, and as of September 15, 2021, the Diamond system was in the final stages of validation before it could return to service.

*Context:* The Ruby system houses intercept information for insurance claims and tables for exporting medical assistance data used to recover accident-related medical costs. The Diamond system is used to collect and analyze debt data from several agencies, such as the Departments of Social Services, Children and Families, and Public Health and is used to submit debts to the state tax intercept program. Diamond is the only reliable and complete electronic record of debt payments.

*Effect:* The sustained system outages decreased the productivity of staff and adversely impacted collections. In addition, because of the system outages and data loss, the department was unable to provide the records necessary to test various aspects of the collections process.

*Cause:* As previously reported, the division had outages ranging from several minutes to many hours that occurred once or twice a month. The Bureau of Enterprise Systems and Technology (BEST) took steps to stabilize the systems, as the Collection Services division was in the process of procuring a new system. BEST did not properly configure the system backup to safeguard against the loss of data.

*Prior Audit Finding:* This finding has been previously reported, in modified forms, in the last two audit reports covering the fiscal years ended June 30, 2013 through 2018.

*Recommendation:* The Department of Administrative Services should complete its procurement of a new collections system that would include the necessary analytical tools to identify revenue opportunities and associated costs to ensure that increases in revenue would cover the cost of additional staff or further system improvements. The department should ensure all collection applications have appropriately configured backups to safeguard against the loss of data. (See Recommendation 15.)

*Agency Response:* "DAS Collections Services agrees with the audit findings. We will continue our procurement of a new collection system and will continue to request verification from BEST/IT that our back up systems are working properly, on an annual basis."

**Untimely Purchase Orders – DAS and SmART Agencies**

*Background:* Under Section (60)(c) of Public Act 05-251, the Department of Administrative Services became responsible for providing the business office functions of certain agencies.

*Criteria:* Section 4-98(a) of the General Statutes indicates that "Except for such emergency purchases as are made by a budgeted agency under regulations adopted by the commissioner of the Department of Administrative Services, no budgeted agency or any agent thereof shall incur any obligation, by order, contract or otherwise, except by the issue of a purchase order or any other documentation approved by the Comptroller, necessary to process the transaction transmitted by the budgeted agency or its agents to the commissioner and the Comptroller, provided the amount to be charged against the appropriation for a budgeted agency in any year for a purchase order for a current expenditure shall be the amount anticipated to be spent in such year."

*Condition:* We tested expenditure transactions covering the department and the agencies it serves and found instances in which DAS did not promptly approve purchase orders.

*Context:* We reviewed 25 DAS expenditure transactions, totaling $3,161,968, and found that four purchase orders, totaling $171,055, were not approved on time.

We reviewed 40 expenditure transactions of DAS customer agencies, totaling $1,956,200. We found that two purchase orders, totaling $9,309, were not approved on time, and three purchase orders, totaling $23,888, had insufficient funds committed to cover all payments.

*Effect:* Noncompliance with statutory requirements could result in agencies exceeding their appropriations.

*Cause:* It appears that the department has not fully exercised its authority to ensure compliance with statutory requirements.

*Prior Audit Finding:* This finding has been previously reported in the last four audit reports covering the fiscal years ended June 30, 2008 through 2017.

*Recommendation:* The Department of Administrative Services should ensure compliance with Section 4-98(a) of the General Statutes by having properly approved and adequately funded purchase orders in place prior to ordering goods and services. (See Recommendation 16.)

*Agency Response:* "DAS agrees with this recommendation. We have implemented new procedures to streamline the correspondence from our Customer agencies and DAS staff to our Business office units. We are moving to a paperless system and all requisitions will be initiated by the agency in the eProcurement module in Core-CT, creating a timestamp of approval and creating accountability."

**Late Payment of Vendor Invoices**

*Criteria:* Section 4a-71 of the General Statutes deems state agency invoice payments to be timely if they are made by the specified due date or within 45 days of receipt of a properly completed claim or receipt of goods and services, whichever is later.

*Condition:* Our review of DAS and customer agency payments noted that several were late.

*Context:* Of the 25 DAS invoice payments reviewed, totaling $3,161,968, we found one $36,577 payment that was 13 days late.

Of the 40 customer agency invoice payments reviewed, totaling $1,956,200, we found three payments, totaling $75,708, that were 11 to 18 days late.

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| *Effect:* | Untimely payments could result in late fees or a loss of prompt payment discounts. |
| *Cause:* | It appears that the customer agencies have not been promptly forwarding invoices to DAS. |
| *Prior Audit Finding:* | This finding has not been previously reported. |
| *Recommendation:* | The Department of Administrative Services should strengthen controls to ensure that it pays invoices on time in accordance with Section 4a-71 of the General Statutes. (See Recommendation 17.) |
| *Agency Response:* | "DAS agrees with this recommendation. We have been working with our SmART customer agencies who have implemented process changes to address the issue of invoices not being sent to DAS in a timely manner. We will continue to monitor receipt of invoices for timeliness as well as continue to communicate with DAS and customer agency managers as to the importance of this requirement." |

**Agency Trust Account Bank Reconciliations**

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| *Criteria:* | The Department of Administrative Services is the representative payee for funds received for individuals under the state's care and is responsible for reconciling bank statements to the balance of the client trust accounts. Sound business practices dictate that bank reconciliations be prepared and reviewed in a timely manner. |
| *Condition:* | While DAS reconciled the deposits and withdrawals posted to the bank statement, it did not reconcile the bank statements to the balance of the client trust accounts. As a result, DAS did not account for all the deposits and withdrawals it recorded in the trust accounts that the bank had not yet posted. These unreconciled differences began during fiscal year 2015 and continued through fiscal year 2020. As of May 2021, the agency had not investigated or corrected the difference. The unreconciled difference has steadily increased since it was first identified. |
| *Context:* | The DAS trust account had deposits and withdrawals ranging from \$600,000 to \$800,000 in any given month with an ending balance that can fluctuate from approximately \$100,000 to \$1,000,000, depending on the timing of the deposits and withdrawals. |
| *Effect:* | DAS may not be able to detect and correct problems or errors in the client trust accounts by not completing reconciliations promptly. |
| *Cause:* | The department believes that a programming error caused the unreconciled difference. |

*Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2015 through 2017.

*Recommendation:* The Department of Administrative Services should resolve the unreconciled difference between the balances in its bank account and client trust accounts. (See Recommendation 18.)

*Agency Response:* "DAS agrees with this recommendation. The Central Accounting Unit has manually reconciled the bank account and the balance of the client Trust Accounts system and has worked with IT staff to correct the programming error in the automated reconciliation function to eliminate the need for the manual reconciliation."

**Untimely Elevator and Escalator Inspections and Expired Certificates of Operation**

*Criteria:* Section 29-195 of the General Statutes states that each elevator or escalator shall be thoroughly inspected by a DAS elevator inspector at least once every 18 months. Elevators in private residences are inspected at the owner's request.

Section 29-196 of the General Statutes states that elevator and escalator certificates of operation shall be renewed every two years upon receipt of the $240 renewal fee. No elevator or escalator may be lawfully operated without such a certificate.

Section 29-197 of the General Statutes indicates that if any elevator or escalator is operated without the required certificate, the department shall order the entity to place an out-of-service notice in the elevator or escalator.

Section 29-198 of the General Statutes permits the department to assess penalties, including fines and misdemeanors, for violations of these statutes.

*Condition:* At the time of our review, the Department of Administrative Services Bureau of Elevators within the Office of the State Building Inspector did not conduct timely inspections of most registered elevators and escalators.

Certificates of operation for numerous elevators and escalators were expired.

*Context:* We found that 14,519 of 16,657 elevators or escalators were overdue for regular inspection by between one and 1,036 days as of June 8, 2021. We found 1,564 elevators or escalators with expired certificates of operation. Of those, the department showed sixty-two in active status, and they should have valid certificates of operation. The department listed the remaining 1,502 as "red tagged" and out of service. Ordinarily, expired certificates would be appropriate in these instances; however, our random review revealed that DAS brought some back into service after inspection but did not change them to active status.

*Effect:* Untimely inspections increase the risk of serious safety code violations, which could result in accidents and injuries.

The department did not collect all fees due. Elevators and escalators may be operating unlawfully.

*Cause:* The department informed us that the number of elevator inspectors has declined from ten to five in the last several years. The department indicated that most elevator inspectors used to come from private industry and sought state employment for retirement benefits, as the state salary scale is well below the private sector. Since state retirement benefits were reduced, these inspectors no longer have an incentive to work for the state.

The department does not enforce penalties allowed for violations of statutory requirements. The department's internal controls were not always effective in ensuring that elevators and escalators were properly designated as active or inactive.

*Prior Audit Finding:* This finding has not been previously reported.

*Recommendation:* The Department of Administrative Services should obtain the necessary resources to ensure that it promptly performs elevator and escalator inspections in accordance with Section 29-195 of the General Statutes. The department should implement procedures to ensure certificates of operation are renewed in accordance with Sections 29-196 and 29-197 of the General Statutes and consider assessing penalties to address unpaid fees and improper elevator and escalator operation as permitted by Section 29-198 of the General Statutes. (See Recommendation 19.)

*Agency Response:* "DAS agrees that necessary steps should be taken to ensure elevator inspections are timely performed. To address the time-sensitive, public safety matter of untimely inspections, DAS has issued an RFP seeking assistance to reduce the backlog of inspections which was exacerbated greatly by the pandemic. Extensive recruitment efforts to fill elevator inspector vacancies were unsuccessful, largely due to uncompetitive salaries. DAS initiated an effort to increase the compensation for state inspector job classes to make salaries offered by the state closer to what the market is and plans to continue with its recruitment efforts and was successful at increasing that compensation. One new inspector has been onboarded and the recruitment process is active for four additional inspectors.

DAS agrees that certificates of operation should be timely reviewed. Regarding the small number of expired certificates, DAS will be implementing additional software to automate the invoicing, payment and certificate-issuing functions, which will free up additional time for the team's processing technician to carry out additional quality control to address this.

DAS disagrees that penalties allowed by Section 29-198 of the General Statutes should be assessed. The assessment of penalties for violation of C.G.S. 29-191 through 29-197 is rarely appropriate because the delays in obtaining inspections by state inspectors or a new/renewed certificate are not usually caused by the person or company responsible for the building. For failure to comply with the regulations and the adopted elevator safety standard, penalties have not typically been levied as corrections are usually made in the normal course of business. DAS will review this policy and revise if necessary."

**State Construction – Capital Asset Valuation**

*Criteria:* The Office of the State Comptroller's State of Connecticut Property Control Manual requires that the "recorded asset cost should include the purchase or construction cost, professional fees for architects, appraisers, or financial advisors, and any other expenditure necessary to put a building or structure into its intended state of operation." The manual also states that the main criteria for capitalization of building improvements are that the expenditures significantly extend the individual building's useful life or enhance its value. Expenditures not meeting these criteria should be expensed.

The Property Control Manual requires the Department of Administrative Services to prepare a Certificate of Completion, which communicates this information to the agency with the building asset.

*Condition:* The Department of Administrative Services modified its process for preparing and distributing asset valuation information, ensuring that it makes sufficient capital information available to custody agencies at the time a project is completed. However, DAS has not worked with the Office of the State Comptroller to correct the prior misstatements identified in the state's building asset records.

*Context:* Previously identified misstatements totaled $94,187,820 for projects totaling $417,683,639.

*Effect:* The prior defect in internal controls resulted in a cumulative misstatement that may be material to the state's financial statements. The misstatement remains in the state's financial statements until it is corrected.

*Cause:* Previously, department personnel responsible for reporting the full capital cost of projects to a custody agency did not have the financial background necessary to identify the deficiency in the financial reporting to custody agencies.

*Prior Audit Finding:* This finding has been previously reported in the last two audit reports covering the fiscal years ended June 30, 2013 through 2017.

*Recommendation:* The Department of Administrative Services should work with the Office of the State Comptroller to resolve the misstatements in the state asset records. (See Recommendation 20.)

*Agency Response:* "DAS agrees that it should work with the Office of the State Comptroller to resolve misstatements in the state asset records. DCS Accounting has reached out to the Comptroller's office to find a resolution and has been informed that the matter is still under review in that office."

**State Construction - Change Order Control Deficiency**

*Criteria:* The Department of Administrative Services requires the review and approval of all construction change orders prior to the commencement of additional work on a project. The department contracts with construction administrators to assist project managers in overseeing the completion of all contractual requirements and to review change orders. The department may also contract with a third-party consultant, architect, or engineer to review change orders. These contractors and the relevant DAS personnel approve change orders. The DAS commissioner delegates approval authority to authorized individuals based on the amount of the change order. The department documents the review and approval of change orders with signatures on change order forms.

*Condition:* As part of our prior audit follow-up, we reviewed two change orders, each from ten projects that were open as of June 30, 2020. Six of the ten projects contained change orders with signature or documentation exceptions. Six change orders were missing supporting documentation, and four were missing signatures or were not signed in accordance with the delegation of authority.

*Context:* For fiscal year 2020, the department identified construction contracts totaling $564,768,453. Of these, the selected projects totaled

$415,134,831. The 20 selected change orders from the selected projects totaled $981,470.

*Effect:* Change orders continue to be made without requisite internal controls and represent an opportunity for waste, fraud, and abuse.

*Cause:* For change orders with delegation exceptions, the department's change order form outlines signatory authority that does not match the delegation of authority. The change order forms require a deputy commissioner signature when the change order totals $100,000 or more, while the delegation of authority at the time required a deputy commissioner signature when the change order totaled $50,000 or more.

For change orders with missing documentation, the department uploaded the signed change order forms, but did not include the documentation used to support the change order in the upload.

*Prior Audit Finding:* This finding has been previously reported, in modified form, in the last two audit reports covering the fiscal years ended June 30, 2013 through 2017.

*Recommendation:* The Department of Administrative Services should regularly monitor projects for compliance with change order controls and require project managers to use project management software to avoid waste, fraud, and abuse. (See Recommendation 21.)

*Agency Response:* "DAS agrees that the agency should regularly monitor projects for compliance with change order controls and require project managers to use its project management software.

DAS has purchased new project management software that is more user friendly. The Project management team will be trained in the software's use and retrained in our change order process that requires full back-up, and proper authorization. Additionally, DAS is reorganizing our PM department in order to increase managerial oversight of project managers."

**State Construction – Project Management**

*Background:* The Department of Administrative Services utilizes a proprietary construction project management system. Project managers enter project financial information, such as budgets and expenses, into the system.

*Criteria:* The Department of Administrative Services outlined three best practices for its project managers:

1. Every project manager should manage projects in the system.

2. Project managers should update financials monthly prior to the construction phase and periodically as needed.

3. Managers must monitor projects for cost overruns, and if the project is expected to exceed the budget, it should be limited to meet budget constraints.

These best practices were applied to a review of projects by determining if:

1. Project information was in the system;

2. The project manager updated the financials within the past month when the budget or expenditure variances exceeded 1%*; and
3. The budget or recorded expenditures in the system exceeded the budget or expenditures in Core-CT by more than 1%* of the budget or expenditure totals.

*The 1% threshold was established using auditor judgment as a reasonable tolerance for accepting variances between two systems in which there is an expectation that data should reasonably match.

*Condition:* We reviewed ten projects and compared their financials in the system to the budget and expenditure data in Core-CT. For the selected projects, eight of ten exceeded the 1% variance threshold in the budget or expenditures, and they were not updated within the prior month.

*Context:* For fiscal year 2020, the department identified construction contracts totaling $564,768,453. Of these, the selected projects totaled $415,134,831.

*Effect:* The department did not consistently follow its best practices, which reduces its mitigation efforts and increases the risk of cost overruns.

*Cause:* Project managers do not receive ongoing training to maintain relevant knowledge as is the industry standard.

*Prior Audit Finding:* This finding has not been previously reported.

*Recommendation:* The Department of Administrative Services should provide ongoing training to project managers to strengthen internal controls over its construction project management process. (See Recommendation 22.)

*Agency Response:* “DAS agrees that it should provide training to project managers to strengthen internal controls over the construction project management process. DAS plans to replace the PM Web project management system with a new, more user-friendly project management software for future projects. Implementation of a new project management system will make updating project information and tracking much more manageable.

The Assistant Directors of Project Management (ADPM) periodically review the PM Web folders of active projects with assigned Project Managers (PM) to ensure compliance with record management standards. Weekly record updating of active projects by the assigned PM will be required. Additionally, the ADPMs will prepare refresher training for all DAS PMs to review requirements and ensure staff understanding of said requirements. Financial reports will be reviewed monthly by the PM and periodically with the ADPM. At a minimum, the ADPM or assigned staff will also review PM Web records at each major project milestone, i.e., SD, DD, CD, Bid, Construction, 50% Construction, to ensure compliant record updates occur."

**School Construction – Grant Audits**

*Background:* The U.S. Government Accountability Office's (GAO) *Government Auditing Standards* promulgates generally accepted government auditing standards (GAGAS). GAGAS are the accepted professional standards for governmental audits and other engagements. Conducting an audit in conformance to professional auditing standards is evidence of due care.

*Criteria:* Section 10-287 (a) of the General Statutes requires the Department of Administrative Services to audit school construction grants prior to final payment. The department's audits indicate that they are performed in accordance with generally accepted government auditing standards.

Paragraph 3.56 of *Government Auditing Standards* establishes criteria that government internal auditors must meet to be considered structurally independent. These criteria include requiring internal auditors to be located organizationally outside the management function of the unit under audit and be sufficiently removed from pressures to conduct engagements and report findings, opinions, and conclusions objectively without fear of reprisal.

Proper internal controls suggest that an internal audit unit must be organizationally independent to effectively perform its responsibilities as it cannot objectively assess the actions of its management. The unit must be free from interference in determining the scope of internal auditing, performing work, and communicating results.

| | |
|---|---|
| *Condition:* | We reviewed the audit reports and available workpapers for three school construction grants. The audit reports indicated that the engagements were performed in accordance with generally accepted government auditing standards. However, the audits did not meet the independence requirements, because we determined that the department's School Construction Grant Program examiners were not organizationally independent.<br><br>During our initial walkthrough of policies and procedures in October 2020, we informed the department about this threat to independence and other identified weaknesses with compliance to government auditing standards. |
| *Context:* | In fiscal year 2020, the department's examiners completed an estimated 45 audits for projects totaling $429,422,528. |
| *Effect:* | A structural impairment of independence is pervasive and could threaten the findings, opinions, and conclusions of every engagement. |
| *Cause:* | In November 2019, the Department of Administrative Services executed a memorandum of understanding with the Office of Policy and Management (OPM) that relocated the DAS School Construction Grant Program examiners from the DAS Business Services Division to OPM, along with the director of the Office of School Construction Grants & Review (OSCGR) who was appointed deputy secretary. These examiners were structurally independent from OSCGR when they were under the DAS Business Services Division. This reorganization resulted in a structural threat to audit independence. |
| *Prior Audit Finding:* | This finding has not been previously reported. |
| *Recommendation:* | The Department of Administrative Services should ensure that the school construction audit unit is organizationally independent. The department should also ensure that school construction audits comply with generally accepted government auditing standards established by the U.S. Government Accountability Office if those audits indicate they are being performed under those standards. (See Recommendation 23.) |
| *Agency Response:* | "DAS agrees with this finding. As noted in the "Cause" section, in November 2019, DAS executed a memorandum of understanding with OPM when the Director of OSCGR was appointed Deputy Secretary of OPM. DAS notes that effective 10/28/2021, the aforementioned MOU was terminated, and the OSCGR Division has returned to DAS. As part of this transition, the auditors have been transferred back into the DAS Business Office, thereby clarifying the segregation of the reporting relationship. The relocation of the auditors will not change the practice |

which requires the auditors to consult with the program staff to understand elements of the project in reviewing project files."

**School Construction – Cost Containment**

*Background:* The School Building Project Advisory Council (SBPAC) is organized under 10-292q of the General Statutes. The commissioner of Administrative Services or a designee is the SBPAC chairperson.

Section 10-283(a)(2) of the General Statutes provides that the commissioner of Administrative Services prepare a list of eligible school building projects with the estimated grant amounts that it presents to the Governor, Secretary of the Office of Policy and Management, and the General Assembly by December 15th of each year to request authorization for the grant commitment. The list of eligible projects is known as the priority list.

*Criteria:* In September 2016, SBPAC established a $365 per square foot maximum allowable building construction cost, effective July 1, 2017, which would apply to grant applications approved in the December 2018 priority list.

The Department of Administrative Services documented the maximum $365 per square foot cost on its Form SCG-2003 – Building Construction Costs. Because the department requires construction professionals to complete cost estimates as part of the grant application, it has reliable cost estimates to evaluate each project's building construction cost per square foot.

*Condition:* We compiled a list of 47 new and renovate-as-new school construction projects totaling $2,424,821,862 from the approved priority lists for fiscal years 2016 through 2021.

We selected 23 projects, totaling $1,432,439,665, based on total project cost per square foot from the accumulated priority list data. We reviewed the 23 projects' cost estimates and calculated the building construction cost per square foot. We identified that 19 projects exceeded the $365 per square foot cap for building construction costs, and three projects did not have cost estimate data.

The Office of School Construction, Grants & Review (OSCGR) confirmed that after reviewing the physical file, it could not find the cost estimates for three projects. Based on the testing results, it is likely that these projects exceeded the cost cap.

For the projects that exceeded the maximum allowable building construction cost per square foot, the lowest cost project was $366 per square foot and the highest was $558 per square foot.

For comparison purposes, the 47 priority list projects are broken down by fiscal year. Based on the manner of project selection, the 24 projects not selected for cost estimate review were probably at or below the cost cap:

| Breakdown by Priority List | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | Total |
|---|---|---|---|---|---|---|---|
| **Exceeds $365 PSF Cap** | 1 | 2 | 5 | 0 | 5 | 6 | **19** |
| **Missing Cost Estimates** | 0 | 0 | 0 | 0 | 0 | 3 | **3** |
| **Total Possible to Review** | 9 | 6 | 9 | 3 | 9 | 11 | **47** |
| **% of Year in List Exceeding Cap** | 11% | 33% | 56% | 0% | 56% | 55% | |

Considering the analysis above, the cost cap has been in effect only for projects approved in fiscal year 2019 and later. As such, we believe that 14 of the 23 (61%) priority list projects approved in fiscal years 2019 through 2021 exceeded the cost cap.

*Context:* SBPAC established the cost cap effective in fiscal year 2019 in fiscal year 2017 and has not increased the cost cap since then. Based on the Consumer Price Index (CPI) specific to new school construction, we estimated that the cost caps for fiscal year 2020 and 2021 would have increased to $366 and $385, respectively. The cost cap would have increased to $407 for fiscal year 2022 grant applications, which were not part of our testing. The application of inflation estimates did not change the outcome of the analysis because the increases in the per square foot cost for school projects exceeded the rate of inflation.

Based on the department’s policies, the building construction costs that exceed the cost cap and a proportionate share of consultant costs would be ineligible for state reimbursement. However, the DAS commissioner has the authority to waive ineligible costs, allowing for the reimbursement of these costs. This authority was delegated to the Deputy Secretary of the Office of Policy and Management as part of a memorandum of understanding executed in November 2019. In effect, the cost cap only applies to those projects in which DAS did not issue a waiver.

*Effect:* By not enforcing cost limits, school project costs may become excessive, and districts are reimbursed for otherwise ineligible costs.

*Cause:* The department did not enforce its cost cap, and SBPAC has not voted to increase the cost cap set in September 2016.

*Prior Audit Finding:* This finding has not been previously reported.

*Recommendation:* The Department of Administrative Services should establish controls to ensure that school construction projects are monitored for compliance with recommended cost caps or documented waivers. (See Recommendation 24.)

*Agency Response:* "DAS agrees with the finding. The $365 per square foot parameter was established by the School Building Projects Advisory Council in 2016 and has not been adjusted for escalation. DAS is about to conduct a regional cost analysis and will update our target cost per square foot accordingly.

In addition, DAS is in the process of hiring a new Director of OSCGR, and that individual will be tasked with working to improve capacity to maintain the cost per square foot within guidelines, track costs in a more detailed and systematic level and assess whether such guideline should be adjusted."

**School Construction - Data Reliability**

*Background:* The Department of Administrative Services moved its school construction project grants from its legacy system to Core-CT effective October 2018.

*Criteria:* Section 10-284(b) of the General Statutes authorizes the commissioner of Administrative Services to disapprove a grant application if the town or regional school district has not begun construction within two years after the effective date of the grant authorization.

The department's policy states that grant commitments for projects that have not begun construction within two years will be canceled unless exigent circumstances beyond the control of the district caused a delay. In that case, the district will be granted a one-year extension to begin construction.

Principle 13 of the Information & Communication component of internal control outlined in Standards for Internal Control in the Federal Government states that "management should use quality information to achieve the entity's objectives."

*Condition:* Analytical procedures performed on school construction project grant data in Core-CT identified 362 projects, totaling $947,052,167 in grant commitments, that did not receive reimbursement payments against their commitment and appeared likely to have passed the project's two-year construction deadline.

We selected 14 of the largest projects, totaling $426,073,797 in grant commitments, to review for construction start dates or grant extensions. The review identified six projects, totaling $253,570,601 in grant commitments, that exceeded the two-year construction deadline, did not have an extension, and were not canceled. Five projects, totaling $70,164,863, were likely completed but were not closed out in Core-CT.

We presented this information to the department to afford it the opportunity to correct the data in Core-CT before the Office of School Construction, Grants & Review (OSCGR) prepared a memorandum on grant commitments for the state's fiscal year 2021 Annual Comprehensive Financial Report (ACFR). The department did not make corrections and presented misstatements in the memorandum.

*Context:* In the department's fiscal year 2021 ACFR memorandum on potential school construction grant payments, it estimated a $2,610,771,494 total obligation.

*Effect:* The Core-CT school construction data issues contributed to an overstatement of the state's commitments reported in the ACFR notes, may have overstated future funding needs, and reduced the likelihood of canceling projects that have not begun construction on time.

*Cause:* The Office of School Construction Grants & Review has one employee primarily responsible for entering the school construction data into Core-CT. This person is also responsible for reviewing grant applications submitted in June for addition to the priority list published in December. The school construction Core-CT data pages that identify grant commitments needing cancelation or extension must be accessed individually, as the data cannot be queried. There is not enough time for the employee to evaluate the projects and complete the review of grant applications during the same period.

*Prior Audit Finding:* This finding has not been previously reported.

*Recommendation:* The Department of Administrative Services should improve the quality of school construction data in Core-CT to enhance the accuracy of its financial reporting and provide the department accurate information to improve its program operations. (See Recommendation 25.)

*Agency Response:* "DAS agrees with the finding. DAS will evaluate system modification, end-user training, or procedure changes that can be implemented to address the findings going forward, including but not limited to changes that would permit use of the system to track the status of those projects that are subject to cancellation and/or extension under statute. In addition, DAS plans to begin active recruitment so that there is more than one employee with responsibility for entering school construction data into CORE."

**School Construction – Change Order Documentation**

*Criteria:* Section 10-286(c)(4) of the General Statutes provides that, for school building projects with total authorized costs greater than $10 million, if total construction change orders or other change directives otherwise eligible for grant assistance exceed 5% of the total authorized project cost, the excess will be ineligible for grant assistance.

The Office of School Construction Grants & Review (OSCGR) Common Change Order Ineligibles Bulletin (Form SCG-3050) identifies the 5% provision codified in Section 10-286(c)(4) of the General Statutes and further clarifies that the provision includes change orders paid out of allowance and contingency funds.

The Notice of Change Order (Form SCG-042.CO) is required for every change order and requires the certified forms to be submitted electronically and in hardcopy to OSCGR. The change order information is added to the State Change Order Summary (Form SCG-043.CO) each time a notice is submitted and includes information such as eligible and ineligible costs.

*Condition:* OSCGR maintains a log of submitted project change orders. However, OSCGR stated that the log is not the document of record, and the most complete record is the project files. We reviewed the change order log from March 2021 and July 27, 2021 and requested the latest State Change Order Summary (Form SCG-043.CO) for ten projects, with change orders that appeared to exceed the 5% provision, totaling $59,996,595.

Through our review, we found that six project files were deficient because the change order summaries were missing, incomplete, or misfiled. Our review of the summaries in the four remaining project files revealed that the change orders exceeded the 5% provision, but did not identify the ineligible costs on the forms.

For the ten selected projects, we estimated ineligible costs of $21,609,938, with $5,308,959 as the single largest ineligible amount.

*Context:* The analysis of the change order log identified 159 projects, with change orders totaling $315,178,487, that have $500,000 or more in change orders, which is the minimum amount necessary to violate the 5% provision on a $10 million project.

Because the bulletin specifies that change orders paid out of allowances and contingency funds are included in the 5% provision, it should not be inferred that the sum of change orders resulted in a scope expansion that increased the size of the grant to a district. The change orders may represent a scope expansion, but a detailed review of projects and associated change orders would be necessary for that determination.

Projects that exceed the 5% provision can be reimbursed for ineligible costs, as the DAS commissioner or a designee has the authority to waive ineligible costs. In November 2019, DAS delegated this authority to the Deputy Secretary of the Office of Policy and Management. In effect, the 5% provision only applies to those projects that did not receive a waiver for ineligible costs.

*Effect:* Change orders that exceed the limit established in Section 10-286(c)(4) of the General Statutes are ineligible for reimbursement. Incomplete records and forms that do not identify these ineligible costs could result in districts requesting and approving change orders that become ineligible for reimbursement.

We estimated that as many as 49 of the 159 projects may have exceeded the 5% provision. However, this estimate does not consider the use of notwithstanding language in the public act authorizing these projects that may exempt them from the 5% provision.

*Cause:* Although the State Change Order Summary is required, the department does not appear to have effective internal controls to ensure that school districts submit the required summary, and that the department adds it to the project file.

*Prior Audit Finding:* This finding has not been previously reported.

*Recommendation:* The Department of Administrative Services should improve internal controls to ensure that school construction projects are reimbursed in accordance with Section 10-286(c)(4) of the General Statutes. (See Recommendation 26.)

*Agency Response:* “DAS acknowledges this finding. The OPM provides as follows:
OSCGR utilizes a number of forms and records in the implementation of CGS Sec. 10-286(c)(4). In particular, the change order log functions as an intake tracking instrument used by OSCGR’s administrative assistant to log project change order forms (SCG-042.CO "Notice of Change Order" and SCG-043.CO "State Change Order Spreadsheet")

and confirm review with approval or denial. These records and the corresponding reviews inform the grant payment and project audit process. It should be noted that not all change orders submitted by LEAs count against the 5% limit; rather, the statute clearly says that the limit applies only to change orders that would be "otherwise eligible for grant assistance." This may impact the quantity of the dollar amount the Auditors' cited.

Going forward, DAS intends to implement internal controls to ensure projects comply with the provisions of C.G.S. Section 12-286(c)(4) that limit reimbursement for change orders otherwise eligible for grant assistance to a maximum of five percent of the total authorized project cost. These controls shall include, but not be limited to, requiring school districts to submit complete State Change Order Summaries adding the Summaries to the appropriate OSCGR project file. OSCGR will strengthen internal controls for file review to address deficient project files to ensure complete change orders are contained therein."

**Information Technology – Outdated Business Continuity and Disaster Recovery Plan**

*Criteria:* The National Institute of Standards and Technology Special Publication 800-53, Revision 5, provides Contingency Planning (CP) security controls for information systems. Specifically, CP-1 states that the organization reviews and updates the current contingency planning policy and procedures at the organization-defined frequency. Contingency planning includes business continuity and disaster recovery plans.

The department's Business Continuity Program and Disaster Recovery Plan requires it to conduct reviews twice a year during the months of March and September. The purpose of the review is to detect any changes in business functions or the management information systems department and to ensure that modifications identified since the previous review have been properly addressed and resolved in the recovery plan.

*Condition:* As of June 2021, the Bureau of Enterprise Systems and Technology, within the Department of Administrative Services, has not revised its business continuity program and information technology disaster recovery plan since February 2015.

*Context:* DAS has not updated the plan to reflect the change in the agency's location, addition of new divisions, or identified risks.

*Effect:* The failure to update its comprehensive disaster recovery plan may limit the department's ability to address or mitigate risks.

*Cause:* BEST indicated that, as the state agencies' service provider, it has moved away from the traditional disaster recovery process and instead instituted a program for business continuity and disaster recovery objectives addressed through diverse approaches, such as failover capabilities between data center sites. The department is planning a major reorganization that integrates most executive branch information technology professionals into DAS.

*Prior Audit Finding:* This finding has been previously reported, in modified form, in the last three audit reports covering the fiscal years ended June 30, 2011 through 2017.

*Recommendation:* The Department of Administrative Services should update its business continuity program and disaster recovery plan to ensure that it addresses agency or other changes in accordance with professional standards. (See Recommendation 27.)

*Agency Response:* "Disaster Recovery is a critical component of protecting the computing capability and data held within the state. We agree with the Auditors findings that a more formalized plan would be beneficial. We also hold the Business Continuity ("BC") and Disaster Recovery Planning ("DRP") processes to be those of risk management. We invest in reducing these risks in ways that reduce the likelihood and impact of a disaster event. The state's technology environment is dynamic and frequently changing, and an up-to-date, detailed plan that reflects those on-going changes is resource-intensive. DAS/BEST primary role has been to provide shared infrastructure to agencies and have invested in the recovery of infrastructure in our planning. As the IT Optimization has DAS taking on a more holistic responsibility for technology and systems moving forward, the BC and DRP efforts will become more all-encompassing. An update to the DRP was completed in January 2022 and is now maintained by the DAS/BITS Infrastructure Services group through quarterly changes. The DRP is available on request."

**Information Technology – Unsupported System Components**

*Criteria:* The National Institute of Standards and Technology (NIST) recommends various system and services acquisition controls (SA) in its special publication 800-53 (SP-800-53).

Control SA-22, Unsupported System Components, requires the organization to replace information system components when support for the components is no longer available from the developer, vendor, or manufacturer.

The Bureau of Enterprise Systems and Technology within the Department of Administrative Services has developed enterprise architecture standards. In the Platform and Technical Domain Technology Architecture, BEST addresses Product/Technology life cycles that specify whether a product is standard (supported by DAS/BEST and a vendor), transitional (has a defined end-of-life), or provisional. For obsolete and divested products, it states that plans should be developed to migrate from obsolete to standard products, either by replacing the technologies or replacing the solution as rapidly as possible.

*Condition:* BEST did not replace all obsolete products with standard products.

*Context:* As of March 2021, there were 1,745 servers statewide. Statewide, 420 products had exceeded their useful life and no longer received support from the vendor. BEST managed 337 of the 420 servers.

*Effect:* These products are critical to the state's infrastructure and may expose the infrastructure to an elevated risk of possible software and hardware compatibility issues. They also may not satisfy compliance requirements under regulatory obligations.

*Cause:* The department did not dedicate agency resources to migrate antiquated systems or software to supported operating systems.

*Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2015 through 2017.

*Recommendation:* The Department of Administrative Services should develop and implement controls to ensure that products are replaced prior to becoming obsolete and unsupported. (See Recommendation 28.)

*Agency Response:* "DAS agrees with the auditors' findings. DAS/BEST supports infrastructure that is both within DAS control and within Agency control. The DAS controlled operating systems have all been addressed or have an active plan in place to remediate. DAS has been coordinating with agency-controlled infrastructure on plans to upgrade or retire the Operating System versions that are no longer in mainstream support."

**Information Technology – Lack of Active Directory Monitoring and Administration**

*Criteria:* The National Institute of Standards and Technology (NIST) recommends various access controls (AC) in its special publication 800-53. AC-2, Account Management, states that the organization is to create, enable, modify, disable, and remove information system accounts in accordance with organization-defined procedures or conditions. AC-6, Least Privilege, states that the organization is to review the privileges assigned, validate the need for such privileges, and reassign or remove privileges, if necessary, to correctly reflect organizational mission/business needs.

*Condition:* Our review of active directory (AD) accounts in March 2021, determined that the Department of Administrative Services is not monitoring or actively removing accounts that have not been used recently.

The department informed us that it does not have written policies or procedures for tracking, monitoring, and managing active directory accounts.

*Context:* Of the 1,013 active directory user accounts, 265 last logged in 90 days to over eight years ago. We also noted multiple active guest accounts.

*Effect:* Failure to promptly disable inactive accounts permits some users to have unauthorized system access. Furthermore, other individuals may attempt to log in as these users.

*Cause:* Microsoft's AD is used to manage these accounts but is not configured to automatically disable user accounts after a defined period of inactivity.

An additional cause appears to be a lack of resources. DAS does not have automated tools to deactivate, disable, or otherwise lockout these accounts.

*Prior Audit Finding:* This finding has been previously reported in the last two audit reports covering the fiscal years ended June 30, 2013 through 2017.

*Recommendation:* The Department of Administrative Services should develop and implement written policies and procedures for tracking, monitoring, and managing active directory accounts, including a timeframe to deactivate inactive accounts. (See Recommendation 29.)

*Agency Response:* "DAS agrees with this finding. The AD team is tasked with providing process and governance for managing this workload going forward. This process will include identifying IDs greater than 90 days in both the privileged and non-privileged pools, as well as creating guardrails to the process, and steps to remediate with the service desk. The AD team's internal goal is to have the policy drafted by November 1, 2021, and the ID clean-up work completed by the end of January 2022."

**Information Technology – Terminated Staff with Active Core-CT Logon IDs**

*Background:* There are four access modules in Core-CT: Portal, Enterprise Performance Management, Financial Module, and Human Resources Management System. User accounts are set up in Core-CT to access the modules. Modules can be individually locked. A locked website portal will block access to the other modules.

*Criteria:* The Core-CT Security Liaison Guide states that the agency's human resources officer must notify the Core-CT Security Liaison of an employee's termination, retirement, or transfer to another department/agency. The liaison submits the access deletion request for the date of separation.

*Condition:* Our review of terminated employee Core-CT user accounts revealed that DAS was not promptly deactivating accounts upon separation.

*Context:* During the audited period, there were 256 separations at DAS and its customer service agencies. Of these, DAS never locked 123 Core-CT user accounts and locked 45 accounts more than 14 days after termination.

*Effect:* Former state employees were allowed to maintain active user accounts on the state's human resources management and financial system.

*Cause:* The lapse appears to be caused by confusion over who is responsible for informing the agency security liaison of an employee's termination or transfer date.

*Prior Audit Finding:* This finding has been previously reported in the last three audit reports covering the fiscal years ended June 30, 2011 through 2017.

*Recommendation:* The Department of Administrative Services should review and enhance the existing controls related to separating employees to ensure it promptly disables user account access in all Core-CT modules. (See Recommendation 30.)

*Agency Response:* "DAS agrees with this audit finding. DAS Human Resources is updating end of employment processing checklists to ensure notifications are timely."

**Surplus Property Disposal**

*Background:* The Office of Policy and Management (OPM) authorizes the designation of real property as surplus. The Department of Administrative Services has the responsibility of effecting the disposal of real property that OPM has authorized for surplus.

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| *Criteria:* | A successful surplus process would result in the rapid disposal of real property at or near fair market value. A rapid disposal would eliminate the cost of maintaining an asset no longer used by the state and reduce the risk of dilapidation or damage, which results in repair costs or lower sale prices. |
| *Condition:* | Four properties approved for disposal were vacant between 591 and 1432 days prior to the sale. Six other properties remained vacant between 48 and 1078 days as of April 2021. |
| *Context:* | There were ten properties that OPM approved for disposal as of the audited period. |
| *Effect:* | Extended periods of vacancy result in several sources of loss to the state. These losses include maintenance costs, such as heating, cooling, and landscaping, and in cases of prolonged vacancy where dilapidation occurs, extensive repair costs. Furthermore, dilapidated properties require significant investment of resources, which limits the number of qualified buyers eligible to bid on a property. |
| *Cause:* | The Department of Administrative Services is responsible for the surplus of real property. However, unless OPM transfers custody of the vacant property to the department, the custodial agency bears budgetary responsibility for the costs of maintaining or repairing a vacant property. Under this arrangement, the agency may seek to limit the costs to maintain a vacant property. |
| *Prior Audit Finding:* | This finding has been previously reported, in modified form, in the last audit report covering the fiscal years ended June 30, 2015 through 2017. |
| *Recommendation:* | The Department of Administrative Services should revise its process to expedite the sale of surplus property to reduce the cost of maintaining vacant properties and limit further dilapidation and damage. (See Recommendation 31.) |
| *Agency Response:* | "DAS agrees in part and disagrees in part with the finding and recommendation. DAS agrees that the surplus property disposal process mandated by statute is a time-consuming process for the sale of such property. During the 2021 legislative session, DAS was able to reduce the timeframe of review for municipalities from 120 day to 60 days (PA-21-145) but has not been able to reduce all the statutorily mandated processes that add time to the sale process. DAS denies that such delays are the sole or even primary reason that the surplus properties are "dilapidated." To the contrary, most surplus properties are in poor or dilapidated condition because they typically are not maintained for years prior to being declared as surplus. Most of the properties suffer |

from deferred maintenance and environmental conditions inherent in older, unused properties."

**Incomplete Procurement Records**

*Criteria:* Section 4a-51 of the General Statutes establishes that it is the duty of the Department Administrative Services to purchase, lease, or contract for all supplies, materials, equipment, and contractual services required by any state agency, except as provided in section 4-98 and 4a-57.

DAS internal controls ensure that the procurement process is open, honest, fair, and accessible statewide. Internal controls that ensure the integrity of the process rely on participants reviewing bids for completeness of all required forms and affidavits, maintaining confidentiality, and certifying the consensus of procurement outcomes.

*Condition:* We found instances in which procurement files were missing documentation, such as signed scoring sheets, confidentiality certifications, ethics forms, and affidavits.

*Context:* During fiscal years 2018 through 2020, DAS completed approximately 456 contract procurements. Of these, we reviewed ten procurements totaling approximately $116.1 million. In two procurements, totaling approximately $1.5 million, we found that one contract did not contain the confidentiality form and signed scoring sheet, and the other contract did not contain all applicable ethics forms and affidavits.

*Effect:* Missing documentation compromises the perceived integrity of the procurement process. However, we did not identify an adverse impact, as the department had the required documentation on file to support the decision to contract with the vendor.

*Cause:* The department uses its contract award checklist to verify the completeness of a procurement. The checklist did not include a step to ensure that all signed scoring sheets were in the file prior to awarding a contract. As of January 2021, the department implemented a new contracting portal, CTsource, which may ensure that all required information is received and maintained.

*Prior Audit Finding:* This finding has been previously reported, in modified form, in the last audit report covering the fiscal years ended June 30, 2015 through 2017.

*Recommendation:* The Department of Administrative Services should improve internal controls to ensure that all necessary documentation is in the file prior to awarding a contract. (See Recommendation 32.)

*Agency Response:* "DAS Procurement generally agrees with the finding and recommendation and notes that the checklist has been updated to reflect legislative changes made during the 2021 legislative session (PA 21-76) to ensure a completely documented process."

**Inadequate Support for Contract Extension and Price Changes**

*Background:* State contract 12PSX0194 was awarded based on a request for proposal advertised in 2012 and fully executed in April 2013. It is a contract for vehicles that are then upfitted to the specifications established by the Department of Emergency Services and Public Protection (DESPP). The Office of Statewide Procurement determined that upfitting services should be bundled with the vehicle purchase for consistency and accountability. Under this contract, the state takes delivery of a completed vehicle that is ready for deployment to the field. The contract expired in December 2017 but was extended through July 2022.

*Criteria:* Section 4a-59a(a) of the General Statutes states that no state agency may extend a contract for the purchase of supplies, materials, equipment, or contractual services that expires on or after October 1, 1990, and is subject to the competitive bidding requirements of subsection (a) of section 4a-57, without complying with such requirements, unless the commissioner of Administrative Services makes a written determination, supported by documentation, that (1) soliciting competitive bids for such purchase would cause a hardship for the state, (2) such solicitation would result in a major increase in the cost of such supplies, materials, equipment, or contractual services, or (3) the contractor is the sole source for such supplies, materials, equipment, or contractual services. Except in the case where the contractor is the sole source as set forth in subdivision (3) of this subsection, the commissioner shall solicit at least three competitive quotations in addition to the contractor's quotation and shall make a written determination that no such competitive quotation that complies with the existing specifications for the contract is lower than or equal to the contractor's quotation. Any such contract extension shall be based on the contractor's quotation. No contract may be extended more than two times under this section. Subsection (c) further provides that if any contract is extended pursuant to this section without complying with the competitive bidding requirements of subsection (a) of section 4a-57, the commissioner of Administrative Services shall post an explanation of the reasons for such noncompliance on the DAS website.

Since 2010, the Department of Administrative Services implemented a contract extension policy that requires, at a minimum, the savings associated with the contract extension, a market analysis that identifies the vendor base and pricing trends, and a statement indicating whether other vendors intend to bid on the contract. The policy also requires that documentation about the reasons for the extension be maintained in the file to support its justification for future inquiries.

Section 4(d) of contract 12PSX0194 states that the contractor may submit a request in writing to DAS for a price adjustment that is consistent with and relative to price changes originating with and compelled by manufacturer and/or market trends and which changes are outside of the contractor's control. The contractor must fully document and support its request for an adjustment with manufacturer and market data.

Some statewide contracts for the procurement of goods have annual price changes. For vehicle contracts, the price can only change when the manufacturer increases its prices. These increases are supported by model year price adjustments, which are documented by letters from the manufacturer confirming the additional cost. Changes in list price or suggested retail pricing do not affect contract pricing.

*Condition:* We reviewed the contract extension and price changes for contract 12PSX0194. The department did not maintain the documentation it used to justify the extension and did not conduct a market analysis or other steps required under DAS policy or statute.

Our review disclosed that the contract price for model years 2018 through 2021 did not include a confirmation from the manufacturer that it required a change in base pricing. The list pricing the vendor attached to its proposed changes in the contract's base pricing did not agree with the DAS approved figure. The contract base price increases exceeded the corresponding increases to the list price for model years 2018 through 2021 by $134 to $993 each year. DAS did not maintain documentation that supported the contract prices for model years 2018 through 2021.

*Context:* In calendar year 2020, the vendor delivered 231 vehicles to DAS and 140 vehicles to municipalities, totaling $10,102,000 and $7,318,000, respectively.

*Effect:* The approved contract pricing for model years 2018 through 2021 is not supported with sufficient documentation to demonstrate that it was based on manufacturer increases. Price increases more than those originating from or compelled by the manufacturer are cumulative and raise prices for all subsequent model years.

Municipalities utilize state contracts to minimize procurement costs and expect that the contract was competitively bid and resulted in the best price. Excessive price increases reduce competitiveness and increase state and municipal costs. Over time, this may cause municipalities to procure goods and services outside of state contracts.

*Cause:* Prior to model year 2018, the manufacturers reviewed and affirmed price changes. Since model year 2018, DAS did not document the manufacturer's confirmation before agreeing to contract price changes.

*Prior Audit Finding:* This finding has not previously been reported.

*Recommendation:* The Department of Administrative Services should improve controls to ensure that contract pricing is adequately supported and that contract extensions comply with Section 4a-59a of the General Statutes and the department's policies. (See Recommendation 33.)

*Agency Response:* “DAS Procurement generally agrees with the finding and recommendation. Supporting documentation will be obtained regarding the identified transaction and processes have been modified to require additional approval for contract extensions.”

**State Fleet Vehicle Accident Reporting**

*Criteria:* Department of Administrative Services General Letter No. 115 – Policy for Motor Vehicles Used for State Business establishes that drivers are responsible for reporting an incident or accident with a state-owned vehicle within 48 hours by emailing a completed DAS Vehicle Incident/Accident Report to Fleet Operations and their supervisor. The DAS website states that the vehicle must be brought to the closest Fleet Operations garage within 72 hours for inspection and repair.

The Fleet Operation Division established a policy that all available DAS accident reports and police reports must be attached to the accident record logged in its fleet management system, FleetWave.

*Condition:* We selected nine accidents logged in FleetWave to review for compliance with the division’s policies and procedures.

We found that state vehicle drivers in seven of nine accidents did not report the accident within 48 hours. In three of nine accidents, the driver did not have the vehicle inspected within 72 hours.

Furthermore, we found that one accident report was not uploaded into the system, and three accidents did not have police reports. In two instances, the facts in the driver's accident report differed from the facts in the police report.

*Context:* The department added accident data to FleetWave, which originated by the department classifying historical accident data back to January 2019. Between January 2019 and February 2021, there were 815 incidents:

- 162 auto liability accidents in which the state was at fault
- 250 collision subrogation claims in which the state vehicle was hit by another vehicle

- 403 physical damage claims

*Effect:* Accident records that are incomplete or differ from the police report have limited value in determining whether a driver needs additional training to safely operate a state vehicle.

*Cause:* Collecting and classifying accident data is a recent improvement in the department’s practices, and as such, the department is still developing accident monitoring procedures.

*Prior Audit Finding:* This finding has not previously been reported.

*Recommendation:* The Department of Administrative Services should evaluate its fleet monitoring process and improve its accident monitoring system. (See Recommendation 34.)

*Agency Response:* “DAS agrees. Fleet Operations has found that incidents of vehicle damage are not being reported in the appropriate timeline specified in General Letter 115. Furthermore, we agree that the required reports are at times incomplete or absent entirely.

DAS notes that in addition to implementing a new collection and classification process to monitor accident reporting, DAS is planning to begin copying Human Resources staff and Labor Relations specialists on accident related correspondence to ensure increased compliance.

Additionally, DAS is working to update General Letter 115 to reflect that telematics have been installed in vehicles. Telematics provide us with the capability to receive automatic notice of potential accidents, which allows us to provide immediate assistance in the case of a true accident, and allow us to reach out to agencies to gather more information about incidents as needed.

DAS notes that the Fleet Operations Safety Coordinator position which is vital to overseeing all fleet accidents -- is currently vacant, but a recruitment is underway to fill the position. Accident documentation efforts will be delayed until this position is filled.”

**Boards, Commissions, and Councils**

*Criteria:*

The Department of Administrative Services is responsible for the administrative duties of 11 regulatory and advisory boards, commissions, and councils. Each of the 11 boards, commissions, and councils have specific statutory requirements related to board membership and meeting frequency. A summary follows:

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| CGS 4b-3 | State Properties Review Board |
| CGS 4a-19 | State Insurance & Risk Management Board |
| CGS 6-38b | State Marshal Commission |
| CGS 5-201 | Employees' Review Board |
| CGS 10-292r | School Safety Infrastructure Council |
| CGS 29-251b | Building Code Training Council |
| CGS 29-251c | Code Training and Education Board of Control |
| CGS 29-222 | Examining Board for Crane Operators |
| CGS 29-298a | Fire Marshal Training Council |
| CGS 29-291a | Fire Prevention Code Advisory Committee |
| CGS 10-292q | School Building Projects Advisory Council |

Section 1-225 of the General Statutes requires public agencies to: (1) post meeting minutes to the public agency’s website not later than seven days after such meeting; (2) file not later than January 31st of each year with the Secretary of the State a schedule of regular meetings for the ensuing year and to post such schedule on the public agency’s website; (3) file not less than 24 hours before a meeting, the agenda of such meeting with the Secretary of the State and to post such agenda on the public agency’s website.

*Condition:*

Our review of the 11 boards, commissions, and councils identified pervasive statutory noncompliance. We noted that ten did not maintain full membership, seven did not actively meet, and two did not appear to post all scheduled meetings on the Secretary of the State’s public meeting calendar.

*Context:*

The meeting and membership requirements for each board, commission, or council can vary significantly.

*Effect:*

Each board, commission, and council serve a necessary function that requires members who are subject matter experts. When membership is lacking and committees are not meeting, they are not achieving that necessary function. By not posting meeting schedules with the Secretary of the State and meeting minutes online, the public has limited opportunities to participate in the specific board, commission, or council function.

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| *Cause:* | A lack of administrative oversight and resources contributed to these conditions. |
| *Prior Audit Finding:* | This audit finding is repeated as modified from the prior audit covering the fiscal years ended June 30, 2015 through 2017. |
| *Recommendation:* | The Department of Administrative Services should work with its boards, committees, and councils to ensure compliance with the various statutes governing membership, meeting, and posting requirements. (See Recommendation 35.) |
| *Agency Response:* | "DAS acknowledges that statutory compliance needs to be improved, but it does not agree that noncompliance is as significant as is suggested. Our review indicates that 7 boards and commissions did not maintain full membership and 5 did not actively meet, however none of those 5 have a statutorily required minimum number of meetings. Further, our review indicates that only 1 Commission sent a letter to SOTS with its meeting schedule instead of posting that schedule on the SOTS public portal. This issue has been corrected.<br><br>DAS has established internal processes to monitor compliance with statutory requirements. DAS reviews all postings on the DAS and SOTS websites on a quarterly basis and reminds entities of their obligations to post meeting schedules, agendas and minutes. DAS makes appointing authorities aware of membership vacancies and encourages administrative staff to recommend candidates for consideration by those authorities. DAS notes that while we can put processes in place to encourage statutory compliance, ultimately we do not have control over the independent boards and commissions." |

**State Marshal Commission – Appointment Process**

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| *Background:* | Section 6-38b(k) of the General Statutes states that the State Marshal Commission is within the Department of Administrative Services and has independent decision-making authority. DAS provides the commission with administrative staff. Section 6-38 of the General Statutes specifies the maximum number of state marshals to be appointed for each county. Section 6-38b(g) and (h) of the General Statutes and Sections 6-38b-1 through 6-38b-5 of the Regulations of the State Agencies requires the commission to fill vacancies in accordance with various application requirements. |
| *Criteria:* | The commission's hiring procedures should include documentation of the skills and experience expected of qualified candidates, criteria for interview selection, and establishment of an interview rating system to ensure that appointments are reasonable and supported. |

Records should be retained in accordance with approved retention schedules maintained by the Connecticut State Library.

*Condition:* The State Marshal Commission does not have written procedures for its hiring process and retention of its hiring records.

*Context:* The commission appoints marshals typically every four to five years. The last two appointments were made in 2012 and 2016. The commission expects to begin the next appointment process in 2021. For each cycle, there are hundreds of applicants and typically 25 to 30 appointments.

*Effect:* Marshal appointments may be based on inconsistent treatment of applicants without uniform procedures.

*Cause:* The high turnover of the commission's administrative staff appears to have resulted in the lack of standardization in the appointment process.

*Prior Audit Finding:* This audit finding has not been previously reported.

*Recommendation:* The State Marshal Commission should develop and implement written procedures to ensure consistency in the appointment process, adherence to statutory and regulatory requirements, and retention of records in accordance with the records retention schedules. (See Recommendation 36.)

*Agency Response:* "DAS shared this finding with the State Marshal Commission, which has authority to appoint state marshals, and proposed that the Commission adopt formal written procedures to follow when recruiting and appointing state marshals. DAS provided the Commission with suggested written procedures for the Commission to consider and adopt. At a March 14, 2022 Special Meeting of the State Marshal Commission, the Commission adopted written procedures on the state marshal appointment process."

## RECOMMENDATIONS

**Status of Prior Audit Recommendations:**

Our prior audit report on the Department of Administrative Services contained 33 recommendations. Thirteen have been implemented or otherwise resolved and 20 have been repeated or restated with modifications during the current audit.

- The Department of Administrative Services should strengthen controls over the approval of position reclassifications and post-audits to ensure that it consistently evaluates whether agency actions are organizationally sound. **This recommendation is being repeated. (See Recommendation 1.)**

- The Department of Administrative Services should coordinate with the Office of Policy and Management to develop and implement procedures to clearly document and support the rationale and impact of individual and group salary adjustments. **This recommendation is being repeated. (See Recommendation 2.)**

- The Department of Administrative Services should enhance its post-audit unit by assigning necessary staffing and broadening its scope of review to ensure that delegated agency human resources actions were organizationally sound and in compliance with statutes. Furthermore, the department should develop and implement procedures and seek necessary legislative changes to correct errors and enforce agency compliance with post-audit results. **This recommendation is being repeated. (See Recommendation 3.)**

- The Department of Administrative Services should formalize procedures to ensure it documents all complaints and conducts human resources investigations in a timely and consistent manner. **This recommendation is being repeated. (See Recommendation 8.)**

- The Department of Administrative Services should promptly report any breakdowns in the safekeeping of state resources to the Auditors of Public Accounts and State Comptroller as mandated in Section 4-33a of the General Statutes. **This recommendation is being repeated in modified form. (See Recommendation 5.)**

- The Department of Administrative Services should ensure that its reclassification promotions are justified, in accordance with job specifications, in line with operational intent, and in compliance with Section 5-227a of the General Statutes. **This recommendation has been resolved.**

- The Department of Administrative Services should develop and implement uniform standards and procedures to ensure consistent interpretation and treatment of qualifications across positions and applicants in the hiring process. The department should develop procedures to assess the appropriateness of required experience for positions requested by the hiring unit. **This recommendation has been resolved.**

- The Department of Administrative Services should establish and implement monitoring activities over internal controls designed to reduce the susceptibility of the department to noncompliance, overpayments, and theft of time. **This recommendation is being repeated. (See Recommendation 11.)**

- The Department of Administrative Services should provide employees statutorily required workplace violence and diversity trainings in accordance with Section 4a-2a(b) and Section 46a-54(16) of the General Statutes. **This recommendation is being repeated. (See Recommendation 12.)**

- The Department of Administrative Services should implement controls to ensure that appropriate time reporting codes are used. In addition, the department should correct and adjust employee leave balances to account for leave time. **This recommendation is being repeated. (See Recommendation 14.)**

- The Department of Administrative Services should hire additional staff if it would increase the collection of monies owed to the state. The department also should complete its procurement of a new collections system that would include the necessary analytical tools to identify revenue opportunities and associated costs to ensure that increases in revenue would cover the cost of additional staffing or system improvements. **This recommendation is being repeated. (See Recommendation 15.)**

- The Department of Administrative Services should ensure compliance with Section 4-98(a) of the General Statutes by having properly approved purchase orders in place prior to ordering goods and services. **This recommendation is being repeated. (See Recommendation 16.)**

- The Department of Administrative Services should maintain inventory records and perform complete annual physical inventories of its and its customer agencies' assets in accordance with Section 4-36 of the General Statutes and the Property Control Manual. The department should promptly resolve and report any assets it cannot locate in accordance with Section 4-33a of the General Statutes and the Property Control Manual. **This recommendation has been resolved.**

- The Department of Administrative Services should develop and implement procedures and an electronic program, if necessary and cost effective, to ensure that state agencies receive sufficient information to expediently confirm telecommunication usage in accordance with the Office of Policy and Management's Telecommunication Equipment Policy. The department should ensure that telecommunication usage data is retained in accordance with the Connecticut State Library's records retention schedule. **This recommendation has been resolved.**

- The Department of Administrative Services should resolve the unreconciled difference between the balances in its bank account and client trust accounts. **This recommendation is being repeated. (See Recommendation 18.)**

- The Department of Administrative Services should work with the Office of the State Comptroller to resolve its misstatements in the state asset records. The department should modify its procedures and utilize personnel with appropriate financial backgrounds to report capital asset costs to custody agencies in compliance with the Property Control Manual. **This recommendation is being repeated. (See Recommendation 20.)**

- The Department of Administrative Services should regularly monitor projects for compliance with change order controls and require project managers to use its project management software to avoid waste, fraud, and abuse. This will help ensure timely detection and correction of change order problems. **This recommendation is being repeated. (See Recommendation 21.)**

- The Department of Administrative Services should modify its bid practices to comply with the requirements of Section 4b-95 of the General Statutes. **This recommendation has been resolved.**

- The Department of Administrative Services should fully utilize the eLicense system for its crane, hoisting, and demolition licensing and renewal process to ensure that it accurately reconciles and accounts for activities and revenue, and that the Office of the State Fire Marshal collects fees in accordance with statutory and regulatory requirements. **This recommendation has been resolved.**

- The Department of Administrative Services should establish controls that prevent the authorization of non-routine financial transactions without evidence of a reasonable cost-benefit analysis to support those decisions. **This recommendation has been resolved.**

- The Department of Administrative Services Bureau of Enterprise Systems & Technology (BEST) should establish a risk assessment process to comply with industry standards, which includes data classification and business impact analysis. Based on this information, BEST should update its continuity of operations and disaster recovery plans to ensure that agency or other changes are addressed in accordance with professional standards. **This recommendation is being repeated. (See Recommendation 27.)**

- The Department of Administrative Services should develop and implement controls to ensure that products are replaced prior to becoming obsolete and unsupported. **This recommendation is being repeated. (See Recommendation 28.)**

- The Department of Administrative Services should develop and implement written policies and procedures for tracking, monitoring, and managing active directory accounts, including a timeframe to deactivate inactive accounts. **This recommendation is being repeated. (See Recommendation 29.)**

- The Department of Administrative Services should review and enhance the existing controls related to separating employees to ensure it promptly locks out user account access in all Core-CT modules. **This recommendation is being repeated. (See Recommendation 30.)**

- The Department of Administrative Services should review Capitol Area System District Heating and Cooling Loop invoices and perform the necessary procedures to ensure that vendor system data is reasonable, accurate, and based on actual costs. **This recommendation has been resolved.**

- The Department of Administrative Services should review monthly billing packages for compliance with state contracts to eliminate payments in excess of those negotiated in its contracts. **This recommendation has been resolved.**

- The Department of Administrative Services should develop and implement written procedures to identify and evaluate the suitability of parcels of land for building projects in a cost-effective manner. **This recommendation has been resolved.**

- The Department of Administrative Services should revise its process to expedite the sale of surplus property to reduce the cost of maintaining vacant properties and limit further dilapidation and damage. **This recommendation is being repeated. (See Recommendation 31.)**

- The Department of Administrative Services should improve controls by modifying its contract award checklist to include verification that all necessary documentation is in the file prior to awarding a contract. The department should require conflicts of interest and confidentiality certifications to ensure the integrity of the procurement process. **This recommendation is being repeated. (See Recommendation 32.)**

- The Department of Administrative Services should ensure that it adequately supports its small and minority business enterprises certifications and uses its authority to reject applications that do not meet the statutory requirements. **This recommendation has been resolved.**

- The Department of Administrative Services annual report should include an explanation for its noncompliance with Section 4a-67d of the General Statutes on the state's energy efficient fleet composition. **This recommendation has been resolved.**

- The Department of Administrative Services should revise General Letter No.115 or seek a statutory change to require agencies to investigate vehicle complaints, take appropriate action, and report the results within 30 days. **This recommendation has been resolved.**

- The Department of Administrative Services should develop and implement internal controls to ensure compliance with the various statutes and regulations governing board, commission, and council membership and meetings. **This recommendation is being repeated. (See Recommendation 35.)**

**Current Audit Recommendations:**

1. **The Department of Administrative Services should strengthen controls over the approval of position reclassifications and post-audits to ensure it consistently evaluates whether agency actions are organizationally sound.**

   Comment:

   DAS advises agencies to reclassify positions in lieu of obtaining Office of Policy and Management approval to establish positions. The department does not approve these reclassifications based on established criteria to ensure that the actions are organizationally sound. Furthermore, DAS does not currently perform post-audits of these actions to assess the appropriateness of reclassifications in relation to the entire division or agency.

2. **The Department of Administrative Services should coordinate with the Office of Policy and Management to develop and implement procedures to clearly document and support the rationale and impact of individual and group salary adjustments.**

   Comment:

   DAS and the Office of Policy and Management approved individual salary increases on behalf of certain non-represented, classified managers or employees at various agencies with the justification that the employees assumed more responsibilities, many times due to reorganizations.

3. **The Department of Administrative Services should enhance its post-audit unit by assigning necessary staffing and broadening its scope of review to ensure that delegated agency human resources actions were organizationally sound and in compliance with statutes. The department should enhance procedures to ensure retroactive transactions are identified for post-audits. Furthermore, the department should develop and implement procedures, and seek necessary legislative changes to correct errors and enforce agency compliance with post-audits.**

   Comment:

   DAS does not have sufficient resources assigned to the post-audit unit. The department's post audit process is limited to the review of monetary calculations and does not consider the reasonableness of actions.

4. **The Department of Administrative Services should strengthen controls to ensure that salaries are calculated and entered correctly.**

   Comment:

   Human resources incorrectly entered the salary of an employee promoted in October 2020 despite correctly calculating the new rate as presented in the Core-CT job data notes. The employee was overpaid for five months and is repaying the state.

5. **The Department of Administrative Services should promptly take appropriate disciplinary action when it substantiates misuse of state resources and report any breakdowns in the safekeeping of state resources to the Auditors of Public Accounts and State Comptroller as required by Section 4-33a of the General Statutes.**

   Comment:

   The department did not take appropriate disciplinary action after substantiating an employee's misuse of state resources and did not report the misuse of state resources to the Auditors of Public Accounts and the Office of the State Comptroller in accordance with Section 4-33a of the General Statutes.

6. **The Department of Administrative Services should strengthen controls to ensure that personnel actions are adequately supported.**

   Comment:

   We identified instances in which the department did not have documents on file to support the hiring or promotions by reclassification of DAS and customer agency employees**.**

7. **The Department of Administrative Services should strengthen controls to ensure that it conducts necessary performance appraisals.**

   Comment:

   The department did not consistently conduct required annual employee performance evaluations.

8. **The Department of Administrative Services should formalize procedures to ensure it promptly, consistently, and completely conducts all human resources investigations.**

   Comment:

   The department does not have written policies and procedures for its human resources complaint process.

9. **The Department of Administrative Services should implement procedures to ensure employees' withholding status remain appropriate in accordance with the federal employer's tax guide.**

   Comment:

   We identified two customer agency employees who were incorrectly exempted from federal tax withholding.

10. **The Department of Administrative Services should improve monitoring of medical leave to ensure employees provide medical certificates for any absence of more than five consecutive working days as required by Section 5-247-11 of the Regulations of Connecticut State Agencies.**

    Comment:

    We reviewed 25 personnel files and discovered 12 instances in which the required medical certificate was not on file for DAS and its customer agency employees.

11. **The Department of Administrative Services should establish and implement monitoring activities to reduce the department's susceptibility to noncompliance, overpayment, and theft of time.**

    Comment:

    The department has not established and implemented monitoring procedures to ensure that dually employed individuals follow established guidelines.

12. **The Department of Administrative Services should provide employees statutorily required workplace violence and diversity training in accordance with Section 4a-2a(b) and Section 46a-54(16) of the General Statutes.**

    Comment:

    DAS has not provided statutorily required workplace violence and diversity training to mandated employees since July 2017.

13. **The Department of Administrative Services should ensure compliance with compensatory time requirements in bargaining unit contracts and its management personnel policy.**

    Comment:

    Through our review, we found that employees did not promptly submit compensatory and overtime requests in 10 of 20 instances. We also noted that many employees were enrolled in incorrect compensatory time plans and found expired compensatory time in employee leave balances.

14. **The Department of Administrative Services should implement controls to ensure that the appropriate time reporting codes are used. In addition, the department should correct and adjust employee leave balances to account for leave time.**

    Comment:

    We identified 47 occasions in which 23 employees charged holiday time reporting codes on non-holidays for a total of 289.75 hours.

15. **The Department of Administrative Services should complete its procurement of a new collections system that would include the necessary analytical tools to identify revenue opportunities and associated costs to ensure that increases in revenue would cover the cost of additional staff or further system improvements. The department should ensure all collection applications have appropriately configured backups to safeguard against the loss of data.**

    Comment:

    Two applications used by the Collection Services division suffered catastrophic hardware failures that resulted in data loss because the systems were not appropriately backed up.

16. **The Department of Administrative Services should ensure compliance with Section 4-98(a) of the General Statutes by having properly approved and adequately funded purchase orders in place prior to ordering goods and services.**

    Comment:

    We noted numerous instances in which the department did not promptly approve and adequately fund DAS and SmART agency purchase orders.

17. **The Department of Administrative Services should strengthen controls to ensure that it pays invoices on time in accordance with Section 4a-71 of the General Statutes.**

    Comment:

    Our review of DAS and customer agency payments noted that several payments were late.

18. **The Department of Administrative Services should resolve the unreconciled difference between the balances in its bank account and client trust accounts.**

    Comment:

    The department did not fully reconcile client trust account balances to the bank statements, resulting in ongoing unreconciled differences.

19. **The Department of Administrative Services should obtain the necessary resources to ensure that it promptly performs elevator and escalator inspections in accordance with Section 29-195 of the General Statutes. The department should implement procedures to ensure certificates of operation are renewed in accordance with Sections 29-196 and 29-197 of the General Statutes and consider assessing penalties to address unpaid fees and improper elevator and escalator operation as permitted by Section 29-198 of the General Statutes.**

    Comment:

    At the time of our review, the Department of Administrative Services Bureau of Elevators within the Office of the State Building Inspector did not conduct timely inspections of most registered elevators and escalators.

    Certificates of operation for numerous elevators and escalators are expired.

20. **The Department of Administrative Services should work with the Office of the State Comptroller to resolve the misstatements in the state asset records.**

    Comment:

    The department has not worked with the Office of the State Comptroller to correct prior misstatements identified in the state's building asset records.

21. **The Department of Administrative Services should regularly monitor projects for compliance with change order controls and require project managers to use project management software to avoid waste, fraud, and abuse.**

    Comment:

    The department does not fully utilize its project management software to monitor and manage projects. We also noted instances in which change orders were not approved in accordance with the delegation authority.

22. **The Department of Administrative Services should provide ongoing training to project managers to strengthen internal controls over its construction project management process.**

    Comment:

    We reviewed ten projects and compared their financials in the system to the budget and expenditure data in Core-CT. For the selected projects, eight of ten exceeded the 1% variance threshold in the budget or expenditures, and they were not updated within the prior month.

23. **The Department of Administrative Services should ensure that the school construction audit unit is organizationally independent. The department should also ensure that school construction audits comply with generally accepted government auditing standards established by the U.S. Government Accountability Office if those audits indicate they are being performed under those standards.**

    Comment:

    We reviewed the audit reports and available workpapers for three school construction grants. The audit reports indicated that the engagements were performed in accordance with government auditing standards. However, the audits did not meet the independence requirements, because we determined that the department's School Construction Grant Program examiners were not organizationally independent. During our initial walkthrough of policies and procedures in October 2020, we informed the department about this threat to independence and other identified weaknesses with compliance to government auditing standards.

24. **The Department of Administrative Services should establish controls to ensure that school construction projects are monitored for compliance with recommended cost caps or documented waivers.**

    Comment:

    Through our review, we found numerous school construction projects that exceeded the established cost per square foot cap and did not have complete project files.

25. **The Department of Administrative Services should improve the quality of school construction data in Core-CT to enhance the accuracy of its financial reporting and provide the department accurate information to improve its program operations.**

    Comment:

    Grant commitments for six of 14 school construction projects reviewed exceeded the two-year construction deadline, were not extended, and were not canceled. We noted that five projects were likely completed but were not closed out in Core-CT.

26. **The Department of Administrative Services should improve internal controls to ensure that school construction projects are reimbursed in accordance with Section 10-286(c)(4) of the General Statutes.**

    Comment:

    Our review of school construction project change orders revealed many instances in which change orders exceeded 5% of the authorized project costs, which would make them ineligible for reimbursement without a waiver from the DAS commissioner or a designee. We also found instances in which the change order summaries were missing, incomplete, or misfiled.

27. **The Department of Administrative Services should update its business continuity program and disaster recovery plan to ensure that it addresses agency or other changes in accordance with professional standards.**

    Comment:

    As of June 2021, the Bureau of Enterprise Systems and Technology (BEST), within the Department of Administrative Services, has not revised its business continuity program and information technology disaster recovery plan since February 2015.

28. **The Department of Administrative Services should develop and implement controls to ensure that products are replaced prior to becoming obsolete and unsupported.**

    Comment:

    The department's Bureau of Enterprise Systems and Technology (BEST) did not replace all servers that exceeded their useful life and no longer received support from the vendor.

29. **The Department of Administrative Services should develop and implement written policies and procedures for tracking, monitoring, and managing active directory accounts, including a timeframe to deactivate inactive accounts.**

    Comment:

    The department does not monitor or actively remove unused active directory accounts. DAS does not have written policies or procedures for tracking, monitoring, and managing these accounts.

30. **The Department of Administrative Services should review and enhance the existing controls related to separating employees to ensure it promptly disables user account access in all Core-CT modules.**

    Comment:

    The department did not promptly deactivate employee Core-CT user accounts upon their separation from state service.

31. **The Department of Administrative Services should revise its process to expedite the sale of surplus property to reduce the cost of maintaining vacant properties and limit further dilapidation and damage.**

    Comment:

    Our review of ten surplus properties revealed that four properties took approximately one to four years to dispose of after DAS was notified by the Office of Policy and Management. The remaining six properties have been vacant between 48 days to almost three years.

32. **The Department of Administrative Services should improve internal controls to ensure that all necessary documentation is in the file prior to awarding a contract.**

    Comment:

    We found instances in which procurement files were missing documentation, such as signed scoring sheets, confidentiality certifications, and ethics forms and affidavits.

33. **The Department of Administrative Services should improve controls to ensure that contract pricing is adequately supported and that contract extensions comply with Section 4a-59a of the General Statutes and the department's policies.**

    Comment:

    We found an extension and price changes for a statewide contract to purchase vehicles that were not adequately supported.

34. **The Department of Administrative Services should evaluate its fleet monitoring process and improve its accident monitoring system.**

    Comment:

    Various agency policies and procedures are not being followed when state fleet vehicles are involved in accidents. State drivers are not consistently following reporting procedures and are not having vehicles inspected within 72 hours after accidents. Department and police accident reports are not always entered into the system.

35. **The Department of Administrative Services should work with its boards, committees, and councils to ensure compliance with the various statutes governing membership, meeting, and posting requirements.**

    Comment:

    Our review of the 11 boards, commissions, and councils identified pervasive statutory noncompliance. We noted that ten did not maintain full membership, seven did not actively meet, and two did not appear to post all scheduled meetings on the Secretary of the State's public meeting calendar.

36. **The State Marshal Commission should develop and implement written procedures to ensure consistency in the appointment process, adherence to statutory and regulatory requirements, and retention of records in accordance with the records retention schedules.**

    Comment:

    The State Marshal Commission does not have written procedures for its hiring process and retention of its hiring records.

## ACKNOWLEDGMENTS

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Department of Administrative Services during the course of our examination.

The Auditors of Public Accounts also would like to acknowledge the auditors who contributed to this report:

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