

STATE OF CONNECTICUT



*AUDITORS' REPORT
DEPARTMENT OF ADMINISTRATIVE SERVICES
FISCAL YEARS ENDED JUNE 30, 2015, 2016 AND 2017*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

Table of Contents

EXECUTIVE SUMMARY	i
COMMENTS	2
FOREWORD	2
Office of the Commissioner	3
Business Office.....	3
Collections Services Division.....	3
Fleet Operations.....	3
Human Resources, Small Agency Resource Team (SmART) & Payroll Division.....	4
Procurement Services Division	4
Properties and Facilities Management Division.....	4
Statewide Human Resources Management Division	4
Statewide Workers' Compensation Division	5
Bureau of Enterprise Systems and Technology.....	5
Division of Construction Services.....	5
Significant Legislation.....	5
RÉSUMÉ OF OPERATIONS.....	6
General Fund	6
Other Funds	8
Workers' Compensation Claims.....	8
General Services Revolving Fund	9
Technical Services Revolving Fund.....	10
Capital Projects and Public Works Service Fund.....	11
Trustee Accounts.....	13
Other Matters – Disclosure of Consolidated Agency Audit Recommendations.....	15
STATE AUDITORS' FINDINGS AND RECOMMENDATIONS.....	16
Statewide Human Resources – Expanded Use of Promotions by Reclassification	16
Statewide Human Resources - Approval of Individual Managerial Salary Increases	19
Statewide Human Resources - Inadequate Post Audits of Human Resource Functions.....	21
Human Resources – Lack of Procedures over the Complaint and Investigation Process	24
Human Resources - Section 4-33a Reporting Requirements.....	26
Human Resources – Inappropriate Promotions to Job Classes.....	27
Statewide Human Resources - Inappropriate Promotion of Unqualified Applicant.....	29
Human Resources - Monitoring and Investigation of Dual Employment	31
Human Resources – Failure to Provide Statutorily Required Training	33
Inadequate Controls over Time Reporting.....	34
Maximizing Revenue Collections.....	35
Untimely Purchase Orders – DAS and SmART Agencies	37
Incomplete Physical Inventories and Inventory Records.....	38
Reporting and Retention Issues with Telecommunication System Data	41
Agency Trust Account Bank Reconciliations.....	42
State Construction – Capital Asset Valuation.....	43

State Construction – Change Order Control Deficiency..... 45

State Construction – Statutory Non-Compliance with Subcontractor Bid Requirements 46

Revenue Accountability - Crane, Hoisting and Demolition Licenses 48

Prepayment of School Construction Grants..... 49

Information Technology – Outdated Business Continuity and Disaster Recovery Plans 52

Information Technology - Unsupported System Components 54

Information Technology – Lack of Active Directory Monitoring and Administration..... 55

Information Technology – Terminated Staff with Active Core-CT Logon IDs..... 56

Insufficient Review of Vendor Invoices for the CAS Heating and Cooling Loop..... 57

Overpayments in Property Management Billing Packages 58

Lack of Procedures over State Project Land Purchases..... 60

Delay in Disposing of Surplus Properties..... 62

Incomplete Procurement Records 64

Unsupported SBE and MBE Application Approvals..... 65

Non-Compliance with Statutory Fleet Composition Requirements 67

Closure of Fleet Complaints due to Lack of Investigations by Other Agencies..... 68

Statutory Non-Compliance of Boards, Commissions, and Councils..... 69

RECOMMENDATIONS 72

 Status of Prior Audit Recommendations..... 72

 Current Audit Recommendations 77

ACKNOWLEDGMENTS 86

CONCLUSION..... 87

December 10, 2020
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). The objectives of this review were to evaluate the department’s internal controls; compliance with policies and procedures, as well as certain legal provisions; and management practices and operations for the fiscal years ended June 30, 2015, 2016, and 2017.

The key findings and recommendations are presented below:

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 at various agencies with the justification that more responsibilities were assumed, many times due to reorganizations. DAS should coordinate 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 has not assigned sufficient resources to perform post-audits of personnel actions, and such reviews are limited to monetary calculations. DAS should enhance its post-audit unit and broaden its scope of review to ensure actions were organizationally sound and in compliance with statutes. (Recommendation 3.)
Page 23	DAS does not have written policies and procedures for its human resources (HR) complaint process and only tracks complaints rising to the level of investigation. The department should formalize procedures to ensure that it documents all complaints and conducts investigations in a timely and consistent manner. (Recommendation 4.)
Page 26	The Department of Administrative Services inappropriately promoted by reclassification its HR administrator despite such action not being in accordance with the job specifications. In addition, a HR administrator transferred to DAS from another agency at a higher position than appropriate at both agencies. DAS 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. (Recommendation 6.)
Page 28	DAS promoted an individual into a human resources position who did not have the requisite qualifications. DAS should develop and implement uniform standards and procedures to ensure consistent interpretation and treatment of qualifications across positions and applicants in the hiring process. (Recommendation 7.)
Page 34	The Department of Administrative Services did not maintain increased staffing levels to continue increased collections. In addition, system outages and the limitation of user capacity adversely impacted collections. DAS should hire additional staff to increase the collections of monies owed to the state. The department should also complete its procurement of a new collections system. (Recommendation 11.)

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December 10, 2020

AUDITORS' REPORT

INTRODUCTION

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 years ended June 30, 2015, 2016 and 2017. 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. 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 our audit in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 such a basis.

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 noncompliance with policies and procedures or legal provisions; and
3. Need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any 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; 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 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 (Section 4b-3 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

Donald J. DeFronzo served as commissioner until January 2015. Governor Dannel Malloy appointed Melody A. Currey as his successor. She served in that capacity from January 2015 through February 2019. Governor Ned Lamont appointed Josh Geballe as commissioner in February 2019. He currently serves in that position and was also appointed the Governor's chief operating officer in February 2020.

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

- Staff Counsel
- Equal Employment Opportunity Unit
- Communications Office
- Leasing and Property Transfer Unit
- Office of School Construction Grants and Review

Business Office

The business office 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.

Collections Services Division

The Collection Services 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.

Fleet Operations Division

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

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
- Connecticut State Library
- Department of Housing
- Teachers' Retirement Board
- Department of Consumer Protection
- Department of Economic and Community Development
- Office of Governmental Accountability (as of July 1, 2016)
- Office of Protection and Advocacy (no longer a state agency as of July 1, 2017)
- Office of the Governor
- Office of the Lieutenant Governor

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.

Properties and Facilities Management Division

The Property and Facilities Management Division administers the operation, maintenance, and security of state owned and leased buildings. The division 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.

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 HR functions within DAS. As part of this

announcement, the commissioner assigned a deputy commissioner to oversee the initiative and division.

Statewide Workers' Compensation Division

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.

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.

Division of Construction Services

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

DCS has the following offices:

- Building, Design and Construction
- 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
- Office of Legal Affairs, Policy and Procurement
- Technical Services

Significant Legislation

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

- **Public Act 14-90**, effective June 6, 2014, transferred most of the responsibilities and duties related to the School Construction Grants Program to DAS from the State Department of Education.
- **Public Act 16-3** established that the SmART unit within the Department of Administrative Services would provide the Office of Governmental Accountability (OGA) with personnel,

payroll, affirmative action, administrative, and business office functions, along with associated information technology support as of July 1, 2016. Section 67 of the act removed certain offices and commissions from OGA, leaving the Judicial Review Council, Judicial Selection Commission, Board of Firearms Permit Examiners, Office of the Child Advocate, Office of the Victim Advocate, and State Contracting Standards Board.

RÉSUMÉ OF OPERATIONS

General Fund

General Fund receipts for the 2015, 2016, and 2017 fiscal years, as recorded by the State Comptroller, totaled \$86,152,218, \$96,992,850, and \$90,696,077, respectively.

A summary of those receipts by category is as follows:

	<u>Fiscal Year</u>			
	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
Recoveries of the Costs of:				
Public Assistance	\$50,070,255	\$52,973,716	\$54,607,038	\$53,454,213
Hospitals	26,130,000	21,499,040	27,367,699	25,638,230
Title IV-E and Non IV-E Programs	3,924,490	4,205,928	4,722,953	3,878,371
Other Receipts:				
Inspection Fees	3,833,315	2,466,307	3,941,246	2,331,891
Refunds of Expenditures from Prior Years	2,445,699	1,949,444	2,889,174	1,688,652
Miscellaneous Recoveries	<u>4,053,099</u>	<u>3,057,783</u>	<u>3,464,740</u>	<u>3,704,719</u>
Total Receipts	<u>\$90,456,859</u>	<u>\$86,152,218</u>	<u>\$96,992,850</u>	<u>\$90,696,077</u>

The collections unit also performed claims submissions for federal Medicaid, Medicare, Social Security, private insurance, and self-pay program billings. Approximately 97% 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			
	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
Department of Developmental Services:				
Waiver	\$ 766,404,204	\$ 738,986,837	\$ 904,693,135	\$ 897,401,867
In-patient Care Facility	200,413,801	198,136,735	159,355,427	204,479,721
Targeted Case Management	48,457,621	27,197,840	35,698,958	34,238,389
Birth to Three	<u>13,337,647</u>	<u>15,133,242</u>	<u>24,054,259</u>	<u>28,668,683</u>
Total Claims Reported for DDS	<u>1,028,613,274</u>	<u>979,454,655</u>	<u>1,123,801,780</u>	<u>1,164,788,660</u>
Department of Mental Health and Addiction Services (DMHAS):				
In-patient	38,702,756	23,412,879	27,737,902	47,964,434
Targeted Case Management	45,274,918	12,581,107	3,427,740	15,145,348
Out-patient	<u>161,542</u>	<u>329,849</u>	<u>549,372</u>	<u>385,683</u>
Total Claims Reported for DMHAS	<u>84,139,216</u>	<u>36,323,835</u>	<u>31,715,014</u>	<u>63,495,465</u>
Department of Veterans Affairs:				
In-patient	<u>16,625,110</u>	<u>16,564,138</u>	<u>15,293,106</u>	<u>20,157,170</u>
Department of Children and Families:				
In-patient	79,499,842	52,361,929	50,167,456	59,516,235
Private Non-Medical Institutions	<u>22,089,730</u>	<u>38,120,933</u>	<u>10,462,283</u>	<u>4,171,852</u>
Total Claims Reported for DCF	<u>101,589,572</u>	<u>90,482,862</u>	<u>60,629,739</u>	<u>63,688,086</u>
Department of Social Services:				
School-Based Child Health	<u>28,882,107</u>	<u>36,386,739</u>	<u>38,646,733</u>	<u>22,462,082</u>
Total Claims	<u>\$1,259,849,279</u>	<u>\$1,159,212,229</u>	<u>\$1,270,086,371</u>	<u>\$1,334,591,463</u>

A comparative summary of DAS general fund expenditures for the fiscal years ended June 30, 2014, 2015, 2016, and 2017, is presented below:

	Fiscal Year			
	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
Personal Services and Employee Benefits	\$ 75,467,684	\$ 77,096,343	\$ 55,135,731	\$ 53,422,909
Purchased and Contracted Services	7,326,795	7,918,701	7,328,035	7,050,385
Other Services	23,413,876	15,992,747	13,086,697	13,651,902
Rental and Maintenance – Equipment	434,537	443,033	285,065	233,255
Motor Vehicle Costs	630,572	646,145	597,654	603,201
Premises and Property Expenses	46,516,245	49,963,673	40,201,187	36,201,886
Information Technology	11,333,408	11,583,208	12,069,535	12,024,719
Communications	3,852,984	3,413,659	4,249,164	2,066,137
Purchased Commodities	289,534	321,053	1,053,814	778,246
Other Charges	51,915	8,969	23,408	149,459
Fixed Charges	840,255	710,556	682,037	438,838
Capital Outlays	36,356	188,906	338,622	166,014
Capital Outlays – Equipment	853,322	793,705	727,489	404,665
Capital Outlays – Buildings/Improvements	(67,807)	49,500	626,468	511,521
GAAP Expenditure Adjustment	(330,941)	26,765	-	-
Total General Fund Expenditures	<u>\$ 170,648,736</u>	<u>\$ 169,156,962</u>	<u>\$ 136,404,907</u>	<u>\$ 127,703,137</u>

The large decrease in expenditures for fiscal year 2016 primarily resulted from a 10% decline in the number of employees, reduction in the state agency footprint through building consolidations, and reductions in leasing costs. Similar reasons were attributable for the decline in fiscal year 2017.

Other Funds

A comparative summary of DAS expenditures from other fund types for the fiscal years ended June 30, 2014, 2015, 2016, and 2017, is presented below:

	Fiscal Year			
	2013-2014	2014-2015	2015-2016	2016-2017
Special Revenue – Transportation	\$ 13,465,729	\$ 12,041,129	\$ 12,467,010	\$ 10,862,271
Capital Equipment Purchase Fund	2,284,498	990,342	869,306	1,896,321
STEAP – Grants to Local Governments	3,000,000	14,273,251	76,184,241	-
Federal & Other Restricted Accounts	142,921,169	90,529,729	78,546,400	40,527,573
School Construction	5,268,362	3,285,834	3,305,315	2,068,830
School Construction – Magnet Schools	382,521,382	605,667,733	580,135,890	430,122,771
Community Conservation & Development	750,000	-	-	800,000
Public Works Service Fund	960,109	469,651	544,478	195,934
CSUS 2020	82,443,209	70,441,898	30,670,764	25,949,530
Capital Improvements & Other Purposes	151,179,452	110,363,858	180,991,918	180,885,191
Total Other Fund Expenditures	\$ 784,793,910	\$ 908,063,425	\$ 963,715,322	\$ 693,308,421

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 these six agencies' workers' compensation appropriations for the fiscal years ended June 30, 2014, 2015, 2016, and 2017 is presented below:

	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
General Fund (GF):				
DDS	\$ 15,348,071	\$ 15,099,162	\$ 14,659,134	\$ 14,433,683
DMHAS	11,990,126	12,386,901	11,628,890	11,563,126
DOC	25,588,167	28,218,144	26,454,667	25,696,623
DESPP	4,592,719	5,603,473	4,243,453	4,587,241
DCF	9,884,016	10,551,940	12,966,989	12,678,615
General Government	<u>29,056,407</u>	<u>28,392,798</u>	<u>27,171,399</u>	<u>26,348,401</u>
Total GF	<u>96,459,507</u>	<u>100,252,418</u>	<u>97,124,532</u>	<u>95,307,689</u>
Transportation Fund (TF):				
DOT	8,562,470	7,014,376	7,863,772	5,883,245
Motor Vehicles	<u>432,359</u>	<u>496,715</u>	<u>468,515</u>	<u>369,646</u>
Total TF	<u>8,994,829</u>	<u>7,511,091</u>	<u>8,332,287</u>	<u>6,252,891</u>
Total All Funds	<u>\$105,454,337</u>	<u>\$107,763,509</u>	<u>\$105,456,819</u>	<u>\$101,560,580</u>

The total net expenditures are comprised of costs associated with medical benefits (ranging from 41% to 35% in fiscal years 2015 to 2017), indemnification against loss or other financial burden (ranging from 52% to 57% in fiscal years 2015 to 2017) and other stipulations, third-party administrator costs, and third-party administrator allocated loss expenses. The primary cost driver for indemnity benefits are expenses associated with temporary total, temporary partial, and permanent partial disability.

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 Comprehensive Annual Financial Report, long-term debt for Workers' Compensation was reported as \$651,184,000, \$684,401,000, and \$718,016,000 for the fiscal years ended June 30, 2015, 2016, and 2017, 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:

	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
Cash Balance, Beginning of Year	\$(31,606,978)	\$(41,289,028)	\$(46,285,399)	\$(43,207,410)
Receipts	<u>22,937,922</u>	<u>23,811,465</u>	<u>26,131,011</u>	<u>25,412,963</u>
Total	(8,669,056)	(17,477,563)	(20,154,388)	(17,794,447)
Disbursements	<u>32,619,972</u>	<u>28,807,836</u>	<u>23,053,022</u>	<u>19,078,982</u>
Cash Balance, Year End	<u>\$(41,289,028)</u>	<u>\$(46,285,399)</u>	<u>\$(43,207,410)</u>	<u>\$(36,873,429)</u>

For the fiscal year ended June 30, 2014, DAS experienced a net operating profit of \$563,859. For the fiscal years ended June 30, 2015, 2016, and 2017, DAS realized a net operating profit of \$1,512,407, \$1,030,455, and \$122,125, respectively. The revolving fund's reported fund equity as of June 30, 2017, was approximately \$35,722,794. The negative cash balance of \$36,873,429 represents a liability on the department's revolving fund financial statements of \$12,930,706 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 primary factor affecting the cash balance was car pool purchases.

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. Subsequent to the audited period, the revolving fund continued to post a net operating profit.

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.

	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
Cash Balance, Beginning of Year	\$ 7,745,203	\$ 8,153,954	\$ 4,669,594	\$ 7,367,508
Receipts	<u>4,833,848</u>	<u>4,472,313</u>	<u>4,600,998</u>	<u>3,887,054</u>
Total	12,579,051	12,626,267	9,270,592	11,254,562
Disbursements	<u>4,425,097</u>	<u>7,956,673</u>	<u>1,903,084</u>	<u>3,642,251</u>
Cash Balance, Year End	<u>\$ 8,153,954</u>	<u>\$ 4,669,594</u>	<u>\$ 7,367,508</u>	<u>\$ 7,612,311</u>

DAS experienced a net operating profit/(loss) of (\$1,646,040), \$2,102,615, and (\$34,460) for the fiscal years ended June 30, 2015, 2016, and 2017, respectively. The revolving fund's reported fund equity as of June 30, 2017, was approximately \$6,951,499. 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 of the project costs.

A summary of public works service fund activity for the fiscal years ended June 30, 2014, 2015, 2016, and 2017, is presented below:

	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
Funding Sources:				
Project Costs Recovered	\$3,244,205	\$3,211,777	\$3,319,273	\$3,115,323
Non-specific Projects Recovered				
From the General Fund	-	-	-	-
Recoveries of Fringe Benefit Costs	1,280,150	2,068,980	2,339,556	2,745,715
Total Funding	<u>4,524,355</u>	<u>5,280,757</u>	<u>5,658,829</u>	<u>5,861,038</u>
Less Expenditures – Project Costs	(5,484,464)	(5,750,408)	(6,203,307)	(6,056,972)
Expenditures in Excess of Funding	(960,109)	(469,651)	(544,478)	(195,934)
Fund Balance, Beginning of Year	<u>(2,812,587)</u>	<u>(3,772,696)</u>	<u>(4,242,347)</u>	<u>(4,786,825)</u>
Fund Balance, End of Year	<u>(\$3,772,696)</u>	<u>(\$4,242,347)</u>	<u>(\$4,786,825)</u>	<u>(\$4,982,759)</u>

From fiscal years 2015 to 2017, net project costs have exceeded net recoveries of service fees and fringe benefits by \$1,210,063, resulting in an increase of the negative fund balance of (\$3,772,696) at June 30, 2014 to (\$4,982,759) at June 30, 2017.

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

	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
General Fund	\$ 1,791,398	\$ 1,476,754	\$ 1,033,278	\$ 895,736
Special Revenue Funds	127,489,645	81,568,352	69,847,339	31,530,849
Public Works Service Fund	1,760,292	1,782,323	1,577,221	1,458,833
CSUS-2020	82,443,209	70,441,898	30,670,764	25,965,813
Capital Project Funds	<u>147,548,636</u>	<u>80,020,323</u>	<u>175,899,291</u>	<u>176,547,034</u>
Total	<u>\$361,033,180</u>	<u>\$235,289,650</u>	<u>\$279,027,893</u>	<u>\$236,398,265</u>

The following table shows the capital project expenditures by activity:

Capital Project Expenditures:

	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
Acquisitions	\$ 60,385,754	\$(23,682,882)	\$ 2,827,514	\$ 990,824
Design	28,450,692	18,125,534	15,677,961	24,055,458
Construction	229,227,474	193,939,572	222,586,822	175,514,348
Hazardous Material Abatement	557,082	49,236	1,368,778	596,332
Equipment	6,275,831	14,906,748	1,446,944	4,565,022
Art	1,152,352	616,094	785,910	525,306
DPW Fees	7,466,346	6,476,578	7,020,735	5,559,853
Arbitration	1,472,358	187,481	(141,015)	268,813
Telecommunications	2,315,487	1,731,557	2,281,480	2,422,679
Permits	2,187,807	3,254,621	2,065,470	1,478,875
Construction Manager	5,759,799	3,837,830	4,315,546	7,483,148
Contingency/Change Orders	<u>15,782,198</u>	<u>15,847,281</u>	<u>18,791,748</u>	<u>12,937,607</u>
Total	<u>\$361,033,180</u>	<u>\$235,289,650</u>	<u>\$279,027,893</u>	<u>\$236,398,265</u>

Capital project expenditures primarily were for projects involving acquisition, design, and construction of state facilities. The significant decrease in acquisitions in fiscal year 2015 was the result of the shifting of acquisition costs of the Morgan Street garage from fiscal year 2015 into fiscal year 2014. Capital equipment significantly increased in fiscal year 2015 due to the state's new data center.

Construction costs were the largest expenditure activity and consisted of many small construction projects with expenditures less than \$10 million. Between fiscal years 2015 and 2017, there were 10 projects with costs in excess of \$10 million with combined expenditures totaling \$423,341,369. The largest construction costs recorded during the audited period were \$93,504,824 for the renovation of 450 Columbus Boulevard in Harford. A summary of the 10 projects over \$10 million in the fiscal years ended June 30, 2015, 2016, and 2017 follows:

Public Works Project Expenditures:

	2014-2015	2015-2016	2016-2017
450 Columbus Blvd. Acquisition and Renovations	\$ 14,640,075	\$ 44,906,488	\$ 33,958,261
Litchfield Judicial District Courthouse	14,145,988	35,097,503	18,506,628
Emmett O'Brien CTHS Additions and Renovations	23,812,340	32,231,082	7,831,756
ECSU Fine Arts Center	30,708,250	14,687,020	1,849,240
Eli Whitney CTHS Additions and Renovations	13,683,215	11,984,939	5,627,488
SCSU Academic Laboratory Building	29,468,116	2,441,601	603,157
SCSU Buley Library Additions and Renovations	12,590,932	3,043,897	106,635
NVCC Founder's Hall Additions and Renovations	2,203,147	15,799,436	12,741,642
HCC Lafayette Hall Additions and Renovations	-	7,514,091	16,952,539
NWCC Joyner Health & Science Center Renovations	-	4,526,340	11,679,563
Total	\$141,252,064	\$172,232,397	\$109,856,908

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 subsection (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 \$4,778,799, \$6,011,044, and \$6,169,145 during the fiscal years ended June 30, 2015, 2016, and 2017, 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 \$4,778,866, \$6,011,173, and \$6,169,416 during the fiscal years ended June 30, 2015, 2016, and 2017, 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 \$67, \$129, and \$272 for the fiscal years ended June 30, 2015, 2016, and 2017, respectively.

Disbursements from the legal representative accounts totaled \$4,676,042, \$5,377,069, and \$6,238,813 during the fiscal years ended June 30, 2015, 2016, and 2017, respectively. Disbursements for the reimbursement of state claims against decedent estates amounted to \$5,842,782, \$6,825,326, and \$7,928,000, during the fiscal years ended June 30, 2015, 2016, and 2017, 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 \$1,057,956, \$1,757,931, and \$1,040,335 as of June 30, 2015, 2016, and 2017, respectively. The assets consisted of cash balances of \$1,013,492, \$1,713,467, and \$995,872, and investments of \$44,464, \$44,464, and \$44,464 in the STIF during the fiscal years ended June 30, 2015, 2016, and 2017, 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 \$8,712,999, \$8,340,110, and \$7,738,117 in the fiscal years ended June 30, 2015, 2016, and 2017, respectively. Interest earned on account assets transferred to and invested in STIF were \$3,002, \$5,635 and \$11,567 in 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 \$8,781,572, \$8,303,723, and \$7,711,631 in the fiscal years ended June 30, 2015, 2016, and 2017, respectively.

The representative payee accounts' assets consisted of cash balances and STIF investments totaling \$2,090,640, \$2,027,027, and \$2,053,513 for the fiscal years ended June 2015, 2016, and 2017, respectively.

Other Matters – Disclosure of Consolidated Agency Audit Recommendations

The Department of Administrative Services provided administrative functions for a multitude of agencies because of 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 those recommendations disclosed service provider-related conditions that required, or will require, the combined efforts of DAS and its client agencies to resolve.

We have incorporated, where appropriate, such conditions of significance to this audit within the State Auditors' Findings and Recommendations section of the report.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of Department of Administrative Services disclosed the following 33 findings and recommendations, of which 10 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 state agencies' 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 DAS and other executive branch agencies.

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 the reclassified position; (2) the employee has maintained an adequate performance record and has received a 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.

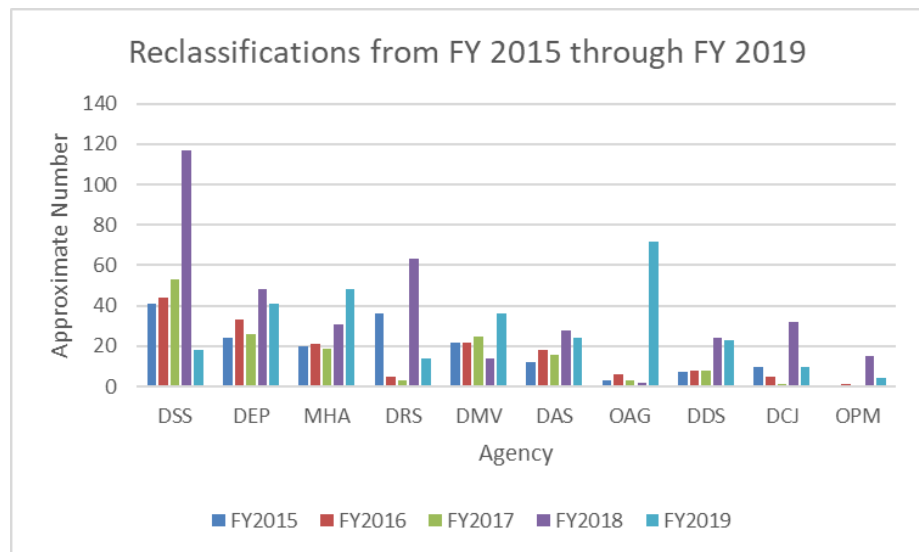
Condition: Since the December 2016 revision of GL226, the Department of Administrative Services has advised agencies to reclassify positions instead of obtaining approval to establish positions from the Office of Policy and Management (OPM) to expedite the process. As a result, there were significant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

Although procedures dictate that agencies must provide justification to DAS prior to approval, DAS relies on the agencies’ assertion that actions are organizationally sound, rather than developing its own criteria for evaluating the 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 10 agencies that used the reclassification process follows:



Employees had not received annual and cost of living increases for several years due to the state’s budget crisis. OPM informed agency commissioners that, due to a projected deficit in fiscal year 2016, actions to realize savings were necessary, including rescinding previously approved salary increases for entire labor units until at least January of 2016.

Effect:

Without proper review, approval, and timely post-audit of reclassifications, there is potential for the 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. The approval process for lower level

positions lies with the agency and DAS, which limits the budgetary oversight of these 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.

SWHR does not have sufficient staff assigned to the post-audit function despite delegating many agency personnel actions, which are subject to post-audit.

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

Recommendation: 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. (See Recommendation 1.)

Agency Response: “DAS disagrees 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, and that was by design to provide appointing authorities with a more flexible tool to manage their respective agencies. Furthermore, the revised General Letter 226 more closely adhered to the provisions of C.G.S. §5-227a and the State Personnel Act as a whole, which give agency heads, as the appointing authorities, the final discretion to determine which candidates are the most qualified to fill the particular positions needed by the agency.

In connection with promotions by reclassification, DAS’s roles are as follows:

- To establish the policy and procedure, which it did through General Letter 226;
- To establish the minimum qualifications for positions, which it does continuously through the development of the job specifications;
- To ensure that the reclassified position is appropriate in terms of the job functions to be performed and the organizational needs of the agency, which the DAS Statewide HR Consultants do when they review the proposed new classification in conjunction with the documentation produced by the agency before determining whether to approve the transaction;
- To ensure that the appointing authority has justified that the individual to be reclassified meets the requirements, which the DAS

Statewide HR Consultants do before determining whether to approve the transaction.

DAS's responsibility is **not** to second-guess the appointing authorities' judgement regarding which of the statutorily-based methods for promoting employees best fits their agencies' needs at that time or their decisions as to which employees are most qualified for such promotions.

The post-audit staff do not review every promotion by reclassification. Inserting them into those transactions would add unnecessary bureaucracy, increasing the time and cost of each transaction. The purpose of post-audit is to spot-check agencies' personnel transactions, not to review every transaction."

*Auditors' Concluding
Comments:*

In its response, DAS states that it is responsible for ensuring that the reclassified position is appropriate in terms of job functions and the agency's organizational needs. However, it further states that it is not to second-guess the appointing authorities' judgement regarding methods for promoting employees or decisions as to which employees are most qualified. These statements together imply that the DAS approval process may be superficial, which further supports our recommendation that controls should be strengthened.

Statewide Human Resources – Approval of Individual Managerial Salary Increases

Background:

Historically, the Department of Administrative Services, with the approval of the Office of Policy and Management (OPM), establishes the salary or salary adjustment of certain groups of unclassified, executive, appointed employees or officials, and more rarely certain individual employees. These actions are approved via signed memorandums called "E-Items" and are numbered for reference purposes. Other uses of "E-Items" include extension of certain benefits negotiated for bargaining unit employees to non-represented employees, such as 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 the Office 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:

Beginning in fiscal year 2018 and through fiscal year 2019, DAS (with OPM’s approval) authorized individual salary increases on behalf of certain non-represented, classified managers, 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 with Salary Increase		Amount or Range of Increases by Manager			
	2018	2019	2018		2019	
Agency			Dollar	%'age	Dollar	%'age
DAS	4	1*	\$10,000 to \$19,718	8% to 22%	\$42,500	34%
OPM	-	1	-	-	\$4,651	5%
Office of the State Comptroller	-	1	-	-	\$15,174	14%
Office of the State Treasurer	-	1	-	-	\$15,000	19%
State Department of Education	2	1*	\$7,613	5%	\$15,357	10%
Department of Mental Health and Addiction Services	1	-	\$10,929	5%	-	-
	7	5				

*Same manager received increases in both fiscal years.

Context:

DAS, subject to the approval of OPM, determines salaries statewide. Salaries are organized into pay plans for bargaining unit employees and executive and non-represented managers. We did not note any similar occurrences in the three previous fiscal years.

In October of 2015, OPM informed agency commissioners that, due to a projected deficit in fiscal year 2016, actions to realize savings were necessary, including rescinding previously approved salary increases for entire labor units until at least January of 2016.

Effect: Although the statutes do not prohibit DAS and OPM from setting individual salaries, significant salary increases granted to specific employees without fair and consistent treatment may open the state to claims of favoritism, decreased morale, and inequitable salaries.

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

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

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: “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 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 not suggesting there is no 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 pay increases. However, if these 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 Resource Functions

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 resource management.

Condition: Statewide Human Resources Management has not assigned sufficient resources to perform post-audits of personnel actions. As of fiscal year 2019, there were only two employees assigned to conduct post-audits on a part-time basis. As a result, these audits are generally limited to reviews of monetary calculations from promotions, hiring, rehiring and demotions. SWHR does not perform post-audits assessing the reasonableness of certain actions.

Furthermore, DAS did 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 delegates its authority for various human resource functions to state agencies, which are typically codified in the General Statutes. DAS provides guidance to state agencies through issuance of general letters. These transactions, along with other non-delegated transactions, are subject to SWHR post-audit.

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 agencies. With the implementation of JobAps, a 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 two in 2019. In addition, the unit has other responsibilities. DAS did not follow up on errors identified in audits and cannot require agencies to do so.

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

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. Furthermore, the department should develop and implement procedures, and seek

necessary legislative changes to correct errors and enforce agency compliance with post-audit results. (See Recommendation 3.)

Agency Response:

“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. The implementation of the statewide HR centralization initiative removed an approval level. This, coupled with the highly subjective nature of personnel action decisions, enhances the importance of a more robust post-audit unit. Furthermore, DAS should consider establishing the post-audit unit independent of the Statewide Human Resources unit after the HR centralization process is complete.

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 should also 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 written policies and procedures for its complaint process. In addition, DAS does not track all complaints it receives related to allegations of code of conduct violations, workplace violence, sexual harassment, or discrimination. Since late 2016, DAS only tracks complaints that it determines rise to the investigation level and does not document the reasons that other untracked complaints are not investigated.

Context: DAS provides human resource services to itself and 11 client agencies. The department's Human Resources Division has separate units dedicated to handle DAS and other agency matters. Human resources specialists serve specific agencies, and complaints can originate from a variety of sources.

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.

Without a history of complaints, the department is unable to identify repeat offenders and other complaint patterns before they escalate.

Furthermore, employees may feel their concerns are not being taken seriously and may not report these situations. This could lead to an unhealthy or unsafe work environment, negatively affecting productivity and increasing the risk of fraud.

Cause: Human resources does not appear to recognize the value of having well-defined policies and procedures over the entire complaint process.

Human resources sometimes dismisses complaints from employees it believes are disgruntled or underperforming as trying to avoid discipline.

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

Recommendation: The Department of Administrative Services should formalize procedures to ensure it documents all complaints. The department should promptly and consistently conduct human resources investigations. (See Recommendation 4.)

Agency Response: “DAS agrees in part and disagrees in part with this finding. DAS agrees that its human resources staff should adopt formal procedures to document complaints received and the basis for determining if a full investigation is not necessary.

As is documented in DAS’ policies, DAS’ equal employment opportunity unit investigates discrimination and harassment complaints. The EEO unit does track all complaints and does have formal written policies and procedures.

The majority of complaints alleging violations of human resources policies, including allegations of workplace violence, are investigated by one person in the SmART unit. Although formal policies and a formal tracking mechanism are desirable, they are less necessary where, as here, consistency is achieved by virtue of the staff assignments.

DAS disagrees that every complaint requires a formal investigation. Some complaints require an investigation, but others may be resolved by working with those involved to achieve a mutually satisfactory resolution. In some situations, asking the complainant a few questions may be sufficient to demonstrate to the complainant that the perceived wrongdoing was nothing of the kind. Each situation is highly fact-specific and individualized.

The APA asserts that DAS “dismisses” complaints from employees it believes are disgruntled. To the contrary, DAS assesses each complaint on its merits and investigates all complaints that require investigation in a thorough and unbiased fashion.”

Auditors’ Concluding Comment:

We are aware that the Equal Employment Opportunity and Labor Relations units conduct investigations. Our finding pertains to the human resources unit’s intake of complaints prior to assigning them to the appropriate units for investigation. Because human resources does

not log and track all complaints, there is no documented record of decisions to support complaints not referred for investigation.

Human Resources – Section 4-33a Reporting Requirements

- Criteria:* 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 of the state within their knowledge.
- Condition:* Prior to our inquiry, the department did not report the results of its investigations, in which it substantiated allegations of 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. DAS subsequently reported one instance of misuse and its associated cost on August 8, 2017.
- Context:* Human resources informed us that five investigations relating to abuse of state systems or resources occurred at DAS and its customer agencies between July 1, 2014 and June 30, 2017. We reviewed the four investigations of DAS employees involving forgery, theft of time, and misuse of state resources.
- Effect:* The department did not comply with Section 4-33a of the General Statutes.
- Cause:* Human resources was not aware of the reporting requirement of Section 4-33a of the General Statutes.
- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* 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. (See Recommendation 5.)
- Agency Response:* “DAS agrees with this finding. Although DAS’s legal unit does report any breakdowns in the safekeeping of state resources to the Auditors of Public Accounts and Comptroller when it becomes aware of such incidents, DAS agrees that DAS should have a more formal process in place to ensure that such reports are made promptly and consistently.”

Human Resources – Inappropriate Promotions to Job Classes

Criteria: The Department of Administrative Services’ job classification system provides job descriptions and salary information. The job specification guidelines for the three levels of Human Resources (HR) Administrator indicate that the highest level for DAS is HR Administrator 1 and the highest level for DSS is HR Administrator 2.

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 by the commissioner of Administrative Services for the career progression level of the reclassified position; (2) the employee has maintained an adequate performance record and has received a 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 of six months; and (4) the reclassified position is approved by the commissioner of Administrative Services.

DAS General Letter No. 226 relating to Promotion by Reclassification provides procedures that help ensure reclassifications are organizationally sound and within the guidelines.

Condition: On February 22, 2019, DAS inappropriately promoted an HR Administrator 1 to HR Administrator 2 by reclassification retroactive to September 14, 2018. The explanation DAS provided did not properly justify the reclassification. This HR administrator laterally transferred to another agency on January 24, 2020.

We also noted that an employee transferred from DSS to DAS Statewide HR with the title of HR Administrator 3 effective March 2, 2018. While there was no change in salary, DAS reclassified the position to an Administrative Services Assistant Administrative Manager on June 15, 2018.

Effect: DAS put HR Administrators in positions and a higher salary plan not designated for DAS.

Cause: DAS did not adhere to its own job classification guidelines, requirements, and specifications when promoting its employees.

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

Recommendation: 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. (See Recommendation 6.)

Agency Response:

“DAS disagrees with this finding and recommendation. DAS asserts that the promotion by reclassification of the Director of the DAS SmART unit complied with the relevant statute and policy. The position of Director of the DAS SmART unit has evolved in terms of number of agencies and employees it provided services to over time to the point where, in the opinion of DAS, it more closely aligned with other agencies assigned the former Human Resources Administrator 2 job class. DAS notes that the State subsequently began an initiative to centralize human resources and human resources job classes were significantly revised. In those revisions, DAS recognized the position of the Director of the DAS SmART unit should belong to the Human Resources Business Partner 2 job class per the same rationale above.

DAS also notes that the other personnel transaction referenced in this finding was not a promotion by reclassification. As is well documented, the individual in question transferred in her position from DSS to DAS in order to lead a multi-agency project to implement a wide-scale time management solution. It was essential for the project leader to be an HR professional with significant experience in human resources, scheduling, and payroll in large and small agencies, as well as 24/7 agencies and health and human services agencies. Because the project in question was to be limited in duration and the experience needed is specific to the project, it was not appropriate to create a new job specification. DAS quickly acted to reclassify this individual into a more appropriate existing job specification. Notably this reclassification did not result in a salary increase and was not a promotion.”

Auditors’ Concluding Comment:

DAS is responsible for developing job specifications. Agencies, including DAS, must adhere to the specifications until formal changes are made. The justification for the DAS HR administrator’s reclassification was the addition of SmART agencies to human resources’ responsibilities. However, from the implementation of SmART, agencies were added and eliminated from the department’s purview. The position remained HR administrator 1 in line with the job specification.

The HR administrator 2 has since transferred to a different agency. It is noteworthy that DAS implemented centralized human resources across the state and is utilizing new job specifications. HR administrators appear to remain in their positions by means of “red circling,” which is an administrative procedure preventing future use of a class or position without DAS review and approval.

Statewide Human Resources – Inappropriate Promotion of Unqualified Applicant

Background: As of October 30, 2017, the Department of Administrative Services started using JobAps, a web-based recruiting and applicant tracking system. JobAps includes online job postings, applicant tracking, examination, planning, scoring, reporting, and electronic notifications throughout the process. The DAS Statewide Human Resources (SWHR) division is responsible, in part, for approving positions and making determinations on rejected applicant appeals initially deemed unqualified.

Criteria: Effective October 1, 2018, Section 5-221a of the General Statutes states that an applicant for employment or an employee in the classified service may appeal the rejection of such applicant's or employee's application, in writing, to the commissioner of Administrative Services not later than six business days after the transmittal of such rejection notice by providing supplementary information on qualifications as may be necessary. Such applicant or employee may request a review of such rejection by an independent human resources professional who shall render a final decision on the applicant or employee's appeal within fifteen days thereafter.

Department of Administrative Services General Letter No. 36 provides application rejection appeals policy. Appeals are limited to issues regarding an applicant failing to meet the minimum qualifications for the job opening. Minimum qualifications detailed in the sections of the job opening are labeled general experience, special experience, and special requirements. The human resources professional reviews the appeal package, along with the applicant's original application. Their decision is final and binding.

The human resources specialist job specification (revised May 13, 2016) stipulates general experience of seven years of human resources (HR) management experience and one year of special experience working at the junior level of HR management. Substitutions are allowed for certain college training. The job posting advertised for an HR specialist with payroll experience.

Condition: A Payroll Officer 2 was promoted to an HR Specialist position without the requisite qualifications. The applicant strictly had payroll-related experience and no college training. After JobAps initially deemed the applicant not qualified for the position, the applicant appealed and submitted supplemental information. During the appeal process, based on all information received, SWHR determined that the payroll officer met the minimum qualifications for an HR specialist, despite the individual not having the requisite experience.

Effect: Employees may be in positions for which they are not qualified. Without the requisite experience, employees may be less effective. In other instances, the candidate pool may be limited to only those requesting an appeal.

Cause: Statewide Human Resources felt the applicant was qualified for the position because the payroll unit was part of the human resources unit, and the payroll officer worked alongside the HR manager. Furthermore, it appears that the experience desired by the hiring unit would have been better suited with a different position, such as the HR associate (revised June 15, 2018).

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

Recommendation: 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. (See Recommendation 7.)

Agency Response: “DAS disagrees with this finding and recommendation. DAS has and implements uniform standards and procedures regarding position requests and the assessment of qualifications in the hiring process, including procedures regarding exam appeals. With regard to the individual in question, DAS applied its uniform standards and procedures to determine that the individual did possess the required knowledge, skills and experience and did have the required minimum qualifications for the job in question. Contrary to the APA’s description, determinations about qualifications are not and should not be based solely on the job titles a candidate may have held, nor upon arbitrarily rigid requirements about promoting only within job series.

It is incorrect to assert that the position in question should have been filled at the HR Associate level. The only difference in minimum qualifications between the HR Associate job specification and the HR Specialist is that the former requires 6 years of professional experience in HR management and the latter requires 7 years. If, according to the APA, the candidate’s payroll experience did not qualify her for the HR Specialist position, it should not have qualified her for an HR Associate position. Moreover, as a Payroll Officer 2, the candidate had held a *supervisory level* position, whereas an HR Associate is considered to be a *junior level* position. It is irrational to assert that a person who worked at a higher level was qualified only for a lower level position.

Lastly, the ultimate determiner in an applicant's ability to continue serving in a position is the working test period. By all accounts, the hired employee has demonstrated exemplary performance."

*Auditors' Concluding
Comment:*

Individuals in human resources and payroll units hold very different backgrounds and expertise. Human resources professionals often have educational backgrounds and experience in public administration, HR management, labor relations, and organizational psychology. Payroll professionals typically have financial backgrounds. Although these professionals work closely together, the experience and training are uniquely different and are not interchangeable, especially at a higher level.

When hiring units desire certain experience, the department should consider whether another job specification would better suit its needs. The HR Associate position was only provided as an example because it included the experience desired in the job specification. Furthermore, as the payroll officer does not have the requisite relevant HR experience per the DAS established job specification, the supervisory level of the Payroll Officer 2 position is irrelevant. Again, although they are related, the experience and training of these two specifications are uniquely different.

Human Resources – Monitoring and Investigation of Dual Employment

Criteria:

Department of Administrative Services General Letter No. 204 – Dual Employment, dated May 12, 2014, provides directions 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 employee 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 the 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 6 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.

Condition:

During our previous audit, we identified a dually employed individual who charged whole days to leave time at the primary agency on days the employee worked at the secondary agency. We further noted that

this same employee occasionally charged full work days for the primary and secondary agencies on the same days. This could indicate potential duplicate payments.

Our current audit revealed that this situation persisted through September 2016, when the dual employment ceased. We asked the department what action it took to address the situation after the last audit, and the department informed us that it reminded the employee that leave time at the primary job could not be used in conjunction with the secondary job. The department did not investigate to determine whether the employee actually worked those unrealistic hours.

We also reviewed five of the same employee's Dual Employment Request Forms (CT-HR-25) covering the current audited period. We found that two were not executed timely and two were missing.

Context:

During our prior review covering July 2012 through June 2014, the employee worked 194 days at the secondary agency. Of those, we noted 21 days in which the employee charged full days of leave at the primary agency and 19 days in which the employee worked 8 or 9 hour days at both agencies on the same day.

During our current review (July 2014 – September 2016 when dual employment ceased), the employee worked 200 days at the secondary agency. Of those, we noted 23 days in which the employee charged full days of leave at the primary agency and 9 days in which the employee worked 8 or 9 hour days at both agencies on the same day.

Effect:

Although it appears the agency addressed policy noncompliance regarding not charging leave time at the primary agency on days worked at the secondary agency, duplicate payments potentially were made on the days the employee charged full days at both agencies.

Cause:

It appears the department did not always investigate potential instances of duplicate payments or monitor employees' time for accuracy and reasonableness.

Prior Audit Finding:

This finding has been previously reported, in modified form, in the last audit report covering the fiscal years 2013 and 2014.

Recommendation:

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. (See Recommendation 8.)

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 provides online training courses to state employees, such as diversity, workplace violence prevention, and sexual harassment to supplement in-person instruction.

Criteria: Section 4a-2a (b) of the General Statutes requires that full-time state employees shall be required to attend the workplace stress awareness and prevention program, not later than 6 months from their date of hire. Section 46a-54 (16) of the General Statutes requires state agencies to provide a minimum of 3 hours of diversity training and education to all newly hired supervisory and nonsupervisory state employees, not later than 6 months after their date of hire, with priority for such training to supervisory employees.

Condition: As of August 2019, DAS has not provided statutorily-required workplace violence and diversity training to mandated employees since at least July of 2017.

Context: DAS provides human resources and equal opportunity employment (EEO) services to the department and 11 customer agencies. The EEO office and the various human resources units handle DAS and other agency matters, including coordinating mandated training.

Effect: The risk of workplace violence may increase without preventative education and training on warning signs and management style, stress management, conflict resolution, communication skills, and proper disciplinary practices.

Cause: The department laid off the manager of the DAS Learning Center, who had previously coordinated the July 2017 training. As of August 2019, DAS had not utilized CEA to provide this training.

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

Recommendation: 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. (See Recommendation 9.)

Agency Response: “DAS agrees with the recommendation but disagrees with the stated cause of the finding. A lack of understanding on the part of human resources staff about who was responsible for scheduling employees to receive training, not the fact that DAS was unfortunately compelled to layoff certain staff in 2017, was the cause of the gap in training. That issue has been rectified and DAS has taken steps to ensure that all employees receive the required training.”

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 (TRC). 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 twenty eight occasions in which 25 employees charged holiday time reporting codes on non-holidays for a total of 263.25 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 a calendar year. We reviewed exceptions in calendar years 2014 through 2017, which encompasses our audited period.

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 to identify and promptly address these instances.

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

Recommendation: 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. (See Recommendation 10.)

Agency Response: “DAS agrees that on occasion employees may use incorrect Time Reporting Codes. Generally such errors are identified and corrected by the employees’ supervisors or by the payroll officers. DAS will continue

its efforts to educate all employees about the appropriate codes to use and to create reports that will enable its payroll staff to more readily identify TRC 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 resources to increase collections, and determine whether the cost of additional staff 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 impact the collection of amounts owed to the state.

Condition: Subsequent to the release of the prior audit report in June 2017, the department added additional collection unit staff and implemented process improvements. Our analysis of the period suggests a direct relationship between revenue collected, cases opened, and staffing levels, in particular staffing levels for the processing technician positions.

As of January 2020, the department’s staffing levels declined back to fiscal year 2015 levels. DAS did not approve the refill positions even though it recognized that additional opportunities for collections exist.

Furthermore, system outages, ranging from several minutes to several hours, occur once or twice a month. In April 2019, an outage lasted for a week and only limited services were available for several days when the system came back online. These outages are attributed to the number of staff on the system, which has far exceeded its user capacity.

Context: The department has not developed an understanding of the extent of recoveries available to the state in a fiscal year. As case openings and

staffing levels have increased, collected revenue has also increased as presented in the chart below.

Effect:

Fiscal Year	Revenue	Opened Cases*	Approximate #Staff	Processing Techs
2015	\$ 52,973,716	8,767	39	21
2016	\$ 54,607,038	9,414	38	20
2017	\$ 53,454,213	8,842	41	22
2018	\$ 60,394,374	10,644	44	25
2019	\$ 57,398,269	11,004	44	23
*Sum of Insurance claims and lawsuit cases				

The correlation between staffing, case openings, and revenue collections suggests that additional revenue is available to the state. The increase in recovery of approximately \$7 million from fiscal year 2017 to 2018 exceeded the prior audit’s estimate. The benefits of marginal increases to staffing, however, may be reduced by decreases in productivity caused by increases in system outages. Without an upgrade in the system and increases in staffing, the department will not maximize its revenue.

Cause:

The department did not approve the refilling of recent vacant positions because of budgetary concerns. However, the unreliability of the unit’s collection system was a constraint on the productivity of existing staff.

DAS attributed the system’s instability to the fact that it was designed for an estimated three to seven users, and not the 48 users as of October 2019. As a result, the department cannot add sufficient staff to complete the labor-intensive tasks of confirming matches and establishing liens necessary to maximize revenue collection.

DAS decided to procure a new system and has initiated the development of a request for proposal. Prior to proceeding with the procurement process, the department took steps to stabilize the system and considered alternatives to a replacement.

Prior Audit Finding:

This finding has been previously reported in the last audit report covering the fiscal years ended 2013 and 2014.

Recommendation:

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. (See Recommendation 11.)

Agency Response: “DAS agrees that it is necessary to complete its procurement of a new collections computer system. DAS agrees with the Auditors’ analysis of the work performed by the Collections division and potential revenue to be achieved. DAS will continue to take a holistic approach to address the many process improvements, technology enhancements and staffing changes.”

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. The department also administers such functions on behalf of the Offices of the Governor and the Lieutenant Governor.

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 \$718,885, and found that two purchase orders, totaling \$19,320, were not approved on time.

We reviewed 25 expenditure transactions of DAS customer agencies, totaling \$2,460,675, and found that five purchase orders, totaling \$173,931, were not approved on time.

Effect: Obligating the state without timely-approved purchase orders in place could result in the failure to receive expected services. 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 three audit reports covering the fiscal years 2008 through 2014.

Recommendation: 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. (See Recommendation 12.)

Agency Response: “DAS agrees that it should ensure compliance with Section 4-98(a) of the General Statutes and will continue our efforts to provide awareness and training, which over the years, have resulted in a reduction in the number of situations in which goods and services have been ordered without a valid purchase order.”

Incomplete Physical Inventories and Inventory Records

Criteria: Section 4-36 of the General Statutes states that each state agency shall establish and maintain an inventory account in the form prescribed by the Comptroller and shall, annually, on or before October first, transmit to the Comptroller a detailed inventory, as of June thirtieth, of all property owned by the state and in the custody of such agency, personal property having a value of \$1,000 or more. Comptroller memorandum 2015-05 increases the capitalization threshold to \$5,000 for items placed into service on and after July 1, 2015.

The Office of the State Comptroller’s Property Control Manual states that agencies must take a complete physical inventory of all property by the end of the fiscal year to ensure that property control records accurately reflect the inventory on hand within the current fiscal year. Agencies must immediately remove property deemed “lost, missing, unaccountable, expired, spoiled or damaged” as a result of taking a physical inventory from the property record and must complete a CO-853 form (loss report). Agencies using the Core-CT Asset Module must “retire” the asset. If the item is found, they must add it back to the property record in the Core-CT Asset Module as “reinstated.”

Section 4-33a of the General Statutes requires agencies to promptly notify the Auditors of Public Accounts and the State Comptroller of any breakdowns in the safekeeping of other state resources.

The Property Control Manual indicates that purchased software not owned by the state should be included in the agency’s software inventory. The property control record must contain the location, cost, and identification number of the central processing unit (CPU). For local area network applications, the department only needs to reference

the file server, and not the individual computers if it has installed a central copy of the software.

Condition:

The Department of Administrative Services has not been performing complete physical inventories. A review of the department’s capitalized equipment asset list as of December 16, 2019 revealed that DAS did not perform a fiscal year 2019 physical inventory of 51% of items, representing 2,006 items with a total cost of \$37,207,625. The department last performed an inventory of these items in years 2012 through 2018, and has never performed physical inventories of 216 items. Furthermore, many asset locations are no longer in use.

DAS also performs physical inventories for some customer agencies. We found that the department did not complete equipment inventories in fiscal year 2019 as follows:

Agency	# of Items Not Inventoried in FY19	Total # of Items	%'age of Items Not Inventoried
Governor's Office	3	31	10%
Office of Governmental Accountability	10	48	21%
Department of Agriculture	17	146	12%
Department of Consumer Protection	31	129	24%
Total/Average Percentage	61	354	17%

DAS did not submit loss reports for all items it could not locate and did not take these items out of service in the Core-CT asset module.

The department’s software inventory records still did not identify the location and identification number of the central processing unit in which each software program resides.

Context:

The DAS equipment list as of December 16, 2019 contains 3,967 capitalized equipment items, totaling \$81,504,046. Of these amounts, the department performed a fiscal year 2019 physical inventory of 1,910 items, with a total cost of \$43,817,104. DAS added 51 items after the last physical inventory, with a total cost of \$479,317. The following table summarizes the remaining items that were not inventoried in fiscal year 2019.

Description	Item Count	Cost
Laptops & Desktops	93	145,283
Other Information Technology (IT)	1,624	22,316,239
Subtotal IT-related items	1,717	22,461,522
"Group Control" Items (formerly Dept. of Public Works)	22	13,183,123

Other Telecom and Security Systems	16	843,550
Subtotal Group Control & Other Systems	38	14,026,673
Furniture & Workstations	203	395,520
Miscellaneous Equipment	48	323,910
Total	2,006	\$ 37,207,625

Effect: The department may have overstated equipment on its annual CO-59 Asset Management/Inventory Report/GAAP Reporting form, because it did not remove lost or obsolete equipment. There is an increased potential for loss when agencies do not perform physical inventories. In addition, management may not promptly identify theft.

Cause: The former departments of Information Technology, Public Works and Construction Services merged into DAS in the last eight years. DAS inherited these agencies' equipment and inventory practices, such as separately inventorying IT-related component parts, office furniture, and workstations.

The department does not have adequate staffing to perform physical inventories and maintain inventory records. In addition, physical inventories are performed by scanning items from asset listings instead of scanning all tagged items.

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

Recommendation: 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. (See Recommendation 13.)

Agency Response: "DAS agrees in part and disagrees in part with the Auditors findings and recommendations. DAS performs inventory at all its offices and major locations, as well as those of its customer agencies. The nature of some subdivisions for DAS equipment deployed at remote locations provides impediments resulting in situations for which the asset team does not have access. This includes hundreds of non-customer locations, municipalities, schools, and out of state locations. DAS is in talks with the Office of the State Comptroller to find a solution."

Reporting and Retention Issues with Telecommunication System Data

<i>Criteria:</i>	<p>Section 4d-5(a) of the General Statutes states that “the commissioner shall be responsible for purchasing, leasing and contracting for all telecommunication infrastructure for the support of the state agencies; implementing, or assisting state agencies in implementing, such facilities; processing bills for telecommunication services used by the state agencies including telecommunication services provided at the request of state agencies to (1) private nonprofit or not-for-profit agencies whose telecommunication services are funded primarily by the state, and (2) political subdivisions of the state; and managing the operation of such infrastructure.”</p> <p>The Office of Policy and Management’s Telecommunication Equipment Policy states that telecommunication equipment shall be used solely for official state business and shall not be used for personal or private purposes. The policy further provides that the using agency will receive a detailed electronic bill and individual cellular usage report. The individual and agency are responsible for verifying the accuracy of the bill and confirm appropriate usage.</p> <p>The Connecticut State Library’s State Agencies’ Records Retention/Disposition Schedule, S3: Fiscal Records, states that telephone bills are to be retained for three years, or until audited, whichever is later.</p>
<i>Condition:</i>	<p>As of July 1, 2015, the Department of Administrative Services began using the Tangoe Telephone Billing and Management System. Tangoe does not provide state agencies with comprehensive detailed usage reports for all devices. This information is only accessible by looking up individual devices and associated telephone numbers. In addition, the usage detail is only available for one year.</p>
<i>Effect:</i>	<p>Without implementing mitigating procedures, agencies are unable to readily verify the accuracy of the telecommunication billings and confirm that usage was appropriate. Misuse of state equipment could go undetected.</p> <p>Telecommunication information is not retained in accordance with the state library’s records retention schedule.</p>
<i>Cause:</i>	<p>Tangoe’s reporting section is lacking. DAS has not developed a cost-effective solution to the reporting deficiencies to provide to all agencies.</p>
<i>Prior Audit Finding:</i>	<p>This finding has not been previously reported.</p>

Recommendation: 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. (See Recommendation 14.)

Agency Response: “DAS agrees the current TEMS (Telecom Expense Management System), Tangoe, has reporting capabilities that are different from the previous TBMS (Telephone Billing and Management System) system. The current system’s call detail reporting is available to agencies at the individual user level and requires reporting on the data individually. DAS has provided instructions/guidance to the agencies so they can access the call detail information, should they choose to. The previous system (TBMS) had auto report generation features that pushed the individual reports out to the agencies. The audit staff has been informed that DAS has an outstanding RFP for TEMS services that will directly address the above citing.”

Agency Trust Account Bank Reconciliations

Criteria: The Department of Administrative Services is the representative payee of funds received for individuals under the state’s care and is responsible for reconciling bank statements to the balance of client trust accounts. Sound business practices dictate that bank reconciliations be reviewed in a timely manner.

Condition: While DAS reconciled the deposits and withdrawals posted to the bank statement, it did not fully reconcile the bank statements to the balance of client trust accounts. As a result, DAS did not account for all deposits and withdrawals it recorded in the trust account that the bank had not yet posted. This indicates a possible problem with client trust accounts. These unreconciled differences began during fiscal year 2015 and persisted until our review identified the problem in February 2020, when the department initiated immediate corrective action.

Context: The DAS trust account has deposits and withdrawals ranging from \$600,000 to \$800,000 in any given month with an ending balance that can fluctuate from \$100,000 to almost \$1,000,000 depending on the timing of 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: DAS previously identified an unreconciled difference and considered it a programming error. In fiscal year 2017, the department modified its worksheet to remove the fields that identified unreconciled difference between the bank and trust account.

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

Recommendation: The Department of Administrative Services should resolve the unreconciled difference between the balances in its bank account and client trust accounts. (See Recommendation 15.)

Agency Response: “DAS agrees with this finding. The Business Office – Central Accounting Unit is currently reconciling the bank account and the balance of client trust accounts on a monthly basis and is working to resolve any unreconciled differences.”

State Construction – Capital Asset Valuation

Criteria: The 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 expenditures that significantly extend the useful life or enhance the value of the individual building are the main criteria of capitalization of building improvements. 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 used a process to report costs subject to capitalization to custody agencies. That process limited the reported capital costs to the final construction contract amount adjusted for change orders. DAS did not include adjunct costs subject to capitalization in the forms provided to custody agencies.

For the 10 selected projects that closed during fiscal years 2015 through 2017, the department understated the capital cost of buildings by an estimated \$52,784,253.

For the 13 projects that closed during fiscal year 2019 and reviewed as a part of the fiscal year 2019 Comprehensive Annual Financial Report (CAFR) audit, the department understated the capital cost of buildings by an estimated \$41,403,567.

- Context:* For fiscal years 2015 through 2017, the department removed projects from construction-in-progress (CIP) with costs of \$108,724,153, \$136,098,738, and \$49,148,852, respectively, for a total of \$293,971,743. The 10 projects selected for testing in this audit had costs totaling \$239,895,594, or approximately 82% of total projects costs for those fiscal years.
- During our fiscal year 2019 CAFR review, the total costs of the 13 projects was \$177,788,045. This represents all of the projects removed from construction-in-progress in fiscal year 2019.
- Effect:* The defect in internal controls resulted in a cumulative misstatement in the state's financial statements that is estimated to be material to the fiscal year 2019 financial statements, and possibly for earlier reporting periods.
- Cause:* Department personnel responsible for reporting the full capital cost of projects to a custody agency did not have the necessary financial background to identify the deficiency in reporting to custody agencies.
- Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended 2013 and 2014.
- Recommendation:* 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. (See Recommendation 16.)
- Agency Response:* "DAS agrees with this finding. Based on the APA's suggestions and recommendations, DCS Financials has begun including additional ancillary related construction expenses into the final cost of the building on the Asset Valuation Memorandum form 7950. These changes have been implemented as of July 2019 and will show up on DCS' next reporting cycle. These costs will include construction administrator fees, minor construction costs and in some cases artwork, although many times the artwork is delivered long after the construction has been completed. DCS is working with the Office of the State Comptroller and the DCS Project Team to bridge the gap between the auditors final cost of the building and DCS' reported final cost of the building for asset purposes. These efforts should help ensure and more accurately reflect the true cost of the building at the time of substantial and final completion of the project."

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 department documents the review and approval of change orders with signatures on change order forms, and retains the forms to verify the process.

In response to a recommendation in the prior audit, the department implemented a review of change orders as a part of the reconciliation process carried out after a project is completed. During this process, the department reviews change orders on closed projects for accuracy, completeness, and compliance with department policies. Change orders not already in the state’s project management software are uploaded during the reconciliation process.

Condition: As part of our prior audit follow-up, we reviewed 10 projects that closed during fiscal years 2015 through 2017 to test the department’s corrective action. Three of the 10 projects contained change order documentation in the project management software. Of the three projects with documentation, only one project contained change order documentation that complied with the department’s corrective action.

Context: For fiscal years 2015 through 2017, the department removed projects from construction-in-progress with costs of \$108,724,153, \$136,098,738, and \$49,148,852, respectively, for a total of \$293,971,743. The 10 projects we selected for testing as a part this audit had costs totaling \$239,895,594, or approximately 82% of total projects costs for those fiscal years.

Effect: Change orders continue to represent a significant deficiency in internal controls and represent an opportunity for waste, fraud, and abuse.

Cause: The department did not effectively design its corrective action.

In designing its corrective action, the department did not consider how often project managers do not record change orders and upload related documentation to the project management software.

The department assigned one employee to reconcile projects, review change orders for noncompliance, and upload missing change orders to

the project management software. The department needed to assign additional staffing to sufficiently implement its new control, because projects may include hundreds of change orders.

Prior Audit Finding: This finding has been previously reported in the last two audit reports covering the fiscal years ended 2010 to 2014.

Recommendation: 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. (See Recommendation 17.)

Agency Response: “DAS agrees in part and disagrees in part with this finding and recommendation. DAS agrees with the importance of change order control, and the need for staff to comply with the contract documents regarding the issuance of change orders on Construction Services-administered projects. DAS disagrees with the assertion that it does not properly control change orders. Change orders cannot be completely eliminated. DAS project management staff work to ensure that change orders are approved only in connection with work that is outside the contract scope because of an agency’s request, an unknown condition or an error or omission in the plans and specifications. Further, Construction Services realizes the importance of proper utilization of the project management software as it is the repository of the project files and records, and towards that end, created a PM Web manual to assist users in understanding both the use of the program and the process requirements. There is a specific section in the manual for change order documentation that ends with uploading the fully-executed change order as well as all relevant change order documentation. The manual will assure a consistent approach is taken with change orders. Construction Services management will continue to take steps to ensure that change orders are in compliance with contract documents and that appropriate record-keeping is maintained in the proprietary project management software.”

State Construction – Statutory Non-Compliance with Subcontractor Bid Requirements

Criteria: Section 4b-95 of the General Statutes establishes specific bidding guidelines, awarding authority responsibilities, and subcontractor requirements. It states, “General bids shall be for the complete work as specified and shall include the names of any subcontractors for the four classes of work...” Section 4b-93(a) specifies four classes of work: (1) masonry (2) electrical (3) plumbing and (4) heating, ventilating, and air conditioning. Section 4b-95 further establishes, “It shall be presumed that the general bidder intends to perform with its own employees all

work in such four classes and such other classes, for which no subcontractor is named...” and that “...the general bidder's qualifications for performing such work shall be subject to review under section 4b-92. Every general bid which is conditional or obscure, or which contains any addition not called for, shall be invalid; and the awarding authority shall reject every such general bid.”

Once a bid is accepted, Section 4b-95 establishes that, “...the awarding authority shall not permit substitution of a subcontractor for one named in accordance with the provisions of this section or substitution of a subcontractor for any designated subtrade work bid to be performed by the general contractor's own forces, except for good cause.”

By requiring the naming of all subcontractors who will perform more than \$100,000 in the four specified classes, the statute establishes that the general bidder will perform the work in excess of \$100,000 in the four specified classes.

Condition:

The department required that general bids only include the name of a single subcontractor awarded the largest subcontract amount in each of the four specified classes. It referred to these subcontractors as the “prime” subcontractors.

The department’s bidding process did not presume that a general bidder would perform work in the four specified classes, and did not consider the qualifications of the general bidder to perform such work.

Context:

For fiscal years 2015 through 2017, the department removed projects from construction-in-progress with costs of \$108,724,153, \$136,098,738, and \$49,148,852, respectively, for a total of \$293,971,743. The 10 projects selected for testing as a part of this audit had costs totaling \$239,895,594, or approximately 82% of total projects costs for those fiscal years.

Effect:

The department’s noncompliance allows opportunities for bid shopping by general contractors, peddling by subcontractors, potential violations of the good cause requirements for the replacement of a subcontractor, and the possible awarding of bids to general contractors that are not qualified to perform work in the specified classes. It is not possible to hold general bidders accountable for violations of Section 4b-95 without naming all of the subcontractors in the specified classes.

Cause:

The department explained that it historically interpreted the naming of subcontractors to be limited to the single subcontractor awarded the largest amount in each of the four specified classes.

The department did not design its historical bidding procedures to comply with the requirements of Section 4b-95. This practice appears to be based on the department misunderstanding the requirements of Section 4b-95 and how its noncompliance created opportunities for bid shopping and peddling.

Prior Audit Finding: This finding has been previously reported, in modified forms, in the last five audit reports covering the fiscal years ended 2003 to 2014.

Recommendation: The Department of Administrative Services should modify its bid practices to comply with the requirements of Section 4b-95 of the General Statutes. (See Recommendation 18.)

Agency Response: “DAS agrees with this recommendation and has already implemented it as part of the Bid Proposal Form. Section 2.7 requires the bidder, for each class of work, to insert the name of each subcontractor with their proposed dollar value of subcontract. If the bidder intends to use more than one subcontractor to perform a class of work, then the bidder must provide names of all subcontractors and proposed dollar values of each subcontract in excess of \$100,000.”

Revenue Accountability – Crane, Hoisting and Demolition Licenses

Criteria: The Office of the State Fire Marshal (OSFM) collects fees codified in statute and regulation for crane, hoisting, and demolition licenses, examinations, and registrations.

The State Accounting Manual establishes that “where feasible, an accountability report, or cash proof of the total receipts as recorded in the Case Receipts Journal” be prepared. These reports are prepared to compare the monies actually recorded with the monies that should have been accounted for.

Condition: Our analytical review of revenue revealed that the Office of the State Fire Marshal did not maintain a central listing of license holders and their status during fiscal years 2015 through 2018. As a result, OSFM did not determine that the amount of revenue it collected correlates with the number of licenses, examinations, and registrations issued and renewed.

As of fiscal year 2019, the Office of the State Fire Marshal processed most licenses through the eLicense system, which is the state’s platform for professional licenses and certifications. The fiscal year 2019 listing supported \$331,270 in revenue, which was \$10,995 less than \$342,265 recorded in Core-CT.

- Context:* The Department of Administrative Services recorded revenue of \$300,150, \$279,800, \$329,265, \$322,781, and \$342,265 for fiscal years 2015 through 2019.
- Effect:* DAS cannot provide assurance that the Office of the State Fire Marshal received and recorded all monies that should be accounted for in Core-CT due to the absence of reliable data and a previously decentralized process. DAS cannot determine whether all licenses and renewals complied with statutory and regulatory requirements without a centralized listing.
- Cause:* The department informed us that it split the responsibility for licenses and renewals amongst several staff members. In May 2018, DAS began to partially process crane, hoisting, and demolition licenses and renewals on eLicense. Through fiscal year 2019, DAS still processed and maintained some licenses and renewals outside of eLicense.
- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* 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. (See Recommendation 19.)
- Agency Response:* “DAS agrees with this finding and has already taken steps to resolve some of the issues associated with converting to an e-licensing format, coupled with the losses of staff and subsequent learning curves for new personnel involved with the processes. DAS is confident of being fully compliant with the recommendations going forward.”

Prepayment of School Construction Grants

- Background:* Prior to 1997, the state paid school construction project grants to cities, towns, and districts in installments corresponding to their debt service payments on the bonds and notes issued by the municipality to finance project costs. In 1997, the state implemented the progress payment method to replace the installment method. The progress payment method relies on the state issuing its own general obligation bonds and making grant payments based on the degree of the project’s completion. The DAS Office of School Construction, Grants, and Review (OSCGR) is responsible for administering school construction grants.
- Criteria:* Section 10-287(a) of the General Statutes states that school construction grant payments shall be paid in installments, the number and time of

payment of which shall correspond to the number and time of principal installment payments on municipal bonds. It also states that grant payments shall be made at least 10 days prior to the principal payment on bonds.

Prepayment on installments far in excess of the 10-day minimum are not explicitly prohibited by the statute. However, good cash management practices would limit the period between the payment of grant installments and the issuance of the payment. Payments made in advance should be supported by a reasonable consideration of the state's cost and benefit.

Condition: The Department of Administrative Services issued \$26.3 million of principal and \$1.6 million of interest in lump sum payments to municipalities in May 2018, for the state's share of these subsidies. The department could not provide evidence that it analyzed the expected debt servicing cost and the expected cost savings prior to issuing the lump sum payments, or that it demonstrated a clear cost saving to the state.

Context: In September 2015, DAS estimated the state's obligation was approximately \$104 million. As of June 30, 2017, it was approximately \$49.2 million (\$45.9 million in principal installment payments and \$3.3 million in interest subsidies). Without the lump sum payments, the June 30, 2018 balance would have been approximately \$27.9 million (\$26.3 million in principal installment payments and \$1.6 million in interest subsidies). The Office of School Construction, Grants, and Review did not know whether the decline in obligation was due to a lack of bond refunding activity by municipalities, or because municipalities were accepting the final return of principal in lieu of grant reimbursement in future periods.

Effect: The prepayment of principal and interest subsidies are estimated to increase the state's debt service costs by approximately \$1.6 million in undiscounted future cash flows. The department could have avoided an estimated \$1.1 million of that cost by deferring the lump sum payment until the end of June 2020. A further deferral to the end of June 2022 might have reduced the state's estimated cost to less than \$200,000.

Cause: The department did not appear to analyze the state's cost when it decided to issue the lump sum payments.

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

Recommendation: 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. (See Recommendation 20.)

Agency Response:

“DAS disagrees with this finding for a number of reasons, including:

- It inappropriately conflates the costs of the grants made to local and regional boards of education, regional educational service centers, and endowed academies for interest subsidy grants for financing costs associated with pre-1997 school construction projects and the progress payment method that has been in place since 1997;
- It asserts that DAS and the State Department of Education failed to conduct an analysis into the costs to the state, as a whole, when the documentation provided to the APA demonstrates that the analysis was done showing a cost savings and that the APA simply disagrees with the outcome;
- It ignores the fact that the legislature was kept fully apprised of the issue and approved of the approach taken by DAS, as demonstrated by the fact that the legislature had to authorize the bond money and the state bond commission had to allocate the money to enable the state to make the payments, taking into consideration the analysis done by DAS and the State Department of Education;
- It discounts the lack of control the State has over the affected municipalities’ choices to refinance the bonds issued by the municipalities, for which the state was statutorily obligated to pay interest; and
- It ignores the fact that the savings to DAS associated with avoiding the costs of maintaining or upgrading the obsolete system on which these records resided are, in fact, substantial savings to the State.

DAS also notes that the numbers reported in the findings overstate the payment made to the districts by approximately 1.3 million dollars.”

*Auditors’ Concluding
Comment:*

The condition of the finding relates to the payouts of the principal and interest installments agreed upon in 1997 and prior periods. The background provides readers an overview of the changes to payment methods.

The initial documentation DAS provided to the auditors was not an analysis of cost savings to the state. It was an email from the State Department of Education estimating the funds needed to settle all installment principal and interest obligations, which was prepared in

response to a request from the director of the DAS Office of School Construction, Grants, and Review.

DAS subsequently provided us information which referred to costs to maintain or upgrade the system used to manage installment payment projects. However, as DAS did not provide an estimate of the upgrade costs or time when the upgrade would be unavoidable, we did not consider these costs because any necessary upgrades beyond the deferral period were not relevant to our analysis.

We do not agree or disagree with the decision to prepay the installment payments. We are reporting on the absence of a substantive analysis that should accompany such a decision if adequate internal controls over cash management were present and operating effectively. Our recommendation states that DAS should establish controls over non-routine transactions to ensure the fiscal soundness of these decisions in the future.

Information Technology – Outdated Business Continuity and Disaster Recovery Plans

Background:

Per Section 4d-8 of the General Statutes, the Office of Policy and Management (OPM) is responsible for establishing statewide information technology policies. OPM established a Data Classification Policy, which includes an appendix of data classification methodology. The methodology is based on professional standards from both the National Institute of Standards and Technology (NIST) and Federal Information Processing Standards (FIPS). NIST has released Special Publication 800-34 Contingency Planning Guide for Information Systems to aide federal agencies in developing contingency plans in accordance with professional standards.

Criteria:

The OPM Data Classification Policy requires each executive branch agency to assign a classification to all data in the agency’s custody. Appendix B requires that executive branch agencies follow the data classification methodology.

Data classification is the act of placing data into categories as defined per the OPM classification methodology. Data classification is an integral function of information security framework. These classifications are necessary to assess risk and develop internal controls to protect the data against loss, theft, compromise, and inappropriate use. Information security is best managed when the risk associated with each category of data is uniform and understood. The results of categorization should be used to support the organization’s business impact analysis (BIA) and contingency and disaster recovery planning.

NIST Special Publication 800-34 identifies seven key steps in developing contingency plans. The second step of the process is: “Conduct the Business Impact Analysis (BIA).” The BIA consists of three critical steps: identify critical information technology resources, identify disruption impacts and allowable outage times, and develop recovery priorities.

Condition: The Bureau of Enterprise Systems and Technology (BEST), within the Department of Administrative Services, did not classify data as required by the OPM data classification methodology.

Furthermore, BEST did not complete a documented business impact analysis as recommended per NIST standards and in accordance with OPM data classification methodology.

As of October 2017, DAS approved the latest continuity of operations plan (COOP) in September 2014, and revised the disaster recovery plan in February 2015. DAS has not updated either plan to reflect the change in the agency’s location, additions of new divisions, or risks identified through a performed business impact analysis.

Effect: The lack of proper ongoing risk assessments limits the capabilities of the department to respond to identified risks and allocate the appropriate resources to mitigate them in a cost-effective manner.

Cause: As the agency did not respond to our requests for data classification and business impact analysis information, we could not determine why this happened. DAS indicated that its disaster and continuity plans were obsolete, or best practices and not policies, and the department did not have a plan to update them.

Prior Audit Finding: This finding has been previously reported in the last two audit reports covering the fiscal years 2011 through 2014.

Recommendation: 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. (See Recommendation 21.)

Agency Response: “DAS disagrees with this finding. DAS complies with the OPM-established Data Classification Policy and there is no other policy requiring BIA.”

*Auditors' Concluding
Comment:*

The department did not provide us with evidence that it complied with the OPM Data Classification Policy, which includes classifying data and using its business impact analysis. This information is critical in preparation of the business continuity and disaster recovery plans, which are significantly out-of-date. It is critical to update and maintain these plans. The COVID-19 pandemic in the spring of 2020 and the system outage on May 19, 2020 show why this is necessary.

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 (BEST) 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 (have a defined end-of-life), obsolete & divest (end-of-life with very little or no support) or provisional. For obsolete & divest 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 October 2018, there were 1,282 servers statewide. Statewide, 62 products had exceeded their useful life and no longer received support from the vendor. BEST managed 34 of the 62.

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 not been previously reported.
- 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 22.)
- Agency Response:* “DAS agrees with the statement that products should be replaced prior to becoming obsolete and unsupported. DAS makes every effort to update technology and products within available resources.”

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 (SP-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:* As of November 2018, our review of active directory (AD) accounts determined that the Department of Administrative Services is not monitoring or actively removing accounts that have not been used.
- The department informed us that it does not have written policies or procedures for tracking, monitoring, and managing active directory accounts.
- Context:* Of the 863 active directory user accounts, 133 users did not log in or had last logged in 90 days to over 7 years ago. We also noted that one guest account was active.
- Effect:* Failure to promptly disable inactive accounts permits some users to have unnecessary 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 informed us that it would have to manually deactivate, disable, or otherwise lockout these accounts, because it does not have automated tools to accomplish this.

Prior Audit Finding: This finding has been previously reported in the last four audit reports covering fiscal years 2010 through 2014.

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 23.)

Agency Response: “DAS agrees with this finding.”

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 Password Reset Liaison tasks include, “Locking out user account access immediately upon the notice of an employee’s termination, retirement, transfer to another department/agency.”

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

Context: In fiscal year 2015, there were 53 separations. DAS did not lock out 51 of the Core-CT user accounts upon termination. Of these 51 accounts, 37 were never locked and 14 were locked from between 15 and 178 days after termination.

In fiscal year 2016, there were 57 separations. DAS did not lock out 53 of the Core-CT user accounts upon termination. Of these 53 accounts, 35 were never locked, 17 were locked within 14 days, and one was locked 56 days after termination.

In fiscal year 2017, there were 75 separations. DAS did not lock out 69 Core-CT user accounts upon termination. Of these 69 accounts, 31 were never locked, 32 were locked within 14 days, and four accounts were locked from between 15 and 128 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 department did not utilize its electronic Footprints System to promptly communicate separations to its security liaison. In addition, human resources only notifies the security liaison of separated employees with human resources roles.

Prior Audit Finding: This finding has been previously reported in the last four audit reports covering fiscal years 2010 through 2014.

Recommendation: 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. (See Recommendation 24.)

Agency Response: “DAS agrees with this finding. DAS’ IT and Human Resources staff have been working to standardize end of employment processing.”

Insufficient Review of Vendor Invoices for the CAS Heating and Cooling Loop

Background: The Capitol Area System (CAS) District Heating and Cooling Loop provides steam for heating and chilled water for cooling to approximately 14 state agencies and 5 private companies. District heating and cooling loops are cost-effective because of economies of scale in equipment and the centralization of commodity delivery points.

The Department of Administrative Services receives invoices for the operation of the vendor plant that supplies steam and chilled water to the district heating and cooling loop. The department aggregates the vendor invoices with its costs for the heating and cooling loop maintenance and operation before developing monthly bills for CAS customers.

Criteria: Sound business practices would establish that invoices are reviewed prior to payment. Agencies also should try to contain costs when possible.

The contract between DAS and the plant vendor specifies that the vendor may only invoice the state for commodity charges based on the vendor’s actual commodity cost.

Condition: Our review of billing packages and vendor invoices noted that DAS was not effectively reviewing vendor invoices and supporting spreadsheets prior to paying and billing CAS customers.

Our review of the supporting spreadsheets noted that the vendor prepared its invoices based on data from a separate system that DAS has not reviewed. This system measures the output of steam produced by

the plant rather than the steam delivered to CAS. The supporting worksheets use the data to calculate the amount of commodity theoretically consumed based on efficiency curves, rather than measuring actual consumption. Furthermore, we also observed that the vendor's spreadsheets included inputted values for commodity costs.

Context: The department paid invoices totaling approximately \$4.6 million, \$3.76 million, and \$4.02 million in fiscal years 2015 through 2017, respectively.

Effect: The department's process does not ensure that invoiced costs are for the heating and cooling loop's actual commodity used, and that the commodity price matches the actual vendor cost.

Cause: Although the rationale behind the decision is unknown and was made a significant time ago, DAS declined the recommendation of its consultant to install meters at each piece of plant equipment and have the state pay for actual energy used according to each meter rather than relying on efficiency curves. DAS also declined the consultant's recommendation that it calibrate the vendor's meters into the plant to ensure accuracy.

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

Recommendation: 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. (See Recommendation 25.)

Agency Response: "DAS agrees in part and disagrees in part. DAS agrees that it is necessary to streamline and improve the billing process and the data collection and has already begun that process by negotiating contractual changes. DAS disagrees with the finding to the extent that it implies DAS had the ability to mandate the changes recommended by the Auditors in the absence of contractual changes."

Overpayments in Property Management Billing Packages

Background: The Department of Administrative Services contracts with various property management companies to provide daily oversight of some state buildings. The contracted property management companies provide 24-hour building management, basic facility maintenance, oversight of contractors, and payment of various invoices and utility bills. To contain costs, property management companies are required to use state contracts for necessary contractor services, except under certain conditions.

The property management companies prepare monthly billing packages that DAS personnel review and approve for payment. A billing package contains a monthly management report, summary and projection budget sheets, timesheets for property management staff, and invoices for reimbursement.

Criteria: Standard language in property management contracts states that contractors' non-reimbursable costs include gross salary and wages, payroll taxes, insurance, workers' compensation, and other benefits for the contractor's personnel not identified in the negotiated price schedule or annual budgets required by the contract. The negotiated price schedule specifies the personnel, number of hours in a given week or month, and reimbursement rate for each hour the staff is on site. The reimbursement is a negotiated rate that includes wages, payroll taxes, accruals and fringe benefits. It is not reflective of the actual cost for a specific employee or pay rate.

Proper internal controls dictate that DAS review of billing packages should include verification that the payroll costs charged for property management staff and other contractor invoices are supported and reconciled to the negotiated price schedule in the relevant state contracts.

Condition: Our review disclosed that billing packages included unsigned timesheets, which the property management company used to support its staff's billed hours. We also found an overpayment for services due to property management companies and other contractors charging rates in excess of the negotiated price schedules in state contracts.

The deficiency in the review process resulted in overpayments to property management companies for billed overtime, which is not included in the price schedule. In addition, the overtime rate companies used to bill DAS does not reconcile to the price schedule, because the reimbursement rate does not represent staff wages.

Context: During fiscal years 2015 through 2017, property management companies managed 24 state properties with a monthly billing package for each property. Our review included ten billing packages, two each for five properties. Each billing package in the selection included either unsigned timesheets or billed overtime.

Effect: The DAS practice of paying overtime is long standing, and the accumulated overpayment resulting from the practice is unknown.

Without signed timesheets, there is an increased risk that DAS will pay for staff that is not on site, whether due to use of leave or assignment to another location.

For the one identified overpayment to a repair contractor, the contractor overstated the billing rate by \$74.50 per hour, resulting in an overpayment of \$894. We do not know how many of this contractor's invoices contained overstated billing rates, or if other contractors submitted similarly overstated rates.

Cause: DAS does not review billing packages for compliance with state contracts. The department considered the payment of overtime to be a standard industry practice and the reconciling of individual contractor invoices to their state contract too time consuming.

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

Recommendation: 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. (See Recommendation 26.)

Agency Response: "DAS agrees in part and disagrees in part with the finding. DAS will implement procedures to require all property management firms to utilize a standardized time sheet provided by the agency, and will require appropriate employee and manager sign off and submit the timesheet with the monthly billing package. DAS will issue supplementary amendments to all existing Property Management contracts to include the overtime rates for employees, and the Exhibit B price proposal will be modified for all future contracts to include overtime rates.

DAS does not agree with the statement that billing packages are not reviewed for compliance with relevant state contracts. DAS conducts a multi-level review of all property management billing packages at the Facilities Management Unit and as well at the Business Office to ensure proper billing and compliance with relevant state contracts. When billing errors are found they are addressed immediately or reconciled in the following month's billing package."

Lack of Procedures over State Project Land Purchases

Background: The Department of Administrative Services Division of Real Estate and Construction Services Leasing and Property Transfer unit is responsible for the purchase of real estate for state construction projects. DAS worked for numerous years with the Department of Emergency Services

and Public Protection to find a parcel of land suitable for a new state police firearms training facility.

- Criteria:* Section 4b-21 of the General Statutes states that the commissioner of Administrative Services may purchase or acquire real property, interests in real property, and other rights in land or water or interest in any such right, on behalf of any state agency that does not otherwise possess the statutory authority to make such purchase or acquisition. Any such purchase or acquisition shall be subject to the approval of the Secretary of the Office of Policy and Management, the State Properties Review Board, and the Attorney General.
- Condition:* DAS did not advertise its need for a parcel of land for the state police firearms training facility prior to hiring a consultant to perform geographic information system (GIS) site analysis to identify potential parcels that DAS evaluated for suitability. Furthermore, the reasons for the rejection of a site were not always apparent, as documentation of site evaluations was lacking.
- Context:* Over several years, DAS evaluated many solicited and unsolicited sites. When the public heard of the state's interest in siting the firearms training facility, real estate brokers and property owners approached the state with parcels for consideration. Ultimately, DAS selected an unsolicited site for the project. In January 2019, the project was abandoned in the proposed town prior to the finalization of the purchase.
- Effect:* The state paid a consultant to identify parcels suitable for a specific project that ultimately were not selected for purchase.
- Cause:* DAS management indicated that the state did not initially advertise for the land prior to hiring the consultant to locate parcels, because it would have led to several unrealistic responses that would cause the department a lot of unnecessary work.
- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* 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. (See Recommendation 27.)
- Agency Response:* "DAS disagrees with this finding and recommendation. DAS does have procedures in place to cost effectively identify and evaluate property based upon established criteria. Although such procedures do indicate that usually, the issuance of a Request for Purchase (RFP) with specific criteria including desired geographic areas for each requirement will be

appropriate, such practice is not the most effective approach in all situations. As such, the procedures also provide that the DAS Commissioner has the authority to determine whether or not an RFP should be issued for a sale or purchase. In this case because of the unique requirements for this project, as well as the facts that over 4,000 properties had been reviewed via GIS and properties that met the defined criteria were further studied, the DAS Commissioner decided against issuing the RFP, thereby avoiding the receipt of numerous responses that did not meet the requirements and ensuring that the process was conducted in the most cost-effective manner.

It is important to note that acquisition of real estate is not the procurement of a commodity. DAS serves virtually all executive branch agencies, as well as the Judicial Branch, each of which has a unique set of criteria and desired outcomes. The needs of agencies vary dramatically and DAS must have the flexibility to address these unique needs on a case-by-case basis. It is impossible to develop detailed procedures to address every possible agency need, thus the deliberately broad scope of the existing procedures. The state police firing range in Griswold illustrates this point: given the specific use of the proposed acquisition, DAS retained a consultant to assist in developing very detailed specifications for that particular acquisition, specifications unique to this project.”

*Auditors’ Concluding
Comment:*

We requested the procedures after receiving the agency’s response. The department provided us with a one-page list of acquisition/sale steps, which lists broad steps but does not constitute procedures. This recommendation is aimed toward DAS developing a practical guide to a cost-effective process of evaluating an agency’s needs, developing parcel criteria (e.g. size, setting of parcel, etc.), evaluating and selecting parcels, and purchasing property. This could be similar to the detailed procedures the department has for the sale of surplus property.

Delay in Disposing of Surplus Properties

Background:

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

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 would result in repair costs or lower sale prices.

Condition: Our review of eight surplus property sales (seven occurring between July 1, 2014 and June 30, 2017 and one from fiscal year 2018) revealed that the department disposed of a property an average of 1,564 days after it received OPM notification, with the fastest sale occurring in 697 days. Contributing to this condition, the department did not order the first appraisal on a property an average of 195 days after receiving OPM notification, with the shortest period being 63 days and the longest 394 days.

During periods of vacancy, three properties were identifiably dilapidated or damaged, caused by a lack of adequate maintenance or vandalism. This resulted in repair costs or reduced selling prices.

After these periods of vacancy, DAS recovered approximately 48% of the eight properties' average appraised values. This does not include an offset for the costs to maintain vacant properties or repair property damaged during the period of vacancy.

Context: The department reported the sale of 10 surplus properties in fiscal years 2015 through 2017. We reviewed an additional property haphazardly selected from fiscal year 2018.

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 required significant cash investments, which limited 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 DAS, the custodial agency bears budgetary responsibility for the vacant property's maintenance and repair costs. Under this arrangement, the agency may limit the costs to maintain a vacant property. Because the department prioritized its other responsibilities, its surplus process did not limit the time of vacancy and potentially mitigate losses to the state.

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

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 28.)

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 imposes delays on the sale of such property. In 2016 DAS has successfully proposed statutory changes to minimize some of the delays but has not been able to eliminate all of the statutorily-mandated processes that add time to the sale process. DAS disagrees with the assertion that it has “prioritized its other responsibilities” thereby causing delays in the sale of surplus properties. DAS further denies that such delays are the sole or even primary reason that the surplus properties are “dilapidated.” To the contrary, because properties are not declared to be surplus to the state’s needs until all possible state uses have been explored, and most such properties have environmental conditions inherent in old properties, most surplus properties are in poor condition before they are declared surplus.”

Auditors’ Concluding Comment: DAS is not responsible for the maintenance of properties it surpluses. However, delays in the surplus process, in particular for the properties we identified in the condition section, resulted in losses to the state. In our review, statutory requirements were not the cause for delays in advertising property for sale or obtaining the first appraisal.

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 sections 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 maintaining confidentiality, disclosing any potential conflicts of interests, and certifying the consensus of procurement outcomes.

Condition: We found instances in which documentation, such as signed scoring sheets, signed conflicts of interest and confidentiality certifications, were missing from procurement files.

Context: During fiscal years 2015 through 2017, DAS completed approximately 507 contract procurements. We reviewed 20 procurements totaling approximately \$89.7 million. In five procurements, totaling approximately \$5.8 million, we found that two contracts were missing signed scoring sheets, two contracts did not have signed conflicts of interest or confidentiality certifications, and one contract was missing both.

- Effect:* Although we did not identify an adverse impact, missing documentation compromises the perceived integrity of the procurement process.
- Cause:* The department uses its contract award checklist to verify the completeness of a procurement. This checklist did not include a step to verify that all signed scoring sheets were in the file prior to awarding a contract. DAS internal controls did not require signed staff conflicts of interest and confidentiality certifications, although the majority of files reviewed contained such certifications.
- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* 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. (See Recommendation 29.)
- Agency Response:* “DAS agrees with the recommendation to improve controls by modifying our existing Contract Award Checklist to include a verification that all necessary documentation are in the file prior to awarding a contract, including the conflict of interest and confidentiality certifications executed by staff.”

Unsupported SBE and MBE Application Approvals

- Background:* Section 4a-60g established the set-aside program for small business enterprises (SBE) and minority business enterprises (MBE). The program requires that state agencies set aside 25% of its purchases for SBE or MBE certified contractors and further requires a minimum 25% of the 25% set-aside (6.25% of total expenditures) be awarded to MBE contractors. The statute requires the Department of Administrative Services to establish a process for certifying SBE and MBE for participation in the set-aside program. The awarding of such contracts is intended to advance the public benefit and good.
- Criteria:* Section 4a-60g(a)(4)(A) of the General Statutes partially defines a minority business enterprise as any small contractor with: (i) 51% or more of the capital stock or assets that are owned by a person or persons who exercise operational authority over the daily affairs of the enterprise, (ii) have the power to direct the management and policies and receive the beneficial interest of the enterprise, (iii) possesses managerial and technical competence and experience directly related to the principal business activities of the enterprise, and (iv) are members of a minority or are individuals with a disability.

Section 4a-60g(a)(1) of the General Statutes defines a small business enterprise as any contractor, subcontractor, service company, or nonprofit corporation that maintains its principal place of business in the state, has had gross revenues less than \$15 million in the most recent completed fiscal year, and is independent. Because of the \$15 million limit, DAS limits SBE certification for contractors that gross over \$13 million to one year.

Section 4a-60g(k)(3) of the General Statutes states that “whenever the commissioner of Administrative Services has reason to believe that a small contractor or minority business enterprise who has applied for or received certification under this section has included a materially false statement in his or her application, the commissioner may impose a penalty not exceeding ten thousand dollars after notice and a hearing...”

Condition: Our review disclosed that DAS approved three minority business enterprise applications and one small business enterprise application that did not appear to be adequately supported. Either the file did not contain sufficient information to support the certification, or the file contained information that appeared to support a denial rather than certification.

Our review also revealed that DAS certified one small business enterprise that grossed over \$13 million dollars for more than one year.

Context: Between July 1, 2014 and June 30, 2017, DAS issued approximately 5,769 new and renewal small business and minority business certifications. We reviewed a selection of 15 certifications, of which nine were SBE and six MBE.

Effect: Approval of applications that do not meet the requirements codified in statute do not serve the public benefit or good.

Cause: DAS initially denied two of the applications based on the results of unannounced site visits. The department reversed its decisions after the applicants obtained legal representation. It has been the past practice of the unit to avoid administrative hearings.

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

Recommendation: 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. (See Recommendation 30.)

Agency Response: “DAS agrees with the statement that DAS Supplier Diversity Program Team should ensure that it adequately supports its SBE and MBE certifications. DAS disagrees with the assertion that its practices are inadequate. DAS conducts thorough reviews and routine follow-ups of every new and renewal application which results in either the approval or denial of the company certification.

Additionally, in accordance with C.G.S. Section 4a-60g(k)(3), whenever DAS has reason to believe that a small or minority company who has applied for or received certification has included a materially false statement in their application, it considers the statutory right that gives DAS the discretion to impose a penalty, after we notice and hearing. DAS is proactive in informing each applicant that applies for certification in that they must read, agree to and submit an e-affidavit that includes acknowledgements of DAS’s right to impose penalties for such material false statements and misrepresentation and will include a fine (up to \$10,000). DAS disagrees with the statement that it has taken a position to avoid such administrative hearings.”

Non-Compliance with Statutory Fleet Composition Requirements

Criteria: Section 4a-67d(b) of the General Statutes requires that, after January 1, 2008, 50% of all cars and light duty trucks be alternative-fueled, hybrid electric, or plug-in electric vehicles. After January 1, 2012, the requirement increased to 100%. The subsection also requires that, if the commissioner of Administrative Services determines that the vehicles required by the provisions of Section 4a-67d(b) are not available for purchase or lease, the commissioner of Administrative Services shall include an explanation of such determination in the annual report described in Section 4a-67d(e) of the General Statutes. This report discloses information about the statewide fleet composition and its fuel usage to the joint standing committees of the General Assembly having cognizance of matters relating to government administration, the environment, and energy.

Condition: Less than 50% of the cars and light duty trucks in the state fleet are alternative-fueled, hybrid electric, or plug-in vehicles. The Department of Administrative Services annual report did not convey this noncompliance or provide supporting explanation.

Context: The state fleet consists of approximately 3,600 vehicles that would fall under this statute.

Effect: The absence of the department’s explanation for noncompliance limited the General Assembly’s awareness of the challenges the department faces in complying with the statute.

- Cause:* The department stated it could not meet the requirements of the statute because hybrid models were primarily from non-American automotive companies and significantly exceeded the cost of American internal combustion engine models. The department also stated that the market for plug-in vehicles does not have enough models to meet the needs of the state and the infrastructure for plug-in vehicles requires further investment.
- Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years 2013 and 2014.
- Recommendation:* 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. (See Recommendation 31.)
- Agency Response:* "DAS agrees with this finding and has ensured that the most recent Fleet Composition report includes a more thorough explanation for the state's inability to meet the requirements set forth in Section 4a-67d of the Connecticut General Statutes."

Closure of Fleet Complaints due to Lack of Investigations by Other Agencies

- Background:* The Department of Administrative Services' website feedback form allows the public to submit complaints concerning state vehicles. The director of DAS Fleet Operations tracks the vehicle complaints and distributes them to the appropriate state agencies for investigation. Agencies are to report the results of their investigations to the director of DAS Fleet Operations within 30 days of receiving the complaint.
- Criteria:* Department of Administrative Services General Letter No.115 – Policy for Motor Vehicles Used for State Business states that the director of DAS Fleet Operations is responsible for directing that complaints concerning state vehicles, drivers and passengers are investigated and appropriate action is taken.
- The general letter also states that agency transportation administrators (ATA) are responsible for promptly investigating the complaints and notifying the director of DAS Fleet Operations of the outcome of the investigation within 30 days of receiving the complaint.
- Violation of any policy, rule, or regulation governing the use of a state-owned vehicle or any state motor vehicle law or regulation may result in the immediate recall of the vehicle by the DAS Director of Fleet Operations.

- Condition:* Fleet Operations closed 753 of 3,219 fleet complaints (23%) due to a lack of response from the responsible agency transportation administrator during fiscal years 2015, 2016, and 2017. During fiscal years 2018 and 2019, the non-responses increased to 47% as Fleet Operations closed 708 of 1,513 complaints.
- Context:* Between January 2014 and July 2019, the department received 4,732 complaints.
- Effect:* There is an increased risk that some drivers misused state-owned vehicles and were not subjected to the appropriate disciplinary action. There is also an increased risk that the state failed to identify unsafe drivers who continued to operate state vehicles without necessary and timely intervention, such as driver training.
- Cause:* DAS does not have an effective way of requiring agencies to investigate complaints. Recalling vehicles could impact the agency’s clients.
- Prior Audit Finding:* This finding has been previously reported in the last two audit reports covering fiscal years 2011 to 2014.
- Recommendation:* 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. (See Recommendation 32.)
- Agency Response:* “DAS disagrees with this finding and recommendation. DAS does not have the statutory authority to promulgate a policy that penalizes other state agencies for their failure to fulfill their responsibility to investigate complaints, take appropriate action, and report the results to DAS. That being said, DAS has taken steps to encourage agencies to fulfill these responsibilities and will continue to work cooperatively with its sister agencies to assist them.”

Statutory Non-Compliance of 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:

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 7 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 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 regulatory and advisory boards identified pervasive statutory noncompliance. Only the State Insurance & Risk Management Board, the State Marshal Commission, and the Employees' Review Board maintained full membership, actively met, posted the scheduled meetings to the Secretary of the State, and maintained minutes on the DAS website.

Context: The requirements of each board, commission, or council can vary significantly. During fiscal years 2015, 2016, and 2017, the State Properties Review Board met 122, 110, and 97 times, respectively. During the same period, the School Safety Infrastructure Council met once in fiscal years 2015 and 2016, but did not meet in fiscal year 2017.

Effect: Each board, commission, and council serves a necessary function that requires members who are subject matter experts. When membership is down 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.

Cause: Individual units at DAS administer the ministerial duties of each board, commission, and council. DAS does not have an internal control at a higher level that ensures individual units perform necessary ministerial duties.

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

Recommendation: 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. (See Recommendation 33.)

Agency Response: “DAS agrees with this finding and notes that it has taken steps to ensure that staff members assigned to support the Boards and Commissions are aware of the Freedom of Information Act requirements and understand how to post meeting minutes and agendas.”

RECOMMENDATIONS

Status of Prior Audit Recommendations

Our prior audit report on the Department of Administrative Services contained 30 recommendations. Twenty have been implemented or otherwise resolved and 10 have been repeated or restated with modifications during the current audit.

- The Department of Administrative Services should hire additional staff if it would increase the collections of monies owed to the state. The Department of Administrative Services should develop the necessary analytical tools to identify revenue opportunities and the costs associated with the pursuit of those opportunities so that increases in revenue would cover the cost of additional staff. These tools should provide sufficient support for requests of additional resources, whether those resources are in the form of system improvements or additional staff. **This recommendation is being repeated. (See Recommendation 11.)**
- The Department of Administrative Services should establish articulate policies and procedures related to negotiating the collection of unearned income. In addition, DAS should clearly establish in statute or regulation the authority to negotiate for the reduced collection of unearned income on behalf of the state, and define the upper limits of that authority.

DAS should also develop performance measurements that include both financial and nonfinancial key performance indicators to provide management with the tools to identify and respond to problems in the collections process.

DAS should also consider redirecting efforts to pursue collections against newer insurance claim actions, as these items are more likely to result in successful collections rather than pursuing aging insurance claim actions first.

Our current review did not identify any unpaid or underpaid claims, which supports the assertion by the new director that negotiations are performed under an exception basis. DAS is also pursuing a new system that will allow for the development of performance measures. This recommendation is not being repeated.

- The Department of Administrative Services should document its monitoring of internal controls over collections to ensure consistent application of DAS policies. The department should address any internal control weaknesses identified during monitoring and respond with appropriate and timely action, to ensure that ongoing collection efforts are effective, efficient, and comply with laws and regulations. **Our current review did not disclose any reportable conditions. This recommendation is not being repeated.**
- The Department of Administrative Services should assess its current system of communication between staff and management and seek to improve the existing system, while also working to educate staff about the statutory reporting requirements included in

Section 4-33(a) of the General Statutes. **We did not identify any instances in which the safeguarding of assets was lacking. This recommendation is not being repeated.**

- The Department of Administrative Services should take the necessary steps to ensure that the required report from the Commission for Educational Technology on the attainment of statewide technology goals is prepared and submitted annually to the joint standing committees of the General Assembly having cognizance over such matters. **We found that the report was prepared and submitted. This recommendation is not being repeated.**
- The Department of Administrative Services should encourage the State Insurance and Risk Management Board to comply with Section 1-225 of the General Statutes. **Our current review established that the board did comply. This recommendation is not being repeated.**
- The Department of Administrative Services should support and encourage commissions and boards falling within its administrative purview to fill all vacant positions in a timely manner. Furthermore, those board members whose absenteeism statutorily disqualifies them from continued service should be identified, removed, and replaced in a timely manner by their respective commissions or boards. **Our current review did not disclose issues relating to these prior conditions. This recommendation is not being repeated.**
- The Department of Administrative Services should take the necessary steps to ensure that all complaints are investigated by the Agency Transportation Administrator within the 30 days allowed by DAS General Letter No. 115 and appropriate action is taken. Furthermore, DAS should exercise its authority to recall vehicles for those state agencies with a high percentage of uninvestigated complaints. **This recommendation is being repeated in modified form. (See Recommendation 32.)**
- The Department of Administrative Services should take the necessary steps to fully comply with Section 4a-67d of the Connecticut General Statutes or seek statutory relief from those requirements. **This recommendation is being repeated in modified form. (See Recommendation 31.)**
- The Department of Administrative Services should establish the necessary controls to ensure that all Sale Declaration Report DPS-29 forms submitted to the Surplus Unit are properly signed as approved for disposal by the director or assistant director of Fleet Operations or a designee prior to disposing of fleet vehicles and the removal of the vehicles from the inventory records. **Our current review disclosed that there has been significant improvement in this area. This recommendation is not being repeated.**
- The Department of Administrative Services should develop or acquire a formal risk assessment and mitigation function with the objective of identifying and addressing those risks that could negatively impact its operational objectives. The risk assessment and mitigation function should be independent, formal, and ongoing. The cost of implementing a new system should be measured against the cost of not addressing the issues. **We report**

conditions relating to risk assessments as part of specific areas tested. This recommendation is not being repeated.

- The Department of Administrative Services should ensure compliance with Section 4-98 of the General Statutes by having a properly approved purchase order in place prior to ordering goods and services from vendors. Furthermore, contracts should specifically state the unit cost that vendors should use when billing the department for services rendered. When unit costs between the vendor invoice and the contract do not match, payment should not be made until the difference is resolved. **Our current review again revealed untimely purchase orders for DAS and SMART agency transactions, but did not reveal any instances in which unit costs between the vendor invoice and contract differed. This recommendation is being repeated in modified form. (See Recommendation 12.)**
- The Department of Administrative Services should comply with the State Comptrollers Property Control Manual and provide written explanations for variances if the values recorded on the CO-59 form do not reconcile with Core-CT. DAS should prepare documented reconciliations between Core-CT and the CO-59 report. **We found that the CO-59 forms were adequately supported. This recommendation is not being repeated.**
- The Department of Administrative Services should continue to take the necessary steps to ensure that asset management records completely and accurately reflect the equipment inventory within its purview. **Our current review did not reveal incomplete or inaccurate asset management records. This recommendation is not being repeated.**
- The Department of Administrative Services should take the necessary steps to ensure that the contractor evaluation form is updated to include the missing criteria required by Section 4a-101-1 of the Regulations of State Agencies on a timely basis. **We found that DAS uses an electronic application through BizNet that address all of the criteria. This recommendation is not being repeated.**
- The Department of Administrative Services should review the existing controls related to separating employees to ensure that user accounts are locked in all modules in a timely manner. **This recommendation is being repeated. (See Recommendation 24.)**
- The Department of Administrative Services should develop the necessary information system controls to ensure that its project management software is fully utilized and cost-effectively deployed. Project management software should be periodically monitored and evaluated to ensure that the department achieves maximum value for its IT investment in the software. **Our current review of state construction change orders resulted in reportable conditions contributable to the nature of this prior recommendation. (See Recommendation 17.) This recommendation is not being repeated.**
- The Department of Administrative Services Bureau of Enterprise Systems & Technology division should establish a risk assessment process to comply with industry standards, which includes data classification and business impact analysis. **Our current review disclosed that corrective action had not been taken. We also noted that the**

department's continuity of operations and disaster recovery plans were not updated. This recommendation is being repeated in modified form. (See Recommendation 21.)

- The Department of Administrative Services should develop processes to track active directory user accounts, their respective authorizations, and the ability to manage these functions. In addition, monitoring should be implemented by the department to ensure that user accounts are in conformity with the concept of least privilege, are still active, and management authorizations are up to date. **This recommendation is being repeated in modified form. (See Recommendation 23.)**
- The Department of Administrative Services should take the necessary steps to assist state agencies with proper training and support for the new telecommunications system. That support should include providing state agencies with sufficient billing information to allow for the proper verification of service charges with individual system users. **Our current review disclosed that training and support was provided to agencies. This recommendation is not being repeated.**
- The Department of Administrative Services should update the information system used to score employment tests. That system should be compliant with applicable state directives, including Governor Rell's Executive Order No. 19. **The department began using JobAps, an online hiring system, in the fall of 2017. Traditional employment tests are no longer used. This recommendation is not being repeated.**
- The Department of Administrative Services should update the Management Personnel Policy 06-02 – Compensatory Time for Employees Exempt from Collective Bargaining as recommended in the prior audit review. **The policy was updated effective July 1, 2017. This recommendation is not being repeated.**
- The Department of Administrative Services should finalize and implement construction claims procedures. These procedures should include a requirement for a systematic review of construction project records to determine whether there is a likely basis for potential claims by the state against construction consultants and/or construction contractors. **We consider this matter resolved, as the agency appropriately researched and made reasonable conclusions regarding this recommendation. This recommendation is not being repeated.**
- The Department of Administrative Services should comply with the requirements of subsection (e) of Section 4b-95 of the General Statutes relating to its responsibility for reviewing subcontracts. **This recommendation is being repeated in modified form. (See Recommendation 18.)**
- The Department of Administrative Services should improve documented procedures to require reporting of the Asset Valuation Memorandum 7950 Form to client agencies. **Our current review disclosed that the department is not including all costs in the asset valuations and final valuations are not always provided to the owner agencies. This recommendation is being repeated in modified form. (See Recommendation 16.)**

- The Department of Administrative Services should strengthen its ability to account for accounts receivable and institute new accounting procedures for the Public Works Capital Projects Revolving Fund so the agency can enhance collection efforts and provide the necessary support for fund balances. Account receivable should be tracked by agency and project to ensure proper collection. **Our current review established that fund management has improved, and by fiscal year 2019, the deficit became a surplus. This recommendation is not being repeated.**
- The Department of Administrative Services should adhere to internal controls over construction projects as established by the department. **This recommendation is being repeated in modified form. (See Recommendation 17.)**
- The Department of Administrative Services should implement a quality control process that establishes a monitoring function in construction project closeout documentation and conduct reviews of other areas to realize opportunities for process improvements. **Elements of the prior finding are being included in the current findings. (See Recommendations 16 and 17.) This recommendation is not being repeated.**
- The Department of Administrative Services should promote compliance with Section 5-208a of the General Statutes by revising its instructions to state agencies via General Letter No. 204 regarding dual employment to reflect the current practice and system. Such procedures should re-establish the DAS practice of providing semiannual reports of employees with multiple positions to state agencies to discern whether true dual employment arrangements exist and need to be addressed. **The department revised the General Letter No. 204 effective May 31, 2017. This recommendation is not being repeated.**
- The Department of Administrative Services should complete and document its planned corrective actions to address known deficiencies in internal controls. The department should also establish and operate monitoring activities over those internal controls designed to reduce the vulnerability of DAS to noncompliance, overpayments, and theft of time. **Our current review disclosed deficiencies in certain areas, which were reported separately. This recommendation is not being repeated.**

Current Audit Recommendations

- 1. 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.**

Comment:

DAS advises agencies to reclassify positions in lieu of obtaining Office of Policy and Management approval to establish positions. DAS 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 OPM approved individual salary increases on behalf of certain non-represented, classified managers 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. Furthermore, the department should develop and implement procedures, and seek necessary legislative changes to correct errors and enforce agency compliance with post-audit results.**

Comment:

The department does not have sufficient resources assigned to the post audit unit. The DAS 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 formalize procedures to ensure it documents all complaints and conducts human resources investigations in a timely and consistent manner.**

Comment:

The DAS human resources division, which also provides services for SmART agencies, does not have written policies and procedures for its complaint process. In addition, DAS does not track all complaints it receives related to allegations of code of conduct violations,

workplace violence, sexual harassment, or discrimination. DAS only tracks complaints that it determines rise to the level of investigation and does not document the reasons for not investigating other untracked complaints.

- 5. The Department of Administrative Services should promptly report any breakdowns in the safekeeping of state resources to the Auditors of Public Accounts and the State Comptroller as mandated in Section 4-33a of the General Statutes.**

Comment:

The department did not report the results of its investigations, in which it substantiated the misuse of state resources to the Auditors of Public Accounts or State Comptroller in accordance with Section 4-33a of the General Statutes.

- 6. 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.**

Comment:

DAS inappropriately promoted an employee by reclassification into a job specification higher than allowed for the department. Another employee transferred into the department in a higher than allowed job specification.

- 7. 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.**

Comment:

DAS promoted an individual to a human resources position who did not have the requisite qualifications.

- 8. 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.**

Comment:

The department did not adequately investigate and address the prior audit finding in which a dual-employment employee charged significant time. This could indicate potential duplicate payments or that DAS paid the employee for hours not worked.

- 9. 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.**

Comment:

The department has not provided statutorily-required workplace violence and diversity training to mandated employees since at least July of 2017.

- 10. 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 twenty eight occasions in which 25 employees charged holiday time reporting codes on non-holidays for 263.25 hours.

- 11. 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.**

Comment:

The department did not maintain increased staffing levels to continue increased collections. In addition, system outages and the limitation of user capacity adversely impacted collections.

- 12. 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.**

Comment:

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

- 13. 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.**

Comment:

DAS did not perform a fiscal year 2019 physical inventory of 51% of items, representing 2,006 items with a total cost of \$37,207,625. The department did not physically inventory approximately 17% of SmART agency capitalized items in 2019. The department did not submit loss reports and remove such items from the Core-CT asset module. Software inventory records still did not provide all required information.

- 14. The Department of Administrative Services should develop and implement procedures and an electronic program, if deemed 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.**

Comment:

The department's telecommunication billing system is unable to provide agencies with comprehensive detailed usage reports. This information is only accessible by looking up individual devices and associated telephone numbers. In addition, the usage detail is available for only one year.

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

Comment:

The department did not fully reconcile the balance of the client trust accounts to the bank statements, resulting in unreconciled differences.

- 16. The Department of Administrative Services should work with the Office of the State Comptroller to resolve its misstatement 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.**

Comment:

The department does not have a process in place to ensure it provides the full capital cost of projects to the custody agencies. As a result, DAS has made cumulative understatements to the state's financial statements.

- 17. 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.**

Comment:

The department does not fully utilize its project management software to monitor and manage projects.

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

Comment:

The department did not require contractors to name all relevant subcontractors in their bids, as required by statute.

- 19. The Department of Administrative Services should fully utilize the eLicense system for its crane, hoisting, and demolition licensing and renewal process to ensure it accurately reconciles and accounts for activities and revenue, and that its fees are collected in accordance with statutory and regulatory requirements.**

Comment:

Prior to its use of the eLicense system in fiscal year 2019, the Office of the State Fire Marshal did not maintain a central listing of license holders and their status during fiscal years 2015 through 2018. As a result, OSFM did not determine that the amount of revenue it collected correlates with the number of licenses, examinations, and registrations issued and renewed.

- 20. 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.**

Comment:

The department could not provide evidence that it performed a cost benefit analysis prior to issuing lump sum payments to municipalities in lieu of certain school construction grant installment payments.

- 21. 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.**

Comment:

BEST did not classify data as required by the OPM data classification methodology or complete a business impact analysis (BIA) as promulgated by the National Institute of Standards and Technology. Furthermore, DAS has not updated its continuity of operations and disaster recovery plans to reflect changes in the agency's location, addition of new divisions, or risks identified through the performed BIA.

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

Comment:

BEST did not replace all servers that exceeded their useful life and no longer received support from the vendor.

- 23. 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.

- 24. 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.**

Comment:

Core-CT user accounts were not promptly deactivated upon an employee's separation from state service.

- 25. 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.**

Comment:

Our review of billing packages and vendor invoices noted that DAS was not effectively reviewing vendor invoices and supporting spreadsheets prior to paying and billing CAS customers. Therefore, the invoiced costs may not represent the actual commodity used, and the commodity price may not represent the vendor's actual cost.

- 26. 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.**

Comment:

Our review of property management billing packages found unsupported billed hours for property management staff and overpayment for services due to billed rates in excess of negotiated price schedules.

- 27. 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.**

Comment:

DAS did not advertise its need for a parcel of land for the state police firearms training facility prior to hiring a consultant to perform geographic information system (GIS) site analysis to identify potential parcels that DAS evaluated for suitability. Furthermore, the reasons for the rejection of a site were not always apparent, because documentation of site evaluations was lacking.

- 28. 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 surplus property sales revealed that it took an average of over 4 years to dispose of a property after DAS was notified by OPM. During this time, many properties became dilapidated or damaged due to a lack of adequate maintenance or vandalism. This resulted in repair costs or reduced selling prices.

- 29. 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.**

Comment:

We found instances in which procurement files were missing documentation, such as signed scoring sheets, signed conflicts of interest and confidentiality certifications.

- 30. 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.**

Comment:

Our review disclosed instances in which the department did not adequately support its approval of minority business enterprises or small business enterprises applications, or the documentation supported a denial instead of an approval. Furthermore, we noted an instance in which a small business enterprise grossed over the threshold set by the department to ensure compliance with statutory limits.

- 31. 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.**

Comment:

Less than 50% of the cars and light duty trucks in the state fleet are alternative-fueled, hybrid electric, or plug-in vehicles. The Department of Administrative Services annual report did not convey this noncompliance or provide supporting explanation.

- 32. 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.**

Comment:

Fleet operations closed 23% of the complaints received during the audited period and 47% during fiscal years 2018 and 2019, due to the lack of response from the various agency transportation administrators. DAS did not recall vehicles to enforce compliance due to a reasonable concern about the impact on agency clients.

- 33. 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.**

Comment:

Many boards, commissions, and councils did not post meeting minutes to their websites, file a schedule of regular meetings and agendas with the Secretary of the State, or post that information on their websites in accordance with statutorily required timeframes.

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

Michael Abbatiello
Jennifer Courbin
Logan Johnson
Edna Maldonado
Jill Schiavo

CONCLUSION

In conclusion, we 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.



Jill A. Schiavo
Principal Auditor

Approved:



John C. Geragosian
State Auditor



Robert J. Kane
State Auditor