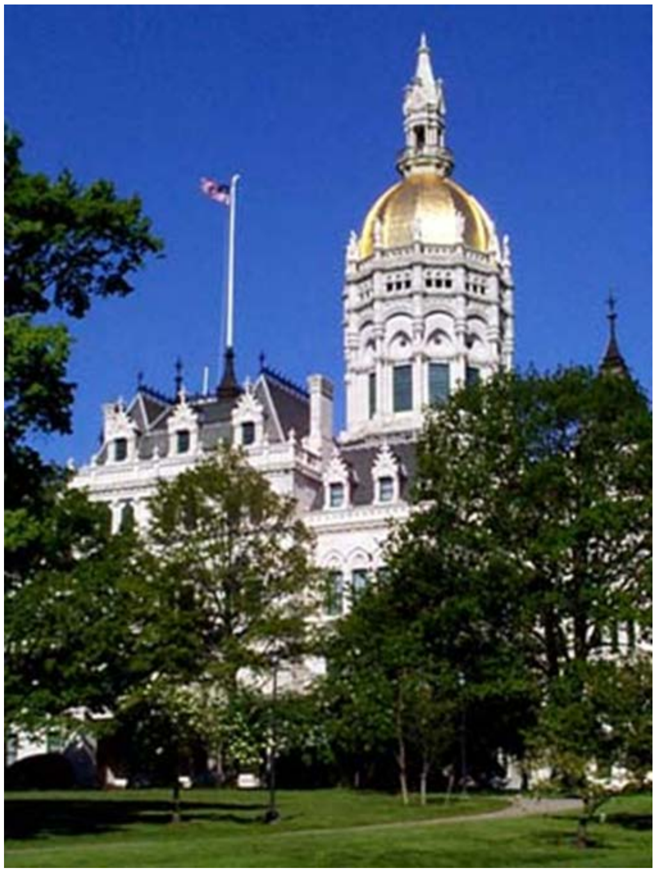
STATE OF CONNECTICUT



AUDITORS' REPORT
OFFICE OF THE STATE COMPTROLLER
DEPARTMENTAL OPERATIONS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2015

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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STATE OF CONNECTICUT

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September 20, 2016

AUDITORS' REPORT
STATE COMPTROLLER – DEPARTMENTAL OPERATIONS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2015

We have audited certain operations of the State of Connecticut, Office of the State Comptroller (OSC) in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2014 and 2015. The objectives of our audit were to:

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

2. Evaluate OSC'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 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 OSC; 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 information purposes. This information was obtained from OSC management 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 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 OSC.

COMMENTS

FOREWORD

The Office of the State Comptroller operates primarily under the provisions of Article Fourth, Section 24 of the State Constitution and Title 3, Chapter 34 of the General Statutes. During the audited period, OSC was organized into seven divisions, including: (1) Accounts Payable Division; (2) Budget and Financial Analysis Division; (3) Management Services Division: (4) Information Technology Division; (5) Payroll Services Division; (6) Retirement Services Division; and (7) Healthcare Policy and Benefit Services Division.

Kevin Lembo served as State Comptroller during the audited period.

Recent Legislation

There were no notable legislative changes identified that affected OSC during the audited period.

RÉSUMÉ OF OPERATIONS

Departmental Operations – General Fund Revenues

General Fund departmental receipts totaled $65,434,142 and $25,045,261 during the fiscal years ended June 30, 2014, and 2015, respectively, compared to $23,071,423 during the fiscal year ended June 30, 2013. These amounts reflect an increase of $42,362,720 (183.6 percent) and a decrease of $40,388,880 (61.7 percent) during the 2014 and 2015 fiscal years, respectively. A summary of these receipts is presented below:

	Fiscal Years 2013	2014	2015
Departmental Receipts:			
Loan Agreement Interest	$ 22,313	$ 9,188	$ -
Insurance Reimbursements	75,510	-	12,595
Principal on Loans	75,000	82,875	86,813
Recoveries of Expenditures			
Unemployment Compensation	2,579,900	1,176,609	1,582,142
Indirect Overhead – Federal Projects	10,997,545	13,515,652	10,056,561
Employee Fringe Benefits	4,546,727	43,501,367	5,113,793
Workers' Compensation	7,322,568	7,247,580	7,786,086
General Recoveries	6,116	-	51,592
Refunds			
Refunds of Expenditures	73,164	148,273	176,558
Refunds of Health Insurance	35,953	122,833	155,678
Refunds of Salary/Workers' Comp.	-	-	289
All Other Revenues	36,639	47,966	47,765
Less Refunds of Payments (Statewide)	(2,700,012)	(418,201)	(24,611)
Total:	**$ 23,071,423**	**$ 65,434,142**	**$ 25,045,261**

The receipts shown above primarily consisted of excess funding of unemployment compensation, workers' compensation, fringe benefits, and indirect costs initially charged to the General Fund, but subsequently reimbursed from federal and other-than-federal General Fund restricted accounts and/or other state funds. These costs are recovered through the Comptroller's office primarily via the state payroll system, on the basis of reports filed by state agencies, with each agency payroll using salaries and wages as its approved indirect cost base. The increase in receipts from fiscal year 2013 to 2014 was primarily caused by a stronger than expected fringe benefit recovery in relation to participants in the State Employees' Retirement System (SERS). For years in which recoveries exceed the state's Annual Required Contribution (ARC) to SERS, the excess is transferred into the General Fund. The decrease in receipts from 2014 to 2015 was due to a combination of a reduction in fringe recovery rates and the actual recoveries falling more in line with estimations, reducing the amount of excess funds that would be transferred into the General Fund. The fluctuations in agency receipts from year to year in the other categories over the audited period were generally caused by changes in the cost recovery rates and changes in the amount of salaries charged to federal restricted accounts and state funds other than the General Fund.

Fringe benefit recoveries of employer costs for group life insurance, medical insurance (health service cost), and Social Security costs are, generally, credited to the special appropriation accounts used to finance the employer share of such costs. Additional comments on the recoveries on each of these special appropriation accounts are presented later in this section of the report.

The Comptroller's Budget and Financial Analysis Division calculates certain fringe benefit cost recovery rates annually as part of the statewide cost allocation plan, which is approved by the federal government for application against salaries paid from federal funds. Fringe benefit costs are then recovered by applying theses rates to the gross salaries and wages chargeable to federal and other-than-federal General Fund restricted accounts and/or state funds other than the General Fund. The state share of medical and group life insurance is charged to agencies on an actual cost basis, rather than a calculated percentage. The rates for FICA-Social Security and FICA-Medicare are calculated on the basis of existing federal tax rates, which were 6.2 percent and 1.45 percent, respectively, during the audited period. The Core-CT information system automatically charges fringe benefits to the same funding source as the personal services expenditures.

Departmental Operations – General Fund Expenditures

Net General Fund expenditures totaled $26,117,348 and $27,407,151 during the fiscal years ended June 30, 2014 and 2015, respectively, compared to $25,168,207 during the fiscal year ended June 30, 2013. A summary of these expenditures is presented below:

	Fiscal Years		
	2012-2013	**2013-2014**	**2014-2015**
Personal Services	$ 21,326,147	$ 21,666,156	$ 22,752,005
Contractual Services and Other Expenses	3,842,060	4,186,509	4,156,404
Equipment	-	-	-
State Aid Grants	-	-	-
Nonfunctional - Change to Accruals		264,683	498,742
Total Departmental Expenditures	**$ 25,168,207**	**$ 26,117,348**	**$ 27,407,151**

Expenditures remained relatively consistent throughout the audited period, with increases of $949,141 (3.8 percent) and $1,289,803 (4.9 percent) in the 2014 and 2015 fiscal years, respectively. The increase in expenditures during both fiscal years was primarily due to increases in personal services caused by scheduled employee salary increases in accordance with collective bargaining agreements.

Special Appropriations Administered by the Comptroller

In addition to the budgeted and restricted General Fund appropriation accounts used by the Office of the State Comptroller to finance various departmental programs and activities, OSC administers numerous nonfunctional appropriation accounts within the General and Special Transportation Funds. Descriptions of some of the more significant activities funded by these special appropriation accounts are presented in the following paragraphs.

Refunds of Payments

Section 4-37, 14-159, 22a-10, and other sections of the General Statutes authorize the State Comptroller to refund overpayment of fees paid by corporations and individuals, and to refund monies to persons equitably entitled to the refund of any money paid to the state. Such refunds are processed by the corresponding state agency and are paid as a refund of revenues of the State Comptroller. Refunds of payments for the fiscal years ended June 30, 2014 and 2015 totaled $418,201 and $24,611, respectively, as shown in the summary of General Fund departmental receipts table of this report. Refunds of payments applicable to the Special Transportation Fund totaled $2,349,016 and $24,675 for the 2014 and 2015 fiscal years, respectively.

Adjudicated Claims

Under Section 3-7 of the General Statutes, the Governor may authorize the compromise of any claim against the state upon the recommendation of the Attorney General. Section 4-160 of the General Statutes provides for payments of claims based on court judgments entered against the state. In such cases, permission to file suit against the state must first be obtained from the state claims commissioner.

For the fiscal years ended June 30, 2014 and 2015, a total of $13,288,526 and $14,212,582, respectively, was paid by the Comptroller towards the settlement of claims against the state.

Unemployment Compensation

The cost of unemployment benefits paid to former state employees is reimbursed to the Unemployment Compensation Benefit Fund from appropriations within the Special Transportation Fund for former employees of the Departments of Transportation and Motor Vehicles, and from the General Fund for all other former state employees. During the fiscal years ended June 30, 2014 and 2015, $251,011 and $255,946 was reimbursed from the Special Transportation Fund and $5,814,719 and $5,127,929 was reimbursed from the General Fund, respectively.

Partial recoveries of such reimbursements are made within the General Fund for former employees whose salaries were paid from other state or federal funds. Under procedures established by the Office of the State Comptroller, the recoveries for those funds' share of fringe benefit costs are processed through an approved fringe benefit cost recovery rate established annually and applied as a percentage of covered payrolls. Recoveries of reimbursements for the fiscal years ended June 30, 2014 and 2015 totaled $1,176,609 and $1,582,142, respectively.

During the audited period, a consulting firm served as addressee of record for all state agencies with respect to unemployment compensation claims for former employees. The consulting firm performed administrative functions, reviewed unemployment claims, attended appeal hearings, and acted as a consultant to various state agencies in such matters. A review of payments from the Unemployment Compensation Benefit Fund, verifying that payments are properly charged to the employer's account and payable to eligible employees, is conducted as part of our office's audit of the Department of Labor.

Group Life Insurance

As provided for in Section 5-257 of the General Statutes, the state offers a group life insurance program to state employees and retirees, as well as members of the General Assembly. The state's share of premium payments for this program is charged to appropriations in the General and Special Transportation Funds authorized for this purpose.

Premium payments are made monthly to the provider and are based on the coverage in force on the first day of the month of payment adjusted for additional or cancelled coverage during the preceding month. Subsequently, reimbursements to the General Fund are received from certain federal and state funds or restricted accounts charged with salaries of employees covered under the state's group life insurance program. The state's share on insurance premiums under the group life insurance program during fiscal years 2014 and 2015 was $8,042,132 and $7,554,075, respectively, paid from the General Fund and $261,750 and $264,721, respectively, paid from the Special Transportation Fund. These activities are reviewed during our office's separate audit of OSC's Retirement Services and Healthcare Policy and Benefit Services Divisions.

Tuition Reimbursements – Training and Travel

Most collective bargaining agreements require the state to appropriate specified amounts for the costs of continuing education, professional seminars, conferences, and related travel expenses. This appropriation account was established to consolidate the financing of such costs under the administration of the State Comptroller.

During the fiscal years ended June 30, 2014 and 2015, expenditures for tuition reimbursements totaled $3,302,948 and $3,302,801, respectively.

Employer's Social Security Tax

Each fiscal year, the state's share of Social Security costs is charged to General and Special Transportation Fund appropriations authorized for this purpose. Reimbursements to the General Fund are received from certain federal and state funds or restricted accounts charged with salaries of employees covered under Social Security. The gross payments to the federal government for the employer's share of Social Security taxes are based on the rates and wage limits in effect during the audited period. For the fiscal years ended June 30, 2014 and 2015, total payments of the state's share were $217,432,088 and $225,966,607, respectively, from the General Fund and $14,516,601 and $15,647,684, respectively, from the Special Transportation Fund.

State Employees and Retired State Employees Retirement and Health Care Cost

The Office of the State Comptroller receives revenues and makes payments for various special appropriations and trust funds to pay for current and retired state employee retirement and healthcare costs. These activities are reviewed in a separate audit performed by our office on OSC's Retirement Services and Healthcare Policy and Benefit Services Divisions.

For the fiscal years ended June 30, 2014 and 2015, these payments amounted to $1,163,022,150 and $1,233,731,925, respectively, from the General Fund and $39,610,781 and $44,606,243, respectively, from the Special Transportation Fund.

Capital Project Outlays

Expenditures were made from capital project funds for agency equipment and upgrades of the Core-CT information system. Expenditures for agency equipment totaled $687,168 and $230,523 for the fiscal years ended June 30, 2014 and 2015, respectively. Expenditures for Core-CT upgrades totaled $2,112,520 and $535,029 during those same fiscal years, respectively.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Personal Service Agreements

Criteria: Sections 4-212 through 4-219 of the General Statutes establish standards to be followed by executive branch agencies entering into personal service agreements.

It is good business practice to ensure that a written personal service agreement (PSA) is in place and signed by all relevant parties before related services are provided.

Condition: Our audit of eight personal service agreements, totaling $45,659,172, disclosed five instances in which contracts totaling $2,825,552 were not approved by all relevant parties prior to the start of the contract period. In two of these instances, contracts totaling $279,992 were signed by the contractor and OSC between ten and 50 business days, and 15 and 54 business days, respectively, after the contract period. The corresponding signatures from the Office of the Attorney General were obtained 27 and 66 business days after the start of the contract period. In the other three instances, contracts amounting to $2,545,560 in aggregate were signed in a timely manner by the contractor and OSC, but signature approval from the Office of the Attorney General was obtained between four and 14 business days after the start of the contract period.

Effect: In some instances, internal controls over personal service agreements were weakened. Specifically, the instances in which a personal service agreement was approved by OSC after the contract period began lessened assurance that the terms of the agreement met the approval of OSC's administration prior to the execution of the contract.

Cause: Regarding the late signatures, we were informed that sometimes the stipulations in the agreement change late in the contracting process and it is difficult to have the contract signed by all parties involved prior to the start of the contract period.

It appears that the controls in place were not sufficient to prevent the above conditions from occurring.

Recommendation: The Office of the State Comptroller should strengthen controls over personal service agreement contracts and ensure that such contracts are signed by all relevant parties prior to the commencement of corresponding services. (See Recommendation 1.)

Agency Response: "The Office of the State Comptroller has reviewed its procedures and added language to ensure the agency communicates with all relevant parties on the timely execution of personal service agreements. In addition, going forward the Office of the State Comptroller will amend language in the personal service agreements to verify that the start date of the personal service agreement will coincide with the full execution of the personal service agreement."

Information System Disaster Recovery Plan

Criteria: Disaster recovery and business continuity plans should be established to help minimize the risks of negative business impact in the event of an information technology service interruption. These plans should be updated regularly and routinely tested to ensure systems and data can be recovered timely following a disaster or other interruption.

Condition: Our audit disclosed that, at the time of our examination in March 2016, the disaster recovery plan in place at OSC was outdated and appeared inadequate. Furthermore, we were unable to determine when the plan was last tested or what the results of that test were.

Effect: The lack of an adequate disaster recovery plan could extend the time required to recover and resume critical infrastructure and application systems after a disaster or interruption in service. Not testing the disaster recovery plan on a regular basis increases the risk that the plan will not produce the intended results when executed and/or it will be insufficient.

Cause: We were informed that OSC was in the process of drafting an updated IT disaster recovery plan and has been relying on the outdated plan until the new plan is complete.

Recommendation: The Office of the State Comptroller should continue its efforts to develop an updated disaster recovery plan. In addition, OSC should ensure that, once in place, the disaster recovery plan is reviewed and updated, if needed, on a regular basis. Furthermore, OSC should periodically test the plan to determine its adequacy. The results of those tests should be documented. (See Recommendation 2.)

Agency Response: "OSC agrees with the recommendations, but due to staff resource constraints and major system enhancement projects, work efforts on the disaster recovery plan have slowed down. We continue to update the plan as time permits and will fully test the updated procedures regularly once the revised plan is complete."

Asset Management

Criteria:	The State of Connecticut's Property Control Manual provides guidance on the requirements and internal controls that need to be implemented with respect to equipment and controllable items. These requirements include, among other things, that items be tagged and recorded in the inventory records upon receipt. Proper internal controls dictate that property control records consist of certain information on equipment to adequately track and maintain such items. This information should include, at a minimum, the item description, cost, tag number, and location. In addition, when information related to a piece of equipment changes, such as its location, the property control records should be updated to reflect the changes made in order to ensure proper control over the equipment item.
Condition:	During our audit, we tested 25 equipment items with an aggregate historical cost of $108,936,728. Our testing of these items disclosed four instances in which equipment items with a total historical cost of $199,245 were found in locations other than those indicated in OSC's property control records. Additionally, we noted six instances in which equipment items with a historical cost amounting to $856,106 in aggregate were disposed of, but remained on OSC's property control records. In these instances, the equipment items remained on OSC's property control records between one and ten months after disposal.
Effect:	In some instances, equipment items were not being properly tracked and accounted for, which weakened internal controls over asset management. This increased the risk that loss or theft of equipment items could occur and go undetected. Additionally, OSC did not fully comply with the requirements set forth in the State of Connecticut's Property Control Manual.
Cause:	The controls in place were not sufficient to prevent the above conditions from occurring.
Recommendation:	The Office of the State Comptroller should continue its efforts to improve controls over asset management to ensure compliance with the State of Connecticut's Property Control Manual by making sure that property control records are kept up-to-date and complete with respect to location and asset information. (See Recommendation 3.)
Agency Response:	"The Office of the State Comptroller implemented new procedures in 2014 to strengthen controls over recording, reporting and safeguarding

of assets to ensure compliance with the Property Control Manual. OSC will continue to improve and strengthen the steps taken to have complete and accurate property control records."

Compensatory Time

Criteria: The Department of Administrative Services' Management Personnel Policy No. 06-02 establishes criteria for granting compensatory time to managerial and confidential employees. The policy states that managers and confidential employees must receive advanced written authorization to work extra hours by their agency head or a designee in order to record those extra hours as compensatory time.

Condition: We reviewed ten employees who received compensatory time during the audited period. Our testing disclosed three instances in which approval to earn compensatory time was either obtained after the time was earned or was not on file. In two of these instances, employees earned a total of 120 hours of compensatory time prior to receiving documented approval to earn such time. In the third instance, an employee earned a total of six hours of compensatory time with no documented approval to do so on file.

In addition, we noted one instance in which a P-4 (engineering, scientific, and technical bargaining unit) employee was enrolled in a compensatory time plan in Core-CT with rules that did not reflect the requirements of the P-4 bargaining unit agreement.

Effect: In some instances, employees earned compensatory time for which documented approval was either obtained after the time was earned or not at all. In effect, the Office of the State Comptroller was not in full compliance with the Department of Administrative Services' Management Personnel Policy No. 06-02.

Regarding the employee in the P-4 bargaining unit, OSC may not have fully complied with the requirements governing compensatory time in the P-4 contract.

Cause: It appears that the controls in place were not sufficient to prevent the above conditions from occurring.

With respect to the late authorizations, we were informed that verbal authorization to earn compensatory time is given prior to the actual form documenting that authorization. However, without the form, we cannot verify, with certainty, that authorization was actually given.

Recommendation: The Office of the State Comptroller should implement control procedures necessary to ensure compliance with the requirements related to compensatory time set forth in both the Department of Administrative Services' Management Personnel Policy No. 06-02 and the P-4 bargaining unit contract. OSC should also ensure that employees are assigned to the correct compensatory time plan in Core-CT. (See Recommendation 4.)

Agency Response: "The Human Resources Unit is in agreement with the audit findings and recommendations regarding compensatory time during the audit period. A number of efforts have been made to ensure that employee compensatory time is not worked prior to receiving approval for such time, including enhanced document routing and payroll audit procedures. However, as mentioned in the audit finding, there are in fact times when verbal approval is given to work the compensatory time while the approval document is routing for approval signatures, especially in emergency situations such as meeting project deadlines and staffing shortages.

The Human Resources Unit is in agreement with the audit finding that an employee worked six (6) hours of compensatory time with no documented approval to do so on file. The unit will utilize our enhanced processes and make every effort to ensure this type of instance does not occur again in the future.

The Human Resources Unit is in agreement with the audit finding regarding the P-4 employee that had the incorrect CORE-CT compensatory time plan coding with rules that did not reflect the requirements of the P-4 bargaining unit agreement. An audit of all OSC staff has been successfully conducted to ensure that all staff reflects the correct compensatory time coding."

RECOMMENDATIONS

Our prior audit report on OSC contained nine recommendations for improving operations, four of which are being repeated or restated with modification in our current audit report. Our current audit report presents four recommendations, which consists of the four recommendations that are being repeated or restated from the prior audit report.

Status of Prior Audit Recommendations:

- The Office of the State Comptroller should ensure that it uses the CO-802A form when entering into written personal service agreement contracts and that those contracts are signed by all relevant parties prior to the commencement of corresponding services. In addition, OSC should follow the statutory requirements for obtaining personal services through competitive negotiations or quotes when it expects the cost of a contract to exceed the $20,000 threshold, or when the cost is relatively close to the threshold to ensure that the best possible price is obtained for those services. *The current audit disclosed some improvement in this area; however, further improvement is needed with respect to obtaining all required authorization signatures prior to the start of the contract period. Therefore, the recommendation is being repeated with modification to reflect our current audit findings. (See Recommendation 1.)*

- The Office of the State Comptroller should improve controls over asset management and improve compliance with the State Property Control Manual by ensuring that property control records are kept up to date and complete with respect to location and asset information. OSC should also continue to update its software inventory to ensure that it contains all required information. *The current audit disclosed improvement regarding OSC's software inventory. However, further improvement is needed with respect to keeping its property control records up to date. Therefore, the recommendation is being repeated with modification to reflect our current audit findings. (See Recommendation 3.)*

- The Office of the State Comptroller should continue its efforts to develop an updated disaster recovery plan. In addition, OSC should ensure that, once in place, the disaster recovery plan is reviewed on a regular basis and updated if necessary. Furthermore, OSC should periodically test the plan to determine its adequacy. The results of those tests should be documented. *The current audit disclosed that OSC is still in the process of updating its disaster recovery plan. The recommendation is being repeated. (See Recommendation 2.)*

- The Office of the State Comptroller should promptly deactivate information systems access upon an employee's separation from state employment. *The current audit disclosed sufficient improvement was made in this area. The recommendation is not being repeated.*

- The Office of the State Comptroller should improve compliance with the dual employment requirements of Section 5-208a of the General Statutes by documenting, through signed certifications, that no conflicts exists for employees who hold multiple state positions. OSC should also take steps to ensure that its employees are aware of the requirements of 5-208a, which includes notifying OSC prior to entering into a dual employment situation. *The current audit disclosed that sufficient improvement has been made in this area. Therefore, the recommendation is not being repeated.*

- The Office of the State Comptroller should strengthen controls over the use of the LILA time reporting code by ensuring that it follows the procedures detailed in the Core-CT job aid addressing the use of LILA. Furthermore, the Office of the State Comptroller should correct the leave balances of the affected employees noted during our audit. *The current audit disclosed that the recommendation has been implemented. Therefore, the recommendation is not being repeated.*

- The Office of the State Comptroller should implement control procedures necessary to ensure compliance with the requirements related to compensatory time set forth in both the Department of Administrative Services Management Personnel Policy No. 06-02 and the P-4 bargaining unit contract. OSC should also ensure that the employees are assigned to the correct compensatory time plan in Core-CT. *The current audit disclosed that further improvement is needed in this area. The recommendation is being repeated. (See Recommendation 4.)*

- The Office of the State Comptroller should improve the timeliness of its bank deposits by adhering to the prompt deposit requirements of Section 4-32 of the General Statutes. In addition, OSC should ensure that all relevant documentation is maintained to support the dates it receives funds and the dates those funds are deposited. *The current audit disclosed slight delays with respect to the deposit of a few receipts; however, we did not consider these exceptions to be significant. Furthermore, compared to the prior year, we believe that sufficient improvement has been made in this area. Therefore, the recommendation is not being repeated.*

- The Office of the State Comptroller should take steps to strengthen controls over purchasing card transactions by ensuring compliance with its own purchasing card procedures. *The current audit disclosed sufficient improvement in this area. The recommendation is not being repeated.*

Current Audit Recommendations:

1. **The Office of the State Comptroller should strengthen controls over personal service agreement contracts and ensure that such contracts are signed by all relevant parties prior to the commencement of corresponding services.**

   Comment:

   We noted various instances in which contracts were not authorized by all relevant parties prior to the start of the contract period.

2. **The Office of the State Comptroller should continue its efforts to develop an updated disaster recovery plan. In addition, OSC should ensure that, once in place, the disaster recovery plan is reviewed and updated, if needed, on a regular basis. Furthermore, OSC should periodically test the plan to determine its adequacy. The results of those tests should be documented.**

   Comment:

   Although we were informed that OSC was in the process of developing an updated formal IT disaster recovery plan, we noted that the plan in place during the audited period was outdated. Additionally, we were unable to determine the last time the plan was tested or the results of that test.

3. **The Office of the State Comptroller should continue its efforts to improve controls over asset management to ensure compliance with the State of Connecticut's Property Control Manual by making sure that property control records are kept up-to-date and complete with respect to location and asset information.**

   Comment:

   We noted various instances in which assets were found in locations that did not match OSC inventory records. Furthermore, we noted several instances in which equipment items had been disposed of but remained on OSC's property control records for extended periods of time after disposal.

4. **The Office of the State Comptroller should implement control procedures necessary to ensure compliance with the requirements related to compensatory time set forth in both the Department of Administrative Services' Management Personnel Policy No. 06-02 and the P-4 bargaining unit contract. OSC should also ensure that employees are assigned to the correct compensatory time plan in Core-CT.**

   Comment:

   We noted various instances in which employees were granted compensatory time without receiving documented approval to do so prior to earning such time. We also noted an instance in which an employee was assigned to the incorrect compensatory plan in Core-CT.

CONCLUSION

In conclusion, we wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Office of the State Comptroller during the course of our examination.

Michael J. Delaney
Principal Auditor

Approved:

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts