

# STATE OF CONNECTICUT



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

**AUDITORS OF PUBLIC ACCOUNTS**  
JOHN C. GERAGOSIAN ❖ CLARK J. CHAPIN

EXECUTIVE SUMMARY .....	ii
AUDITORS' REPORT.....	1
COMMENTS .....	2
FOREWORD .....	2
Members of the State Board of Education .....	2
Significant Legislation.....	3
RÉSUMÉ OF OPERATIONS .....	5
Education Equalization Grants to Towns .....	6
Excess Cost – Student-Based Grants.....	7
Priority School Districts .....	7
Magnet Schools .....	7
Charter Schools .....	7
Adult Education.....	7
Vocational Education Extension Fund .....	8
STATE AUDITORS' FINDINGS AND RECOMMENDATIONS.....	9
Expenditures – Lack of a Cost-Benefit Analysis to Support Privatization Contracts .....	9
Expenditures – Section 4-98 and the Use of Purchasing Cards (P-Cards).....	10
Payroll – Minimum Leave Increments .....	10
Payroll – Consecutive Sick Days Medical Certifications.....	11
Memorandum of Understanding.....	12
Reporting Systems.....	12
Harvard H. Ellis Technical High School – Misuse of State Resources.....	15
Harvard H. Ellis Technical High School Failure to Maintain Confidential Information .....	16
Harvard H. Ellis Technical High School Unauthorized Access to State Systems .....	16
Harvard H. Ellis Technical High School No Record of Investigations.....	17
Property Control – Physical Control over Assets and Conducting Annual Inventory ....	18
Property Control – Disposing of Capital Equipment .....	19
Revenues – Teacher Certifications .....	20
Payroll – Dual Employment .....	21
Payroll – Compensatory Time & Overtime Authorization .....	22
Agency Administered Construction Projects .....	23
Whitney Technical High School Student Activity Trustee Dividend Payments.....	24
CTECS – Unclaimed Property .....	25
Payroll – Rehired Retirees.....	26
Payroll – Workers' Compensation .....	27
Student Activity Fund – Training.....	28
Charter Schools – Charter Management Organization.....	29
RECOMMENDATIONS .....	31
Status of Prior Audit Recommendations .....	31
Current Audit Recommendations .....	34
ACKNOWLEDGMENTS .....	39

**November 17, 2021**

**EXECUTIVE SUMMARY**

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

<p><a href="#"><u>Page 15</u></a></p>	<p>We viewed a video taken on school grounds showing the now former principal of Harvard H. Ellis Technical High School placing a state-owned masonry saw into the back of his personal vehicle. The principal subsequently acknowledged taking the saw for home use. SDE and the Connecticut Technical Education and Career System (CTECS) should strengthen controls over the use of school equipment and supplies at the Harvard H. Ellis Technical High School. (Recommendation 7.)</p>
<p><a href="#"><u>Page 16</u></a></p>	<p>We determined that a technical high school principal forwarded a confidential email to a former assistant principal who was no longer employed by the school system but still had access to the state email account. The former assistant principal subsequently forwarded the confidential email to a personal email account. SDE and CTECS should strengthen controls over the use, security, and handling of confidential information. (Recommendation 8.)</p>
<p><a href="#"><u>Page 17</u></a></p>	<p>We requested a listing of complaints from the SDE human resources unit, but SDE informed us that the unit does not log complaints or have complaint investigation procedures. SDE and CTECS should implement standardized written complaint handling and investigation procedures, which include documenting the review and conclusions of all investigations. (Recommendation 10.)</p>
<p><a href="#"><u>Page 20</u></a></p>	<p>Our review identified 12 of 15 deposits with differences between the Connecticut Educator Certification System (CECS) and Core-CT ranging from \$700 to \$7,200. We also noted that regulations concerning state educator certificates have become too cumbersome, leaving educators confused about their correct certification fees. SDE should contact the Office of the State Comptroller to establish procedures and controls over teacher certification issuances and the collection and review of associated fees. This should include reconciliation procedures to monitor the issuance of certificates and substantiate revenue due to the state. The department also should take steps to simplify its educator certification regulations to avoid educator confusion about fees. (Recommendation 13.)</p>
<p><a href="#"><u>Page 24</u></a></p>	<p>Our review identified common stock in which the dividend payments included federal withholding taxes deducted at a 24% rate from February 2017 to February 2021 and 28% prior to February 2017. CTECS should take the appropriate steps to tax-certify its student activity accounts to prevent the withholding of federal tax from stock dividends. (See Recommendation 17.)</p>

# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

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November 17, 2021

### **AUDITORS' REPORT STATE DEPARTMENT OF EDUCATION FISCAL YEARS ENDED JUNE 30, 2018, 2019 AND 2020**

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

1. Evaluate the department's internal controls over significant management and financial functions;
2. Evaluate the department's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions; and
3. Evaluate the effectiveness, economy, and efficiency of certain management practices and operations, including certain financial transactions.

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

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

1. Identified deficiencies in internal controls;
2. Identified apparent noncompliance with laws, regulations, contracts, grant agreements, policies, and procedures; and
3. Identified a need for improvements in management practices and procedures that we deemed to be reportable.

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

## COMMENTS

### FOREWORD

The State Department of Education (SDE) operates primarily under the provisions of [Title 10, Chapters 163 through 166, 168 through 170, and 172 of the General Statutes](#).

SDE, under the direction of the commissioner of Education, serves as the administrative arm of the State Board of Education (SBE), established under [Section 10-1](#) of the General Statutes. The board's statutory responsibilities include the general supervision and control of the state's educational interests with respect to preschool, elementary and secondary education, special education, vocational education, and adult education. SDE fiscal duties include the administration of state and federal grants, which are paid to local and regional educational agencies.

[Public Act 17-237](#), effective July 1, 2017, changed the name of the Connecticut Technical High School System to the Connecticut Technical Education and Career System (CTECS). In addition, SDE and the Office of Early Childhood (OEC) entered into a memorandum of understanding (MOU) defining their administrative relationship and responsibilities. SDE is the designated agency to support OEC for administrative purposes only. In accordance with the MOU, SDE is responsible for providing payroll, human resources, business office, and fiscal functions on behalf of OEC.

### Members of the State Board of Education

As of June 30, 2020, the State Board of Education consisted of 13 members. There were 11 voting members, at least two of whom have experience in manufacturing or a trade offered at the CTECS, one with a background in vocational agriculture, and two nonvoting grade 12 student members. The Governor appoints the members to the board with the advice and consent of the

General Assembly. The voting members are appointed to four-year terms, and the student members are appointed to one-year terms. The president of the Board of Regents for Higher Education and the chair of CTECS serve as ex officio, nonvoting members. SBE recommends the appointment of the Commissioner of Education to the Governor, who serves as the secretary to the board for a term coterminous with the Governor.

Members of the board as of June 30, 2020, were as follows:

Allan B. Taylor, Chairperson  
Estela López, Vice Chairperson  
Erin D. Benham  
Bonnie E. Burr  
Erik M. Clemons  
Elwood Exley, Jr.  
Karen DuBois-Walton  
Donald F. Harris  
Martha Paluch Prou  
Awilda Reasco  
Malia K. Sieve

Mark E. Ojakian, President of the Board of Regents for Higher Education, Ex-officio  
Robert J. Trefry, Connecticut Technical Education and Career System, Ex-officio  
Milan Chand, Student Member  
Sophia H. Chin, Student Member

Dr. Dianna R. Wentzell Ph.D. was appointed as the interim commissioner on March 1, 2019 and served until the new commissioner was appointed. Governor Ned Lamont appointed Dr. Miguel Cardona, Ph.D. as commissioner on August 7, 2019, and he served through March 2, 2021, when he was appointed U.S. Secretary of Education. Governor Lamont appointed Charlene Russell-Tucker as acting commissioner on March 3, 2021, and later as commissioner, effective August 19, 2021.

### **Significant Legislation**

Notable legislative changes that took effect during the audited period are as follows:

#### **Connecticut Technical Education and Career System**

[Public Act 19-117 \(Section 275\)](#), effective July 1, 2022, made the Connecticut Technical Education and Career System (CTECS) a budgeted agency, separate from the State Department of Education in the fiscal year ended June 30, 2023.

#### **Magnet Schools**

[Public Act 17-172](#), effective July 1, 2017, created new integration enrollment standards for determining state operating grant eligibility for all magnet schools. For the fiscal year ended June

30, 2018, the act created uniform standards for Sheff (those schools in Hartford and 21 surrounding communities impacted by the Sheff vs O’Neill lawsuit) and non-Sheff magnet schools. However, in the fiscal year ended June 30, 2019, it authorized the education commissioner to create alternative standards for reduced-isolation student enrollment for each Sheff magnet school to comply with the Sheff integration stipulation.

[Public Act 17-14 \(Section 11\)](#), effective July 1, 2017, required the education commissioner to provide supplemental transportation grants to Regional Educational Services Centers for Sheff magnet school transportation. The law shortened the deadline for releasing the grant balance in the second payment phase compared to previous fiscal years to on or before May 30, rather than September 1.

### **Private Special Education Providers**

[Public Act 17-173 \(Sections 6–8\)](#), effective July 1, 2017, changed the frequency of private special education provider audits from at least once every seven years to as often as the state auditors deem necessary using a risk-based approach. As of July 21, 2020, the Auditors of Public Accounts issued six audit reports on private providers that resulted in 25 recommendations related to the oversight of private providers for special education. These reports are available at <https://wp.cga.ct.gov/apa/audits/reports/>.

### **Youth Service Bureaus**

[Public Act 19-117 \(Sections 251-256\)](#), effective July 1, 2019, transferred responsibility for administering the youth service bureau grant and enhancement grant programs from the State Department of Education to the Department of Children and Families.

### **Partnership for Connecticut, Inc.**

[Public Act 19-117 \(Sections 183-189\)](#), effective July 1, 2019, created The Partnership for Connecticut, Inc. as a nonprofit corporation organized and established by a specified philanthropic enterprise and under state laws governing nonprofit corporations. The corporation was to be funded in the fiscal year ended June 30, 2020, with \$20 million from the philanthropic enterprise and upon confirmation of this contribution, \$20 million from the state.

### **Minority Staff Recruitment**

[Public Act 18-34 \(Section 7\)](#), effective July 1, 2018, required each local or regional board of education to create a recruitment plan that focuses on the hiring of minority teachers.

### **Expense and Revenue Disclosure**

[Public Act 19-117 \(Section 290\)](#), effective July 1, 2019, required each local or regional boards of education to post online current and projected expenses and revenues and submit the information to the municipal legislative body or board quarterly.



**School District Uniform Chart of Accounts**

[Public Act 19-117 \(Section 249\)](#), effective July 1, 2019, required the State Department of Education to develop and implement a uniform accounting system for school revenues and expenditures that includes a school and district-level chart of accounts.

**RÉSUMÉ OF OPERATIONS**

A summary of receipts by category follows:

	<b>Fiscal Year</b>		
	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>
Federal Grants – Restricted	\$486,600,100	\$546,311,400	\$514,420,025
Grants–Other than Restricted	<u>2,161,914</u>	<u>4,810,184</u>	<u>1,340,433</u>
<b>Total Federal Grants</b>	488,762,014	551,121,584	515,760,458
Connecticut Technical Extension	<u>2,221,931</u>	<u>2,501,134</u>	<u>2,168,829</u>
<b>Total Extension Fund</b>	2,221,931	2,501,134	2,168,829
Teacher Certification Fees	3,259,668	3,188,150	2,625,508
Other	<u>1,275,133</u>	<u>706,387</u>	<u>1,313,304</u>
<b>Total General Fund Receipts</b>	4,534,801	3,894,537	3,938,812
<b>Total Receipts</b>	<b>\$495,518,746</b>	<b>\$557,517,255</b>	<b>\$521,868,099</b>

As presented in the summary above, the growth in receipts was primarily attributable to an increase in federal grants, which comprise approximately 98% of the State Department of Education’s receipts.

Total expenditures are presented below by category:

	<b>Fiscal Year</b>		
	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>
Personal Services	\$ 142,196,528	\$ 147,786,169	\$ 148,750,011
Other Expenses	3,743,003	2,510,702	4,717,479
Other Current Expenses	56,189,168	56,805,530	100,287,232
Other Than Local Governments	128,787,950	135,309,512	138,494,230
Local Governments	<u>2,494,446,375</u>	<u>2,607,553,102</u>	<u>2,588,474,236</u>
<b>Total General Fund</b>	<b>\$2,825,363,024</b>	<b>\$2,949,965,015</b>	<b>\$2,980,723,188</b>
Federal Grants	491,536,606	543,285,490	513,132,003
Restricted Grants	1,463,488	988,702	418,695
Grants Transfers	<u>1,048,370</u>	<u>1,449,072</u>	<u>4,454,136</u>
<b>Total Federal Restricted</b>	494,048,464	545,723,264	518,004,834
<b>Total Funds</b>	<b>\$3,319,411,488</b>	<b>\$3,495,688,279</b>	<b>\$3,498,728,022</b>



The majority of personal services expenditures from all funds related to the operation of the Connecticut Technical Education and Career System.

The General Assembly increased grant funding from \$2.8 billion during the fiscal year ended June 30, 2018, to \$2.9 billion during the fiscal year ended June 30, 2020. This is primarily attributable to increases in payments to municipal governments for primary and secondary education through the education cost sharing and Sheff transportation grants. The Sheff transportation grant increased by \$45 million during the fiscal year ended June 30, 2020 and is shown below under the miscellaneous program payments.

A summary of grants to educational agencies and other payments made from budgeted appropriations during the audited period is as follows:

	<b>Fiscal Year</b>		
	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>
Education Equalization Grants	\$1,927,170,841	\$2,016,155,736	\$2,048,252,063
Magnet Schools	310,226,448	326,508,158	288,715,181
Excess Cost – Student-Based	138,979,288	140,619,782	140,619,782
Priority School Districts	37,097,535	37,150,868	30,818,778
Charter Schools	108,526,000	114,941,250	118,046,250
Adult Education	18,883,142	19,367,262	19,366,026
Development of Mastery Exams	9,283,814	9,031,822	9,177,288
Open Choice Program	36,108,943	37,276,977	25,109,179
American School for the Deaf	7,432,514	7,432,514	7,932,514
Sheff Settlement	10,480,909	8,310,060	8,570,954
Family Resource Centers	5,790,000	5,800,000	5,777,626
Interdistrict Cooperation	1,537,499	1,537,500	1,465,483
Vocational Agriculture	9,972,874	13,759,589	14,952,000
After School Programs	4,418,571	4,617,471	5,382,598
Health and Welfare Services	3,438,415	3,438,415	3,438,415
Health Foods Initiative	4,101,463	4,151,463	4,151,463
Miscellaneous Program Payments	45,975,236	49,569,278	95,480,099
<b>Total Grants to Educational Agencies and Other Payments</b>	<b>\$2,679,423,492</b>	<b>\$2,799,668,144</b>	<b>\$2,827,255,699</b>

### **Education Equalization Grants to Towns**

[Sections 10-261a to 10-262j](#) of the General Statutes specify how education equalization aid is provided to each town maintaining public schools. Aid distributed to a town under this grant program is to be expended for educational purposes only when authorized by the local or regional board of education.

## **Excess Cost – Student-Based Grants**

The Excess Cost – Student-Based Grant provides state support for special education placements under the provisions of Sections [10-76d](#), [10-76g](#), and [10-253\(b\)](#) of the General Statutes. Certain state agency placements are subject to 100% state funding. The excess cost grant is computed in February and May.

## **Priority School Districts**

The priority school district grant program was established under the provisions of [Sections 10-266p through 10-266r](#) of the General Statutes and is designed to provide assistance to improve student achievement and enhance educational opportunities in certain school districts. Priority school districts fall into one or more of three categories: 1) the eight towns in the state with the largest population; 2) the 11 towns with the most students; and 3) the highest percentage of children in families participating in the Temporary Assistance for Needy Families Program, adjusted by certain factors from the towns' mastery test results. The following school districts received priority school district funding during the fiscal year ended June 30, 2020: Ansonia, Bridgeport, Danbury, Derby, East Hartford, Hartford, Manchester, Meriden, New Britain, New Haven, New London, Norwalk, Norwich, Stamford, Waterbury, and Windham.

## **Magnet Schools**

In accordance with Sections [10-264h through 10-264o](#) of the General Statutes, there is an interdistrict magnet school grant designed to support racial, ethnic, and economic diversity through a high-quality curriculum. This program also provides transportation to interdistrict students who reside outside of their school's district. Eligibility is dependent upon a cooperative arrangement involving two or more local districts and SDE approval of the operations plan. The significant increase in operating grant expenditures corresponds with a similar increase in the number of magnet schools in operation. As of June 30, 2020, there were 86 interdistrict magnet schools.

## **Charter Schools**

[Section 10-66aa](#) of the General Statutes defines charter schools as public, nonsectarian schools that operate independently of any local or regional board of education in accordance with a state or local charter. Their goal is to serve as centers for innovation and educational leadership to improve student performance, provide a choice to parents and students within the public-school system, and be a potential vehicle to reduce racial, ethnic, and economic isolation. Annual assessments determine whether the schools are meeting the legislation's and charter's goals. For students enrolled in a local charter school, the student's resident local board of education annually pays an amount specified in its charter. There were approximately 22 charter schools operating during the fiscal year ended June 30, 2020.

## **Adult Education**

[Sections 10-69 to 10-73d](#) of the General Statutes provide for state grants to local and regional education agencies based on a percentage of eligible adult education costs. Eligible costs include instructional and administrative services related to programs in U.S. citizenship, limited English proficiency, elementary and secondary school completion, and any other subject provided by a

district's elementary and secondary schools. The reimbursements ranged from 0% to 65% for the audited period.

**Vocational Education Extension Fund**

The Vocational Education Extension Fund (VEEF), an enterprise fund, operates under the provisions of [Section 10-95e](#) of the General Statutes. The fund is used to account for the revenues and expenses of adult education programs during the audited period and includes an industrial account for production activities conducted at the Connecticut Technical Education and Career System. The VEEF cash receipts and disbursements are shown below:

	Fiscal Year		
	2017-2018	2018-2019	2019-2020
Beginning Cash	\$ 1,895,387	\$ 2,312,611	\$ 3,042,687
Receipts	2,221,931	2,501,134	2,168,829
Disbursements	<u>(1,804,707)</u>	<u>(1,771,058)</u>	<u>(1,350,125)</u>
<b>Ending Cash</b>	<b>\$ 2,312,611</b>	<b>\$ 3,042,687</b>	<b>\$ 3,861,391</b>

Disbursements decreased by \$33,649 and \$420,933, in fiscal years ended June 30, 2019 and June 30, 2020, respectively, due to the suspension of several education programs throughout CTECS due to Covid-19.

## STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the State Department of Education disclosed the following 21 recommendations, of which 13 have been repeated from the previous audit:

### **Expenditures – Lack of a Cost-Benefit Analysis to Support Privatization Contracts**

- Criteria:* Section 4e-16(b) of the General Statutes states, “cost-benefit analysis conducted by a state contracting agency prior to entering into a privatization contract shall document the direct and indirect costs, savings, and qualitative and quantitative benefits that will result from the implementation of such privatization contract.”
- Condition:* Our review of expenditures revealed that the State Department of Education did not perform a cost-benefit analysis before hiring temporary employees from a privatization contract.
- Context:* During the fiscal years ended June 30, 2018, 2019, and 2020, the department spent \$339,632 on temporary services without the appropriate cost-benefit analysis to determine the potential cost savings and other elements specified in Section 4e-16(b).
- Effect:* It is difficult to know whether privatized services were of value to the state.
- Cause:* There was a lack of procedures to ensure management oversight.
- Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended 2016 through 2017.
- Recommendation:* The State Department of Education should have procedures to ensure compliance with Section 4e-16(b) of the General Statutes and perform a cost-benefit analysis before contracting for privatization services. (See Recommendation 1.)
- Agency Response:* “The agency agrees with this finding. Since late 2019, fiscal staff conduct a cost-benefit analysis for all temporary service contracts.”
- Auditors’ Concluding Comment:* We requested a copy of the cost-benefit analysis for this expenditure, but SDE told us it did not have one.

**Expenditures – Section 4-98 and the Use of Purchasing Cards (P-Cards)**

<i>Criteria:</i>	Section 4-98 of the General Statutes generally requires funds to be encumbered or reserved by a purchase order before an expenditure occurs. This applies to expenditures made by purchasing cards (P-Cards).
<i>Condition:</i>	Our review disclosed that SDE created purchase orders after transactions occurred in four of 15 P-Card transactions.
<i>Context:</i>	The State Department of Education’s Office of Internal Audit (OIA) May 30, 2019 advisory memorandum recommended that the Connecticut Technical Education and Career System (CTECS) suspend 48 P-Cards assigned to technical high school staff. OIA also recommended that the central office fiscal unit process all purchases until the CTECS regionalization plan is approved and fiscal staff is in place.
<i>Effect:</i>	Failure to encumber funds could result in a shortage of resources when they are needed and could increase the risk of fraud.
<i>Cause:</i>	Authorized cardholders are not following the established procedures and statutory requirements to encumber funds prior to the expenditure.
<i>Prior Audit Finding:</i>	This finding has been previously reported in the last audit report covering the fiscal years ended 2016 through 2017.
<i>Recommendation:</i>	The State Department of Education should regularly provide training to Connecticut Technical Education and Career System procurement employees to ensure compliance with Section 4-98 of the General Statutes. (See Recommendation 2.)
<i>Agency Response:</i>	“The agency agrees with this finding. P-Card training was conducted by CSDE on October 8 and October 13, 2020. Periodic refresher trainings will be scheduled as needed.”

**Payroll – Minimum Leave Increments**

<i>Criteria:</i>	Proper internal controls dictate the review and approval of timesheets to ensure accuracy and compliance with bargaining unit contracts, which require employees to record leave time in a minimum increment of 15 minutes.
<i>Condition:</i>	During the audited period, there were 12,249 occasions in which employees charged leave time inconsistent with the established increments set forth in their bargaining unit contracts.

<i>Effect:</i>	The use of leave time in increments less than the contractual minimum may result in an undue administrative burden.
<i>Cause:</i>	The department has not developed guidelines regarding the appropriate use of leave time increments.
<i>Prior Audit Finding:</i>	This finding has been previously reported in the last three audit reports covering the fiscal years ended 2009 through 2017.
<i>Recommendation:</i>	The State Department of Education should develop guidelines that reflect contractual obligations regarding the appropriate use of leave time increments. (See Recommendation 3.)
<i>Agency Response:</i>	“The agency agrees with this finding and will develop guidelines and distribute annual time and labor updates to staff, which will include overtime, compensatory time, dual employment, and minimum leave increments.”

### **Payroll – Consecutive Sick Days Medical Certifications**

<i>Criteria:</i>	Section 5-247-11 of the Regulations of Connecticut State Agencies requires the submission of an acceptable medical certificate to substantiate a period of sick leave exceeding five consecutive working days.
<i>Condition:</i>	SDE did not have sufficient and timely medical certificates on file for eight of 15 medical leaves of absence we reviewed. Five medical certificates were missing and three were submitted late.
<i>Effect:</i>	Employees may abuse sick leave when regulations are not enforced.
<i>Cause:</i>	SDE did not adequately track the submission of medical certificates.
<i>Prior Audit Finding:</i>	This finding has not been previously reported.
<i>Recommendation:</i>	The State Department of Education should improve its monitoring of employees who charge more than five consecutive sick days and ensure that those employees submit complete and sufficient medical certificates. (See Recommendation 4.)
<i>Agency Response:</i>	“The agency disagrees, in part, with this finding. The process and required forms are up to date on our internal website. In addition, HR will reissue the procedures to all agency staff about their responsibilities in the process and the importance of timeliness. Efforts will be made to ensure documents are on file as required.”

## **Memorandum of Understanding**

<i>Background:</i>	<p>A memorandum of understanding (MOU) is a formal written agreement between two or more parties that communicates mutually-accepted expectations. The agreement may include responsibilities, plans, and actions to accomplish specific goals.</p> <p>Section 10-500 of the General Statutes states that the Office of Early Childhood (OEC) shall be within the State Department of Education for administrative purposes only.</p> <p>SDE and OEC entered into a memorandum of understanding defining the administrative relationship and responsibilities of the agencies. SDE provides support services to OEC, including payroll, human resources, and business office and fiscal functions.</p>
<i>Criteria:</i>	<p>Strong internal controls dictate that an executed memorandum of understanding should be updated to document SDE administrative support services provided to OEC. On September 27, 2015, SDE and OEC prepared a draft agreement to replace the MOU that expired on June 30, 2015.</p>
<i>Condition:</i>	<p>SDE and OEC have not executed a new MOU, and SDE continues to provide administrative support under the expired agreement.</p>
<i>Effect:</i>	<p>The absence of a mutual understanding of each agency's responsibility for certain functions may lead to ineffectiveness or inefficiency.</p>
<i>Cause:</i>	<p>The MOU between SDE and OEC lapsed, and management failed to extend it or reach a new agreement.</p>
<i>Prior Audit Finding:</i>	<p>This finding has not been previously reported.</p>
<i>Recommendation:</i>	<p>The State Department of Education should execute a memorandum of understanding with the Office of Early Childhood defining the terms of its administrative support. (See Recommendation 5.)</p>
<i>Agency Response:</i>	<p>"The agency agrees with this finding. Discussions have taken place between SDE/OEC staff, and an updated MOU will be drafted."</p>

## **Reporting Systems**

<i>Criteria:</i>	<p>The State Department of Education is required to submit numerous reports under various statutes and public acts. The information provided by the reports is necessary to facilitate executive and legislative branch oversight of SDE programs.</p>
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Section 10-5d of the General Statutes requires SDE to prepare and submit a report on the implementation of the current Connecticut high school graduation requirements to the General Assembly.

Section 10-17m requires SDE to provide a report on the performance of English learners (EL) in bilingual education programs on the statewide mastery examination for the purpose of monitoring: (1) the academic progress of students in bilingual education programs and (2) the quality of bilingual education programs offered by local and regional boards of education.

Section 10-4s(d) of the General Statutes requires SDE to evaluate whether schools have demonstrated progress regarding the following indicators: (1) The reconstitution model adopted by the school; (2) the length of the school day and school year; (3) the number and type of disciplinary incidents; (4) the number of truants; (5) the dropout rate; (6) the student attendance rate; (7) the average scale scores on the statewide mastery examination pursuant to section 10-14n; (8) for high schools, the number and percentage of students completing advanced placement coursework; (9) the teacher attendance rate; and (10) the existence and size of the parent-teacher organization for the school.

Section 10-66q(c) of the General Statutes requires SDE to submit a report on which boards of education have adopted the uniform regional school calendar, and the implementation of such uniform calendar to the joint standing committee of the General Assembly having cognizance of matters relating to education.

Section 10-10d of the General Statutes requires that SDE implement a fiscal accountability data collection report that is to include all sources, amounts, and uses of all public and private funds by school districts and public schools, including public charter schools. The department shall report, no later than December 31, 2014, and annually thereafter, all such data as well as school size, student demographics, geography, cost-of-living indicators, and other factors determined by the department to the joint standing committee of the General Assembly having cognizance of matters relating to appropriations and the budgets of state agencies and education.

Section 10-222h(b) of the General Statutes requires SDE to submit a report regarding activities or funding to prevent bullying in schools and improve school climate to the joint standing committees of the General Assembly having cognizance of matters relating to education and children and to the speaker of the House of Representatives, the president pro tempore of the Senate and the majority and minority leaders of the House of Representatives and the Senate.

<i>Condition:</i>	<p>Our review of the SDE reporting requirements noted the following exceptions:</p> <ul style="list-style-type: none"><li>• SDE filed the report on the implementation of graduation requirements 18 months late for the 2018-2019 school year.</li><li>• SDE filed the report on mastery examination data for bilingual education students eight months late for the 2018 fiscal year.</li><li>• SDE submitted the report on establishing operation of school governance council three months late for the 2019 fiscal year.</li><li>• SDE did not prepare or submit the uniform school calendar to the joint standing committee of the General Assembly having cognizance of matters relating to education.</li><li>• SDE did not submit the fiscal accountability report to the General Assembly having cognizance of matters relating to appropriations and the budgets of state agencies and education.</li><li>• SDE did not submit the analysis and report on bullying policies to the joint standing committees of the General Assembly having cognizance of matters relating to education and children and to the speaker of the House of Representatives, the president pro tempore of the Senate and the majority and minority leaders of the House of Representatives and the Senate.</li></ul>
<i>Effect:</i>	<p>The intended report recipients could not evaluate the required information in a timely manner.</p>
<i>Cause:</i>	<p>The condition appears to be due to a lack of administrative oversight.</p>
<i>Prior Audit Finding:</i>	<p>This finding has not been previously reported.</p>
<i>Recommendation:</i>	<p>The State Department of Education should implement an adequate system of internal controls to ensure that it prepares and promptly submits all statutorily mandated reports to their required recipients. (See Recommendation 6.)</p>
<i>Agency Response:</i>	<p>“The agency agrees with this finding and will develop a monitoring tool to ensure all legislatively required reports are filed in a timely manner. Please note that we have sought repeal of the fiscal accountability report because it is duplicative of other state and federal reporting requirements and creates an additional burden as we face ongoing retirements in the division.”</p>

**Harvard H. Ellis Technical High School – Misuse of State Resources**

*Criteria:* The State Department of Education’s Ethics Policy states that “SDE employees are prohibited from using state equipment, including telephones, computers, email systems, fax machines, copy machines, state vehicles, and other equipment and supplies, for personal, non-work-related purposes.”

The Connecticut Technical Education and Career System (CTECS) Administrative Letter CT-9 states that any equipment or supplies purchased for instructional use is included under other equipment and supplies. Examples include shop or fitness room equipment. Staff use is permitted only for instructional purposes, such as demonstration or supervision of students using such equipment or supplies.

*Condition:* We viewed a video taken on school grounds showing the principal of Harvard H. Ellis Technical High School placing a state-owned masonry saw into the back of his personal vehicle. The principal subsequently acknowledged taking the saw for home use.

We also determined that the principal and a former assistant principal used their state email accounts to converse with each other after the former assistant principal left state service. The former assistant principal still had access to the state email account and sent 102 emails to the principal using this account. The principal used his state email to conduct personal business, including negotiating the restoration of a miter saw, purchasing a drill, ordering cabinetry, and confirming an order for splitting wedges.

*Effect:* There is less assurance that assets and resources are safeguarded and diminished public confidence in state government when officials utilize state equipment for personal use.

*Cause:* Internal controls were insufficient to ensure compliance with the policy.

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

*Recommendation:* The State Department of Education and the Connecticut Technical Education and Career System should strengthen controls over the use of school equipment and supplies at the Harvard H. Ellis Technical High School. (See Recommendation 7.)

*Agency Response:* “The agency agrees with this finding. Policies and procedures have been redistributed to all staff. A new Associate Fiscal Administrative Officer has been assigned to oversee this Region and has been training/retraining staff and conducting weekly site visits.”

### **Harvard H. Ellis Technical High School Failure to Maintain Confidential Information**

- Criteria:* The Code of Professional Responsibility for School Administrators is codified in Section 10-145d-400b(c)(8) of the Regulations of Connecticut State Agencies, and states administrators shall, “Maintain the confidentiality of all information in the proper course of one’s administrative duties and dispense the information when prescribed or directed by law, governing board policy, or professional practice.”
- Condition:* We determined that a technical high school principal forwarded a confidential email to the state email of a former assistant principal who was no longer employed by the school system. The former assistant principal subsequently forwarded the confidential email to a personal email account.
- Effect:* There is less assurance that confidential information is properly maintained.
- Cause:* Internal controls were insufficient to ensure compliance with the Code of Professional Responsibility for School Administrators.
- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* The State Department of Education and the Connecticut Technical Education and Career System should strengthen controls over the use, security, and handling of equipment and confidential information. (See Recommendation 8.)
- Agency Response:* “The agency agrees with this finding and has engaged in redistributing policies. A new Associate Fiscal Administrative Officer has been assigned to oversee this Region and has been training/retraining staff and conducting weekly site visits. Additionally, once CTECS email domain was changed to cttech.org, staff no longer receive the Security Mentor trainings that have addressed this very topic.”

### **Harvard H. Ellis Technical High School Unauthorized Access to State Systems**

- Criteria:* The State of Connecticut Acceptable Use of State Systems Policy provides that state systems are provided at state expense and are to be used to conduct state business only. System usage must be in accordance with each user’s job duties and responsibilities related to the state position at the time.
- Condition:* We found that a technical high school’s former assistant principal was allowed continued access to PowerSchool and the state email system

after termination, which is a violation of the Acceptable Use of State Systems Policy.

*Effect:* There is less assurance that access to systems is protected appropriately.

*Cause:* SDE and CTECS did not have sufficient internal controls to ensure compliance. The human resources unit failed to notify the information technology unit to remove system access. The principal falsely stated that the assistant principal was still employed, which allowed the former assistant principal to access PowerSchool and state email.

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

*Recommendation:* The State Department of Education and the Connecticut Technical Education and Career System should strengthen controls over access to systems and applications to prevent unauthorized access. (See Recommendation 9.)

*Agency Response:* “The agency agrees with this finding and is engaged in redistributing all applicable policies to ensure all staff are aware. Furthermore, School Dude is being utilized to track access requests.”

### **Harvard H. Ellis Technical High School No Record of Investigations**

*Criteria:* The State Department of Education’s Violence in the Workplace Prevention Policy reporting procedures section states, “any employee who feels subjected to or witnesses violent, threatening, harassing, or intimidating behavior in the workplace should immediately report the incident or statement to his/her supervisor or manager, the Human Resources Office, and/or Department of Education’s Threat Assessment Team...”

The policy further states, “Any manager or supervisor who receives a report of violent, threatening, harassing, or intimidating behavior shall immediately contact the Human Resources Office so that office may evaluate, investigate, and take appropriate action.”

*Condition:* We received a complaint of a hostile work environment and improper use of state equipment against the principal at Harvard H. Ellis Technical High School. We requested a listing of complaints from the SDE human resources unit, but SDE informed us that the unit does not log complaints or have complaint investigation procedures. We question whether CTECS properly investigated these matters, as there was no evidence to substantiate or dispute the claim.

*Cause:* A lack of proper management oversight contributed to this condition.

*Effect:* There is less assurance that assets and resources are safeguarded, which undermines the objectives of state government. The lack of standardized written investigation procedures and formal documented reviews by the human resources administrator increases the risk of inconsistencies in the actions and conclusions of investigations.

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

*Recommendation:* The State Department of Education and the Connecticut Technical Education and Career System should implement standardized written complaint handling and investigation procedures, which include documenting the review and conclusions of all investigations. (See Recommendation 10.)

*Agency Response:* “The agency partially agrees with the findings. The agency will review its current practice and develop a complaint tracking system. It should be noted that:

- the complaint was received on February 10 and was sent to Human Resources, CTECS Superintendent and CTECS legal director
- the principal retired effective March 1, leaving only twelve business days to conduct an investigation
- there exists an email recommending a full investigation, in case the principal’s retirement is ever withdrawn/rescinded and approved by DAS
- an investigation was conducted into the principal’s use of CTECS masonry production work and it was deemed that the work completed was outside the scope outlined in the Ellis Tech production forms; however, the value owed to the general fund could not be determined.”

### **Property Control – Physical Control over Assets and Conducting Annual Inventory**

*Criteria:* The State Property Control Manual requires that state agencies 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.

*Condition:* We have noted several concerns regarding the State Department of Education’s safeguarding of inventory:

- SDE has not performed an annual physical inventory of the Connecticut Technical Education and Career System as prescribed by the State Property Control Manual since the fiscal year ended June 30, 2015.

- SDE reported on behalf of CTECS, \$86,701 of inventory as lost, damaged, or stolen during the audited period.

*Context:* SDE reported \$1,098,380,575, \$1,101,004,418, and \$1,101,548,912 of real and personal property on its CO-59 form for the fiscal years ended June 30, 2018, 2019 and 2020, respectively. We could not determine whether these totals are accurate, because SDE did not conduct an annual physical inventory.

*Effect:* There is less assurance that assets are properly secured and accounted for.

*Cause:* SDE did not perform annual physical inventories for the fiscal years ended June 30, 2016 through 2020.

*Prior Audit Finding:* This finding has been previously reported in the last three audit reports covering the fiscal years ended 2009 through 2017.

*Recommendation:* The State Department of Education should comply with the Office of the State Comptroller’s requirements to perform an annual physical inventory and improve internal controls over the custody of assets to prevent theft or loss. (See Recommendation 11.)

*Agency Response:* “The agency agrees with this finding and has recently ordered new scanners and is currently working on retraining staff to begin a full, school-by-school inventory. Staff has been instructed that if internet service is not available to operate the scanners, then manual inventories should be conducted.”

### **Property Control – Disposing of Capital Equipment**

*Criteria:* The State of Connecticut Property Control Manual sets forth the requirements for tracking and disposing of capital equipment.

*Condition:* We tested 30 capital equipment items, with a total cost of \$117,454, disposed of during the audited period by the State Department of Education. Our review disclosed five instances in which SDE disposed of \$57,301 in equipment that remained on the department’s inventory records for 525 to 1,850 days after their disposal dates.

*Effect:* Internal controls pertaining to disposal and missing equipment are weakened.

*Cause:* SDE management did not follow established control policies and procedures for safekeeping and enforcing equipment disposal.



- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* The State Department of Education should improve internal controls over the tracking and disposal of equipment. (See Recommendation 12.)
- Agency Response:* “The agency agrees with this finding and staff are being made aware of existing policies and procedures when it comes to property transfers and disposals.”

### **Revenues – Teacher Certifications**

- Background:* The State Department of Education’s Bureau of Educator Standards and Certification (BESC) collected certification fees of approximately \$3.2, \$3.1, and \$2.6 million for the fiscal years ended June 30, 2018, 2019, and 2020, respectively.
- Criteria:* Section 10-145b(1) of the General Statutes establishes SDE’s responsibility for collecting teacher certification fees. The State Accounting Manual requires that internal controls over cash receipts be established to minimize the risk of loss. Agencies should prepare accountability reports periodically to compare the receipts with the certificates.
- Condition:* Our review identified 12 of 15 deposits with differences between the Connecticut Educator Certification System (CECS) and Core-CT ranging from \$700 to \$7,200. We asked BESC to explain the differences. BESC informed us that it does not know how the fiscal office posts its receipts to Core-CT, and it does not conduct a reconciliation to the state’s General Fund. CECS lacks the ability to create revenue accountability reports. Therefore, we could not verify that SDE collected the correct fee for each license it issued.
- Context:* Our review noted that regulations concerning state educator certificates have become too cumbersome, leaving educators confused about their correct certification fee. There are currently 102,582 in-state and 28,589 out-of-state educators who hold an active Connecticut certificate or permit. Educators must review 155 pages of regulations to determine their fees.
- Effect:* There is less assurance that SDE accurately and completely accounts for teacher certification revenues.
- Cause:* SDE management failed to establish sufficient procedures and controls over the issuance of teacher certifications and the collection and review of associated fees.

*Prior Audit Finding:* This finding has been previously reported in the last seven audit reports covering the fiscal years ended 2002 through 2017.

*Recommendation:* The State Department of Education should contact the Office of the State Comptroller to establish procedures and controls over teacher certification issuances and the collection, accounting, and review of associated fees. This should include reconciliation procedures to monitor the issuances of certificates and substantiate revenue due to the state. The department should also take steps to simplify its educator certification regulations to avoid educator confusion about their fees. (See Recommendation 13.)

*Agency Response:* “The agency disagrees with this finding. We believe we have sufficiently demonstrated that revenues collected are properly deposited into Core-CT. All transactions processed through PayPal follow the Bank Statement Accounting process as established by Core-CT and automatically flows from PayPal to the bank, which generates a bank file which gets transmitted to Core-CT into the General Ledger, thereby bypassing the Accounts Receivable module. This process is not instant and PayPal revenues collected on a Friday and/or weekends and holidays will not be transmitted to Core-CT until the next business day. Any revenues collected by check or money order by the Teacher Certification Office and presented to the fiscal office are properly deposited into Core-CT. To verify proper collection of revenue, individual teacher review is required as the Connecticut Educator Certification System (CECS) should reflect certificate issued to, as well as payment collected from each applicant. Since payments and the issuance of certificate as well as overpayments and refunds are not necessarily processed in the same fiscal year an aggregate review cannot match. The agency agrees that a streamlined and simplified fee structure would be desired.”

## **Payroll – Dual Employment**

*Criteria:* Section 5-208a of the General Statutes states, “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 such authority’s 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 payments, and that no conflicts of interest exist between services performed.”

*Condition:* Our review of 15 employees with dual employment arrangements disclosed that seven employees did not complete the required request

forms. We also noted that those seven employees' request forms were not approved prior to their dual employment start date.

*Effect:* Without timely authorization and monitoring, there could be conflicts and overpayments to employees who work in multiple state positions.

*Cause:* The department's internal controls were not adequate to ensure the preauthorization of dual employment agreements.

*Prior Audit Finding:* This finding has been previously reported in the last four audit reports covering the fiscal years ended 2007 through 2017.

*Recommendation:* The State Department of Education should strengthen dual employment procedures and controls to ensure compliance with Section 5-208a of the General Statutes. (See Recommendation 14.)

*Agency Response:* "The agency agrees with this finding and will develop a procedure to monitor dual employment forms."

### **Payroll – Compensatory Time & Overtime Authorization**

*Criteria:* Proper business practice dictates that compensatory time and overtime authorization forms are prepared and approved in advance by appropriate managerial personnel. A supervisor should sign timesheets to acknowledge that services were authorized and performed.

*Condition:* Our review of ten compensatory time and 15 overtime transactions for the fiscal years ended June 30, 2018, 2019, and 2020 revealed the following:

- SDE did not preauthorize two employees' compensatory time, and two employees had no compensation time authorization forms on file.
- SDE did not have the required documentation on file for four overtime authorizations, and six instances of overtime were not pre-authorized and their corresponding timesheets were not signed by the supervisor.

*Context:* During the audited period, 327 SDE employees earned a total of \$4,630,207 in overtime (131,556 hours). We selected 15 employees who earned a total of \$218,726, or 5,978 hours (5%) of the total overtime.

*Effect:* When employees do not obtain a formal approval, there is less assurance that a supervisor verified the need for compensatory or overtime hours.

- Cause:* Management failed to properly approve and verify the use of overtime or compensatory time.
- Prior Audit Finding:* This finding has been previously reported in the last four audit reports covering the fiscal years ended 2007 through 2017.
- Recommendation:* The State Department of Education should ensure that its supervisors preapprove compensatory time and overtime. The department should retain sufficient supporting documentation with managers' signatures. (See Recommendation 15.)
- Agency Response:* "The agency partially disagrees with this finding. The agency will distribute annual time and labor updates to staff which will include overtime, compensatory time, dual employment, and minimum leave increments guidelines. There are instances where preauthorization would not be practical such as emergency responses. Also, during COVID-19, some employees had a blanket authorization to be able to sanitize the classrooms. Additionally, cafeteria staff were in some instances reassigned to other agencies due to the cafeteria closures and earned overtime under the authorization of those agencies."

### **Agency Administered Construction Projects**

- Criteria:* The Department of Administrative Services (DAS) Agency Administered Projects (AAP) Procedure Manual authorizes agencies to perform certain construction project activities and establishes requirements such as:
- Each agency must formally request and receive AAP Unit approval to administer its own project.
  - Each agency must file an annual report summarizing the projects completed and the status of bond funds allotted for each project.
  - Each agency must submit a Certificate of Compliance, Form 715F, for the construction portion of the project to certify that the completed project is in substantial compliance with the approved plans, specifications, and all state building and other applicable code requirements.
- Condition:* A review of 10 of 89 SDE-administered construction projects during the audited period revealed that:
- All ten projects did not have a certificate of compliance on file.

- SDE did not provide the AAP Unit with an annual report listing all balances of unexpended bond funds from completed projects.

*Effect:* Failure to comply with the AAP manual increases the risk of noncompliance with reporting requirements.

*Cause:* SDE lacks adequate controls over agency administered projects and has reduced staff in key positions.

*Prior Audit Finding:* This finding has been previously reported in the last three audit reports covering the fiscal years ended 2009 through 2017.

*Recommendation:* The State Department of Education should improve its controls to ensure compliance with the Department of Administrative Services Agency Administered Projects Procedure Manual. (See Recommendation 16.)

*Agency Response:* “The agency agrees with this finding. A new Associate Fiscal Administrative Officer has been hired to ensure that construction projects have the proper and required documentation prior to processing.”

### **Whitney Technical High School Student Activity Trustee Dividend Payments**

*Criteria:* The Connecticut Technical High School System Student Activity Program policies and procedures manual allows for donations of securities. Internal Revenue Service (IRS) Publication 1281 states, in part, payers making certain payments must withhold a specified percentage and remit it to the IRS under certain conditions. Dividends and interest payments are subject to backup withholding if the payee has not completed IRS Form W-9 to tax certify their account.

*Condition:* Our review identified common stock in which the dividend payments included federal withholding taxes deducted at a 24% rate from February 2017 to February 2021 and 28% prior to February 2017.

*Effect:* The Student Trustee Account is not receiving the full benefit of the common stock dividend due to the federal withholding reduction.

*Cause:* When the donation of common stock was made, the account was not tax certified.

*Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended 2016 through 2017.

*Recommendation:* The Connecticut Technical Education and Career System should take the appropriate steps to tax certify its student activity accounts to prevent the withholding of federal tax from common stock dividends. (See Recommendation 17.)

*Agency Response:* “The agency agrees with this finding. CTECS fiscal staff have been working with the Office of the Comptroller to change this account from an individual’s social security number to the school. This has not been successful, and a certified letter has recently been sent by CTECS to the account holder to close the account.”

### **CTECS – Unclaimed Property**

*Background:* The Office of the State Treasurer Unclaimed Property Division is responsible for safeguarding assets turned over to the Treasurer in accordance with state law until the rightful owners are located. The division’s primary objective is to reunite rightful owners or their heirs with unclaimed property. Businesses remit this property to the Treasurer after they lose contact with a person or entity after three to five years.

*Criteria:* Sound business practices require management to be aware of all assets that an entity holds.

*Condition:* The Office of the State Treasurer Unclaimed Property Division currently holds 13 technical high schools’ dormant unclaimed property. We determined that the unclaimed property totals \$53,327 and dates from 2006 through 2021.

*Effect:* The technical high schools did not receive the benefit of unclaimed property held by the Office of the State Treasurer.

*Cause:* It appears that the technical high schools were not aware of the property.

*Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended 2016 through 2017.

*Recommendation:* The Connecticut Technical Education and Career System should contact the Office of the State Treasurer to claim 13 technical high schools’ unclaimed property. (See Recommendation 18.)

*Agency Response:* “The agency agrees with this finding. CTECS Assistant Chief of Fiscal Administrative Services and Supervising Accountant are engaged with the Office of the Treasurer on how to properly handle unclaimed property.”

**Payroll – Rehired Retirees**

<i>Criteria:</i>	<p>Section 5-164a(c) of the General Statutes, as amended by Public Act 18-137, states that no member reentering state service shall receive a retirement income during reemployment, except when services are rendered for not more than 120 working days in any calendar year. It provides that any member reemployed for more than 120 working days in a calendar year shall reimburse the state retirement fund for retirement income payments received during such 120 working days.</p> <p>Governor Malloy’s Executive Order No. 47 reaffirms Governor Rell’s Executive Order No. 27-A, which limits the rehire of individual retirees to no more than two 120-day periods.</p>
<i>Condition:</i>	<p>Our review of 79 retirees, who were rehired by the department during the audited period, disclosed the following:</p> <ul style="list-style-type: none"><li>• Six instances in which retirees were reemployed for more than 120 days.</li><li>• Thirty instances in which retirees were reemployed for more than the two-calendar year limit.</li><li>• Six instances in which SDE did not input the rehired retirees’ correct job code in Core-CT.</li></ul>
<i>Effect:</i>	<p>An employee may receive a pension that exceeds rules established to prevent excessive retirement compensation. In addition, the employee may have to reimburse the retirement fund for certain payments.</p>
<i>Cause:</i>	<p>A lack of administrative oversight and internal controls contributed to the rehired retiree exceeding limits set forth in Executive Order No. 27-A.</p>
<i>Prior Audit Finding:</i>	<p>This finding has been previously reported in the last audit report covering the fiscal years ended 2016 through 2017.</p>
<i>Recommendation:</i>	<p>The State Department of Education should strengthen controls over rehiring retired state employees and comply with Section 5-164a of the General Statutes and Executive Order No. 27-A. (See Recommendation 19.)</p>
<i>Agency Response:</i>	<p>“The agency agrees with this finding and will review its current practice and develop a system to monitor temporary worker retiree process.”</p>



**Payroll – Workers’ Compensation**

<i>Criteria:</i>	In accordance with the Department of Administrative Services (DAS) Workers’ Compensation Manual, for each new workers’ compensation claim, employees are required to fill out forms in the DAS Claim Packet and submit them to their employer. The DAS Form PER-WC 211 is completed to identify whether the injured worker has employment other than the State of Connecticut for potential concurrent employment benefits, and identify any third-party negligence giving rise to the injury. The form is due within three days. The form WC-715 is used to designate the use of accrued leave to supplement lost wage workers’ compensation benefits for the days the worker was injured. This form is due within ten business days.
<i>Condition:</i>	We tested ten workers’ compensation claims, judgmentally selected out of 232 new claims. Our review disclosed the following: <ul style="list-style-type: none"><li>• Three instances in which the WC-211 form was not on file.</li><li>• Four instances in which the WC 715 form was not on file.</li><li>• Six WC-211 forms on file were returned to human resources 4 to 31 days late.</li><li>• Five WC-715 forms on file were returned to human resources 5 to 24 days late.</li></ul>
<i>Effect:</i>	The lack of required forms on file may increase the risk of errors and fraudulent activity.
<i>Cause:</i>	A lack of managerial oversight and improperly implemented internal controls contributed to this condition.
<i>Prior Audit Finding:</i>	This finding has been previously reported in the last three audit reports covering the fiscal years ended 2009 through 2017.
<i>Recommendation:</i>	The State Department of Education should improve its oversight of workers’ compensation procedures and practices. (See Recommendation 20.)
<i>Agency Response:</i>	“The agency disagrees, in part, with this finding. The process and required forms are up to date on our internal website. In addition, HR will reissue the procedures to all agency staff about the process and the importance of timeliness. Efforts will be made to ensure documents are on file as required.”

**Student Activity Fund – Training**

<i>Criteria:</i>	The Connecticut Technical Education and Career System has published extensive policies and procedures to establish controls over student activity program funds. The policies and procedures define proper control responsibilities for superintendents, principals, and others to provide reasonable assurance that assets are safeguarded and transactions are authorized, valid, complete, and accurate. CTECS procedures state that, when principal must be held in trust, the funds will be deposited in an interest-bearing account, preferably the Treasurer’s Short Term Investment Fund (STIF).
<i>Condition:</i>	Student activity funds currently sit dormant within the Treasurer’s STIF accounts. STIF account balances for the fiscal year ended June 30, 2020, totaled \$1,484,714 and ranged from \$4,994 to \$520,881. These accounts appeared to consist of donated funds; however, SDE indicated it does not always know the funding source.
<i>Effect:</i>	There is less assurance that funds are being utilized and maintained as intended, and school administrators may be hesitant to access the funds to support school activities.
<i>Cause:</i>	A lack of training for CTECS business staff contributed to this condition.
<i>Prior Audit Finding:</i>	This finding has been previously reported in the last audit report covering the fiscal years ended 2016 through 2017.
<i>Recommendation:</i>	The Connecticut Technical Education and Career System should train its business staff regarding the maintenance and utilization of student activity program funds. (See Recommendation 21.)
<i>Agency Response:</i>	“The agency disagrees with the finding. Regarding the condition, “We found that some business staff did not know what made up the STIF account and where the funds originated”, we note that it would be difficult to determine exactly what funds make up the STIF account. Funds in the STIF account are essentially excesses of Student Trustee Checking account balances which must be transferred to the STIF account based on STA procedures and/or donated funds where restrictions have been placed based on donor paperwork. General ledger accounts (Class Accounts, Scholarship Accounts, etc.) <u>in total</u> must equal combined balances in the checking account and STIF account(s). When funds are transferred from the STIF account to the STA Checking Account to ensure that sufficient funds are in the STA Checking Account to cover STA approved expenditures, ledger account(s) including the STIF account must be reduced for the disbursement of

funds. Any disbursement of funds that reduces the schools dedicated general ledger accounts must be approved in advance by student meeting minutes and school administrators. In addition, we agree with business office staff when they indicated that they do not know, aside from restricted donor monies, what makes up the STIF account in total. Training and retraining of staff on the use of the Kev Group software has been conducted. Meetings were held with advisors, principals, and business office staff to reinforce policies and procedures and the proper use of forms. Monthly audits of procedures are being performed by central office staff.”

*Auditors’ Concluding  
Comment:*

We acknowledge that CTECS has taken steps to train certain staff on how to maintain the accounts; however, CTECS employees may need additional training on utilizing the funds to support school activities.

**Charter Schools – Charter Management Organization**

*Background:*

On May 24, 2018, the State Board of Education voted unanimously to initiate the revocation of the charter of Path Academy in Windham. Path Academy had faced scrutiny since 2017 when the State Department of Education found that it was operating an unauthorized satellite school in Norwich. SDE found that Path Academy had a significant number of enrollees who did not attend school and part-time students for which the state paid full-time grant payments. The SDE Office of Internal Audit recommended that the department pursue a \$1,980,000 reimbursement from Path Academy for the two fiscal years ended June 30, 2018.

SDE did not recoup any of its payments to Path Academy, because the school did not have any funds. In addition, the department does not have the clear statutory authority to take action against Path Academy’s charter management organization (CMO) to recoup taxpayer funds lost to suspected fraud and questionable practices.

*Criteria:*

Section 10-66tt of the General Statutes does not give SDE the authority to pursue reimbursement from a charter management organization for losses.

*Condition:*

The department did not seek legislative changes to Section 10-66tt to allow it to recoup funds from the charter management organization.

*Effect:*

Without effective recourse provisions, there is increased potential for losses.

*Cause:*

Management did not act on this matter.

*Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended 2016 through 2017.

*Conclusion:* Public Act 21-144 (Section 7), effective July 1, 2021, resolved this issue. The act permits the State Department of Education to institute a civil action in the Superior Court, or in the United States District Court, where applicable, against any person, firm, corporation, business or combination thereof, including a charter management organization, it believes, or has reason to believe, has misused state funds or has engaged in the misuse of state resources, to enjoin said parties from continuing such conduct within this state and to seek repayment of such funds, as well as damages, on behalf of the state. Therefore, no recommendation is warranted.

*Agency Response:* “The agency agreed with this finding and submitted legislation this session to address it. Specifically, Section 7 of Senate Bill 945 addressed this finding and was passed by the General Assembly.”

## RECOMMENDATIONS

### Status of Prior Audit Recommendations

Our prior audit report on the State Department of Education contained 23 recommendations. Ten have been implemented or otherwise resolved and 13 have been repeated or restated with modifications during the current audit.

- The State Department of Education should have procedures to ensure compliance with Section 4e-16(b) of the General Statutes and perform a cost-benefit analysis before contracting for privatization services. **This recommendation will be repeated in modified form. (See Recommendation 1.)**
- The State Department of Education should contact the Office of the State Comptroller to establish procedures and controls over teacher certification issuances and the collection, accounting, and review of associated fees. This should include reconciliation procedures to monitor the issuances of certificates and to substantiate revenue due to the state. **This recommendation will be repeated in modified form. (See Recommendation 13.)**
- The State Department of Education should maintain, reconcile, and report assets as prescribed by the State Property Control Manual and Section 4-36 of the General Statutes. **This recommendation has been resolved.**
- The State Department of Education should comply with the Office of the State Comptroller's requirements to perform a physical inventory and improve internal controls over the custody of assets to prevent theft or loss. **This recommendation will be repeated in modified form. (See Recommendations 11.)**
- The State Department of Education should ensure that employees receiving a new asset properly complete a receiving report. The department's business manager should provide all SDE employees an overview of the receiving process, including tagging the asset in a timely manner. **This recommendation has been resolved.**
- The State Department of Education should propose legislative changes to Section 10-66tt that should clearly identify its governance responsibilities regarding charter management organizations related to the roles, responsibilities, and expectations of the administrations, and oversight over grants provided to charter schools to resolve certain financial losses. **This recommendation has been resolved and is presented in this report as a conclusion.**
- The Connecticut Technical Education and Career System should utilize available statewide contracts to ensure the best possible price and terms on its purchases. In addition, CTECS should submit required annual expenditure reports to the Department of Administrative Services. **This recommendation has been resolved.**

- The State Department of Education should develop guidelines regarding the appropriate use of leave time increments. **This recommendation will be repeated in modified form. (See Recommendation 3.)**
- The State Department of Education should strengthen dual employment procedures and controls to ensure compliance with Section 5-208a of the General Statutes. **This recommendation will be repeated in modified form. (See Recommendation 14.)**
- The State Department of Education should improve its oversight of workers' compensation procedures and practices. **This recommendation will be repeated in modified form. (See Recommendation 20.)**
- The State Department of Education should ensure that its supervisors preapprove compensatory time and overtime. SDE should retain sufficient supporting documentation with managers' signatures. **This recommendation will be repeated in modified form. (See Recommendation 15.)**
- The State Department of Education should improve its controls to ensure compliance with the Agency Administered Projects Procedure Manual. **This recommendation will be repeated in modified form. (See Recommendation 16.)**
- The Connecticut Technical Education and Career System should train its business staff regarding the maintenance and utilization of the student activity program funds. **This recommendation will be repeated in modified form. (See Recommendation 21.)**
- The State Department of Education should provide training to ensure compliance with Section 4-98 of the General Statutes. **This recommendation will be repeated in modified form. (See Recommendation 2.)**
- The State Department of Education should strengthen controls over rehiring retired state employees and comply with Section 5-164a of the General Statutes and Executive Order No. 27-A. **This recommendation will be repeated in modified form. (See Recommendation 19.)**
- The Connecticut Technical Education and Career System should maintain adequate maintenance and custodial staffing levels at all schools to ensure a clean and safe environment for students. **This recommendation has been resolved.**
- The Connecticut Technical Education and Career System should implement the necessary internal controls to ensure that school production funds and activities comply with established policies and procedures. **This recommendation has been resolved.**
- The Connecticut Technical Education and Career System should establish the necessary internal controls to ensure that student trustee accounts and activities comply with established policies and procedures. **This recommendation has been resolved.**

- The Connecticut Technical Education and Career System should take the necessary steps to adequately and promptly address identified internal control deficiencies in internal and external audit reports. **This recommendation has been resolved.**
- The Connecticut Technical Education and Career System should comply with established controls for handling cash and maintaining an adequate segregation of duties. **This recommendation has been resolved.**
- The Connecticut Technical Education and Career System should take the appropriate steps to tax certify its student activity accounts to prevent the withholding of federal tax from common stock dividends. **This recommendation will be repeated in modified form. (See Recommendation 17.)**
- The Connecticut Technical Education and Career System should contact the Office of the State Treasurer to claim property that belonged to thirteen technical high schools. **This recommendation will be repeated in modified form. (See Recommendation 18.)**
- The Connecticut Technical Education and Career System should take the necessary steps to ensure that monitoring activities at technical high schools are sufficient to determine whether internal controls are adequately designed, properly executed, and effective. In addition, CTECS should develop the necessary procedures to ensure that it promptly corrects identified deficiencies in internal controls. **This recommendation has been resolved.**

## Current Audit Recommendations

- 1. The State Department of Education should have procedures to ensure compliance with Section 4e-16(b) of the General Statutes and perform a cost-benefit analysis before contracting for privatization services.**

Comment:

Our review of expenditures disclosed that the State Department of Education did not perform a cost-benefit analysis before hiring temporary employees from a privatization contract.

- 2. The State Department of Education should regularly provide training to Connecticut Technical Education and Career System procurement employees to ensure compliance with Section 4-98 of the General Statutes.**

Comment:

Our review disclosed that SDE created purchase orders after transactions occurred in four of 15 purchasing card (P-Card) transactions.

- 3. The State Department of Education should develop guidelines that reflect contractual obligations regarding the appropriate use of leave time increments.**

Comment:

During the audited period, there were 12,249 occasions in which employees charged leave time inconsistent with the established increments set forth in their bargaining unit contracts.

- 4. The State Department of Education should improve its monitoring of employees who charge more than five consecutive sick days and ensure that those employees submit complete and sufficient medical certificates.**

Comment:

SDE did not have sufficient and timely medical certificates on file for eight of 15 medical leaves of absence we reviewed. Five medical certificates were missing and three were submitted late.

- 5. The State Department of Education should execute a memorandum of understanding with the Office of Early Childhood defining the terms of its administrative support.**

Comment:

SDE and OEC have not executed a new memorandum of understanding, and SDE continues to provide administrative support under the expired agreement.



- 6. The State Department of Education should implement an adequate system of internal controls to ensure that it prepares and promptly submits all statutorily mandated reports to their required recipients.**

Comment:

Our review of SDE reporting requirements noted that the department filed three reports late and three reports were not prepared or submitted to the intended recipients.

- 7. The State Department of Education and the Connecticut Technical Education and Career System should strengthen controls over the use of school equipment and supplies at the Harvard H. Ellis Technical High School.**

Comment:

We viewed a video taken on school grounds showing the principal of Harvard H. Ellis Technical High School placing a state-owned masonry saw into the back of his personal vehicle. The principal subsequently acknowledged taking the saw for home use.

- 8. The State Department of Education and the Connecticut Technical Education and Career System should strengthen controls over the use, security, and handling of equipment and confidential information.**

Comment:

We determined that a technical high school's principal forwarded a confidential email to the state email account of a former assistant principal who was no longer employed by the school system. The former assistant principal subsequently forwarded the confidential email to a personal email account.

- 9. The State Department of Education and the Connecticut Technical Education and Career System should strengthen controls over access to systems and applications to prevent unauthorized access.**

Comment:

We found that a technical high school's former assistant principal was allowed continued access to PowerSchool and the state email system after termination, which is a violation of the Acceptable Use of State Systems Policy.

- 10. The State Department of Education and the Connecticut Technical Education and Career System should implement standardized written complaint handling and investigation procedures, which include documenting the review and conclusions of all investigations.**

Comment:

We requested a listing of complaints from the SDE human resources unit, but SDE informed us that the unit does not log complaints or have complaint investigation procedures.

- 11. The State Department of Education should comply with the Office of the State Comptroller's requirements to perform an annual physical inventory and improve internal controls over the custody of assets to prevent theft or loss.**

Comment:

State Department of Education has not performed an annual physical inventory of the Connecticut Technical Education and Career System (CTECS) as prescribed by the State Property Control Manual since the fiscal year ended June 30, 2015.

SDE reported on behalf of CTECS, \$86,701 of inventory as lost, damaged, or stolen during the audited period.

- 12. The State Department of Education should improve internal controls over the tracking and disposal of equipment.**

Comment:

Our review disclosed five instances in which SDE disposed of \$57,301 in equipment that remained on the departments inventory records for 525 to 1,850 days after their disposal dates.

- 13. The State Department of Education should contact the Office of the State Comptroller to establish procedures and controls over teacher certification issuances and the collection and review of associated fees. This should include reconciliation procedures to monitor the issuances of certificates and substantiate revenue due to the state. The department also should take steps to simplify its educator certification regulations to avoid educator confusion about their fees.**

Comment:

Our review identified 12 of 15 deposits with differences between the Connecticut Educator Certification System (CECS) and Core-CT ranging from \$700 to \$7,200. We also noted that regulations concerning state educator certificates have become too cumbersome, leaving educators confused about their correct certification fees.

**14. The State Department of Education should strengthen dual employment procedures and controls to ensure compliance with Section 5-208a of the General Statutes.**

Comment:

Our review of 15 employees with dual employment arrangements disclosed that seven employees did not complete the required request forms. We also noted that those seven employees' request forms were not approved prior to their dual employment start date.

**15. The State Department of Education should ensure that its supervisors preapprove compensatory time and overtime. The department should retain sufficient supporting documentation with managers' signatures.**

Comment:

Our review of ten compensatory time and 15 overtime transactions for the fiscal years ended June 30, 2018, 2019, and 2020 revealed that SDE did not preauthorize two employees' compensatory time, and two employees had no compensation time authorization forms on file. SDE did not have the required documentation on file for four overtime authorizations, and six instances of overtime were not pre-authorized and their corresponding timesheets were not signed by the supervisor.

**16. The State Department of Education should improve its controls to ensure compliance with the Department of Administrative Services Agency Administered Projects Procedure Manual.**

Comment:

A review of 10 of 89 projects during the audited period revealed that all ten did not have a certificate of compliance on file, and SDE did not provide the AAP Unit with an annual report listing all balances of unexpended bond funds from completed projects.

**17. The Connecticut Technical Education and Career System should take the appropriate steps to tax certify its student activity accounts to prevent the withholding of federal tax from common stock dividends.**

Comment:

Our review identified common stock in which the dividend payments included federal withholding taxes deducted at a 24% rate from February 2017 to February 2021 and 28% prior to February 2017.

**18. The Connecticut Technical Education and Career System should contact the Office of the State Treasurer to claim thirteen technical high schools' unclaimed property.**

Comment:

The Office of the State Treasurer Unclaimed Property Division currently holds 13 technical high schools' dormant unclaimed property. We determined that the unclaimed property totals \$53,327 and dates from 2006 through 2021.

**19. The State Department of Education should strengthen controls over rehiring retired state employees and comply with Section 5-164a of the General Statutes and Executive Order No. 27-A.**

Comment:

Our review of 79 retirees, who were rehired by the department during the audited period, disclosed six instances in which retirees were employed for more than 120 days, thirty instances in which retirees were reemployed for more than the two calendar year limit, and six instances in which SDE did not input the rehired retirees' correct job code in Core-CT.

**20. The State Department of Education should improve its oversight of workers' compensation procedures and practices.**

Comment:

We reviewed ten workers' compensation claims and noted three instances in which WC-211 forms were not on file and four instances in which WC 715 forms were not on file.

**21. The Connecticut Technical Education and Career System should train its business staff regarding the maintenance and utilization of student activity program funds.**

Comment:

Student activity funds currently sit dormant within the Treasurer's Short Term Investment Fund (STIF) accounts. STIF account balances for the fiscal year ended June 30, 2020, totaled \$1,484,714 and ranged from \$4,994 to \$520,881. These accounts appeared to consist of donated funds; however, SDE indicated it does not always know the funding source.

## ACKNOWLEDGMENTS

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

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

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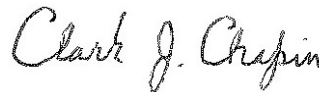


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