STATE OF CONNECTICUT

AUDITORS' REPORT
COMMISSION ON FIRE PREVENTION AND CONTROL
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 2001

AUDITORS OF PUBLIC ACCOUNTS
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December 11, 2002

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FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 2001

We have examined the financial records of the Commission on Fire Prevention and Control for the fiscal years ended June 30, 2000 and 2001. This report of that examination consists of the Comments, Recommendations and Certification that follow.

This audit examination of the Commission on Fire Prevention and Control has been limited to assessing compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating internal control structure policies and procedures established to ensure such compliance. Financial statement presentation and auditing are being done on a Statewide Single Audit basis to include all State agencies.

COMMENTS

FOREWORD:

The Commission on Fire Prevention and Control operates under Sections 7-323j through 7-323q of the Connecticut General Statutes. Section 2c-2b, subsection (c)(10), of the General Statutes provides for the Commission's termination, effective July 1, 2005, unless reestablished by legislative act. The Commission is charged with and has primary responsibility for training, public fire and life safety education, and professional certification for members of the fire service. Its administrative office is located at the Connecticut Fire Academy in Windsor Locks.

The Commission on Fire Prevention and Control is comprised of three divisions; the Certification Division, which is responsible for the development and administration of a voluntary fire service testing and certification program, the Fiscal Division, which is responsible for the Commission's fiscal administration and plant operations and the

Training Division, which is responsible for the development and delivery of fire, hazardous materials/OSHA compliance, emergency medical services and public education safety training programs.

Section 7-323k, subsection (e) of the General Statutes provides that the Commission on Fire Prevention and Control shall be within the Department of Public Safety for administrative purposes only.

Members of the Commission:

Under the provisions of Section 7-323k of the General Statutes, the Commission is comprised of 12 members appointed by the Governor, and two ex-officio voting members. The ex-officio members are the State Fire Marshal and Chancellor of the Board of Trustees of the Community-Technical Colleges. Members of the Commission serve without compensation for their services. As of June 30, 2001, the Commission was comprised of the following members:

Peter S. Carozza Jr., Chairman
Kevin J. Kowalski, Vice Chairman
Edward F. Haber, Secretary
Clifford C. Brammer Jr.
Edward B. Gomeau
William S. Johnson Jr.
Wayne H. Maheu, Ex-officio State Fire Marshal
Daniel Milewski
Peter F. Mullen
George J. Munkebeck Jr., Ex-officio Community-Technical Colleges
Richard H. Nicol
Charles M. Stankye Jr.
James P. Wilkinson
John R. Vendetta

Section 7-323o of the General Statutes provides for the appointment of the State Fire Administrator by the Commission. Jeffrey Morrissette has served as the State Fire Administrator since October 2, 1992.

RÉSUMÉ OF OPERATIONS:

During the fiscal years under review funding for the general operations of the Commission on Fire Prevention and Control was provided from budgeted appropriations of the State General Fund. Restricted revenues from tuition and certification fees for the State Fire School for various fire training courses supplemented the budgeted appropriations.

General Fund:

Receipts:

General Fund receipts totaled $974,711 and $1,167,142 for the fiscal years ended June 30, 2000 and 2001, respectively, as compared to $944,158 for the fiscal year ended June 30, 1999. These receipts consisted primarily of course fees and training program sales which were credited to the Fire School Training and Education Extension and the Fire School Auxiliary Services restricted accounts. These receipts also included $80,000 of Federal funds in both the 1999-2000 and 2000-2001 fiscal years and $40,000 received during the 1998-1999 fiscal year. Further discussion of the restricted accounts is included under separate captions in this report.

Expenditures:

A summary of General Fund expenditures for the fiscal years ended June 30, 2000 and 2001, as compared with the fiscal year ended June 30, 1999, is presented below:

	Fiscal Year Ended June 30,		
	1999	**2000**	**2001**
Budgeted Accounts:	$	$	$
Personal services	1,112,161	1,289,699	1,350,658
Contractual services	349,974	388,995	462,329
Commodities	118,183	142,723	127,541
Sundry	30,000	0	135
State aid grants	219,800	242,000	252,000
Equipment	20,000	1,000	1,000
Total Budgeted Accounts	1,850,118	2,064,417	2,193,663
Restricted Accounts	882,709	733,963	935,001
Totals	**$2,732,827**	**$2,798,380**	**$3,128,664**

The expenditures for State aid grants were payments to volunteer fire companies for responding to calls on limited access highways in accordance with Section 13a-248 of the General Statutes.

The increases in expenditures for budgeted and restricted accounts were caused primarily by increases in costs for personal and contractual services.

Restricted Contributions Accounts:

Fire School Training and Education Extension Account:

This restricted contribution account was established under the provisions of Section 7-323p, subsection (b) of the General Statutes. It is used to account for fire training and education programs.

Receipts, which totaled $597,605 and $809,831 during the fiscal years ended June 30, 2000 and 2001, respectively, consisted primarily of State Fire School course fees. Expenditures totaled $497,182 and $621,874 during the same fiscal years and consisted mainly of the salaries and fringe benefit costs of part-time instructors. Agency reports indicate that 532 and 375 training programs were conducted in the fiscal years ended June 30, 2000 and 2001, respectively.

Fire School Auxiliary Services Account:

This restricted contribution account was established under the provisions of Section 7-323p, subsection (c) of the General Statutes. This account is used for the operation, maintenance and repair of auxiliary services facilities and other auxiliary activities of the State Fire School.

Receipts totaled $295,330 and $275,946 during the fiscal years ended June 30, 2000 and 2001, respectively and consisted primarily of fees assessed for special programs, sales of course materials, and donations. Expenditures totaled $212,948 and $271,471, during the same fiscal years and were for salaries of part-time instructors and printing of course materials.

Special Revenue and Capital Projects Fund Expenditures:

The Commission had expenditures of the Capital Equipment Purchase Fund of $17,847 and $77,717 for the fiscal years ended June 30, 2000 and 2001, respectively. The Commission also expended $14,584 from Capital Projects Funds during the 1999-2000 fiscal year. These expenditures were mainly for equipment.

CONDITION OF RECORDS

Our review of the records of the Commission on Fire Prevention and Control revealed the following areas that warrant comment.

Administrative Oversight of Store Operations:

Criteria: The effective monitoring and controlling of the financial operations of a business operation requires sufficient administrative oversight and reporting.

Condition: Management has not established sufficient administrative controls for monitoring the financial operation and performance of its store operations. The Agency's store operates though the Auxiliary Services Account of the General Fund and sells textbooks, manuals, clothing and memorabilia. The store opened for business during June 2001, and has since generated approximately $400,000 in yearly gross sales primarily through the mail order of textbooks and manuals. One employee operates the store and performs all the duties required in its operation. Since one employee purchases items for sale, records sales receipts and maintains the inventory, there is no segregation of duties for the store's daily operations. Organizationally the store operations are under the supervision of the Agency's Training Office. The Training Office does review store purchases and assists in maintaining the merchandise inventory, but it has not established written control procedures for the daily or periodic oversight of store operations.

Effect: The Agency's management has not established procedures to effectively control and monitor the store's operations. Since there is insufficient segregation of operational duties, administrative controls become more important to ensure sufficient control and monitoring of store operations.

Cause: The Agency has not established effective control procedures for monitoring and controlling store operations.

Recommendation: The Agency should establish appropriate control procedures for the oversight of store operations. (See Recommendation 1.)

Agency Response: "The Agency agrees with the need to establish appropriate control procedures for the oversight of store operations. As limited models exist within state government, development of a Procedures Manual for the store's operation has been difficult. We intend to seek the assistance of a retail sales consultant to aid us in developing appropriate oversight procedures."

Financial Statements of Store Operations:

Criteria: The independent preparation of financial statements is an effective administrative procedure to provide unbiased information that can be used to make informed administrative decisions for the monitoring and controlling of a business operation.

Condition: The financial activity of the store is recorded by a computerized retail accounting system that utilizes an electronic bar coding process. This computerized system can provide current reports on a daily or periodic basis on the various functions of store operations such as sales, inventory control, cash receipts and accounts receivable. Even though these reports are readily available they are not being used to prepare periodic financial statements of store operations such as income statements, balance sheets and cost of goods sold. The Agency's business office, which is basically independent from daily store operations, could provide adequate internal financial reporting.

Effect: The Agency cannot readily determine the status of the store's cost of operations or profitability. The Agency, without financial statements, is not as informed about store operations as it could be to identify strengths and or weaknesses that can be addressed in a timely manner.

Cause: The store is a relatively new operation and it appears that the Agency has not fully established its administrative procedures for preparing and reviewing financial statements of the store's operations.

Recommendation: The Agency's business office should prepare periodic financial statements of the store's operations. (See Recommendation 2.)

Agency Response: "The current point of sale software utilized within the Agency's Bookstore allows for the preparation, dissemination and evaluation of financial statements as recommended. A procedure will be established to better employ these tools in our fiscal and administrative review of the store's operations."

Store Merchandise Inventory:

Criteria: The maintaining of an accurate perpetual inventory of merchandise for sale is a sound business practice and an important internal control for the administration of a retail store operation.

Condition: The store has a perpetual merchandise inventory, which consists of over 500 items for sale, which is maintained on a computerized retail accounting system. The system readily provides current information on inventory activity and balances of all items on the inventory. Our review of a current listing of merchandise inventory balances indicated that many items had negative and thus incorrect inventory balances. These negative inventory balances in some cases ranged from one item to 996 items. Thus according to the inventory records sales were in excess of merchandise available for sale for these items.

Effect: Inaccurate perpetual inventory records create a weakness in inventory control and inaccurate financial reporting of income. The risk of inappropriate activity increases and the ability of management to detect such activity decreases. In addition, management is hindered from making informed decisions on the store's operations.

Cause: The Agency did not take an accurate beginning physical inventory prior to the opening of the store for business and thus an accurate beginning inventory was not entered onto the system.

Recommendation: The Agency should take an accurate physical inventory of store merchandise and appropriately adjust the computerized perpetual merchandise inventory records. (See Recommendation 3.)

Agency Response: "The Agency has already implemented both scheduled and spot check inventories of store merchandise. Managerial oversight will be employed to ensure inventory adjustments are authorized. As limited models exist within state government we will seek the assistance of a retail sales consultant to aid us in establishing appropriate policies and procedures as it relates to inventory control."

Store Accounts Receivable:

Criteria: It is a sound business practice for the business office to control and ensure that all accounts receivable of the Agency are properly administered.

Condition: The Agency's store sells textbooks and manuals to various State municipalities through a mail order type of operation. An accounts receivable is established and billings are sent to the customers. This process is performed using the store's computerized retail system. These receivables are not reported to the business office. The business office does not include the store's receivables with other Agency receivables nor has the business office exerted administrative control over these receivables.

Effect: The business office is not exercising sufficient administrative control over the store's receivables. This is a weakness in control over receivables by the Agency.

Cause: The Agency has not established control procedures for the business office oversight of store receivables.

Recommendation: The Agency's business office should establish control procedures to document and monitor the accounts receivable of the Agency's store operations. (See Recommendation 4.)

Agency Response: "Currently the Assistant Bookstore Manager is responsible for accounts receivable of the store operations. The store's point of sales software will be evaluated to determine whether data may be transferred between the store and business office where consolidation of functions can be achieved."

Deposit of Receipts:

Criteria: In accordance with Section 4-32 of the General Statutes, an agency receiving $500 or more of State funds shall within 24 hours deposit the funds in a designated depository.

Condition: Our sample of 50 transactions for the 1999-2000 and 2000-2001 fiscal years revealed six deposits that were not made in compliance with Section 4-32 of the General Statutes. The deposits ranged from one to two days late and totaled $11,650.

Effect: In these instances the Agency was not in compliance with the provisions of Section 4-32 of the General Statutes. This deprives the State of the timely receipt and use of revenue.

Cause: The Agency has limited staff and was unable to make the deposits within the 24 hour requirement.

Recommendation: The Agency should promptly deposit revenue in accordance with Section 4-32 of the General Statutes. (See Recommendation 5.)

Agency Response: "The Commission staff makes every effort to comply with all statutory requirements regarding daily deposits. Due to limited staffing, the agency has in the past sought and received a waiver to C.G.S. Sec. 4-32 from the Office of the Treasurer. This waiver is generally valid during peak training months."

Equipment Inventory:

Criteria: The Agency is required to maintain an adequate and accurate property control record in accordance with the requirements of the State of Connecticut Property Control Manual. In addition the Agency must report the total value of its inventory to the Comptroller on the annual CO-59 Fixed Assets/Property Inventory Report.

Condition: The Agency's equipment inventory is divided into four separate inventories; an inventory of administrative and classroom equipment; an inventory of maintenance tools and building equipment; an inventory of training equipment and an inventory of audio/visual equipment. These inventories are independently administered and maintained. A complete annual physical inventory of all the equipment has not been taken within the last year. The property control records do not contain all of the minimum data as required by the State of Connecticut Property Control Manual. The equipment inventory records do not support the total equipment cost balances as reported to the Comptroller per the annual Fixed Assets/Property Inventory Report.

Effect: The risk of equipment being lost or stolen increases and the possible awareness of detecting such activity decreases when inaccurate equipment inventory records are maintained.

Cause: The Agency has not made sufficient effort to maintain accurate equipment inventory records in accordance with the State of Connecticut Property Control Manual.

Recommendation: The Agency should maintain its equipment inventory records in accordance with the State of Connecticut Property Control Manual and the annual Fixed Assets/Property Inventory Report submitted to the State Comptroller should contain accurate and supported equipment balances. (See Recommendation 6.)

Agency Response: "The agency agrees with the need to better maintain adequate inventory records in accordance with the State Property Control Manual. It has long been our intent to consolidate all property control records allowing for more accurate and supported equipment balances. We are in the final stages of purchasing an asset/inventory control system to aid us in accomplishing better property control."

Payroll – Accrued Leave:

Criteria: Collective bargaining agreements state that no vacation or sick leave shall accrue when an employee is on leave of absence without pay for an aggregate of more than five working days in a calendar month.

Condition: Vacation and sick leave was accrued for an employee who was out on leave without pay for an aggregate of more than five working days in a calendar month. In addition, that employee and two other employees were allowed to use vacation and sick leave in excess of their respective accrued leave balances.

Effect: Employees took vacation or sick leave in excess of their accrued leave balances.

Cause: The Agency updates employees' accrued leave records on a quarterly basis, which does not appear to be sufficiently current to ensure that accrued leave is appropriately taken.

Recommendation: The Agency should implement sufficient control procedures to ensure employees only take leave time that has been appropriately accrued and that the leave accruals are accurate and current. (See Recommendation 7.)

Agency Response: "The Agency has instituted a monthly review process of employee leave accruals to remedy this oversight. An additional date field next to the signature line of timesheets has also been added to assist in expediting their prompt return."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- Inventory records should be in compliance with the State of Connecticut Property Control Manual and the annual CO-59 report should be supported and accurate. This recommendation is repeated. (See Recommendation 6.)

- The Agency's information system should have off-site storage and a disaster recovery plan. The Agency has complied with this recommendation.

- The Agency should follow State accounting and purchasing requirements. The Agency has complied with this recommendation.

- The Agency should develop written policies for borrowed items, part-time employee mileage reimbursement, minimum payments to part-time employees and free classes for host fire departments. The Agency has complied with this recommendation.

- The record keeping procedures for certain revenues should be better developed and records should be properly retained. The Agency has complied with this recommendation.

Current Audit Recommendations:

1. **The Agency should establish appropriate control procedures for the oversight of store operations.**

   Comment:

   The Agency has not established written control procedures for the daily or periodic oversight of store operations. The store is basically operated by one employee, which creates an environment where an emphasis on administrative supervision is necessary to ensure the proper fiscal operation of the store.

2. **The Agency's business office should prepare periodic financial statements of the store's operations.**

   Comment:

   Financial statements of the Agency's store operations such as income statements, balance sheets and cost of goods sold are not being prepared. Since the Agency's business office is primarily independent from the daily store operations the business office should prepare financial statements that could provide management with informative financial information.

3. **The Agency should take an accurate physical inventory of store merchandise and appropriately adjust the computerized perpetual merchandise inventory records.**

   Comment:

   Our review of merchandise inventory balances indicated many incorrect negative balances. These negative balances ranged from one item to 996 items of merchandise.

4. **The Agency's business office should establish control procedures to document and monitor the accounts receivable of the Agency's store operations.**

   Comment:

   The business office does not include the store's receivables with other Agency receivables nor has the business office administratively controlled these receivables.

5. **The Agency should promptly deposit revenue in accordance with Section 4-32 of the General Statutes.**

   Comment:

   Our sample of 50 transactions for the 1999-2000 and 2000-2001 fiscal years revealed nine deposits that were not made in compliance with Section 4-32 of the General Statutes. The deposits ranged from one to two days late and totaled $11,650.

6. **The Agency should maintain its equipment inventory records in accordance with the State of Connecticut Property Control Manual and the annual Fixed Assets/Property Inventory Report submitted to the State Comptroller should contain accurate and supported equipment balances.**

   Comment:

   All the property control records do not contain all of the minimum data as required by the State of Connecticut Property Control Manual. The equipment inventory records do not support the total equipment cost balances as reported to the Comptroller per the annual Fixed Assets/Property Inventory Report.

7. **The Agency should implement sufficient control procedures to ensure employees only take leave time that has been appropriately accrued and that the leave accruals are accurate and current.**

   Comment:

   Vacation and sick leave was accrued for an employee who was out on leave without pay for an aggregate of more than five working days in a calendar month. In addition, that employee and two other employees were allowed to use vacation and sick leave in excess of their respective accrued leave balances.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Commission on Fire Prevention and Control for the fiscal years ended June 30, 2000 and 2001. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Commission on Fire Prevention and Control for the fiscal years ended June 30, 2000 and 2001 are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial-related audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Commission on Fire Prevention and Control complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grants and to obtain a sufficient understanding of the internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Compliance:

Compliance with the requirements of laws, regulations, contracts and grants applicable to the Commission on Fire Prevention and Control is the responsibility of the Commission on Fire Prevention and Control's management.

As part of obtaining reasonable assurance about whether the Agency complied with laws, regulations, contracts, and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Agency's financial operations for the fiscal years ended June 30, 2000 and 2001, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial or less than significant instances of noncompliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

Internal Control over Financial Operations, Safeguarding of Assets and Compliance:

The management of the Commission on Fire Prevention and Control is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants applicable to the Agency. In planning and performing our audit, we considered the Agency's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Agency's financial operations in order to determine our auditing procedures for the purpose of evaluating the Commission on Fire Prevention and Control's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives.

However, we noted certain matters involving the internal control over the Agency's financial operations, safeguarding of assets and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the Agency's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grants. We believe the following findings represent reportable conditions: a lack of financial statements for store operations, a weakness in the control of store receivables, an inaccurate merchandise for sale inventory, a lack of written control procedures over store operations, insufficient controls over employee leave accruals and inadequate equipment inventory records.

A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants or the requirements to safeguard assets that would be material in relation to the Agency's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Agency being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over the Agency's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. However, of the reportable conditions described above, we believe the following reportable condition to be a material or significant weakness: an inaccurate merchandise for sale inventory.

We also noted other matters involving internal control over the Agency's financial operations and over compliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

CONCLUSION

We wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Commission on Fire Prevention and Control during this examination.

Richard Labbe
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts