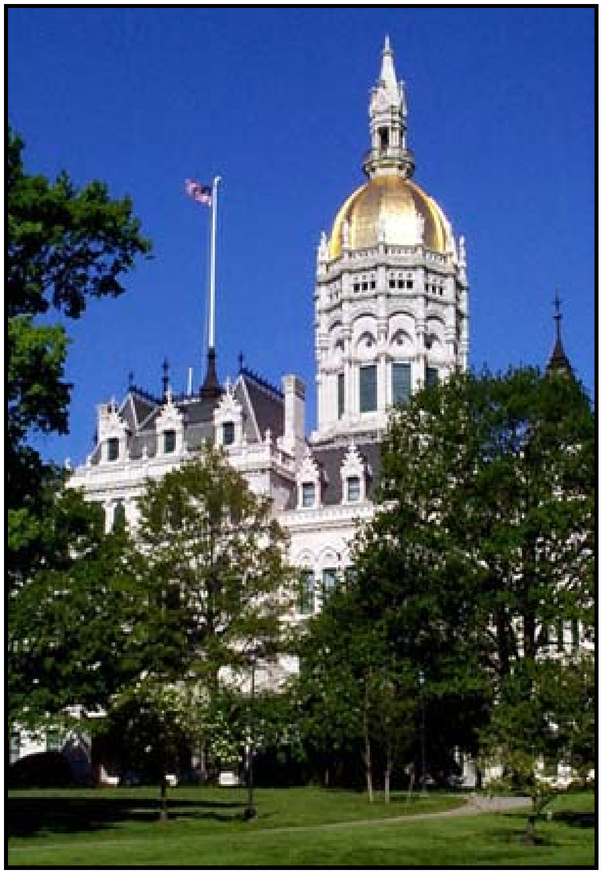
STATE OF CONNECTICUT



AUDITORS' REPORT
COMMISSION ON FIRE PREVENTION AND CONTROL
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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November 21, 2011

AUDITORS' REPORT
COMMISSION ON FIRE PREVENTION AND CONTROL
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008

We have examined the financial records of the Commission on Fire Prevention and Control (Commission) for the fiscal years ended June 30, 2007 and 2008. Financial statement presentation and auditing has been done on a Statewide Single Audit basis to include all state agencies. This audit has been limited to assessing the Commission's compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating the Commission's internal control structure policies and procedures established to ensure such compliance. This report of that examination consists of the Comments, Condition of Records, Recommendations and Certification that follow.

COMMENTS

FOREWORD:

The Commission operates under the provisions of Title 7 of the General Statutes, Chapter 104, Part VI. Section 2(c)(10) of Public Act 09-166 provides for the Commission's termination, effective July 1, 2014, unless reestablished by the General Assembly.

The mission of the Commission is to prevent or mitigate the effects of fire and disasters, either natural or manmade, on the citizens of the State of Connecticut. The Commission accomplishes this through the development and delivery of state-of-the-art educational programs designed to meet nationally recognized standards, certification of individuals to such standards, and maintenance of up-to-date resources for use by fire service personnel, other first responders and public educators. Its administrative office is located at the Connecticut Fire Academy in Windsor Locks.

The Commission is comprised of three divisions; the certification division, training division and fiscal division. The certification division is responsible for the development and administration of a voluntary fire service testing and certification program. The training division is responsible for maintaining the Connecticut Fire Academy and a bookstore. The Connecticut Fire Academy provides training programs in firefighting, hazardous materials, OSHA compliance, and other emergency medical services. The Commission's bookstore sells books, study materials, DVDs, apparel, and gifts. The fiscal division is responsible for the Commission's fiscal administration and plant operations. Pursuant to Section 60(c) of Public Act 05-251, the Commission's personnel, payroll, affirmative action and some of the business office functions are performed by the Department of Administrative Services.

Members of the Commission:

Pursuant to Section 7-323k of the General Statutes, the Commission is comprised of the State Fire Marshal and the chancellor of the community-technical colleges as ex-officio voting members and 12 members appointed by the Governor. Members of the Commission as of June 30, 2008, were as follows:

Ex-Officio:
- John J. Blaschik, Jr., Deputy State Fire Marshal
- Victor Mitchell, Director of Business and Industry Services – Tunxis Community College

Appointed by the Governor:
- Peter S. Carozza Jr., Chairman
- Kevin J. Kowalski, Vice Chairman
- James P. Wilkinson, Secretary
- John J. Brady
- David J. Dagon
- Edward B. Gomeau
- Megan Murphy
- Matthew Nelson
- Richard H. Nicol
- Philip K. Schenck
- Charles M. Stankye Jr.
- Robert Walsh

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

Significant State Legislation:

Section 7 of Public Act 07-4 (June Special Session), which went into effect July 1, 2007, provides that the Commission may use funds maintained in the state fire school training and education extension account for reimbursement to municipalities, municipal fire departments, and state agencies for one-half of the costs of Firefighter I certification and recruit training.

RÉSUMÉ OF OPERATIONS:

The operations of the Commission for the fiscal years ended June 30, 2007 and 2008, which were accounted for in the General Fund and two Special Revenue Funds, are discussed below. During the fiscal year ended June 30, 2006, the Commission also expended $7,710 from the Special Revenue Grants – Tax Exempt Proceeds Fund and $16,400 from the Capital Improvements and Other Purposes Fund for modifications and repairs to the fire training tower. Neither of these funds was used during the audited period.

General Fund:

Receipts:

General Fund receipts totaled $4,261, $5,392 and $4,975 for the fiscal years ended June 30, 2006, 2007 and 2008, respectively. These receipts consisted of sales and use taxes that were collected.

Expenditures:

A summary of General Fund expenditures during the audited period, along with those of the preceding fiscal year, is presented below.

	Fiscal Year Ended June 30,		
	2006	**2007**	**2008**
Personal Services and Employee Benefits	$ 1,547,853	$ 1,605,750	$ 1,714,917
Contractual Services	56,260	62,983	417,027
Rental and Maintenance – Equipment	16,313	10,296	14,863
Motor Vehicle Costs	30,957	50,552	43,823
Premises and Property Expenses	385,554	467,547	491,723
Information Technology	22,698	25,430	15,916
Communications	23,011	21,925	33,898
Purchased Commodities	47,248	117,858	82,849
Revenue Refunds	0	0	35,055
Grants	47,990	730,940	936,622
Capital Outlay – Equipment	0	3,029	0
Total Expenditures	**$ 2,177,884**	**$ 3,096,310**	**$ 3,786,693**

Total General Fund expenditures increased by $918,426 and $690,383 during the fiscal years ended June 30, 2007 and 2008, respectively. The changes were primarily attributed to the following significant fluctuations in expenditures.

The increases in personal services and employee benefits expenditures were due primarily to fluctuations in staffing levels and merit and cost-of-living adjustments. The Commission utilizes part-time adjunct instructors to teach courses provided by the Connecticut Fire Academy. The amount of associated personal services and employee benefit expenditures fluctuated based on the amount of courses provided and instructors needed.

The increase in the amount of contractual services expenditures during the fiscal year ended June 30, 2008 was due primarily to an appropriation that the Commission received to reimburse municipalities, municipal fire departments, and state agencies for one-half of the costs of Firefighter I certification and recruit training. The Commission reimbursed $396,629 for the costs of Firefighter I certification and recruit training during the fiscal year ended June 30, 2008.

The increases in grant expenditures during the fiscal years ended June 30, 2007 and 2008 were due to a special appropriation administered by the Commission. The Commission was appropriated funds to disburse, in the form of grants, to the regional fire schools. For the fiscal years ended June 30, 2007 and 2008, a total of $636,482, and $819,122, respectively, was disbursed by the Commission in grants. Prior to the fiscal year ended June 30, 2007, these grants were provided by the State Comptroller.

Special Revenue Funds:

During the audited period, the Commission used two special revenue funds; the Federal and Other Restricted Accounts Fund and the Capital Equipment Purchase Fund, which are discussed below.

Federal and Other Restricted Accounts Fund:

Along with some small federal grants, the Commission administers two restricted state accounts; the fire school training and education extension account and the fire school auxiliary services account. The fire school training and education extension account was established under the provisions of Section 7-323p, subsection (b), of the General Statutes. It is used to account for the operation of fire training and education extension programs, the purchase of equipment required for use in the operation of such programs, and for the reimbursement to municipalities, municipal fire departments, and state agencies for one-half of the costs of Firefighter I certification and recruit training. The fire school auxiliary services account was established under the provisions of Section 7-323p, subsection (c), of the General Statutes. It is used to account for the operation, maintenance and repair of auxiliary service facilities and other auxiliary activities of the Connecticut Fire Academy. All receipts related to these restricted accounts are credited to and become a part of the resources of the accounts. All expenses incurred while carrying out the purposes of the accounts are charged against the accounts. Any balance of receipts over expenses remains in the accounts.

Receipts:

Federal and Other Restricted Accounts Fund receipts totaled $1,455,118, $1,656,365 and $1,595,611 for the fiscal years ended June 30, 2006, 2007 and 2008, respectively. These receipts consisted primarily of course fees and receipts from the sale of merchandise in the bookstore, which were credited to the fire school training and education extension and fire school auxiliary services accounts. Changes in the amount of receipts are primarily from fluctuations in course enrollment. According to the Commission's annual report, 9,785, 12,550 and 11,235 students took classes at the Connecticut Fire Academy during the fiscal years ended June 30, 2006, 2007 and 2008, respectively.

Expenditures:

A summary of Federal and Other Restricted Accounts Fund expenditures during the audited period, along with those of the preceding fiscal year, is presented below.

	Fiscal Year Ended June 30,		
	2006	**2007**	**2008**
Personal Services and Employee Benefits	$541,416	$ 697,590	$ 496,226
Contractual Services	227,007	182,122	354,496
Rental and Maintenance – Equipment	11,855	21,040	7,369
Motor Vehicle Costs	29,693	23,009	32,592
Premises and Property Expenses	207,313	136,262	201,276
Information Technology	43,437	23,180	61,356
Communications	1,081	4,533	812
Purchased Commodities	443,142	429,044	338,100
Revenue Refunds	1,921	8,705	24,601
Grants	30,106	0	0
Capital Outlay – Equipment	24,594	4,502	23,608
Prior Year Adjustments	0	6,784	(6,784)
Total Expenditures	**$ 1,561,565**	**$ 1,536,771**	**$ 1,533,652**

The fluctuations noted in personal services and employee benefits expenditures are due primarily to fluctuations in staffing levels. The Commission utilizes part-time adjunct instructors to teach courses provided by the Connecticut Fire Academy. The amount of associated personal services and employee benefit expenditures fluctuated based on the amount of courses provided and instructors needed.

The decrease in the amount of purchased commodities and a portion of the increase in the amount of contractual services noted during the fiscal year ended June 30, 2008, was due to a change in how the Commission classified expenses related to food services. In addition, contractual services increased during the fiscal year ended June 30, 2008 due to increased costs associated with designing the Connecticut Fire Academy's training calendar, hiring outside consultants to provide courses offered at the Connecticut Fire Academy, and fees associated with the Commission's reaccreditation by the National Board on Fire Service Professional Qualifications.

Capital Equipment Purchase Fund:

The Commission had expenditures from the Capital Equipment Purchase Fund of $247,912, $147,951, and $328,950 for the fiscal years ended June 30, 2006, 2007, and 2008, respectively. The majority of these expenditures were for the purchase of training or office equipment. The increase in expenditures noted during the fiscal year ended June 30, 2008, was due to the Commission’s purchase of two trucks.

CONDITION OF RECORDS

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

Cash Receipts:

Criteria: Section 4-32 of the General Statutes requires that an agency account for receipts within 24 hours and if the total receipts are $500 or more, deposit the same within 24 hours of receipt. Total daily receipts of less than $500 may be held until the total receipts to date amount to $500, but not for a period of more than seven calendar days.

The State Accounting Manual, issued by the Office of the State Comptroller, requires that:

- A receipts journal is maintained by all agencies receiving money.
- Accountability reports are periodically prepared, where feasible, to compare the monies that were actually recorded with the monies that should have been accounted for.
- Where feasible, a different employee should record receipts in a receipts journal, deposit receipts, and issue licenses, permits, etc., to the remitter.

Condition: Our review of cash receipts disclosed the following:

- Our review of 34 receipts totaling $8,104 that were on hand on May 11, 2009 revealed 32 receipts totaling $7,865 were deposited between two and five days late and accounted for between three and six days late. In addition, we noted that two of the receipts were not subsequently recorded on the Commission's receipts journal as being received on May 11, 2009. These two receipts were recorded as being received on May 12, 2009 and May 14, 2009, respectively.
- Our review of 72 cash and check receipts totaling $160,385 that were received by the Commission during the audited period revealed, based on the dates recorded on the receipts journal, 28 receipts totaling $36,574 were deposited between one and three days late and two receipts totaling $215 were accounted for up to two days late. Our review of 25 credit card receipts totaling $11,981 received by the Commission during the audited period revealed one receipt for $210 was accounted for one day late.

- There is a lack of segregation of duties. There are two employees who each have record keeping functions and have access to assets. One employee in the training division performs these two functions and one employee in the fiscal division performs these two functions. Further, there are no independent reviews to check the performance of these employees.

- Accountability reports are not prepared to compare the number of students taking courses and exams to the revenue deposited.

Effect: The Commission is not in compliance with Section 4-32 of the General Statutes. This deprives the state of the timely receipt and use of revenue. Further, inadequate controls and a lack of segregation of duties increase the risk that errors or irregularities may go unnoticed.

Cause: The Commission has not established adequate controls over cash receipts. In addition, according to the Commission, due to the limited number of people who prepare the deposits, there are times when a shortage of staff prevents the timely deposit of receipts.

Recommendation: The Commission on Fire Prevention and Control should improve internal controls over cash receipts and should ensure that all receipts are deposited and accounted for in accordance with Section 4-32 of the General Statutes. (See Recommendation 1.)

Agency Response: “The agency acknowledges the need to improve internal controls over cash receipts and ensure timely deposit of same. Staff shortages continue to impact his area. Annually, the agency seeks and is granted a waiver to C.G.S. Sec. 4-32 (the “twenty-four hour deposit and reporting rule”) from the Office of the Treasurer. Typically this is a two-business day waiver for deposit. During peak enrollment periods and time of staff illness and lack of back-up personnel the waiver period may be exceeded. We will work with our soon to be new Business Office within the Department of Emergency Services and Public Protection to review our work flow process and seek a permanent remedy.”

Payroll and Personnel – Compensatory Time:

Criteria: The Department of Administrative Services (DAS) Management Personnel Policy 06-02 states that all employees serving at the pleasure of the Governor or agency appointing authority are not eligible for compensatory time.

Condition: Our review of compensatory time earned and used during the fiscal years ended June 30, 2007 and 2008, disclosed that an employee appointed by the Commission earned 89.5 hours of compensatory time during the fiscal years ended June 30, 2007 and 2008, and used 157.75 hours of time during the same time period. This employee was not eligible for compensatory time in accordance with DAS Management Personnel Policy 06-02.

Effect: The Commission is not in compliance with DAS Management Personnel Policy 06-02.

Cause: The Commission did not appear to be aware that appointed employees are not eligible to earn compensatory time.

Recommendation: In accordance with DAS Personnel Policy 06-02, the Commission on Fire Prevention and Control should not allow any appointed employees to earn compensatory time. (See Recommendation 2.)

Agency Response: "The lack of awareness of DAS Personnel Policy 06-02 is acknowledged. Past practice was being followed and upon being advised of the new policy the accrual of compensatory time was ceased."

Purchasing, Receiving and Expenditures:

Criteria: Section 4-98 of the General Statutes provides that no budgeted agency shall incur any obligation without the issuance of a purchase order and commitment.

The State Accounting Manual, issued by the Office of the State Comptroller, provides that payments should be made from an original vendor invoice.

Condition: Our review of twenty-five expenditure transactions paid during the fiscal years ended June 30, 2007 and 2008, disclosed the following:

- For three transactions, the purchase orders were created after the goods or services were received.

- For one transaction, there was no vendor invoice on hand to support the payment. The expenditure was for cell phone services in the amount of $406. Cellular phone services are administered by the Department of Information Technology (DOIT). DOIT charges applicable state agencies' appropriations the costs of the services. An attempt was made to obtain the vendor invoice from DOIT; however, a copy of the vendor invoice could not be located. In addition, the Commission could not confirm whether the payment was for services that were provided to the agency. Consequently, we were unable to determine whether these costs should have been charged to the Commission.

Effect: The Commission did not comply with Section 4-98 of the General Statutes and with the State Accounting Manual.

Cause: The controls in place were not completely effective. In addition, the Commission does not adequately review the amounts charged to its appropriations by DOIT.

Recommendation: The Commission on Fire Prevention and Control should process expenditures in accordance with state laws and regulations and the State Accounting Manual. (See Recommendation 3.)

Agency Response: "The agency acknowledges the need to process expenditures in accordance with all relevant state laws and regulations and the State Accounting Manual. We provide occasional staff training to refresh personnel on relevant policy and procedures."

Improper Accounting of Expenditures:

Criteria: Section 4-98 of the General Statutes provides that no budgeted agency shall incur any obligation without the issuance of a purchase order or any other necessary documentation approved by the Comptroller to process the transaction. Upon the receipt of a purchase order or any other documentation, the Comptroller shall immediately charge the same to the specific appropriation of the budgeted agency.

Section 3-117 of the General Statutes provides that each claim against the state shall be supported by vouchers or receipts for the payment of any money exceeding twenty-five dollars at any one time.

Condition: The Commission received a 1981 fire truck from a local fire company as payment for course fees totaling $9,927 charged for training services. The purchase of the truck was never charged against the Commission's appropriations and the revenue for the training services was never recorded in the state's accounting records. In addition, there was no voucher or receipt on hand to support the purchase. Further, sufficient documentation was not available to substantiate the actual value of the truck.

Effect: Exchanging goods for services bypasses the state's accounting process for recording expenditures. In addition, revenue and expenditure amounts reported on the state's fiscal records were understated. Further, without properly assessing the value of the truck, the Commission does not know whether the local fire company paid all the course fees that were charged for the training services provided.

Cause: The Commission did not consider the need to properly record the purchase of the truck and the revenue earned in the state's accounting records or to sufficiently document the actual value of the truck.

Recommendation: The Commission on Fire Prevention and Control should ensure that it complies with state regulations concerning the accounting for the procurement of goods. (See Recommendation 4.)

Agency Response: "Improper accounting of expenditures is acknowledged. While the unique barter arrangement was evaluated internally and deemed to mutually benefit both the state and municipality, documentation and record keeping was inadequate. We will ensure compliance with state regulations concerning the accounting for the procurement of goods in the future. In addition, we will evaluate our current policy of providing tuition-free seats to fire departments that host classes and provide facilities."

Procurement – Goods Not Received:

Background: The Commission maintains a bookstore which sells books, study materials, DVDs, apparel, and gifts.

Criteria: Management and officials entrusted with public resources are responsible for carrying out public functions and providing services to the public effectively, efficiently, and economically.

Condition: The Commission awarded a contract totaling $47,049 for the development of a web-based system for its bookstore that would manage the bookstore's inventory and allow for point-of-sale and online sale transactions. The Commission paid the vendor $29,366 toward the contract during the fiscal years ended June 30, 2006 and 2007. After numerous attempts were made by both parties to rectify problems with the system, the Commission eventually ended its contract with the vendor during the fiscal year ended June 30, 2009 without implementing the new web-based system.

Effect: The Commission paid $29,366 toward a product that it did not utilize.

Cause: The cause was not determined.

Recommendation: The Commission on Fire Prevention and Control should ensure that all contracted services can be provided prior to entering into contracts. (See Recommendation 5.)

Agency Response: "The "vendor" for the noted service was another State of Connecticut agency (Board for State Academic Awards-CT Distance Learning Consortium). An implied trust relationship existed. The assignment was to create a Point of Sale (POS) software application to replace a damaged version noted by previous audit reports.

Following more than one year effort to develop the agreed to program the product failed. Attempts to resolve the issue with their management were unsuccessful upon which we separated from the arrangement without any useable product."

Inventory:

Criteria: Section 4-36 of the General Statutes requires that each state agency shall establish and keep an inventory account in the form prescribed by the Comptroller, and shall annually, on or before October first, transmit to the Comptroller a detailed inventory as of June 30th of all real property and personal property having a value of one thousand dollars or more.

The State of Connecticut Property Control Manual provides the following standards and procedures for maintaining a property control system.

- Purchased assets should be recorded at their purchase price and, if applicable, any ancillary charges necessary to place the asset in its intended location and condition for use.

- All personal property should be tagged unless tagging the item would be impractical or would otherwise alter the item's usefulness. The tag should provide a unique number and the property owner's (agency) name.

- All agencies are required to establish a software inventory to track and control all of their software media, licenses or end user license agreements, certificates of authenticity, documentation and related items.

Condition: Our review of the Commission's property control system disclosed the following.

- A CO-59 Asset Management / Inventory Report / GAAP Reporting Form and a CO-648B Summary Motor Vehicle Report were not completed for the fiscal year ended June 30, 2007.

- Amounts reported on the CO-59 Asset Management / Inventory Report / GAAP Reporting Form for the fiscal year ended June 30, 2008, did not agree with amounts per the Commission's inventory records. The amount reported on the equipment line on the CO-59 Report was $2,424,656. However, the amount per the Commission's inventory records was $2,988,481, a $563,825 difference. In addition, the Commission did not report the amount of merchandise for sale in the bookstore on the stores and supplies line. We were unable to determine the amount that should have been reported for store and supplies because supporting documentation was not available.

- The total number of vehicles reported on the CO-648B Summary Motor Vehicle Report for the fiscal year ended June 30, 2008, was 26. However, the correct amount per the Commission's inventory records was 25. In addition, the amounts reported per type of vehicle on the CO-648B Report did not agree with the Commission's inventory records. The Commission reported seven trucks, one forklift, and 18 trailers on the CO-648B Report. However, the correct amounts were nine trucks, one forklift, one tractor, and 14 trailers.

- The Commission does not maintain a software inventory.

- We selected ten items from the Commission's inventory records and attempted to locate them. Our review disclosed one item that was not properly tagged.

- We selected ten inventory items on the premises to verify the items were correctly listed on the Commission's inventory records. Our review disclosed six items that were not properly tagged, of which two were not recorded on the inventory records.

- The Commission acquired a building in June 2000 from the Department of Transportation, which was not recorded at the proper value on the Commission's inventory records. The building was recorded on the Commission's inventory records for $1, which was the purchase price of the building. However, the Commission incurred costs to renovate the building that were not capitalized. We could not determine the cost of all of the capital improvements that should be included in the building's recorded cost.

- While reconciling capital equipment purchases made during the fiscal years ended June 30, 2007 and 2008 to the inventory records, we noted the following:

    - Four items were added to the inventory records twice, which resulted in inventory being overstated by $256,102.

- The values recorded in the inventory records for three items did not include the cost of crating or shipping the items. This resulted in inventory being understated by $2,525.

Effect: The risk of inventory being lost or stolen increases and the possibility of detecting such activity decreases when accurate inventory records are not maintained. In addition, inventory amounts reported on the state's Comprehensive Annual Financial Report (CAFR) could be inaccurate.

Cause: The Commission has not made a sufficient effort to maintain accurate inventory records in accordance with the State of Connecticut Property Control Manual. In addition, the Commission did not designate an employee to maintain the inventory records and prepare the required inventory reports from October 2005 until April 2008, when an employee was hired.

Recommendation: The Commission on Fire Prevention and Control should maintain its property control system in accordance with the State of Connecticut Property Control Manual and should ensure that amounts reported on the CO-59 Asset Management / Inventory Report / GAAP Reporting Form and CO-648B Summary Motor Vehicle Report are accurate. (See Recommendation 6.)

Agency Response: "The agency believes the $563,825 difference noted in our inventory records represents non-taggable assets such as office and dormitory furniture that was reported in the past. The current value makes these items non-taggable.

The discrepancy regarding the total number of vehicles may in part simply be a difference in interpretation of the nomenclature (i.e., truck v. tractor). CO-648B has been rectified to reflect current numbers and description.

Previously it was discussed the "store and supplies" line as being inappropriate to list a retail stores inventory. In the future, bookstore inventory value will be included there.

Finally, it was our initial belief that no capital improvements were made to the property noted as acquired from the DOT in June 2000. The public water supply was reconnected, lot and building cleaned and painted. DPW did assist our agency by funding the removal of two abandoned underground gasoline and diesel storage tanks and resurfaced the parking lot. Additional direction is required to remedy this deficiency."

Disaster Recovery Plan:

Criteria: State agencies that rely upon data processing for any of their key functions should have a formal written disaster recovery plan in place to enable critical operations to resume activity within a reasonable period after a disaster. The plan should describe the roles and responsibilities of agency personnel in carrying out the plan.

Condition: The Commission does not have a formal written disaster recovery plan in place that describes the roles and responsibilities of Commission personnel in carrying out the plan. The Commission's database is regularly backed up and the data file is brought offsite to the home of a business office employee. The file is returned to the Commission and a new backup is created by overwriting the old data file. The Commission did not assess whether bringing the file to the home of an employee is an appropriate practice and whether the information taken offsite is being properly safeguarded against unauthorized use.

Effect: In the event of a disaster, the Commission's ability to operate satisfactorily and fulfill its regulatory missions is diminished without a formal disaster recovery plan.

Cause: The Commission did not consider the need to have a formal written disaster recovery plan.

Recommendation: The Commission on Fire Prevention and Control should develop a formal written disaster recovery plan. (See Recommendation 7.)

Agency Response: "The agency acknowledges the lack of a formal written disaster recover plan. Development of a written plan has been initiated and will be coordinated with our new agency leadership within the Department of Emergency Services and Public Protection."

Bookstore Inventory:

Criteria: The State of Connecticut Property Control Manual provides that a separate perpetual inventory should be maintained of all stores if the estimated value of the entire inventory is over one thousand dollars. As part of this, excess inventory levels should be avoided to ensure the state's assets are being effectively utilized.

Condition: Our review of the bookstore's current inventory records disclosed the following.

- We selected ten products from the bookstore's current inventory records and attempted to locate them. Our review disclosed that the number of units for two products recorded on the inventory records did not agree with the number of units on hand. In both cases, the inventory records indicated that one unit of each product should be on hand; however, we were unable to locate the products.

- We selected ten inventory products on the premises to verify that the products were correctly listed on the bookstore's inventory records. We noted that for seven of the ten products selected, the number of units on hand did not agree with the number of units included on the inventory records. Inventory products were off by as much as nine units.

In addition, the Commission's bookstore appears to have excess inventory levels on hand. As of April 16, 2009, the bookstore had $313,492 worth of inventory on hand. However, the cost of goods sold by the bookstore only averaged $17,780 a month during the fiscal year ended June 30, 2008. The Commission bought an average of $18,945 worth of inventory a month during the same time period. Further, we noted that the Commission had books and videos in its storage room, which had been replaced by more current versions and were no longer being sold.

Effect: The risk of merchandise being lost or stolen increases and the possibility of detecting such activity decreases when accurate inventory records are not maintained. In addition, excess inventory levels increase the risk that inventory becomes obsolete, damaged, or lost.

Cause: It appears that the system used to maintain the bookstore's inventory is outdated and is no longer providing reliable records. In addition, the Commission believes that maintaining its current level of inventory is necessary to ensure that all goods are available in order to meet customers' demands.

Recommendation: The Commission on Fire Prevention and Control should establish adequate internal control procedures over its inventory system for its bookstore. Furthermore, the Commission should only keep inventory on hand for its bookstore that it expects to sell in the immediate future. (See Recommendation 8.)

Agency Response: "The Commission on Fire Prevention and Control had experienced a corrupt inventory record that is part of its Point of Sale software system. It has been noted in past audits. We have experienced several aborted attempts to remedy this problem. As of July 1, 2011 we finally have a replaced POS that will deliver accurate counts.

Excess inventory is an area that requires additional research. It is believed "Access delayed equals access denied" a motto of the book supplier industry. If sufficient quantities are not carried to service our customers then their supply chain is disrupted requiring them additional work to identify alternate suppliers. The majority of our customers purchase multiple copies of a single title."

Bookstore Operations:

Background: The Commission maintains a bookstore and the Connecticut Fire Academy (CFA). The Commission's bookstore sells books, study materials, DVDs, apparel, and gifts. The CFA provides training programs in firefighting, hazardous materials, OSHA compliance, and other emergency medical services.

The bookstore supplies materials for classes conducted within the CFA. The costs of the materials are included in the price of the class and are included as a receipt for the CFA on the state's Core-CT accounting system.

Section 7-323r of the General Statutes established a grant program for local volunteer fire companies that provide emergency response services on a limited access highway. As the result of Section 7-323r of the General Statutes, the Commission established a grant program for eligible fire companies. Eligible fire companies may receive direct payment of grant funds or may use the funds as credits for goods provided in the Commission's bookstore. If a fire company chooses to use the funds for merchandise from the bookstore, a sales invoice is issued to remove the merchandise from the system and a receivable is established on the bookstore's accounts receivable system. The Commission later makes an adjustment to remove the amount of the receivable from the system.

The bookstore maintains sales records, which reflects the amount of daily sales. The amount of sales includes the value of materials supplied for classes conducted within the CFA and items provided in lieu of limited access highway grants. There are no actual receipts being deposited for the bookstore merchandise that is provided in these two situations.

Criteria: Good internal controls include a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A system of internal control should include proper segregation of duties so that no one individual is capable of handling all phases of a transaction from beginning to end. Further, the preparation of financial statements is an effective administrative procedure to provide information that can be used to make informed administrative decisions.

Condition: Our review noted the following discrepancies in the bookstore's financial records:

- According to the bookstore's sales records, sales for the fiscal year ended June 30, 2007 and 2008 were $356,340 and $315,437, respectively. However, the total receipts per the state's Core-CT accounting system were $237,283 and $231,043, respectively. The difference may be due to the bookstore posting sales for merchandise removed from inventory in which there were no receipts being deposited. This occurs when materials are supplied for classes conducted within the CFA, and the cost of these materials is included in the price of the classes. Further, the payments received for the classes are posted as receipts for the CFA rather than as receipts for the bookstore. Another no receipt sale occurs when a fire company chooses to use the grant funds awarded pursuant to Section 7-323r of the General Statutes as a credit for merchandise provided in the bookstore. However, we were unable to substantiate whether these two reasons accounted for the total difference. Therefore, we cannot verify that all funds were properly recorded.

- The amount of cost of goods sold per the bookstore's computerized retail system did not reflect the actual cost of merchandise. We reviewed ten purchases totaling $48,594 made by the Commission during the audited period and found that the merchandise was recorded on the bookstore's inventory records at a cost of $51,528. This resulted in the bookstore's cost of goods sold being overstated by $2,934.

- The accounts receivable balance per the bookstore is overstated. The overstatement is due to the following two situations:

  - When materials are supplied for a class conducted within the CFA, the bookstore sets up an accounts receivable for the value of the merchandise to deduct the items from the inventory. These receivables are never collected and remain on the bookstore's receivable list.

  - Receivables that are due from other state agencies are billed through the Commission's business office rather than through the bookstore. The bookstore typically is not notified when the receivables have been collected resulting in the receivables remaining outstanding on the bookstore's receivable list.

Our review noted the following internal control deficiencies:

- There is a lack of segregation of duties within the bookstore's daily operations. The same employee has custody of the bookstore's assets, maintains the bookstore's inventory records, processes sales transactions, collects receipts, bills customers, and maintains the financial and accounts receivable records.

- There is no regular review of the bookstore's operations, and sales records from the bookstore are not reconciled to bank deposit records to ensure that all receipts have been accounted for.

- Sufficient documentation is not maintained to support materials supplied by the bookstore for classes conducted within the CFA. In addition, management approval is not obtained to verify that materials supplied for classes are reasonable and necessary. Currently, the instructors make a request to the bookstore for the materials needed without supplying verification of the number of students attending the class.

- The Commission does not adequately follow up on receivables due from other state agencies. We noted instances in which outstanding receivables were not collected.

- Financial statements for the bookstore are not prepared.

Effect: The lack of accurate financial records hinders management's ability to make informed administrative decisions. Further, it increases the risk that errors or irregularities may go undetected.

Cause: It appears that the bookstore's computerized retail system is outdated and is no longer providing reliable records. In addition, the Commission has not established adequate control procedures over the bookstore.

Recommendation: The Commission on Fire Prevention and Control should establish control procedures over the bookstore to provide reasonable assurance that financial records are accurately maintained and errors or irregularities are detected in a timely manner. (See Recommendation 9.)

Agency Response: "The Commission on Fire Prevention and Control agrees with the recommendation and anticipates full compliance when a comprehensive review is completed and new controls established by our new organization the Department of Emergency Services and Public Protection."

Misuse of State Resources:

Criteria: The personal use of state resources is an inappropriate and unallowable practice.

Condition: We noted at least two instances during the audited period where packages were mailed for non-state related business using the Commission's account with a package delivery company. We also noted at least ten additional instances outside our audited period in which personal packages were mailed using state resources.

Effect: The mailing of packages for non-state related business is a misuse of state resources.

Cause: Procedures have not been developed to ensure that packages are mailed only for state related business.

Recommendation: The Commission on Fire Prevention and Control should ensure that packages are mailed only for state related business. (See Recommendation 10.)

Agency Response: "The agency routinely mails packages to customers and employees in the conduct of business. In the cited matter, it is accurate that personal items were mailed however the applicable charges were reimbursed to the agency, the same day by the employee. Receipts are available to verify that complete payment had been made. The practice is no longer permitted to ensure there is no appearance of any misuse or illegal activity."

Auditors' Concluding Comment: Subsequent to the completion of our audit, the Commission provided us with random examples in which the costs of mailing packages for non-state related business were reimbursed. However, as of the date of this report we have not been provided with documentation to support the reimbursement for all the instances noted.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report contained eight recommendations, as follows:

- The Commission should take a complete and accurate physical inventory of store merchandise and appropriately adjust the computerized perpetual merchandise inventory records as well as take greater care in the correct recording of purchases and sales. Our current audit continued to disclose discrepancies in the Commission's store merchandise inventory records. Therefore, this recommendation is being restated. (See Recommendation 8.)

- The Commission's business office should establish control procedures when processing transactions on the bookstore's computer system to accurately recognize and report the sales and accounts receivable of the Commission's store operations. In addition, the Commission should consistently and correctly account for the sales and related costs of these sales to the same department on the state's accounting system. Our current audit continued to disclose discrepancies in the bookstore's financial records. Therefore, this recommendation is being restated. (See Recommendation 9.)

- The Commission should report and maintain its equipment inventory records in accordance with the State of Connecticut Property Control Manual and the CO-59 Asset Management / Inventory Report / GAAP Reporting Form submitted to the State Comptroller should contain accurate and supported equipment balances. Our current audit continued to disclose that equipment inventory records were not being properly reported or maintained. In addition, our current audit continued to disclose that the CO-59 Asset Management / Inventory Report / GAAP Reporting Form contained inaccurate amounts. Therefore, this recommendation is being restated. (See Recommendation 6.)

- The Commission should strengthen its internal controls to ensure that funds are committed prior to purchasing goods and services. Our current audit continued to disclose that the Commission did not commit funds prior to purchasing goods or services. Therefore, this recommendation is being restated. (See Recommendation 3.)

- The Commission should deposit its receipts in accordance with Section 4-32 of the General Statutes. Our current audit continued to disclose that receipts were not being deposited in accordance with Section 4-32 of the General Statutes. Therefore, this recommendation is being restated. (See Recommendation 1.)

- The Commission should receive proper approval from the Office of Policy and Management prior to writing off any receivable greater than one thousand dollars, and the write-off should take place only after exhausting minimum collection efforts. Our current audit did not disclose any receivables that were improperly written off. Therefore, it appears that this recommendation has been implemented.

- Any compensatory time earned, significant in time and duration, should be pre-approved and a record of the pre-approval should be maintained by the Commission. Our current audit did not disclose any compensatory time that was earned that was not pre-approved. Therefore, it appears that this recommendation has been implemented. However, our current audit disclosed that an employee earned compensatory time, but was not eligible to do so. (See Recommendation 2.)

- Prior to hiring a new employee, the Commission should have an approved position in place in accordance with Section 5-214 of the General Statutes. Our current audit did not disclose any employees who were hired without an approved position in place. Therefore, it appears that this recommendation has been implemented.

Current Audit Recommendations:

1. **The Commission on Fire Prevention and Control should improve internal controls over cash receipts and should ensure that all receipts are deposited and accounted for in accordance with Section 4-32 of the General Statutes.**

   Comment:

   Our review noted receipts that were deposited between one and five days late and were accounted for between one and six days late. In addition, we noted a lack of segregation of duties over cash receipts and that accountability reports were not prepared to compare the amount of cash receipts that were actually recorded to the amount that should have been recorded.

2. **In accordance with DAS Personnel Policy 06-02, the Commission on Fire Prevention and Control should not allow any appointed employees to earn compensatory time.**

   Comment:

   An appointed employee who was not eligible for compensatory time, in accordance with DAS Personnel Policy 06-02, earned compensatory time during the audited period.

3. **The Commission on Fire Prevention and Control should process expenditures in accordance with state laws and regulations and the State Accounting Manual.**

   Comment:

   Our review of expenditure transactions noted three transactions in which purchase orders were created after the goods or services were received and one transaction in which there was no vendor invoice on hand to support the payment.

4. **The Commission on Fire Prevention and Control should ensure that it complies with state regulations concerning the accounting for the procurement of goods.**

   Comment:

   Our review disclosed that the Commission received a fire truck as payment for course fees charged for training services. The purchase was never charged against the Commission's appropriations and the revenue for the services was not recorded in the state's accounting records.

5. **The Commission on Fire Prevention and Control should ensure that all contracted services can be provided prior to entering into contracts.**

   Comment:

   The Commission paid $29,366 toward a product that it did not utilize.

6. **The Commission on Fire Prevention and Control should maintain its property control system in accordance with the State of Connecticut Property Control Manual and should ensure that amounts reported on the CO-59 Asset Management / Inventory Report / GAAP Reporting Form and CO-648B Summary Motor Vehicle Report are accurate.**

   Comment:

   Our review disclosed that amounts reported on the CO-59 Asset Management / Inventory Report / GAAP Reporting Form and CO-648B Summary Motor Vehicle Report did not agree with the Commission's inventory records. In addition, our review disclosed that items were improperly valued on the Commission's inventory records, that inventory records did not reflect the actual inventory on hand, that some inventory items were not properly tagged, and that the Commission does not maintain a software inventory.

7. **The Commission on Fire Prevention and Control should develop a formal written disaster recovery plan.**

   Comment:

   The Commission does not have a formal disaster recovery plan in place that describes the roles and responsibilities of Commission personnel in carrying out the plan.

8. **The Commission on Fire Prevention and Control should establish adequate internal control procedures over its inventory system for its bookstore. Furthermore, the Commission should only keep inventory on hand for its bookstore that it expects to sell in the immediate future.**

   Comment:

   Our review of the bookstore's inventory records disclosed incorrect inventory balances. In addition, we noted that the bookstore appears to have excess inventory levels on hand.

9. **The Commission on Fire Prevention and Control should establish control procedures over the bookstore to provide reasonable assurance that financial records are accurately maintained and errors or irregularities are detected in a timely manner.**

   Comment:

   Our review disclosed discrepancies in the bookstore's financial records. In addition, we noted a lack of segregation of duties within the bookstore's daily operations and no regular review over the bookstore's operations.

10. **The Commission on Fire Prevention and Control should ensure that packages are mailed only for state related business.**

    Comment:

    Our review disclosed instances where packages were mailed for non-state related business using the Commission account with a package delivery company.

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, 2007 and 2008. This audit was primarily limited to performing tests of the Commission's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the Commission's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the Commission are complied with, (2) the financial transactions of the Commission are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the Commission 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, 2007 and 2008 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 auditing standards generally accepted in the United States of America and the standards applicable to financial 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 grant agreements and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

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

In planning and performing our audit, we considered the Commission on Fire Prevention and Control's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Commission's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the Commission's internal control over those control objectives.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance requirements was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that we consider to be significant deficiencies.

A *control deficie*ncy exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to properly initiate, authorize, record, process, or report financial data reliably, consistent with management's direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the following deficiencies, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be significant deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 1 – Cash Receipts, Recommendation 3 – Purchasing, Receiving and Expenditures, Recommendation 6 – Inventory, Recommendation 7 – Disaster Recovery Plan, Recommendation 8 – Bookstore Inventory, Recommendation 9 – Bookstore Operations, and Recommendation 10 – Misuse of State Resources.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with certain provisions of laws, regulations, contracts, and grant agreements or the requirements to safeguard assets that would be material in relation to the Commission's financial operations, noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions, and/or material financial misstatements by the Commission being audited will not be prevented or detected by the Commission's internal control.

Our consideration of the internal control over the Commission's financial operations, safeguarding of assets, and compliance with requirements, was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider the following items to be material weaknesses: Recommendation 1 – Cash Receipts and Recommendation 9 – Bookstore Operations.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Commission on Fire Prevention and Control complied with laws, regulations, contracts and grant agreements, 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 Commission's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which we reported to Commission management in the accompanying Condition of Records and Recommendations sections of this report.

The Commission on Fire Prevention and Control's responses to the findings identified in our audit are described in the accompanying Condition of Records section of this report. We did not audit the Commission on Fire Prevention and Control's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of Commission management, 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 the course of our examination.

Catherine L. Dunne

Catherine L. Dunne
Associate Auditor

Approved:

Robert M. Ward

John C. Geragosian
Auditor of Public Accounts

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Auditor of Public Accounts