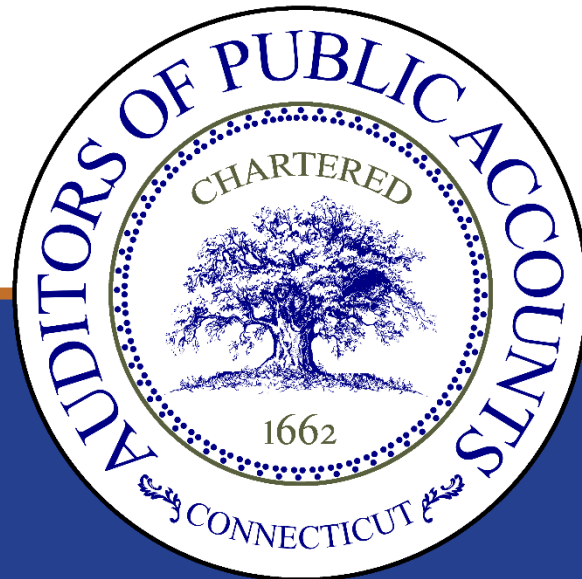


AUDITORS' REPORT

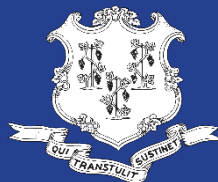
Department of Labor

FISCAL YEARS ENDED JUNE 30, 2021 AND 2022



STATE OF CONNECTICUT
Auditors of Public Accounts

JOHN C. GERAGOSIAN
State Auditor



CRAIG A. MINER
State Auditor

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STATE OF CONNECTICUT



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July 23, 2024

INTRODUCTION

We are pleased to submit this audit of the Department of Labor for (DOL) for the fiscal years ended June 30, 2021 and 2022 in accordance with the provisions of Section 2-90 of the Connecticut General Statutes. Our audit identified internal control deficiencies; instances of noncompliance with laws, regulations, or policies; and a need for improvement in practices and procedures that warrant management's attention.

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

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

Sidney Gale
Jaimey Makie
Zach Correll

A handwritten signature in black ink, appearing to be "Dennis Collins".

Dennis Collins
Principal Auditor

Approved:

A handwritten signature in black ink, appearing to be "John C. Geragosian".

John C. Geragosian
State Auditor

A handwritten signature in black ink, appearing to be "Craig A. Miner".

Craig A. Miner
State Auditor

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Department of Labor disclosed the following eight recommendations, of which four were repeated from the previous audit.

Finding 1

Lack of Effective Oversight over State Regulations

Criteria	The Regulations of Connecticut State Agencies serve to clarify the General Statutes. Sections 31-3g to 31-401 of the General Statutes relate to the Department of Labor and require the adoption of associated regulations.
Condition	DOL did not develop and adopt state regulations required under Sections 31-76a, 31-76l, and 31-223b of the General Statutes.
Context	The department was required to establish regulations under 28 statutory citations.
Effect	In the absence of state regulations, certain policies and procedures may not be administered or adhered to as intended.
Cause	Inadequate administrative oversight over state regulations contributed to the condition.
Prior Audit Finding	This finding has been previously reported in the last audit report covering the fiscal years 2019 through 2020.
Recommendation	The Department of Labor should improve administrative oversight and pursue adoption of statutorily required regulations or request legislative changes to repeal unnecessary or outdated regulatory mandates.
Agency Response	"The department disagrees, in part, with this finding. The agency has partially complied with Section 31-76l which calls for the promulgation of regulations on the exceptions from overtime. Certain regulations concerning the exceptions were promulgated, specifically those having to do with bona fide executive administrative and professional capacities. However, as additional

regulations are not necessary to implement the law, the department will seek the repeal of the regulatory requirement.

In addition, the provisions calling for the promulgation of regulations in 31-76a regarding stop work orders and 31-223b, concerning SUTA dumping, are also unnecessary for the implementation of the statutes. Accordingly, the agency will seek the repeal of the regulatory requirements.”

Finding 2

Inaccurate Holiday Time Coding

Criteria	Proper internal controls provide that employee timesheets are accurately completed and promptly reviewed for propriety by a supervisor.
Condition	Our analysis of employee holiday time reporting revealed 20 occasions in which nine employees charged holiday time on non-holidays. These employees incorrectly charged \$5,008 for 119 hours of holiday time. Upon receiving our notification, the department corrected the coding.
Context	The department paid \$4,961,987 for 134,258 holiday hours during the audited period. We queried Core-CT to obtain holiday hours charged on non-holidays during the audited period.
Effect	Employees may be improperly receiving time off.
Cause	The issue noted appears to be the result of inadequate supervisory review of timesheets.
Prior Audit Finding	This finding has not been previously reported.
Recommendation	The Department of Labor should strengthen internal controls over the review and approval of timesheets.
Agency Response	“The department agrees with this finding. During this audited period, and without additional resources, the payroll unit handled a significant increase in CTDOL staff who were brought on board during the pandemic and its related spike in Unemployment Insurance (UI) cases. Additionally, the CTDOL payroll unit itself experienced significant staff turnover and was unable to complete audits for every pay period. The payroll unit resumed holiday time

audits, as part of normal audit protocol once the unit's staffing stabilized."

Finding 3

Inadequate Controls over Cash Receipts

Criteria

The State Accounting Manual requires each agency to establish internal controls over cash receipts to minimize the risk of loss. An individual responsible for receiving cash should record the receipt date, remitter name, receipt amount, receipt type, and the purpose of the remittance in a journal. All receipts must be logged into a receipts journal or equivalent tracking record.

Adequate internal controls over receivables and revenues require segregation of duties. Different employees should be responsible for the collecting, recording, and depositing of funds.

Condition

The same Benefit Payment Control Unit (BPCU) employee received and deposited 1,623 of 3,722 (44%) cash receipts transactions.

Context

BPCU deposited \$3,597,498 in receipts during fiscal years 2020-2021 and 2021-2022. We reviewed all these receipts for segregation of duties.

Effect

There is an increased risk of loss due to error or fraud when the department does not segregate key duties and maintain accurate receipt logs.

Cause

Diminished staffing levels and the implementation of new procedures may have been contributing factors.

Prior Audit Finding

This finding has been previously reported in part, in the last five audit reports covering the fiscal years ended June 30, 2011, through 2020.

Recommendation

The Department of Labor should strengthen internal controls by ensuring proper segregation of duties over the collection, recording, and depositing of revenues.

Agency Response

"The Department agrees in part with this finding. The U.S. Treasury suspended (by waiver) the 24-hour deposit rule during the pandemic. Additionally, pandemic closures required many agency staff to shift to 100% telework which restricted the unit's ability to maintain standard separation of duties. In FY 2022, the unit brought

on additional trained staff to handle receipts logging and deposits in the event someone is out; the unit is now back in compliance.”

Finding 4

Inadequate Controls over Equipment Inventory and CO-59 Reporting

Criteria

Section 4-36 of the General Statutes requires a property inventory to be kept in the form prescribed by the State Comptroller. The State Property Control Manual specifies requirements and standards for state agency property control systems, including maintaining a software inventory to track and control all agency software media, as well as tagging, recording, and maintaining capital assets and controllable property in the Core-CT Asset Management module. State owned and internally generated software is capitalized if it meets the capitalization threshold. The State Property Control Manual requires agencies to annually report all capitalized, real, and personal property on the CO-59 property control report.

The Office of the State Comptroller (OSC) Memorandum 2022-12 indicates that the Governmental Accounting Standards Board (GASB) Statement No. 87 established new requirements for state agencies to recognize certain leases, including buildings, land, and equipment, as the right-to-use the capital asset. Beginning July 1, 2021, state agencies no longer recorded leases, including rentals, as capital or operating leases. When the leases and rental agreements meet the capital threshold and requirements of GASB 87, they must be reported on the CO-59.

Condition

The department’s asset inventory recorded in Core-CT was incomplete and obsolete in several respects and was an unreliable record for management accountability and reporting. Specifically:

- The Core-CT inventory record did not include physical inventory results after June 2015. Management informed us that it performed a subsequent inventory in 2019. However, it could not successfully upload results to the Core-CT Asset Management module. Capital assets in Core-CT were lower than the CO-59 property control reports by \$3,162,946 and \$2,064,463 as of June 30, 2021, and 2022, respectively.
- We determined that 1,100 (37%) of the 2,964 information technology items recorded in Core-CT were placed in service prior to fiscal year 2013. These items, totaling \$4,971,707 as of June 30, 2022, are likely past their

expected operational life, and may have been removed from service or custody, but not the active inventory record.

- The department failed to capitalize costs for the ReEmployCT software, record it in asset management records, or report it on the CO-59 property control reports. DOL paid \$4,983,715 and \$6,642,904 for this software in fiscal years 2021 and 2022, respectively.
- The Leased Buildings line on the CO-59 property control report for fiscal year 2022 did not show values for the leased assets in Bridgeport and Montville that appeared to meet GASB 87 requirements. These leases totaled \$297,786 and \$242,358, respectively.

Context

The department reported total real and personal property of \$27,153,170 and \$26,045,293, on its CO-59 property control reports for the fiscal years 2021 and 2022, respectively. We reviewed both reports for accuracy and compliance.

We analyzed all items to determine when they were placed in service. As of June 30, 2022, the department had 2,964 information technology items totaling \$7,197,884.

The department maintained seven building leases two of which met GASB 87 requirements. DOL spent \$1,365,081 for Premises Lease/Rent Expense for fiscal year 2022.

Effect

A failure to conduct timely physical inventories and promptly record asset acquisitions, transfers, and dispositions impairs management's ability to account for equipment, report accurate values, and identify and report losses as required. As a result, the department's CO-59 inventory reports are unreliable.

Cause

The Facilities Unit, which was primarily responsible for asset custody and accountability, experienced staff turnover and reductions preventing prompt and accurate reporting and sufficient training of employees about their new responsibilities.

Prior Audit Finding

This finding has previously been reported in the last 11 audit reports covering the fiscal years 1999 through 2020.

Recommendation

The Department of Labor should implement internal controls for asset management that ensure compliance with state property control requirements and reliable reporting.

Agency Response

"The department agrees with the finding and the noted cause. A comprehensive plan is in development to address the recommendations and ensure compliance with requirements of the

Office of the State Comptroller. As part of the plan, CTDOL is in the final stages of hiring new staff to fill now-vacant positions that perform the required functions. Staff training through CT-CORE is being coordinated to ensure that segregated duties are assigned, understood, and performed as required. Based on the changes outlined above, CTDOL expects that the findings related to the asset management module and information technology items will be resolved.”

Finding 5

Lack of General Control over Reporting Requirements

Criteria	The Department of Labor is mandated to submit 18 statutorily required reports under various sections of the General Statutes. These reports are necessary to facilitate executive and legislative oversight of DOL programs.
Condition	<p>The department did not have effective monitoring procedures to ensure compliance with statutory reporting requirements during the 2021 and 2022 fiscal years.</p> <ul style="list-style-type: none">• DOL did not promptly submit nine of 18 statutorily required annual reports (Sections 4-36, 4d-7, 4-61 bb(c)(1), 4-61 bb(e), 10-95h, 31-3pp, 31-3uu, 31-273, and 31-402) for each year. The reports were three days to 23 months late.• The Joint Enforcement Commission on Employee Misclassification did not submit its February 1, 2022 report, as required by Section 31-57h of the General Statutes. The commission did not meet during the audited period.
Context	We reviewed all 18 annual statutory reporting requirements for compliance.
Effect	In the absence of timely reporting, there is diminished executive and legislative oversight of the department.
Cause	In February 2020, the department developed a spreadsheet containing the list of required reports managed by the legal unit. However, DOL informed us that there were lapses in maintaining the tracking spreadsheet due to staffing changes during the audited period.
Prior Audit Finding	This finding has not been previously reported.

Recommendation

The Department of Labor should strengthen internal controls to ensure compliance with its statutory reporting requirements.

Agency Response

"The department disagrees with this finding. The audit period extends through the global pandemic during which the agency handled more than 1.5m unemployment applications and administered the existing unemployment program plus eight additional federal programs. There is no correlation between late filing and diminished oversight as during this same time period CTDOL increased how often it reported out to state leaders and legislators, participated in numerous legislative public hearings, regularly disseminated and posted press releases and other materials, held regular media availabilities and press conferences, and participated in Governor Lamont's media and public outreach.

Further, as mentioned in this and in prior audits, Section 31-57h is not the responsibility of the Department and as such, this report should be removed from this list.

The pandemic workload and staff reassignment prevented the agency from maintaining the report tracking spreadsheet."

Auditors' Concluding Comments

The department should consider requesting legislative clarification to Section 31-57h of the General Statutes regarding its responsibilities related to the Joint Enforcement Commission on Employee Misclassification.

Finding 6**Outdated and Untested Disaster Recovery Plan****Criteria**

The National Institute of Standards and Technology (NIST) Special Publication 800-53 recommends that agencies maintain information technology contingency plans, including a disaster recovery plan. An updated disaster recovery plan helps minimize the risks of negative business impacts in the event of an interruption to information technology services. The plan should be properly distributed and regularly tested.

Condition

DOL did not have a current disaster recovery plan. The department prepared its last plan in 2014 and tested it in 2019. However, the department did not distribute the plan to necessary staff.

Context

A disaster recovery plan describes a detailed and structured set of actions to be taken before, during, and after a natural or man-made incident threatening normal agency operations. It should include responsible personnel, data loss tolerance, allowable system downtimes, management approvals, and proof of testing. A properly designed disaster recovery plan helps to enable rapid restoration of operations without irreparable damage to agency assets.

The DOL critical systems include ReEmployCT, CTHires, and EWage.

Effect

In the absence of a current disaster recovery plan, routine periodic testing, and proper distribution to staff, there is decreased assurance that the plan will be effective in minimizing the effects of a disruption.

Cause

The department indicated that since there were no significant changes in the recovery of the mainframe system, there was no need to update the plan.

The department further indicated that the Department of Administrative Services did not conduct a mainframe disaster recovery test during the Covid-19 pandemic.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Department of Labor should ensure its disaster recovery plan is current, tested annually, and distributed to all relevant staff.

Agency Response

"CTDOL acknowledges that there were deficiencies regarding Disaster Recovery (DR) plan updates and testing due to the reallocation of assets to address pandemic priorities. DR plan updates and testing post-2019 were also impacted by the work to replace the state's 40-year-old unemployment system and move Connecticut into the ReEmployCT coalition. With the last mainframe test in 2019, activities shifted to ensuring that these applications were successfully transitioned to a cloud-based solution in preparation for legacy system decommissioning.

ReEmployCT efforts began in 2016 and unified the original five systems that handled Benefits, Tax, and Appeals into a single system. This was a massive and complex effort that experienced major disruptions due to the pandemic yet was still successfully launched on July 5, 2022.

It's significant to note that the mainframe DR process was documented sufficiently to manage the successful cutover tests from legacy to ReEmployCT which were performed during the applicable

timeframe, and last performed during a two-day period conducted on April 25th and again on May 1st, 2019.

Understanding the importance of DR, CTDOL is in the process of implementing a Governance, Risk and Compliance (GRC) program to promote a risk-aware culture and inform decision making. A key component in the GRC program is a comprehensive DR plan to include all CTDOL applications including Cloud based solutions.”

Finding 7

Lack of Administrative Oversight for Boards

Background

The General Statutes related to the Department of Labor provide for four boards, two commissions, and one council, which we collectively refer to as boards. These include the Board of Mediation and Arbitration, Board of Labor Relations, Employment Security Board of Review, Employment Security Division Advisory Board, Occupational Safety and Health Review Commission, Joint Enforcement Commission on Employee Misclassification, and the State Apprenticeship Council.

Criteria

Section 1-225 of the General Statutes requires public agencies to: (1) post meeting minutes to its website no later than seven days after such meeting; (2) file a schedule of regular meetings for the ensuing year with the Secretary of the State no later than January 31st of each year, and to post such schedule on the agency’s website; (3) file the agenda of such meeting with the Secretary of the State no less than 24 hours before a meeting, and post such agenda on the agency’s website.

Section 31-250a(d) of the General Statutes requires the Employment Security Division Advisory Board to meet at least three times in each calendar year and at such other times as the chairman or the administrator deems necessary.

Section 31-96 of the General Statutes provides that the Labor Commissioner, with the advice and approval of the Board of Mediation and Arbitration, shall appoint at least five mediators to act for it in making investigations and adjusting labor disputes.

Section 31-57h of the General Statutes requires the Joint Enforcement Commission on Employee Misclassification to meet at least four times each year.

Condition

Our review of the department’s related boards for the fiscal years ended June 30, 2021, and 2022 revealed the following:

- The Connecticut State Apprenticeship Council did not file its 2022 meeting schedule with the Secretary of the State by January 31st. Minutes were not available for one meeting during 2022.
- The Board of Labor Relations did not file its 2021 and 2022 meeting schedules with the Secretary of the State by January 31st and did not post meeting agendas during the audited period.
- The Employment Security Division Advisory Board did not file its 2021 and 2022 meeting schedules with the Secretary of the State by January 31st. The board did not meet three times during 2022 as required and did not post meeting minutes for two meetings during the audited period.
- The Board of Mediation and Arbitration did not file its 2021 and 2022 meeting schedules with the Secretary of the State by January 31st, and did not post the agendas for three meetings during the audited period. In addition, the board only appointed three of five required mediators during the audited period.
- The Joint Enforcement Commission on Employee Misclassification did not meet during the audited period.

Context	We reviewed activities of all seven boards for compliance with Section 1-225 of the General Statutes.
Effect	Interested parties may not know about or be able to contribute at meetings.
Cause	A lack of administrative oversight contributed to this condition. DOL did not effectively work with boards.
Prior Audit Finding	This finding has previously been reported in the last six audit reports covering the fiscal years 2009 through 2020.
Recommendation	The Department of Labor should work with its related boards to ensure compliance with applicable legislation. If the department determines that any statutory requirement is impractical or outdated, it should request a legislative change.
Agency Response	"The department does not agree with the specific finding concerning the Joint Enforcement Commission on Employee Misclassification and believes it should be removed from the audit. As stated in several previous audits, the agency is not referenced as

the administrator for this Commission in the statute and is not responsible for the oversight of this entity.

The department continues to work with each Board to ensure that all documents are posted and that vacancies are filled. Our Boards have sought the Secretary of the State’s counsel numerous times and will continue to work with that office to post requirements in a timely fashion and remedy any issues.

While Section 31-96 requires five mediators within the State Board of Mediation and Arbitration (SBMA), the department has no funding to support this level of staffing, nor are there available/vacant FTEs approved or provided for the department.”

Auditors’ Concluding Comments

The department should consider requesting legislative clarification to Section 31-57h of the General Statutes regarding its responsibilities related to the Joint Enforcement Commission on Employee Misclassification.

Finding 8

**Wage and Workplace Standards Division
Complaint Case Backlog**

Background

The Wage and Workplace Standards Division (WWSD) receives public complaints about labor law violations including unpaid wages through its public internet portal. The division has the discretion to initiate compliance investigations when it believes there may be violations. WWSD processes seven categories of complaints or violations, that each have significant procedural differences. Those differences complicate case assignment, caseload balancing, and processing efficiency.

Criteria

Having clear performance measurement standards and appropriate information system reports allow an agency to effectively track its workload and take prompt action.

Condition

As of May 11, 2023, the Wage and Workplace Standards Division received or initiated 843 complaint cases, that were not assigned for investigation. One case had not been assigned for investigation for 336 days.

Context

The pending and unassigned status accounted for 41 percent of the estimated 2,000 WWSD cases as of May 11, 2023. There were 20

wage enforcement agents and investigators and four field supervisors as of April 2023.

Effect

Case processing delays may deny wage earners timely complaint resolution and restitution of wages. Extended delays may decrease the probability of collection in cases in which the employer ceases operations.

Cause

The division's information system could not generate essential performance reports to allow management to take prompt action. The department indicated that the backlog could have been caused by changes in state and federal law and a lack of staffing. The department submitted a legislative request for additional staffing in March 2023, but the legislation did not pass.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Department of Labor should continue to improve its tracking procedures to allow sufficient resource planning and prompt resolution to address the Wage and Workplace Standards Division's backlog of unassigned complaints.

Agency Response

"The department agrees that delays in processing claim investigations decrease the likelihood of wage restitution for employees and has already identified insufficient staffing as the primary factor in these delays. During the 2023 legislative session, the legislature introduced HB 5854 requiring a threshold of no fewer than 45 wage and hour inspectors and HB 6287 requiring the hiring of 45 additional wage enforcement officers in the Wage and Workplace Standards Division. In addition, an amendment, LCO 10006 was called on SB 1035 that would have required not fewer than five wage and hour inspectors in the Division. While the proposed legislation received broad support in the General Assembly, none passed. During the 2024 legislative session HB 5384 was raised by the Labor and Public Employees Committee. This bill required at least 45 wage and hour inspectors starting FY 26 but was not taken up by the Appropriations Committee when it was determined that there would not be a mid-term budget adjustment."

STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our [prior audit report](#) on the Department of Labor contained seven recommendations. Three have been implemented or otherwise resolved, and four have been repeated or restated with modifications during the current audit.

Prior Recommendation	Current Status
The Department of Labor should improve controls over the reporting, review, and approval of time records to ensure compliance with collective bargaining unit contracts.	RESOLVED
The Department of Labor should ensure proper segregation of duties over the collection, recording, and depositing of revenues, and ensure that receipts are promptly deposited and accounted for in accordance with Section 4-32 of the General Statutes.	REPEATED Modified Form Recommendation 3
The Department of Labor should work with its related boards to ensure compliance with applicable legislation. If the department determines that any statutory requirement is impractical or outdated, it should request a legislative change.	REPEATED Recommendation 7
The Department of Labor should comply with DAS General Letter 115 - Use of State-Owned Motor Vehicles and develop procedures to accurately calculate and report the taxable fringe benefits for commuting or personal use of a state vehicle.	RESOLVED
The Department of Labor should develop and implement internal controls to ensure that all complaints are properly documented within the eWage system. The department should develop policies and procedures to properly safeguard receipts and ensure compliance with accounting and deposit requirements in Section 4-32 of the General Statutes and the State Accounting Manual.	RESOLVED
The Department of Labor should implement an internal control structure for asset management that is capable of meeting statutory requirements of accountability and reliable reporting.	REPEATED Modified Form Recommendation 4

Prior Recommendation	Current Status
<p>The Department of Labor should improve administrative oversight and pursue adoption of statutorily required regulations or request legislative changes to repeal unnecessary or outdated regulatory mandates.</p>	<p>REPEATED Recommendation 1</p>

OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the Department of Labor 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, 2021 and 2022. The objectives of our audit were to evaluate the:

1. Department's internal controls over significant management and financial functions;
2. 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. Effectiveness, economy, and efficiency of certain management practices and operations, including certain financial transactions.

In planning and conducting our audit, we focused on areas of operations based on assessments of risk and significance. We considered the significant internal controls, compliance requirements, or management practices that in our professional judgment would be important to report users. The areas addressed by the audit included payroll and personnel, revenue and cash receipts, accounts receivable, purchasing and expenditures, asset management, reporting systems, information technology and the Wage and Workplace Standards Division case management system. We also determined the status of the findings and recommendations in our prior audit report.

Our methodology included reviewing written policies and procedures, financial records, meeting minutes, and other pertinent documents. We interviewed various personnel of the department and certain external parties. We also tested selected transactions. This 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 financial information is presented for informational purposes. We obtained this information from various available sources including the department's management and state information systems. It was not subject to our audit procedures. For the areas audited, we identified

1. Deficiencies in internal controls;
2. Apparent non-compliance with laws, regulations, contracts and grant agreements, policies, or procedures; and

3. A need for improvement 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 Department of Labor.

ABOUT THE AGENCY

Overview

[The Department of Labor \(DOL\)](#) is authorized in Title 31 of the General Statutes within Chapters 556, 556a, 557, 558, 559, 560, 561, 562, 563a, 564, 565, 566a, 567, 571, 572, and 573.

The department's major function is to serve the unemployed by helping them find suitable employment and providing monetary benefits that are dependent upon the claimant's employment and wage history. The department is also responsible for administering certain state and federal training and skill development programs, regulation and enforcement of working conditions, enforcement of minimum and other wage standards, enforcement of labor relations acts, mediation and arbitration services, and maintenance of labor statistics.

The department is responsible for:

- **Unemployment Insurance** - Provides monetary benefits to the unemployed that are dependent upon the claimant's employment and wage history as provided in the Federal Unemployment Tax Act and Titles III, IX and XII of the Social Security Act. The benefits are financed by employer contributions collected by the department.
- **Workforce Innovation and Opportunity Act (WIOA)** - Advocates One-Stop Career Centers to provide universal access to effective employment and training programs. The department has partnership and a broad administrative role in implementing this service delivery system.
- **Jobs First Employment Services (JFES)** - Provides employment services such as job search assistance and skills training to participants who receive Temporary Family Assistance. The JFES program helps parents gain the skills needed to obtain meaningful employment and become independent of cash assistance. The Department of Labor administers the program in partnership with the Department of Social Services and five workforce development boards. Participants may also qualify for further on-the-job and occupational skills training, adult basic education, general educational development preparation, and English as a second language.
- **Office of Workforce Competitiveness (OWC)** - The Office of Workforce Competitiveness assists the department as it serves as the Governor's principal workforce development policy advisor with the goal of ensuring that Connecticut has the essential talent to support growth. OWC collaborates with multiple partners to develop employment and training strategies and initiatives to support Connecticut's position in the knowledge economy.

Public Act 21-2 of the June Special Session eliminated the Office of Workforce Competitiveness within the Department of Labor and replaced it with a new Office of Workforce Strategy (OWS). Effective July 1, 2021, the act placed OWS within the Office of the Governor for administrative purposes.

- **Wage and Workplace Standards Division (WWSD)** - The division enforces several state statutes and administers a wide range of workplace laws, including minimum wage, overtime, wage payment, prevailing wage, standard wage, employment of minors, and misclassification of workers as independent contractors.
- **Office of Apprenticeship Training (OAT)** - The office provides registration, monitoring, technical assistance, and consulting services for the administration of apprenticeship agreements.

Registered apprenticeships provides a structured learning strategy that combines on-the-job training with related classroom instruction. The office also qualifies employers for tax credits and performs outreach to veterans, employer groups, unions, schools, and community-based organizations to promote apprenticeship programs.

Organizational Structure

The Department of Labor is administered by a commissioner appointed by the Governor under Sections 4-5 to 4-8 of the General Statutes. Kurt Westby was appointed commissioner on June 22, 2018, and served in that capacity until July 1, 2021. Danté Bartolomeo was appointed commissioner on July 2, 2021, and continues to serve in that capacity.

Councils, Boards, and Commissions

The General Statutes related to the Department of Labor provide for the following councils, boards, and commissions to operate:

Name	Responsibility
State Apprenticeship Council	Advises and guides the commissioner in formulating work training standards and developing apprenticeship training programs.
State Board of Mediation and Arbitration	Provides mediation and arbitration to employers and employee organizations.
State Board of Labor Relations	Investigates complaints of unfair labor practices by employers affecting the rights of employees to organize and bargain collectively.
Employment Security Board of Review	The Employment Security Appeals Division is an independent quasi-judicial agency within DOL that hears and rules on appeals from the granting or denial of unemployment compensation benefits. The division consists of the Referee Section and the Employment Security Board of Review.
Occupational Safety and Health Review Commission	Hears and rules on appeals from citations, notifications, and assessment of penalties under the Occupational Safety and Health Act in Chapter 571 of the General Statutes.
Employment Security Advisory Board	Advises the commissioner on matters concerning Employment Security Division policy and operations. The board must be consulted before the adoption of any regulations concerning the division.
Joint Enforcement Commission on Workforce Misclassification	Reviews employee misclassification, a technique employers use to avoid obligations under state and federal labor, employment, workers' compensation, and tax laws. It also coordinates the civil prosecution of violations of state and federal employee misclassification laws and reports any suspected violations of state criminal statutes to the Chief State's Attorney.

Significant Legislative Changes

Notable legislative changes that took effect during the audited period are presented below:

- **Public Act 21-02 (Sections 32, 203)**, effective June 23, 2021, established, within available appropriations, the Office of the Unemployed Workers' Advocate within the department to assist unemployed persons. It required the commissioner, by October 1, 2021, to designate an "unemployed workers' advocate", who serves at the pleasure of the commissioner, to manage the office's daily activities and duties. The act also eliminated the Office of Workforce Competitiveness within the Department of Labor and replaced it with a new Office of Workforce Strategy within the Office of the Governor for administrative purposes effective July 1, 2021.
- **Public Act 21-154 (Sections 1, 2)**, effective October 1, 2021, revised the method the labor commissioner must use to set prevailing wage rates on public works projects. It established one process for building, heavy, and highway projects and another for residential projects. Under the prevailing wage law, contractors on public works projects must pay the legally determined prevailing hourly wage rate to all eligible workers on the project. The requirement applies to new construction projects of at least one million dollars and renovation projects of at least one hundred thousand dollars.

Financial Information

General Fund Receipts

A summary of General Fund receipts during the audited period as compared to the preceding fiscal year follows:

	Fiscal Year Ended June 30,		
	2020	2021	2022
Federal Contributions	\$ 42,187,435	\$ 29,462,169	\$ 35,494,561
Recoveries of Expenditures	(734,350)	340,072	(1,100,867)
Fees and Fines	581,451	895,811	762,128
Refund of Expenditures	538,036	448,616	641,593
Miscellaneous	1,000	0	0
Total	\$ 42,573,572	\$ 31,146,668	\$ 35,797,415

The fluctuation in receipts between periods was mostly attributed to federal contributions for the Workforce Innovation and Opportunity Act Program.

General Fund Expenditures

A summary of General Fund expenditures during the audited period as compared to the preceding fiscal year follows:

	Fiscal Year Ended June 30,		
	2020	2021	2022
Personal Services and Employee Benefits	\$ 19,165,685	\$ 18,649,716	\$ 21,886,989
Employee Expenses, Allowances, Fees	142,730	23,134	51,158
Contractual Services	3,398,201	3,832,264	6,065,997
Commodities	243,300	166,720	167,238
Other	(3,772,883)	(5,809,136)	(7,813,319)
Grants	45,746,795	42,801,713	47,497,461
Capital Outlays	2,308	31,770	0
Total	\$ 64,926,136	\$ 59,696,180	\$ 67,855,524

The fluctuation in expenditures was primarily attributed to personal services, employee benefits, contractual services, and grants. The Other line category primarily consisted of indirect overhead which was negative due to adjusting entries to reflect federal indirect overhead reimbursement that was charged 100% to Other Expenses.

Special Revenue Funds

The purposes of the major special revenue funds are discussed below:

- **Employment Security Administration Fund** - Operates under Section 31-259 (a) through (c) of the General Statutes and consists of monies appropriated by the state, monies received from the federal government or any agency thereof, and from any other source, for the purpose of defraying the administrative costs of the Employment Security Division. According to Section 31-237(a) of the General Statutes, the Employment Security Division shall be responsible for matters relating to unemployment compensation and the Connecticut State Employment Service and shall establish and maintain free public employment bureaus.
- **Unemployment Compensation Advance Fund** - Established under Section 31-264a(b) of the General Statutes. Fund receipts include employer special bond assessments for debt service.
- **Employment Security Special Administration Fund** - Authorized by Section 31-259(d) of the General Statutes to receive all penalty and interest on past due employer contributions. Resources in the fund are used to pay administrative costs, reimburse the Employment Security Administration Fund when the appropriations made available to the Employment Security Administration Fund are insufficient to meet the expenses of that fund, and any other purpose authorized by law. Subsection (d) also states that, on July 1st of any calendar year, the assets in the Employment Security Special Administration Fund that exceed \$500,000 are to be appropriated to the Unemployment Compensation Fund. During the fiscal years ended June 30, 2021, and 2022, DOL transferred \$5,500,000 and \$5,900,000 to the Employment Security Administration Fund, respectively, to offset projected deficits of federal administrative funds.
- **Grants and Restricted Accounts Fund** - Accounts for certain federal and other revenues that are restricted from general use.
- **Individual Development Account Reserved Fund** - Authorized by Section 31-51aaa of the General Statutes to provide grants to community-based organizations. These organizations operate certified state programs that provide matching funds for the individual development accounts in their programs, to assist the organizations in providing training, counseling, and case management for program participants and program administration purposes.

Schedules of receipts for the special revenue funds during the audited period, together with those of the preceding fiscal year, are presented below:

	Fiscal Year Ended June 30,		
	2020	2021	2022
Employment Security Administration Fund	\$ 72,575,756	\$ 112,043,352	\$ 111,062,766
Grants and Restricted Accounts Fund	4,922,635	33,997,315	27,878,115
Employment Security Special Administration Fund	5,198,617	5,509,435	5,840,611
Special Assessment Unemployment Compensation Advance Fund	1,713	4,190	71,451
Banking Fund	4,492	-	2,319
Workers' Compensation Fund	-	1,730	298
Total	\$ 82,703,213	\$ 151,556,022	\$ 144,855,560

The increases in receipts were primarily because of federal funding provided due to the pandemic.

Receipts for the Employment Security Administration Fund are used to defray the administrative costs of the department's Employment Security Division and vary, depending on the number and amount of federal grants received during the year.

Special revenue fund expenditures during the audited period and the preceding fiscal year follow:

	Fiscal Year Ended June 30,		
	2020	2021	2022
Personal Services and Employee Benefits	\$ 60,239,222	\$ 88,100,935	\$ 86,668,836
Employee Expenses, Allowances, Fees	209,002	19,757	63,900
Contractual Services	8,720,614	34,131,721	31,535,890
Commodities	228,109	209,848	268,836
Indirect Overhead - Federal and Other	9,858,676	13,079,134	10,762,466
Grants	11,425,174	10,765,489	11,366,922
Capital Outlay	632,304	713,237	215,950
Unemployment Compensation - Transfer - U.S. Treasury and Interest Expense	-	-	126,085,913
Other	1,174	(167)	(26,490)
Total	\$ 91,314,275	\$ 147,019,954	\$ 266,942,223

The increases in expenditures for personal services and employee benefits were primarily due to the additional staffing to handle the influx of unemployment compensation claims during the pandemic. The increases in contractual services were due to IT consultant services for the new modernization system (ReEmployCT). The significant increase in expenditures for fiscal year 2022 was primarily due to a transfer of \$125,000,000 in Coronavirus Relief Fund/American Rescue Plan Act funds for repayment on Unemployment Compensation Trust Fund advances.

Fiduciary Funds

The department operated two fiduciary funds and a wage restitution account during the audited period as discussed below:

Unemployment Compensation Fund

Section 31-261 of the General Statutes authorizes the Unemployment Compensation Fund to be used for the receipt of employer contributions and the collection of benefits for state and municipal government workers, and nonprofit organizations. Section 31-263 of the General Statutes authorizes the Unemployment Compensation Benefit Fund to be used for the payment of unemployment benefits.

In accordance with the provisions of Section 31-262 and 31-263 of the General Statutes, the State Treasurer deposits all contributions, less refunds, and other appropriate receipts of the Unemployment Compensation Fund, in the Unemployment Trust Fund of the U.S. Treasury. Requisitions from the Unemployment Trust Fund are made on the advice of the administrator (Department of Labor commissioner) for the payment of estimated unemployment compensation benefits. The resources of the Unemployment Trust Fund are invested by the Secretary of the U.S. Treasury for the benefit of the various state accounts which constitute the fund.

Unemployment Compensation Fund receipts during the audited period and the preceding fiscal year follow:

	Fiscal Year Ended June 30,		
	2020	2021	2022
Employer Tax Contributions	\$ 688,431,105	\$ 608,643,436	\$ 667,336,960
Reimbursement from the State, Municipalities and Nonprofits	35,215,030	98,445,538	27,067,707
Reimbursements from Other States	10,699,908	35,040,127	6,762,507
Reimbursements from the Federal Employee Contribution Account	3,742,697	10,595,654	5,394,574
Federal Contributions	2,521,141,989	4,446,116,144	707,805,769
Income from State of CT – Coronavirus Relief Funds/American Rescue Plan Act Funds for Loan Repayment	-	-	125,000,000
Income from State of CT – Coronavirus Relief Fund/American Rescue Plan Act Funds for Loan Interest Payment	-	-	1,085,913
Emergency US Relief 50 Reimbursement Distribution to UC Trust Fund	14,627,400	153,194,938	30,517,503
Short-Time Compensation Grant Funds Distribution to UC Trust Fund	-	-	1,187,842
Lost Wages Assistance Admin Grant Funds Distribution to the UC Trust Fund	-	723,212	760,000
Emergency Unemployment Insurance Stabilization and Access Act Grant Funds Distribution to UC Trust Fund	11,908,187	-	-
UC Trust Fund Advances	-	725,085,977	227,667,768
Transfer from Federal Bank Balance	-	311,000,000	-
Federal Trust Fund Interest Income	15,276,671	638,839	-
Income Derived from Claimant Fraud Penalty	964,444	1,039,000	1,405,805
Total	\$ 3,302,007,431	\$ 6,390,522,865	\$ 1,801,992,347

Total receipts increased by \$3,088,515,434 in fiscal year 2021 and decreased by \$4,588,530,518 in fiscal year 2022, as the pandemic-induced federal programs began and ended, respectively.

Calendar Year	Fund Solvency Rate	New Employer Rate	Range of Tax Rates
2022	1.4%	3.0%	1.9% to 6.8%
2021	1.4%	3.0%	1.9% to 6.8%
2020	1.4%	3.2%	1.9% to 6.8%
2019	1.4%	3.4%	1.9% to 6.8%

The Unemployment Trust Fund balances were \$206,489,338, \$318,025,624, and \$85,023,974 on June 30, 2020, 2021, and 2022, respectively. The variances were due to the pandemic-induced influx of claims and federal funding followed by the subsequent reduction as the economy began recovering.

A summary of disbursements from the Unemployment Compensation Fund during the audited period, along with those of the preceding fiscal year, follows:

	Fiscal Year Ended June 30,		
	2020	2021	2022
Benefits Paid with Employer Contributions, Federal Loans and Federal Reed Funds	\$ 1,236,209,761	\$ 1,277,253,435	\$ 471,349,839
Benefits Paid for the State, Municipalities and Nonprofits	111,984,502	127,573,779	52,282,079
Benefits Paid for Other States	22,279,618	21,756,570	7,267,315
Benefits Paid from Federal Employee Contribution Account	4,155,688	7,611,431	2,362,652
Benefits Paid with Federal Contributions	2,335,378,828	4,230,072,541	707,302,739
Short Time Compensation (STC) Grant Funding Transfer	92,145	-	1,034,002
LWA Admin Grant Funding Trans from UC Trust Fund to ES Admin	-	677,115	225,354
EUISSA Grant Funding Trans from UC Trust Fund to ES Admin	-	11,908,187	-
Principal Payment on Trust Fund Advances (from Employer Contributions)	-	-	657,513,994
Principal Payment on Trust Fund Advances (from CRF/ARPA funds)	-	-	125,000,000
Potential Loss to State - Identity Theft -State Benefits	-	8,712,910	12,059
Potential Loss to State - Identity Theft - Federal Benefits	-	31,300,248	141,418
Billing Employer Applied U.S. Relief Reimbursements 50% Benefit Credit Adjustments	-	97,742,858	1,085,913
Other	115,694	24,518	6,621
Total	\$ 3,710,216,236	\$ 5,814,633,592	\$ 2,025,583,985

Total disbursements grew by \$2,104,417,356 in fiscal year 2021 due to the pandemic resulting in an unprecedented increase in Unemployment Insurance claims. Disbursements decreased by \$3,789,049,607 in fiscal year 2022, as the economy recovered.

Funds Awaiting Distribution Fund and Wage Restitution Account

Fund collections totaled \$1,715,604 and disbursements and transfers totaled \$2,047,131 during the audited period. Of these amounts, collections for the Wage Restitution Account totaled \$1,647,247 and disbursements and transfers totaled \$1,979,092.

Section 31-68 of the General Statutes authorizes the commissioner to take assignment of wage claims in trust for workers who are paid less than the minimum fair wage or overtime wage by employers. Wages

collected by the commissioner are paid to the claimants. Activity of the Wage Restitution Account was recorded in a separate account within the Funds Awaiting Distribution Fund.

In the event the whereabouts of an employee is unknown after the issue is resolved, the commissioner is empowered to hold the wages for three months and later pay the next of kin in accordance with statutory procedures. Any unclaimed wages held by the commissioner for two years shall escheat to the state subject to the provisions of Title 3, Chapter 32, Part III of the General Statutes.

Unemployment Insurance (UI) Program

The COVID-19 pandemic which began in March 2020 had dramatically hindered the national employment landscape resulting in major changes to the Unemployment Insurance (UI) program.

The UI programs and subprograms consisted of the following:

- Regular State
- Extended Benefits
- High Extended Benefits
- Pandemic Unemployment Assistance
- Pandemic Emergency Unemployment Compensation
- Federal Pandemic Unemployment Compensation
- Mixed Earner Unemployment Compensation
- Lost Wages Assistance
- Shared Work

The funding sources for these programs included:

- State UI Trust Fund, CT Employer Contributions
- Coronavirus Aid, Relief, and Economic Security Act - State Appropriations
- Families First Coronavirus Response Act
- American Rescue Plan Act
- Federal Emergency Management Agency grants

The department received approximately 500,000 claims during fiscal years 2020, 2021, and 2022. Due to this influx, the department's UI staffing increased from 291 in fiscal year 2020 to 572 and 568 in fiscal years 2021 and 2022, respectively.

The department disbursed net UI benefits as follows:

Fiscal Year	UI Benefits Disbursed
2020	\$3,702,098,335
2021	\$5,768,263,323
2022	\$1,235,974,700

The department reported fraud and non-fraud overpayments as follows:

Fiscal Year	Fraud	Non-Fraud Overpayments
2020	\$ 3,755,091	\$ 6,201,073
2021	\$10,181,671	\$21,337,603
2022	\$12,196,514	\$24,150,150

During fiscal years 2020 through 2022, the department accounted for four UI fraud arrests.