AUDITORS' REPORT

Department of Labor

FISCAL YEARS ENDED JUNE 30, 2023 AND 2024

STATE OF CONNECTICUT
Auditors of Public Accounts

JOHN C. GERAGOSIAN
State Auditor

CRAIG A. MINER
State Auditor

CONTENTS

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

CRAIG A. MINER

May 21, 2026

INTRODUCTION

We are pleased to submit this audit of the Department of Labor for the fiscal years ended June 30, 2023 and 2024 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:

Zachary Correll
Andrea Evans
Sidney Gale
Jaimey Makie
Sarah Monaghan

Sarah Monaghan
Principal Auditor

Approved:

John C. Geragosian
State Auditor

Craig A Miner
State Auditor

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

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

Finding 1

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

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

Condition

As of July 2, 2024, the Wage and Workplace Standards Division received or initiated 980 complaint cases, that were not assigned for investigation. This represents a 16 percent increase over the 843 cases as of May 11, 2023, as reported in our prior audit report.

Context

The pending and unassigned status accounted for about 50 percent of the estimated 2,000 WWSD cases as of September 15, 2025.

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 been previously reported in the last audit report covering the fiscal years 2021 through 2022.

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 agency agrees that there is a backlog but disagrees that the backlog is easily remedied with sufficient resource planning. Complaints filed with the WWSD are varied and vast. They do not follow any trend, nor allow for predictability. Staff assigned to specific cases may need to be redirected at any time to cover the list of priority cases as described below, which may spike without any prior indication.

Over the past few years, the Wage and Workplace Standards division has implemented numerous processes to assist in reducing the backlog of cases with the division's very limited resources. Given that annual number of complaints for investigation have risen in the past few years but the staffing levels have dropped, the division is prioritizing cases that focus on workers' safety, employment of minors and final pay. Additionally, the division has put in place a triage system that will allow claims to be reviewed prior to assignment to determine jurisdiction and reduce wait time for a response on claims without jurisdiction.

DOL receives its budget from the legislature. As stated in previous years, there were unsuccessful attempts by the Department and the legislature during the past several legislative sessions to increase the number of investigators and agents because of the continuing backlog. With limited resources, WWSD is limited in actions it may take to improve sufficient resource planning; however, this has not stopped the WWSD from making every effort possible to address the backlog as described above. Fortunately, the 2025 session included funding for 11 wage and hour investigators, which are expected to help alleviate the unpredictable nature of case assignment as these staff become trained and reach a minimum level of competency regarding the many types of complaints and the laws and regulations that govern them."

Finding 2

Lack of Civil Penalty Documentation

Background

The Department of Labor assesses civil penalties on employers who violate prevailing and minimum wage standards and maintains related documentation in its eWage case management system.

Criteria

The Department of Labor regulations and the eWage manual detail important documentation that must be maintained in case files. Proper internal controls require supporting documentation and approvals of billing calculations. Section 17 of the eWage manual states that civil penalty modifications must receive appropriate approval.

Condition

We reviewed documentation for 12 cases with civil penalty payments and noted that all case files lacked required documentation. Seven of the cases lacked supervisory approval for the civil penalty calculation. Four cases lacked supporting documentation for the initial civil penalty calculation, and three lacked documentation for the civil penalty modification.

Context

During the audited period, 786 cases had civil penalty payments, totaling $2,022,073. We haphazardly selected 12 cases for review, with civil penalties totaling $139,550.

Effect

The lack of supporting documentation and approvals could lead to improper or unauthorized penalties.

Cause

The lack of civil penalty documentation appears to be the result of inadequate management oversight.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Department of Labor should strengthen internal controls to comply with the established procedures and to ensure completeness of case files.

Agency Response

"Although that is an extremely small sample, the department agrees that civil penalties should be properly documented. We have been actively working on improving the Civil Penalty modification process. Supervisors have been directed to communicate with their teams to enforce the eWage Manual's instructions. Acting director and field supervisors are meeting regularly to continue to reinforce the process ensuring accuracy and proper documentation. WWSD is currently working on completing a refresher training on eWage for all supervisors."

Finding 3

Inadequate Segregation of Duties

Background	Field agents of the Wage and Workplace Standards Division (WWSD) evaluate employee claims for recovery of unpaid wages and interest and assess civil penalties on employers for violation of relevant state statutes.
Criteria	Adequate internal controls over receivables and revenues require a segregation of duties. Different employees should have responsibility for invoicing and collecting payments.
Condition	For five of the 17 cases reviewed, we noted a lack of segregation of duties when the wage agent calculated the civil penalty due and received the payments, totaling $9,000.
Context	During the audited period, 786 cases had civil penalty payments, totaling $2,022,073. We haphazardly selected 17 cases for review, with civil penalty payments totaling $146,300.
Effect	There is an increased risk of loss due to error or fraud when the department does not segregate key duties.
Cause	The department lacks a policy for field agents regarding the collection, transmission, and recording of payments from employers.
Prior Audit Finding	This finding has not been previously reported.
Recommendation	The Department of Labor should strengthen internal controls by ensuring proper segregation of duties over the invoicing and collection of civil penalties.
Agency Response	"The agency disagrees with this finding. There is a segregation of duties currently in place. Our process currently requires field staff to generate a bill, and the payments are mailed to the main office to be handled by the clerical staff. Amounts received are properly documented by our clerical staff and then approved by the field supervisors. Although rare, there are instances in which the investigator assesses the civil penalty and picks up the check. This is done for the convenience of the employer and has not resulted in any allegations of fraud. When a payment is received by our field staff, the payment is then processed by our clerical staff."

Auditors' Concluding Comments

We understand that it is not standard practice for investigators to directly receive the checks from employers. However, the risk of fraud increases when combined with other internal control deficiencies, as noted in the Lack of Civil Penalty Documentation finding above.

Finding 4

Terminated Employees with System Access

Background

EWage is the Department of Labor's case management system, which houses confidential claimant and employer information. ReEmployCT is the department's unemployment insurance system, which contains confidential personally identifiable and federal tax information.

Criteria

Proper internal controls dictate that agencies should promptly deactivate employee access to information systems when no longer needed or upon an employee's separation.

Condition

Our review of eWage access disclosed that DOL did not disable one user account for an employee that terminated 915 days prior to our review. Our review also noted one former employee accessed the system for one month following their separation.

Our review of ReEmployCT access noted three separated employees had active accounts for 81 to 307 days after their termination.

Context

As of November 2024, DOL had 45 active eWage users and 576 active ReEmployCT users. We reviewed access for all 13 WWSD employees that separated from the division. We reviewed employment status for all active ReEmployCT users.

Effect

There is an increased risk of unauthorized access to the system and improper use of information.

Cause

Human Resources did not notify all required personnel when the employees terminated.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Department of Labor should improve internal controls to ensure immediate deactivation of system access for terminated employees.

Agency Response

"The agency agrees with this finding and has put a protocol in place to ensure this does not happen in the future."

Finding 5

Insufficient Information Technology Controls

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. A 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.

The Department of Administrative Services Bureau of Information Technology Solutions (BITS) is responsible for maintaining the disaster recovery plan for centralized information technology.

Condition

DOL does not have a current disaster recovery plan to account for the operations not centralized within the Department of Administrative Services.

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 and routine periodic testing, there is decreased assurance that the plan will succeed at minimizing the effects of a disruption.

Cause

DOL relies on centralized BITS personnel to mitigate information technology disruptions.

Prior Audit Finding

This finding has been previously reported in the last audit report covering the fiscal years 2021 through 2022.

Recommendation

The Department of Labor should develop a comprehensive disaster recovery plan for its operations not centralized within the Department of Administrative Services. The department should conduct routine tests of the plan.

Agency Response

"CTDOL believes that our non-centralized systems and operations do have the appropriate disaster recovery plans. Our primary systems have disaster recovery plans that are supported and tested by reliable contractors. Since the state IT consolidation, when all technical resources were reassigned to DAS-BITS, CTDOL no longer employes staff with the expertise nor responsibility for developing and carrying out disaster recovery plan(s)."

Finding 6

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.

Condition

DOL'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:

- DOL did not perform a complete physical inventory during fiscal years 2023 and 2024. DOL has not physically inventoried 3,614 assets, totaling $23,683,698, in at least ten years.

- Our review of Core-CT asset reports and the CO-59 Property Control Reports found net variances amounting to $4,484,996 and $4,444,827 in fiscal years 2023 and 2024 respectively. DOL excluded software from the CO-59 for an understatement of $6,560,610 and $6,584,363 in fiscal years 2023 and 2024, respectively. The remaining variances totaled $2,075,614 and $2,139,536 in fiscal years

2023 and 2024, respectively.

- DOL 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 $25,172,845 for this software in fiscal years 2021 to 2024.

- Our review of the Core-CT Asset Module noted DOL had not placed 38 assets in service that it received between fiscal years 2016 and 2020.

Context

The department reported total real and personal property of $26,047,051 and $26,828,844, on its CO-59 property control reports for the fiscal years 2023 and 2024, respectively. We reviewed both reports for accuracy and compliance.

As of July 16, 2024, DOL had 3,942 assets, totaling $25,885,718, per the Core-CT Asset Module.

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 issues noted appear to be the result of a lack of management oversight.

Prior Audit Finding

This finding has previously been reported in the last 12 audit reports covering the fiscal years 1999 through 2022.

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

"We agree with this finding. Certain locations were closed some time ago and they were never removed from the equipment list system. Those locations are no longer active were deleted this fiscal year and will be included in this year's CO-853.

Our Facilities Unit has proposed a process to perform the physical inventory this October-December and annually moving forward. The Unit will also modify the DOL Property Control Guidelines.

Our Facilities Unit will work with our IT staff to verify whether items still exist. Once verified, Facilities will annotate the correct status and perform any follow-up that is necessary.

Any IT item purchased, that is capitalized over $5,000 or a controllable item, will require a tag. IT and Business Management have been changing the process to ensure that Facilities is notified when POs are issued in order to provide the asset ID tags."

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 31-57h 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 fiscal years 2023 and 2024 revealed the following:

- The Connecticut State Apprenticeship Council did not file its 2023 and 2024 meeting schedule with the Secretary of the State by January 31st.

- The Board of Labor Relations did not file its 2023 and 2024 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 2023 and 2024 meeting schedules with the Secretary of the State by January 31st. The board did not post meeting minutes and agendas for all meetings 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 been previously reported in the last seven audit reports covering the fiscal years 2009 through 2022.

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 agency agrees in part with this finding. The agency will continue to work with the Boards over which it has jurisdiction to ensure compliance. Further, the Boards have all brought their postings up to date and will continue to do so. Although the agency does not agree that it has responsibility over the Joint Enforcement Commission on Employee Misclassification, we will seek to have discussions with our partner agencies named in the statute, Department of Insurance, Office of the Attorney General, Department of Consumer Protection, Department of Revenue Services and the Workers' Compensation Commission, to determine if the actions that are currently being taken by the agencies obviate the need to continue this Commission which has not met in many years."

STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our prior audit report on the Department of Labor contained eight recommendations. Four 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 administrative oversight and pursue adoption of statutorily required regulations or request legislative changes to repeal unnecessary or outdated regulatory mandates.	RESOLVED
The Department of Labor should strengthen internal controls over the review and approval of timesheets.	RESOLVED
The Department of Labor should strengthen internal controls by ensuring proper segregation of duties over the collection, recording, and depositing of revenues.	RESOLVED
The Department of Labor should implement internal controls for asset management that ensure compliance with state property control requirements and reliable reporting.	REPEATED Recommendation 6
The Department of Labor should strengthen internal controls to ensure compliance with its statutory reporting requirements.	RESOLVED
The Department of Labor should ensure its disaster recovery plan is current, tested annually, and distributed to all relevant staff.	REPEATED Modified Form Recommendation 5
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 Modified Form Recommendation 7

Prior Recommendation	Current Status
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.	REPEATED Recommendation 1

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, 2023 and 2024. 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. We also determined the status of the findings and recommendations in our prior audit report.

The Department of Administrative Services administers information technology and human resource services for the Department of Labor. Our audit reviewed these functions, based on assessments of risk and significance, as they relate to the Department of Labor. Our review did not include reviewing other aspects of the Department of Administrative Services' operations.

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 noncompliance 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.

- 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 provide 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. 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 21-200, effective January 1, 2022, made numerous changes to the state's unemployment insurance laws, including: 1) increased the minimum weekly benefit from $15 to $40, with annual adjustments for inflation; 2) increased the minimum earnings to qualify for a benefit from $600 to $1,600, with annual adjustments for inflation; 3) froze the maximum benefit rate for certain claims filed from 2024 through 2028; 4) raised the taxable wage base from $15,000 to $25,000, effective January 1, 2024, with an annual adjustment for inflation for the calendar years commencing on or after January 1, 2025; and 5) modified the employers' experience tax rates.

- Public Act 22-67, effective May 23, 2022, revised provisions of Public Act 21-200. This act adjusts the change in the calculation of an employer's experience tax rates and the calculation of construction workers' benefits.

- Special Act 23-3, effective June 29, 2023, required the Department of Labor to study its data breaches and false unemployment claims by January 1, 2024. The study should include the department's efforts to mitigate data breaches and false unemployment claims and its efforts to communicate with individuals potentially harmed by such events.

- Public Act 23-162, effective October 1, 2023, authorized the issuance of stop work orders to employers that knowingly or willfully violate the requirement to pay employees the prevailing wage on public works projects. The act increased the civil penalty for violating a work order from $1,000 to $5,000 per day. The act also increased the penalty for an employer's hindrance to the investigation or enforcement of stop work orders from a fine of a $250 maximum to a minimum of $1,000.

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,		
	2022	2023	2024
Federal Contributions	$ 35,494,561	$ 45,866,232	$ 45,349,971
Recoveries of Expenditures	(1,100,867)	(1,730,179)	(860,744)
Fees and Fines	762,128	812,597	846,334
Refund of Expenditures	641,593	1,096,164	787,882
Miscellaneous	-	585	3,364
Total	$ 35,797,415	$ 46,045,399	$ 46,126,807

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,		
	2022	2023	2024
Personal Services and Employee Benefits	$ 21,886,989	$ 40,417,667	$ 30,300,199
Employee Expenses and Allowances	51,158	88,388	126,576
Contractual Services	6,065,997	5,154,384	4,443,259
Commodities	167,238	92,692	80,956
Capital Outlays	-	11,674	1,758
Grants	47,497,461	51,566,646	56,917,155
Other	(7,813,319)	5,625,147	(2,875,270)
Total	$ 67,855,524	$ 102,956,598	$ 88,994,633

The fund's personal services and employee benefits expenditure fluctuation was primarily attributed to the monies appropriated by the state. In fiscal year 2023, carry forward funding of $25 million was authorized for staff to reduce unemployment insurance processing times. Total personal services and employee benefits expenditures decreased in total over all funds, in fiscal years 2023 and 2024.

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. In fiscal year 2023, the department paid a significant fringe benefit reimbursement of almost $11 million.

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 fiscal years 2023 and 2024, DOL transferred $5,500,000 and $8,000,000 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.

Schedule 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,		
	2022	2023	2024
Employment Security Administration Fund	$ 111,062,766	$ 109,190,406	$ 82,090,259
Grants and Restricted Accounts Fund	27,878,115	5,164,839	2,865,083
Employment Security Special Administration Fund	5,840,611	5,538,316	8,256,884
Special Assessment Unemployment Compensation Advance Fund	71,451	-	-
Banking Fund	2,319	993	41,445
Workers' Compensation Fund	298	2,649	29,383
Total	$ 144,855,560	$ 119,897,203	$ 93,283,054

The decreases in receipts were primarily due to reduced federal funding provided for 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,		
	2022	2023	2024
Personal Services and Employee Benefits	$ 86,668,836	$ 55,925,330	$ 62,303,830
Employee Expenses and Allowances	63,900	196,318	193,047
Contractual Services	31,535,890	10,630,520	14,054,522
Commodities	268,836	503,511	154,702
Indirect Overhead – Federal and Other	10,762,466	6,824,207	3,077,824
Grants	11,366,922	12,147,612	21,657,124
Capital Outlay	215,950	12,198	74,749
Unemployment Compensation – Transfer – U.S. Treasury and Interest Expense	126,085,913	46,850,000	-
Other	(26,490)	(480,400)	(313,574)
Total	$ 266,942,223	$ 132,609,296	$ 101,202,224

Personal services and employee benefits expenditures fluctuated based on increased monies appropriated to the General Fund in fiscal year 2023, thus reducing the Special Revenue funding needed. The decrease in contractual services was due to less information technology consultant services being required following the implementation of the new unemployment insurance system (ReEmployCT). The significant expenditures for fiscal year 2022 and 2023, respectively, were primarily due to a transfer of $125,000,000 and $46,850,000 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,		
	2022	2023	2024
Employer Tax Contributions	$ 667,336,960	$ 617,771,157	$ 578,527,005
Reimbursement from the State, Municipalities and Nonprofits	27,067,707	26,914,186	44,234,305
Reimbursements from Other States	6,762,507	7,448,469	12,727,306
Reimbursements from the Federal Employee Compensation Account	5,394,574	2,157,777	1,800,938
Federal Contributions	707,805,769	9,041,247	2,375,446
Income from State of CT – Coronavirus Relief Funds/American Rescue Plan Act Funds for Loan Repayment	125,000,000	40,000,000	10,000,000
Income from State of CT – Coronavirus Relief Fund/American Rescue Plan Act Funds for Loan Interest Payment	1,085,913	6,850,000	1,200,000
Emergency US Relief 50 Reimbursement Distribution to UC Trust Fund	30,517,503	118,686	-
UC Trust Fund Advances	227,667,768	256,992,117	262,592,524
Federal Unemployment Tax Act Credits	7,923	31,766,504	842,707
Federal Trust Fund Interest Income	-	551,677	1,734,357
Income Derived from Claimant Fraud Penalty	1,405,805	822,747	664,658
Other	1,947,841	-	-
Total	$ 1,802,000,270	$ 1,000,434,567	$ 916,699,246

Total receipts decreased significantly in fiscal year 2023 as the pandemic-induced federal programs ended.

Calendar Year	Fund Solvency Rate	New Employer Rate	Range of Tax Rates
2024	1.0%	2.5%	1.1% to 7.8%
2023	1.2%	2.8%	1.7% to 6.6%
2022	1.4%	3.0%	1.9% to 6.8%
2021	1.4%	3.0%	1.9% to 6.8%

The Unemployment Trust Fund balances were $85,023,974, $118,186,633, and $87,551,817 on June 30, 2022, 2023, and 2024, respectively.

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,		
	2022	2023	2024
Benefits Paid with Employer Contributions, Federal Loans and Federal Reed Funds	$ 471,349,839	$ 452,523,588	$ 615,391,971
Benefits Paid for the State, Municipalities and Nonprofits	52,282,079	27,350,460	36,644,940
Benefits Paid for Other States	7,267,315	11,691,708	6,704,225
Benefits Paid from Federal Employee Compensation Account	2,362,652	2,157,124	1,806,857
Benefits Paid with Federal Contributions	707,302,739	9,716,515	3,155,727
Principal Payment on Trust Fund Advances (from Employer Contributions)	657,513,994	387,219,394	252,592,524
Principal Payment on Trust Fund Advances (from CRF/ARPA funds)	125,000,000	40,000,000	10,000,000
Potential Loss to State – Identity Theft -State and Federal Benefits	153,477	6,762,695	-
Billing Employer Applied U.S. Relief Reimbursements 50% Benefit Credit Adjustments	1,085,913	118,686	-
Other	1,265,977	19,100,496	42,529,727
Total	$ 2,025,583,985	$ 952,678,916	$ 968,825,971

Total disbursements decreased significantly in fiscal year 2023 as the economy recovered from the pandemic.

Funds Awaiting Distribution Fund and Wage Restitution Account

Fund collections totaled $1,567,251 and disbursements and transfers totaled $1,369,808 during the audited period. Of these amounts, collections for the Wage Restitution Account totaled $1,353,364 and disbursements and transfers totaled $1,323,162.

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.