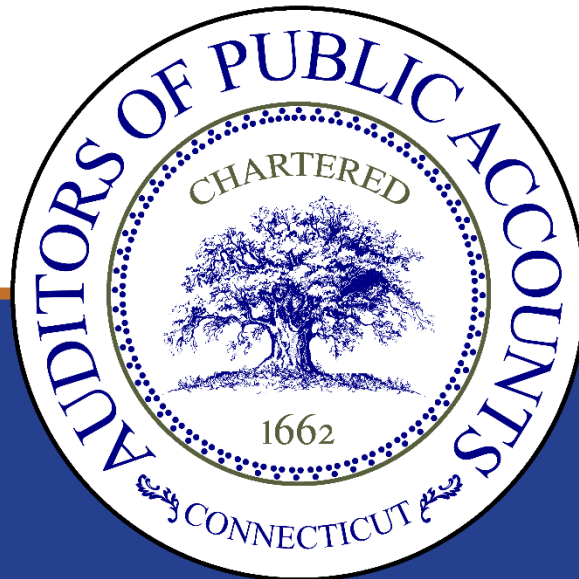


AUDITORS' REPORT

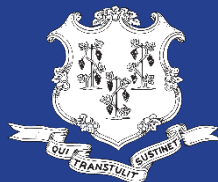
Military Department

FISCAL YEARS ENDED JUNE 30, 2022 AND 2023



STATE OF CONNECTICUT
Auditors of Public Accounts

JOHN C. GERAGOSIAN
State Auditor



CRAIG A. MINER
State Auditor

CONTENTS

INTRODUCTION.....	3
STATE AUDITORS' FINDINGS AND RECOMMENDATIONS	4
Incorrect Separation Payments	4
Inventory Reporting Deficiencies	6
Lack of Annual Physical Inventory.....	8
Inadequate Internal Controls over Capitalizing and Expensing Building Projects	9
Deficiencies in the Military Relief Fund Grant Process.....	11
STATUS OF PRIOR AUDIT RECOMMENDATIONS	14
OBJECTIVES, SCOPE, AND METHODOLOGY	15
ABOUT THE AGENCY	17

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

CRAIG A. MINER

August 12, 2025

INTRODUCTION

We are pleased to submit this audit of the Military Department for the fiscal years ended June 30, 2022 and 2023 in accordance with the provisions of Section 2-90 of the Connecticut General Statutes. Our audit identified internal control deficiencies and instances of noncompliance with laws, regulations, or policies.

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

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

Thomas Caruso
Amanda Lee
Jill Schiavo

A handwritten signature in black ink that reads "Jill A. Schiavo".

Jill A. Schiavo
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 that reads "Craig A. Miner".

Craig A. Miner
State Auditor

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Military Department disclosed the following five recommendations, of which one was repeated from the previous audit.

Finding 1

Incorrect Separation Payments

Criteria

Section 5-247 of the General Statutes requires state agencies to pay employees who retire from state service a lump sum payment for accrued sick leave at a quarter of the employee's salary up to 60 days of accrued leave.

Section 5-252 of the General Statutes requires state agencies to pay employees who leave state service a lump sum payment for accrued vacation leave.

Applicable bargaining unit contracts also require that employees receive compensation for unused vacation and sick hours upon separation.

Condition

Our review of ten employees' vacation and sick leave separation payments, totaling \$322,455, revealed that the department overpaid \$1,040 to two employees and underpaid \$700 to one employee.

Context

During fiscal years 2022 and 2023, twenty-two employees received \$401,310 in leave payments upon separation. We judgmentally selected ten employees for review.

Effect

When the department does not accurately pay departing employees for accumulated leave, it does not adequately protect the state's resources or fulfill its obligations to the employees.

Cause

Preparer errors and lack of supervisory oversight caused the inaccurate separation payouts.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Military Department should strengthen internal controls to ensure employee separation payments are made in accordance with Sections 5-247 and 5-252 of the General Statutes and applicable collective bargaining agreements. The department should attempt to collect overpayments and correct underpayments.

Agency Response

"We agree with this audit finding that highlights both overstated and understated retirement accrual payouts of 0.008% margin of error. As a proactive measure, the agency has engaged the retirement unit for assistance. We are initiating the recovery of erroneously paid earnings from the two identified employees through an agency recoupment YMIL deduction via future retirement disbursements. Should this recoupment method prove unfeasible, we will offer an appropriate repayment plan to the employees. Each affected employee will be notified once the appropriate method of recoup is determined.

To address the understated earnings, we will reactivate the employee in CORE CT and ensure they receive the appropriate compensation. We have sought additional guidance from the retirement unit regarding the impact of added payroll earnings on retirement distributions and are awaiting their response. The employee will be notified once the response is received.

In response to the audit's recommendations, we are committed to strengthening our internal controls to prevent future discrepancies. We will implement the following corrective actions:

1. Calculation Facilitation: Payroll clerk will perform all separation payment calculations.
2. Review and Verification: Payroll supervisor will review and verify all calculations before entry into the system.
3. Check Register Review: Payroll will conduct a thorough check register review of payouts by Tuesday of each pay cycle, allowing time for necessary corrections before processing additional separation payments.

Additionally, the current job aid will be revised to provide clear, comprehensive guidelines for calculating compensation for the remaining vacation and sick hours, ensuring full compliance with the applicable bargaining unit contracts.

The department is committed to ensuring accurate and timely separation payments and will continue to improve its internal processes to prevent future errors. We appreciate the audit's recommendations and will implement the necessary actions to address the overpayments and underpayments promptly."

Finding 2

Inventory Reporting Deficiencies

Criteria

Section 4-36 of the General Statutes requires state agencies to annually report a detailed inventory of its state-owned property to the Office of the State Comptroller.

The State Property Control Manual requires agencies to submit an annual Asset Management/Inventory Report (CO-59 report) of all capitalized real and personal property as of June 30th by October 1st. The amounts reported should be supported by Core-CT inventory module query data. If the amounts do not agree, the agency must provide a written explanation for any discrepancies.

Condition

Our review of the Military Department's fiscal year 2022 and 2023 CO-59 reports disclosed errors carried throughout the audited period impacting the fiscal year 2023 reported ending balances as follows:

- The department understated the building ending balance by \$31,500 due to an incorrect beginning balance and an unresolved previous adjustment error.
- The department understated the equipment ending balance by \$128,072 due to an incorrect beginning balance, miscalculations, incorrect asset classifications, and unresolved previous errors.

Context

The Military Department reported \$314,023,269 in real and personal property on its CO-59 report as of June 30, 2023. Of this amount, the department reported \$274,175,280 in buildings and \$10,982,168 in equipment.

Effect

The department's failure to accurately report asset information on its CO-59 report could lead to inaccurate financial reporting.

Cause

The department reported inaccurate figures due to preparer errors and lack of agency staff.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Military Department should strengthen internal controls to ensure that it accurately prepares and supports its CO-59 report in accordance with the State Property Control Manual.

Agency Response

"We agree with the findings of the audit and acknowledge the discrepancies identified in the Military Department's CO-59 forms for the fiscal years ending June 30, 2022, and 2023. Specifically, the errors in the building and equipment balances, which resulted from incorrect beginning balances, miscalculations, asset classification issues, unresolved prior errors, and vacancy for most of reporting period impacted the accuracy of the FY2023 reported balances.

The failure to accurately report asset information affects the Office of the State Comptroller's ability to prepare an accurate Annual Comprehensive Financial Report, in compliance with Section 4-36 of the Connecticut General Statutes and the State Property Control Manual.

To address the findings and improve the accuracy of the CO-59 report, we are committed to strengthening internal controls as outlined in the proposed Standard Operating Procedure (SOP) for the accurate preparation, review, and submission of the CO-59 form.

The SOP includes the following key steps:

- Asset Data Compilation: Reconcile asset data with Core-CT and previous year balances.
- Verification of Adjustments: Ensure the resolution of prior discrepancies and document unresolved issues.
- Asset Classification and Calculation: Correctly classify and reflect asset depreciation and disposal.
- Internal Review: Implement a multi-level review process for data integrity.
- Final Approval and Submission: Ensure management approval and submit the CO-59 form by the October 1 deadline.

By following these procedures, we aim to ensure compliance, enhance the accuracy of our asset reporting, and provide the necessary documentation for future audits. This will allow the Comptroller's Office to prepare an accurate and timely financial report."

Finding 3

Lack of Annual Physical Inventory

Criteria

Section 4-36 of the General Statutes requires each state agency to establish and maintain inventory records as prescribed by the Office of the State Comptroller.

The State Property Control Manual requires state agencies to conduct a complete physical inventory of all property by the end of the fiscal year to ensure property control records accurately reflect the inventory on hand within the current fiscal year.

Condition

The Military Department did not conduct a complete annual physical inventory during fiscal year 2023. Of the 1,514 controllable and capital assets on the agency's inventory listing, the department did not perform a physical inventory of 588 assets, totaling \$8,581,939. In addition, our review of 40 assets on the inventory list found the department did not properly tag three assets, totaling \$212,066.

Context

The department had 1,514 controllable and capital assets, totaling \$11,738,955, as of August 21, 2023. We judgmentally selected 40 items from five facilities for physical inspection.

Effect

The lack of physical inventories increases the risk of noncompliance with state policies, inaccurate inventory records, and theft.

Cause

The department was understaffed during the audited period. The person previously responsible for these duties transferred to another agency.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Military Department should strengthen internal controls over asset management by performing annual physical inventories at all facilities and promptly tagging newly acquired assets in accordance with Section 4-36 of the General Statutes and the State Property Control Manual.

Agency Response

"We agree with the audit findings and acknowledge that the Military Department did not conduct a complete annual physical inventory for the fiscal year ended June 30, 2023, as required by the State Property Control Manual and Section 4-36 of the General Statutes. The review of 40 assets found that three assets, totaling \$212,066, were not appropriately tagged. This failure to conduct a physical

inventory increases the risk of noncompliance, inaccurate records, and potential asset misappropriation.

The lack of a complete inventory can be attributed to understaffing during most of the audit period, coupled with the transfer of the person responsible for these duties to another agency. We recognize the importance of proper asset tagging and timely physical inventories in maintaining accurate records and reducing risks.

In response to these findings, we are committed to strengthening our internal controls over asset management. We will implement the recommended Standard Operating Procedure (SOP) for Annual Physical Inventory and Asset Tagging, which includes the following key actions:

- Asset Tagging and Verification: Ensure all assets are tagged upon receipt and physically verified annually.
- Inventory Process: Appoint an Inventory Team, develop a comprehensive schedule, and ensure all assets are inventoried before June 30 each year.
- Documentation and Reconciliation: Maintain detailed records, investigate discrepancies, and reconcile inventory with financial records.
- Training and Compliance: Provide ongoing staff training on inventory procedures to ensure compliance with the State Property Control Manual and statutory requirements.

These measures will help ensure the accuracy of asset records, mitigate risks, and enhance compliance with state policies.”

Finding 4

Inadequate Internal Controls over Capitalizing and Expensing Building Projects

Criteria

The State Property Control Manual provides that agencies should capitalize additions, renovations, or improvements, which increase the economic benefits of an asset, less the cost to return the asset to its original condition. Agencies should expense any maintenance or repair that returns a capital asset to its original condition, regardless of the amount spent. Agency personnel decide this for each project.

Condition

We identified building projects for which the department expensed work in some instances and capitalized similar work in other instances for the same project. The department lacked documentation to support its decisions on these projects. Additionally, the department did not document whether it subtracted the cost to return the building to its original condition from the capitalized amount.

Context

We performed a review of premises, repair, and building improvement projects with expenditures greater than \$50,000 during fiscal years 2022 and 2023. These projects had approximately \$34 million in associated costs.

Effect

Asset and expenditure amounts reported on the state's Annual Comprehensive Financial Report may be inaccurate.

Cause

Although the department developed procedures, its staff does not consistently document building projects as capitalized or expensed.

Prior Audit Finding

This finding has been previously reported in the last audit report covering the fiscal years 2019 through 2021.

Recommendation

The Military Department should develop stronger internal controls to determine when it should expense or capitalize additions, renovations, improvements, and repairs to capital assets in accordance with the State Property Control Manual.

Agency Response

"We agree with the audit findings regarding the inconsistent capitalization and expensing of building project costs. We recognize that the Military Department did not consistently document decisions on whether additions, renovations, improvements, and repairs should be capitalized or expensed, and we failed to appropriately subtract the cost to return the building to its original condition when capitalizing assets. This lack of documentation may result in inaccurate asset and expenditure reporting on the state's Annual Comprehensive Financial Report.

The cause of these discrepancies appears to be inconsistent application of procedures, despite existing guidelines. The department acknowledges that clearer internal controls and consistent documentation are necessary to ensure accurate financial reporting in compliance with the State Property Control Manual.

To address this, we have developed the following Standard Operating Procedure (SOP) to ensure proper capitalization versus expensing of building projects:

- Project Review and Cost Breakdown: Finance and Facilities teams will jointly assess and document the scope of each

building project, ensuring that capitalizable costs are clearly identified, and cost breakdowns are required from contractors.

- Capitalization Assessment: Each cost item will be classified appropriately, with the cost to restore assets to their original condition deducted when applicable.
- Approval and Documentation: A Capitalization vs. Expense Justification Form will be completed for each project, and all decisions will be documented, approved, and stored with project files.
- Financial Updates: The Asset Register will be updated for capitalized portions, and expensed portions will be recorded in accordance with the policy.

By implementing this SOP, we aim to strengthen internal controls, improve consistency in our asset management practices, and ensure compliance with state reporting requirements.”

Finding 5

Deficiencies in the Military Relief Fund Grant Process

Criteria

Section 27-100a subsection (c) of the General Statutes establishes the Military Relief Fund to make grants to eligible members of the armed forces or their immediate family members. These grants are for essential personal or household goods or services in the state in cases in which these payments would be a hardship because of the eligible members’ military service. The Military Department shall not make any grant that exceeds five thousand dollars or the balance available for grants in the fund.

Section 27-100a subsection (d) of the General Statutes requires the Military Department to act on each application no later than seven days after the completed application is submitted to the department.

The Military Department’s application requires applicants to provide proof of hardship, which includes wage stubs, bank accounts, lease, mortgage statements, property taxes, medical bills, and other necessary expenses.

The Military Department utilizes CTMD Form 7-4, Meeting Minutes, to document the Military Relief Fund Committee's decision whether to fund the applicant's request.

Condition

Our review of ten approved Military Relief Fund grant applications, totaling \$30,828, revealed the following:

- The department approved three applications between seven and 113 days late and did not provide documentation to support when the committee approved two applications.
- The department awarded an applicant \$1,450 but did not have documentation on file to support \$657 of their expenses.
- The department did not have the CTMD Form 7-4, Meeting Minutes on file to support four funding approvals, totaling \$9,950.
- The department did not have two funding award letters on file, totaling \$7,500.

Context

The Military Department received 25 grant applications during fiscal years 2022 and 2023. We reviewed all ten approved grant applications, totaling \$30,828.

Effect

The Military Department may not be promptly providing funds to applicants or may be funding ineligible applicants.

Cause

The department did not obtain or maintain documentation throughout the application process.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Military Department should improve internal controls to ensure it promptly provides Military Relief Funds to eligible service members. The department should adequately support its funding decisions to ensure compliance with its application process and Section 27-100a of the General Statutes.

Agency Response

"The Military Department agrees with the audit findings and acknowledges the need for improved internal controls to ensure Military Relief Funds are provided to eligible service members in a timely and well-documented manner, in accordance with Section 27-100a of the General Statutes.

Timeliness of Application Processing: We recognize that in some cases, the department exceeded the seven-day response requirement due to incomplete applications. We will strengthen

internal procedures to ensure that applications are complete before processing begins and will work to ensure that all applications are processed in a more timely manner.

Missing Documentation for Grant 2022-005: We agree that Grant 2022-005, totaling \$1,450, is missing \$657 in supporting documentation. The department will review its processes to ensure that all required documentation is obtained and maintained for each application and grant award.


CTMD Form 7-4, Meeting Minutes: The department does not use hardcopy CTMD Form 7-4 for recording decisions; instead, we utilize an Access database to document committee decisions and dispositions. We will update our internal procedures to ensure that all meeting decisions are accurately logged in the Access system and that the database is consistently reviewed for completeness and accuracy.

Missing Award Letters: We acknowledge that two award letters are missing for grants totaling \$7,500. The department will update its procedures to ensure that all awardees are notified in a timely manner and that all notifications are properly documented for future reference.

In summary, the Military Department is committed to strengthening our internal controls and updating procedures to ensure compliance with applicable regulations, improving the accuracy and timeliness of grant disbursements, and maintaining proper documentation throughout the process."

STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our [prior audit report](#) on the Military Department contained one recommendation. The recommendation has been repeated or restated with modifications during the current audit.

Prior Recommendation	Current Status
The Military Department should develop and implement internal controls to determine when it should expense or capitalize additions, renovations, improvements, and repairs to capital assets in accordance with the State Property Control Manual.	 Recommendation 4

OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the Military Department 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, 2022 and 2023. 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, asset management, reporting systems, and the Military Relief Fund grants. We also determined the status of the finding and recommendation 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. 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:

1. Identified deficiencies in internal controls;
2. Identified apparent noncompliance with laws, regulations, contracts and grant agreements, policies, or procedures; and

3. Did not identify 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 Military Department.

ABOUT THE AGENCY

Overview

Title 27 of the General Statutes contains the [Military Department's](#) authority and responsibilities. The department's principal responsibilities are to train, resource, and coordinate state emergency response assets and plan for and protect citizens and their property in times of war, terrorism, invasion, rebellion, riot, or disaster. The Military Department facilitates public safety during emergencies.

Organizational Structure

The Military Department is functionally divided into four major components: Headquarters, Connecticut Army National Guard, Connecticut Air National Guard, and the Organized Militia. Headquarters includes the adjutant general and assistant adjutant general, who are appointed by the Governor. The adjutant general is the commander of the National Guard and Organized Militia and oversees civilian employees who provide administrative support to the department's military personnel. The adjutant general commands the elements of the Military Department through the Joint Force Headquarters located in the William A. O'Neill Armory in Hartford. As of June 30, 2023, the Connecticut Army National Guard consisted of four major commands with 64 units stationed in 14 state readiness centers, four armed forces reserve centers, two Army aviation facilities, five maintenance facilities, and five training facilities. The Connecticut Air National Guard consists of a headquarters and the 103d Airlift Wing. The Airlift Wing is comprised of the 103d Air Control Squadron based in Orange and the 103d Maintenance Group, Operations Group, Mission Support Group, and Medical Group, which are all located in East Granby. The Organized Militia consists of the Connecticut State Guard, Connecticut State Guard Reserve, and the Governor's Foot and Horse Guards.

Major General Francis J. Evon was appointed adjutant general on July 1, 2018, and continues to serve in that capacity.

Significant Legislative Changes

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

- **Public Act 22-62** (Section 3), effective July 1, 2022, authorized the Governor to order the Governor's Guards to state military duty at any time. Previously, the Governor was permitted only during times of war, invasion, rebellion, riot, or in anticipation of emergency situations.

Financial Information

Receipts

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

	Fiscal Year Ended June 30,		
	2021	2022	2023
General Fund	\$ 62,285	\$ 81,992	\$ 26,397
Federal and Other Restricted Accounts Fund	30,525,240	21,786,427	22,934,950
Total	\$ 30,587,525	\$ 21,868,419	\$ 22,961,347

The department receives federal grants from the Department of Defense to provide support to the Army and Air National Guards for the construction, maintenance, and operation of military facilities. Federal grants accounted for over 95% of revenues during the fiscal years under review. Revenues vary due to the timing of the department's drawdowns and payments from the federal government each fiscal year.

General fund and other revenue are comprised of income from facility rentals, the Horse Guard Public-Private Partnership, the New England Disaster Training Center, Foot and Horse Guard fees for services, refunds of prior years' expenditures, and the sale of property.

Expenditures

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

	Fiscal Year Ended June 30,		
	2021	2022	2023
General Fund	\$ 5,662,172	\$ 6,249,670	\$ 6,288,688
Federal and Other Restricted Accounts Fund	26,966,028	29,739,850	29,086,297
Capital Equipment Purchase Fund	98,637	52,331	-
Capital Improvements and Other Purpose Fund	1,866,847	633,367	962,355
Total	\$ 34,593,684	\$ 36,675,218	\$ 36,337,340

	Fiscal Year Ended June 30,		
	2021	2022	2023
Personal Services and Employee Benefits	\$ 14,164,123	\$ 14,493,608	\$ 15,532,167
Purchases and Contracted Services	2,743,812	491,475	716,946
Building and Construction Costs	1,498,959	3,788,143	2,387,719
Rental and Maintenance - Equipment	170,723	499,428	1,126,370
Motor Vehicle Costs	323,399	142,779	155,145
Premises and Property Expenses	8,246,170	9,594,509	8,535,403
Information Technology and Communications	214,889	561,063	439,575
Utilities	3,981,953	3,941,105	5,080,567
Other Expenses	1,681,368	1,897,255	1,929,753
Grants	642,514	828,541	86,128
Capital Outlays	925,774	437,312	347,567
Total	\$ 34,593,684	\$ 36,675,218	\$ 36,337,340

Federal grants accounted for over 80% of expenditures during the fiscal years under review. The General Fund includes expenditures for the Military Relief Fund. The Military Relief Fund is a non-lapsing General Fund account established to provide financial assistance in times of hardship to immediate family members of military service personnel residing in Connecticut.

Variances are due to construction projects and repairs which fluctuate based on operational requirements, funding availability, and need. To utilize federal Department of Defense construction improvement funds, the department must use a portion of state funding for these projects. The increase in personal services and employee benefits in fiscal year 2023 was attributed to national guard soldiers working in a state active-duty capacity on a new program with the Secretary of the State reviewing municipal election controls. The increase in rental and maintenance of equipment was due to repairs needed on the department's aging systems at three of its facilities.