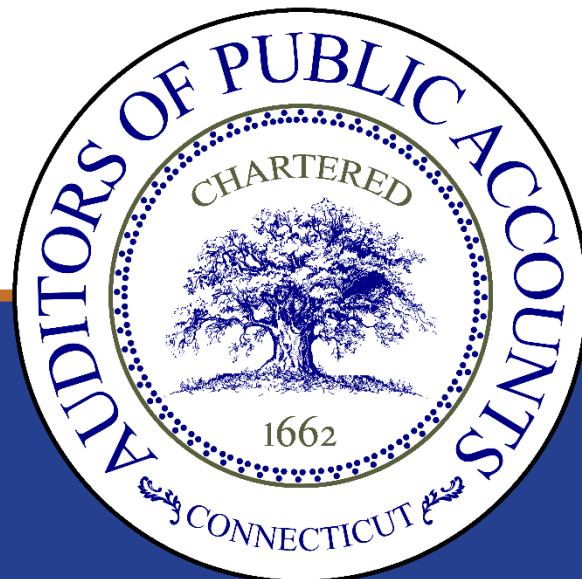


# AUDITORS' REPORT

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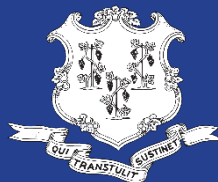
## Office of Policy and Management

FISCAL YEARS ENDED JUNE 30, 2021, 2022, AND 2023



**STATE OF CONNECTICUT**  
Auditors of Public Accounts

**JOHN C. GERAGOSIAN**  
State Auditor



**CRAIG A. MINER**  
State Auditor

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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CRAIG A. MINER

January 28, 2025

INTRODUCTION

We are pleased to submit this audit of the Office of Policy and Management for the fiscal years ended June 30, 2021, 2022, and 2023 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 Office of Policy and Management during the course of our examination.

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

Khemberly Cabonita  
Todd Clark  
Mitchell Molleur  
Nikolaos Perdikakis  
Erica Reed

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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 Office of Policy and Management disclosed the following two recommendations which were not repeated from the previous audit.

## **Finding 1**

### **Lack of Documentation Supporting Overtime**

<b>Criteria</b>	<p>Section 5-245 of the General Statutes provides that employees can receive overtime pay when authorized by their supervisor.</p> <p>Proper internal controls require an agency to have written overtime policies that require a supervisor to preapprove overtime and document their approval.</p>
<b>Condition</b>	<p>Our review of five instances of overtime totaling \$5,778 disclosed that OPM did not preapprove overtime for four employees 55.50 hours of overtime totaling \$3,110. We also noted that OPM lacks written overtime policies.</p>
<b>Context</b>	<p>During fiscal years 2021, 2022, and 2023, 16 employees earned \$44,560 in overtime. We judgmentally selected the five largest overtime payments during the audited period.</p>
<b>Effect</b>	<p>There is reduced assurance that OPM properly authorized all overtime, which may lead to unnecessary expenses.</p>
<b>Cause</b>	<p>Controls over overtime were inadequate. In the cases noted, the office informed us that a supervisor verbally approved the overtime.</p>
<b>Prior Audit Finding</b>	<p>This finding has not been previously reported.</p>
<b>Recommendation</b>	<p>The Office of Policy and Management should strengthen internal controls to ensure that supervisors preapprove overtime and document their approval. The department should also develop written overtime policies.</p>
<b>Agency Response</b>	<p>"We agree with the finding. OPM has developed a written Overtime Policy which was shared with employees on November 22, 2023,</p>

and also posted on the agency's internal SharePoint site. All OPM policies, including the Overtime Policy, are reviewed, updated (if necessary), and disseminated to employees annually. In addition, OPM has implemented a process which ensures written preapproval for Overtime."

## Finding 2

# Inadequate Controls over the State Single Audit

### Criteria

Section 4-231(a)(1) of the General Statutes requires each non-state entity that expends \$300,000 or more in state financial assistance to have a state single or program-specific audit for that fiscal year.

Section 4-232(b) of the General Statutes provides that the non-state entity shall file a copy of its audit report with the cognizant agency and, if applicable, state grantor agencies and pass-through entities.

Section 4-235 of the General Statutes provides that the secretary of OPM shall designate cognizant agencies for audits conducted pursuant to sections 4-230 to 4-236. A cognizant agency shall ensure, through coordination with state agencies, that audits are made in a timely manner and ensure that corrective action plans are transmitted to the appropriate state officials. OPM is the cognizant state agency for municipalities, nonprofit organizations, tourism districts, and certain other audited agencies.

An adequate system of internal controls should include a process to accurately identify all required filers of state single or program-specific audits.

### Condition

OPM, in its role as the cognizant agency, does not use current year payment data to estimate which subrecipients need to submit a state single or program-specific audit for that fiscal year.

### Context

OPM received 587 audit reports for fiscal year 2021 and 601 audit reports for fiscal year 2022. Our review preceded the deadline for the fiscal year 2023 submission.

### Effect

OPM may be unaware of grantees required to submit a state single or program-specific audit.

### Cause

OPM has not implemented adequate procedures to identify entities that should submit a state single or program-specific audit. OPM identifies which entities should submit an audit by reviewing the last three year's audit submissions. If an entity submitted an audit report

in the last three years, OPM expects it to submit a current year audit unless it notifies the office why it is not required to submit an audit for that year.

**Prior Audit Finding**

This finding has not been previously reported.

**Recommendation**

The Office of Policy and Management should strengthen its internal controls to ensure that entities that expend \$300,000 or more in state financial assistance submit a state single or program-specific audit for that fiscal year.

**Agency Response**

“We agree with this finding. Under the State Single Audit (SSA) Act and its regulations, the determination of whether an entity is required to conduct a SSA is based upon the entity having expended \$300,000 or more in state financial assistance in the entity’s fiscal year. Core-CT is the state’s accounting and financial reporting system for payments made by state agencies to municipalities, other local governments, and nonprofit organizations. The system is administered by the State Comptroller’s Office and OPM has had discussions with that office for enhancement of the system to better identify state financial assistance payments. Currently, the system fails to provide the following:

- Identification of payments that are solely state financial assistance. Working with the State Comptroller’s Office, we have not been able to identify a field or set of fields in Core-CT that would enable us to accurately identify each payment made to an entity that is state financial assistance. In addition to state financial assistance payments, payments reflected in Core-CT include federal pass-through grants and fees for services. Such payments would need to be excluded in determining whether the entity is required to undergo an SSA.
- The fiscal year of the entity is not reflected in Core-CT. Unlike municipalities in the State, nonprofit organizations do not have a uniform fiscal year, and the fiscal year of an organization is not reflected in Core-CT. As previously indicated, the determination of whether an entity is required to undergo a SSA is based upon the amount of state financial assistance the entity expended in its fiscal year.

OPM will continue to engage directly with the State Comptroller’s Office and will pursue the State Analytical Reporting System (STARS) capabilities to develop a state financial assistance payment list or report. OPM has been unsuccessful in the past in developing such a payment list and therefore implemented a 3-year lookback process. This process, with assistance from state agencies, has been successful in identifying entities required to undergo a State Single Audit. Nevertheless, OPM recognizes that its current internal control

system can be strengthened and will continue to work to enhance its internal controls.”

# STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our [prior audit report](#) on the Office of Policy and Management contained three recommendations. All three have been implemented or otherwise resolved during the current audit.

<b>Prior Recommendation</b>	<b>Current Status</b>
The Office of Policy and Management should improve internal controls and communication with the Capital Region Development Authority's outside management company staff to comply with the inventory requirements in the State Property Control Manual. In addition, the office should store all sensitive information in a secure location.	<b>RESOLVED</b>
The Office of Policy and Management should improve internal controls and communication with the Capital Region Development Authority outside management company staff to comply with the annual inventory reporting requirements of the State Comptroller.	<b>RESOLVED</b>
The Office of Policy and Management should post personal service agreements on the Department of Administrative Services' contracting portal as required by Section 4e-13(a) of the General Statutes.	<b>RESOLVED</b>



# OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the Office of Policy and Management 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, 2022, and 2023. The objectives of our audit were to evaluate the:

1. Office's internal controls over significant management and financial functions;
2. Office's compliance with policies and procedures internal to the office 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, purchasing and expenditures, asset management, reporting systems, state single audits, office of labor relations grievance processing, and information technology. 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 office 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 office'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 Office of Policy and Management.

# ABOUT THE AGENCY

## Overview

The [Office of Policy and Management](#) operates primarily, under Title 4, Chapter 50, and Title 16a, Chapters 295, 297, and 298 of the General Statutes. The Governor appoints the secretary of the Office of Policy and Management who serves as the department head. OPM has broad statutory authority and serves as a centralized management and planning agency for the state. Section 4-65a of the General Statutes states OPM is responsible for all aspects of state staff planning and analysis in the areas of budgeting, management, planning, energy policy determination and evaluation, intergovernmental policy, criminal and juvenile justice planning, and program evaluation.

Pursuant to Sections 12-1c and 12-1d of the General Statutes, OPM is also responsible for municipal finance and local tax issues, including processing tax-related grants to towns and reimbursing towns for various tax relief programs (elderly homeowners, veterans, and the totally disabled). Section 12-170h of the General Statutes provides OPM the authority to enforce the provisions and make all necessary regulations for carrying out, enforcing, and preventing violations of all or any of the provisions regarding property tax relief for elderly homeowners, renters, and persons with permanent total disability.

OPM is also responsible for various oversight and control functions, including preparing and implementing the state budget, establishing agency financial policies, overseeing and coordinating state agency contracting for outside personal service contractors, and administering the Capital Equipment Purchase Fund used to acquire capital equipment for state agencies. The office also administers the state single audit program, which ensures adequate audit coverage of state grants to certain recipients. The OPM Office of Labor Relations (OLR) acts on behalf of the state in collective bargaining and other roles requiring employer representation.

In addition, OPM is responsible for coordinating the activities of certain advisory bodies and other programs including:

- [Municipal Finance Advisory Commission](#)
- [Connecticut Advisory Commission on Intergovernmental Relations](#)
- [Juvenile Justice Advisory Committee](#)
- [Criminal Justice Policy Advisory Commission](#)
- [Connecticut Partnership for Long Term Care](#)
- [Tobacco and Health Trust Fund Board of Trustees](#)
- [Connecticut Sentencing Commission](#)
- [Municipal Accountability Review Board](#)
- [State Bond Commission](#)
- [Finance Advisory Committee](#)
- [Racial Profiling Prohibition Project Advisory Board](#)

## Organizational Structure

OPM has eight divisions that report to the Office of the Secretary: (1) Administration, (2) Budget and Financial Management, (3) Criminal Justice Policy and Planning, (4) Data and Policy Analytics, (5) Finance, (6) Health and Human Services Policy and Planning, (7) Intergovernmental Policy and Planning, and (8) Labor Relations. Governor Lamont's Executive Order No. 2, centralized executive branch labor relations staff into the OPM Office of Labor Relations. OPM also maintains an office in the State Capitol for its legislative activities.

Melissa McCaw was appointed secretary of the Office of Policy and Management on January 9, 2019, and served in that position through March 11, 2022. Jeffrey Beckham was appointed as acting secretary of OPM on March 11, 2022. He was appointed as secretary of OPM on March 25, 2022 and currently serves in that capacity.

## Significant Legislative Changes

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

- **Public Act 21-3** (Sections 5 - 8), effective July 1, 2021, established a minimum reimbursement rate for payment in lieu of taxes grants and a proration method when appropriations are not sufficient enough to fully fund the grant amounts. This new proration method is based on each municipality's equalized net per capita grand list, designation as an alliance district, and percentage of state-owned property. The act required OPM to divide municipalities and districts into three tiers, based on these criteria, and ties their grant percentage (ranging from 30% to 50%) to the tiers.
- **Public Act 21-23** (Sections 2 and 18), effective May 27, 2021, and July 1, 2021, authorized the licensing and regulation of in-person and online sports wagering, online casino game, in-person and online keno, online lottery draw games other than keno, and fantasy contests. The act also required monthly payments ranging from 13.75% to 20% of gross revenues from sports wagering, online casino gaming, and fantasy contests from the Mashantucket Pequot and Mohegan tribes and the Connecticut Lottery Corporation.
- **Public Act 21-84** (Section 1), effective October 1, 2021, expanded eligibility for the local option Elderly Tax Freeze Program by decreasing the program's minimum age requirement from 70 to 65 years. However, the act allows a municipality, by vote of its legislative body, to set the program's minimum age requirement at 65 years or older.
- **Public Act 21-159**, effective July 1, 2021, aimed to expand access to broadband Internet service throughout the state. The act required OPM to develop a current broadband map with data showing the availability and adoption of broadband service. The act required the Secretary of OPM to publish the current broadband map on its website on or before December 1, 2022, and each year thereafter.
- **Public Act 21-2** (Section 449) of the June Special Session, effective July 1, 2021, authorized the secretary of the Office of Policy and Management to transfer funds to reimburse towns for loss of taxes on state property account and reimburse towns for private tax-exempt property account, to the tiered payment in lieu of taxes account.
- **Public Act 22-35**, effective October 1, 2022, changed the criteria for designating, and ending the designation of, distressed municipalities as tier I, II, III or IV for state fiscal oversight and control by the Municipal Finance Advisory Commission or Municipal Accountability Review Board.

# 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,		
	2021	2022	2023
Mohegan Sun Gaming Receipts	\$ 135,753,300	\$ 139,525,276	\$ 152,410,384
Mashantucket Gaming Receipts	95,337,471	106,298,245	124,021,256
Refunds of Expenditures-Prior Year	103,055	14,803,760	76,851
Other General Fund Receipts	4,371	2,211	2,049
<b>Total</b>	<b>\$ 231,198,197</b>	<b>\$ 260,629,492</b>	<b>\$ 276,510,539</b>

The majority of General Fund receipts are from casino gaming. Although these receipts are credited to OPM, they are processed by the Department of Consumer Protection. OPM transfers a substantial portion of these funds into the Mashantucket Pequot and Mohegan Fund to provide grants to towns. The increase in gaming receipts during fiscal year 2023 was primarily due to receipts from online gaming and sports betting due to the passage of Public Act 21-23. The increase in refunds of expenditures during fiscal year 2022 was primarily due to a grantee returning unspent grant funds.

## 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,		
	2021	2022	2023
Personal Services	\$ 11,008,221	\$ 15,788,699	\$ 17,815,947
Other Expenses	1,747,893	1,051,971	1,756,965
Special Program or Projects	1,499,255	1,349,928	814,429
Aid to Other than Local Governments	22,680,303	23,908,716	24,469,300
Aid to Local Governments	278,063,576	345,184,065	457,693,640
<b>Total</b>	<b>\$ 314,999,248</b>	<b>\$ 387,283,380</b>	<b>\$ 502,550,281</b>

Personal services expenditures increased due to the centralization of labor relations staff across executive branch agencies into the OPM Office of Labor Relations. The centralization added 51 positions to OPM.

Aid to other than local governments increased in fiscal year 2023 due to additional payments for the Elderly Renters program. Aid to local governments increased in fiscal year 2022 due to Public Act 21-2 of the June Special Session and Public Act 21-3, which changed the payment in lieu of taxes formulas for state-owned real property, private colleges, and hospitals. Aid to local governments increased in fiscal year 2023 due to additional appropriations for municipal transition grants and the tiered payment in lieu of taxes program.

## Special Revenue Funds Receipts

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

	<b>Fiscal Year Ended June 30,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Tobacco Settlement Fund	\$ 133,139,422	\$ 136,839,402	\$ 127,290,860
Federal & Other Restricted Accounts Fund			
Federal Aid, Restricted	2,157,651,842	126,824,745	361,860,230
General Sales and Use Tax	2,040,552	418,521,337	439,747,205
Sales/Use Tax-Room Occupancy	5,443,005	9,127,721	10,425,977
Individual Use Tax	-	173,522	520,816
Grant Transfer Federal Grant-Restricted	1,003,555	-	1,067,533
Investment Interest	2,310,732	8,762,575	98,704,986
Other Receipts	328,354	727,520	214,201
Total Federal & Other Restricted	2,168,778,040	564,137,420	912,540,948
<b>Total</b>	<b>\$ 2,301,917,462</b>	<b>\$ 700,976,822</b>	<b>\$ 1,039,831,808</b>

### Tobacco Settlement

Sections 4-28e and 4-28f of the General Statutes established the Tobacco Settlement Fund to account for funds received by the state in conjunction with the Tobacco Litigation Master Settlement Agreement executed on November 23, 1998. The receipts are a product of the sales of the major tobacco companies, which a court-assigned certified public accounting firm calculated in advance. The proceeds are offset by transfers to the Department of Public Health, which administers the disbursement of the funds. These transfers totaled \$114,500,000, \$126,200,000, and \$124,500,000 during the fiscal years 2021, 2022 and 2023, respectively.

### Federal and Other Restricted Accounts

Federal aid decreased during fiscal year 2022 due to the receipt of American Rescue Plan Act (ARPA) funds from the U.S. Department of the Treasury for the Coronavirus State and Local Fiscal Recovery Funds and Emergency Rental Assistance programs in fiscal year 2021. The increase of federal aid during fiscal year 2023 was primarily due to OPM receiving additional ARPA funding for the Coronavirus State and Local Fiscal Recovery Funds and Elder Abuse Prevention Interventions programs.

The increase in investment interest during fiscal year 2023 was due to interest earned on unused Coronavirus Relief Fund and Coronavirus State and Local Fiscal Recovery funding.

The increase in general sales and use tax receipts during fiscal year 2022 was due to a statutory change that impacted the municipal revenue sharing account. Public Act 18-81 (sections 62 and 63) changed the commencement date of sales and use tax deposits into the municipal revenue sharing account to fiscal year 2022. As a result, the account received no municipal revenue sharing in fiscal year 2021.

## Special Revenue Funds Expenditures

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

	Fiscal Year Ended June 30,		
	2021	2022	2023
Federal & Other Restricted Accounts Fund	\$ 549,601,701	\$ 100,741,193	\$ 637,348,402
Small Town Economic Assistance Program	102,338,661	100,023,844	102,798,984
Mashantucket Pequot & Mohegan Fund	51,472,789	51,472,789	51,387,605
Local Capital Improvements	38,052,182	24,851,193	28,301,411
Capital Equipment Purchase Fund	131,219	158,191	85,214
Transportation Fund	-	631,022	606,878
Insurance Fund	482,343	527,347	340,511
Consumer Counsel Public Utility Fund	-	64,530	283,348
<b>Total</b>	<b>\$ 742,078,895</b>	<b>\$ 278,470,109</b>	<b>\$ 821,152,353</b>

### Federal and Other Restricted Accounts

Federal and Other Restricted Accounts Fund expenditures fluctuated due to OPM distributing \$448 million in Coronavirus State and Local Fiscal Recovery Funds during fiscal years 2021 and 2023, which the U.S. Department of the Treasury allocated to local governments.

### Small Town Economic Assistance Program

Section 4-66g of the General Statutes established the Small-Town Economic Assistance Program to provide grants-in-aid to any municipality or group of municipalities. The statutes provide guidelines on each municipality's eligibility.

### Mashantucket Pequot and Mohegan Fund

OPM uses Mashantucket Pequot and Mohegan Funds to provide formula-based grants to towns operating under Sections 3-55i through 3-55m of the General Statutes. The formula is based on several factors, including the value of the payment in lieu of taxes, grant payments to towns, town population, equalized net grand property list, and per capita income.

### Local Capital Improvement Program

The Local Capital Improvement Program (LoCIP) Fund operates under Sections 7-535 through 7-538 of the General Statutes and is financed through state bond proceeds. OPM reimburses towns for up to 100% of the cost of eligible capital improvement projects. Eligible projects generally consist of the construction, renovation, repair, and resurfacing of roads; sidewalk and pavement improvements; and public building and housing renovations and improvements.

The annual LoCIP expenditures fluctuate from year to year, since OPM-authorized projects must wait until the State Bond Commission places them on its agenda and votes to approve them.

### Non-Capital Improvement and Other Projects Fund

Total expenditures from the Non-Capital Improvement and Other Projects Fund were \$1,685,279, \$208,626, and \$699,814 during the fiscal years 2021, 2022, and 2023, respectively. This funding was primarily for road, sidewalk, and streetscape improvements in the vicinity of Rentschler Field and Urban Act grants approved by the State Bond Commission.

## **Capital Projects Funds**

Total expenditures from capital projects funds were \$880,815, \$771,750, and \$824,548 during the fiscal years 2021, 2022, and 2023, respectively. Capital projects funds account for bond sale proceeds used to acquire capital facilities financed from state bond sale proceeds. The legislature authorizes funds through bond legislation. State Bond Commission approval is generally required to make the funds available.

## **Stadium Facility Enterprise Fund**

The Stadium Facility Enterprise Fund was authorized under Section 32-657 of the General Statutes. Revenues and expenditures for the fund result from the operation and management of Rentschler Field stadium. Revenues were \$140,782, \$142,264, and \$180,166 during the fiscal years 2021, 2022 and 2023, respectively. Expenditures were \$150,432, \$57,834, and \$71,507 for the same period, respectively.