STATE OF CONNECTICUT

AUDIT REPORT

OFFICE OF THE GOVERNOR
FOR THE FISCAL YEARS ENDED
JUNE 30, 1999 AND 2000

AUDITORS OF PUBLIC ACCOUNTS
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October 1, 2001

AUDITORS' REPORT
OFFICE OF THE GOVERNOR
FOR THE FISCAL YEARS ENDED JUNE 30, 1999 AND 2000

We have made an examination of the financial records of the Office of the Governor for the fiscal years ended June 30, 1999 and 2000. We have included in our examination the records pertaining to the miscellaneous General Fund appropriation for Governor's contingencies, which was administered by the Governor's Office.

This report on our examination consists of the Comments, Condition of Records, Recommendations and Certification which follow. Financial statements pertaining to the operations and activities of the Governor's Office are presented on a Statewide Single Audit basis to include all State Agencies.

COMMENTS

FOREWORD:

The Office of the Governor is established under Article Fourth of the Constitution of the State of Connecticut and operates under the provisions of Title 3, Chapter 31, of the General Statutes. The Governor is charged with the responsibility of executive direction and supervision of the general administration of the State. John G. Rowland served as Governor during the audited period. The annual salary of the Governor was $78,000 during the audited period, as stated in Section 3-2 of the General Statutes.

The Department of Administrative Services provided accounting, payroll and personnel services for the Office of the Governor during the audited period.

RÉSUMÉ OF OPERATIONS:

General Fund receipts totaled $18,724 and $4,126 during the fiscal years ended June 30, 1999 and 2000, respectively. The source of these receipts was as follows:

	Fiscal Year Ended June 30,	
	2000	**1999**
Miscellaneous Receipts	$ -	$ -
Refunds of Expenditures	4,126	2,309
Grants – Federal	-	16,415
Total Receipts	**$ 4,126**	**$ 18,724**

Refunds of expenditures resulted primarily from refunds of personal telephone and travel expenses. Federal grant funds were obtained during the fiscal year ended June 30, 1999, to provide career internship for youths with developmental disabilities, Head Start-State Collaboration and Maternal and Child Health programs.

General Fund expenditures totaled $2,2226,273 and $2,586,687 during the fiscal years ended June 30, 1999 and 2000, respectively. A comparison of expenditures during the audited period and the fiscal year ended June 30, 1998, is presented below:

	Fiscal Year Ended June 30,		
	2000	**1999**	**1998**
Personal services	$2,083,167	$1,687,998	$1,813,670
Contractual services	464,952	468,238	502,416
Commodities	30,891	49,485	37,736
Sundry	7,577	18,552	21,807
Equipment	100	2,000	1,419
Total Expenditures	**$2,586,687**	**$2,226,273**	**$2,377,048**

The contractual services amounts above included expenditures associated with membership in the National Governors' Association, which amounted to $89,285 and $91,078 during the fiscal years ended June 30, 1999 and 2000, respectively. In addition, during the fiscal years 1998-1999 and 1999-2000, expenditures for participation in the New England Governors' Conference were $138,600 and $121,682, respectively.

In addition to the above General Fund expenditures, the Governor's Office also expended $8,855 and $19,589 from the Capital Equipment Purchases Fund for computer equipment during the fiscal years ended June 30, 1999 and 2000, respectively.

The Governor may make allocations from special appropriations budgeted for contingencies and salary adjustments. The Governor's contingency appropriation is established pursuant to Section 4-84 of the General Statutes. There was $18,000 of available appropriations in the contingency account during each of the two fiscal years under review with no expenditures. The Governor can make transfers to State agencies from the Reserve for Salary

Adjustments appropriation to enable them to meet increased payroll costs resulting from employee salary and fringe benefit increases. Appropriations of $165,563,390 and $35,483,301 were available for salary adjustments during the two fiscal years under review. These funds were provided for the payment of anticipated increases resulting from collective bargaining agreements. Amounts totaling $138,480,089 and $6,010,446 were transferred from the Reserve for Salary Adjustments to individual State agency appropriation accounts during the fiscal years ended June 30, 1999 and 2000, respectively.

During the audited period, there were two foundations associated with the Office of the Governor. These foundations are known as the Governor's Residence Conservancy, Inc. and the Executive Chambers Conservancy, Inc. Foundations are private, not-for-profit organizations, which may be formed in accordance with Section 4-37f of the General Statutes to support or improve a State agency. The Governor's Residence Conservancy raises private funds to assist in the restoration and preservation of the Governor's official residence. Administration of the Governor's Residence Conservancy’s funds is provided by the Department of Public Works. Statutory compliance on the part of the Governor's Residence Conservancy is reviewed as part of our audit of the Department of Public Works. The Executive Chambers Conservancy’s funds were primarily used to acquire furniture for the Governor's office chambers. In accordance with the provisions of Section 4-37f of the General Statutes, the Executive Chambers Conservancy has requested that the Auditors of Public Accounts perform the required audit of the entity. In a separate report, we will review and report on the Executive Chambers Conservancy’s compliance with statutory requirements.

CONDITION OF RECORDS

We noted areas in need of attention and corrective actions. These areas are described in the following sections.

Staffing of the Governor's Regional Offices:

Criteria:	Budgetary constraints in the form of authorized appropriations and positions are intended to provide a level of control over agency spending. Section 32-3 of the General Statutes states that the Connecticut Development Authority (CDA) shall assist, as appropriate, other State agencies in their duties upon request.
Condition:	The Governor's Bridgeport and Norwich offices have three employees and one employee, respectively, charged to the payroll of the CDA. The entire lease payment for the Bridgeport office is paid by CDA, which receives no reimbursement for the space utilized by the Governor's Office. Assistance to the Governor's Office is provided by CDA continuously rather than on an as-needed basis.
Effect:	Budgetary controls are weakened if an agency can be used to absorb other agencies' operating costs in such a fashion. The Governor's Office receives the benefit of the office space and the personal services without charge. The CDA is charged on an on-going basis for services that are not directly related to its operation.
Cause:	The efforts of the CDA employees are seen as contributing to the overall community development efforts in their respective regions.
Recommendation:	The Governor's Office should take steps to ensure that the expenses necessary to operate the Governor's Offices are properly allocated, and do not exceed the amounts budgeted by the General Assembly. (See Recommendation 1.)
Agency Response:	"In regard to the Governor's Bridgeport and Norwich offices, while we maintain that the personnel and operating costs associated with these offices advances CDA's mandate of facilitating economic benefits in these regions, we have decided to transition the costs associated with these offices from CDA to the Governor's Office. An agreement has been reached with CDA that transitions these expenses to the Governor's Office over the next three years.

The Governor's Office is committed to maintaining a presence in these regions and will work with other state agencies to coordinate an effort to continue to serve the needs of the people of the Southwestern and Southeastern regions of the state."

Appointments to Boards and Commissions:

Criteria: Section 4-10 of the General Statutes allows the Governor to select nominees that he deems to be in the best interest of the State to serve on boards and commissions.

Condition: We noted 81 vacant positions relative to 255 various boards and commissions as of the end of the audited period. This compares to the 112 vacancies on 60 various boards and commissions reported in our prior report. The Governor's Office has initiated efforts to improve its selection of nominees to serve on boards and commissions. Two full-time employees are now responsible for appointments to boards and commissions. In addition, a new database has been implemented, which monitors all of the Governor's appointments while also tracking background information on each board and commission.

Effect: Boards and commissions that do not have a full contingent are not fully represented by all types of public and private sector members and may experience difficulties in obtaining quorums for meetings.

Cause: The Governor's Office actively monitors the vacancies, but has expressed difficulty in locating qualified candidates.

Recommendation: The Governor's Office should continue its efforts to fill vacancies on boards and commissions in a more timely manner. (See Recommendation 2.)

Agency Response: "While the number of vacancies cited in your report is accurate, we note that the Governor is responsible for over 1,700 appointments to various boards and commissions.

To fill vacancies with qualified individuals, the Governor's Office conducts outreach programs to recruit potential applicants to various boards and commissions. In the past year, we worked with the African-American Affairs Commission, the Latino and Puerto Rican Affairs Commission and the Permanent Commission on the Status of Women.

These commissions maintain talent banks for appointments and other employment opportunities and we will continue to work with them to reduce existing vacancies.

The Governor is committed to finding the best candidate for the position while ensuring that there is racial, geographical, and gender representation on each board and commission. It is difficult finding qualified and committed individuals with the time and interest to fill unpaid positions. Achieving this goal becomes even more complicated when statutes call for members to fill very specific categories. For example, the Interagency Birth to Three Council has a vacancy for a "parent of child with disabilities under the age twelve with knowledge of programs for children from birth to 36 months with disabilities." See, Public Law 102-119. Also, many boards require members to have specialized knowledge of a particular subject. The Natural Heritage, Open Space and Watershed Land Acquisition Review Board has a vacancy for a " . . . person who is experienced in issues relating to access to public facilities by persons with disabilities. . ." See C.G.S. Section 7-131e (c)(4).

At the time of this report, the 2001 session of the General Assembly had concluded. While the Legislature is in session, the Governor's Office must adhere to statutory guidelines regarding the submittal of nominees to the General Assembly for approval. Appointments not requiring General Assembly approval are still appointed during this time, however the Executive Nominations process does take precedence because of the time restraints of the legislative session. The Governor's Office will make its best efforts to fill remaining vacancies during the interim."

RECOMMENDATIONS

Our prior report on the fiscal year ended June 30, 1998, contained three recommendations. The status of those recommendations is presented below:

Prior Audit Recommendations:

- The Governor's Office should take steps to insure that the expenses necessary to operate the Governor's Office are properly allocated, and do not exceed the amount budgeted by the General Assembly. This recommendation is being repeated. (See Recommendation 1.)

- The Governor's Office should seek to fill vacancies on boards and commissions in a more timely manner. This recommendation is being modified to reflect current conditions. (See Recommendation 2.)

- Reporting requirements pertaining to the taxable benefit of personal use of State vehicles by the Co-Chiefs of Staff should be adhered to. This recommendation has been resolved.

Current Audit Recommendations:

1. **The Governor's Office should take steps to insure that the expenses necessary to operate the Governor's Office are properly allocated, and do not exceed the amount budgeted by the General Assembly.**

   Comment:

   The Governor's Norwich and Bridgeport offices have one employee and three employees, respectively, charged on the payroll of the Connecticut Development Authority (CDA). The entire lease payment for the Bridgeport Office is paid by CDA.

2. **The Governor's Office should continue its efforts to fill vacancies on boards and commissions in a more timely manner.**

   Comment:

   We noted that many boards and commissions had vacancies at the time of our review.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Governor's Office for the fiscal years ended June 30, 1999 and 2000. This audit was primarily limited to performing tests of the Office's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the Office's internal control structure policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Governor's Office for the fiscal years ended June 30, 1999 and 2000, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial-related audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Governor's Office complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grants and to obtain a sufficient understanding of the internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Compliance:

Compliance with the requirements of laws, regulations, contracts and grants applicable to the Governor's Office is the responsibility of the management of the Governor's Office.

As part of obtaining reasonable assurance about whether the Agency complied with laws, regulations, contracts and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Governor's Office financial operations for the fiscal years ended June 30, 1999 and 2000, we performed tests of the Office's compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial or less than significant instances of noncompliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

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

The management of the Governor's Office is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations and contracts and grants applicable to the Governor's Office. In planning and performing our audit, we considered the Agency's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Agency's financial operations in order to determine our auditing procedures for the purpose of evaluating the Governor's Office's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations and contracts, and grants, and not to provide assurance on the internal control over those control objectives.

Our consideration of the internal control over the Agency's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be material or significant weaknesses. A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations and contracts, and grants or failure to safeguard assets that would be material in relation to the Agency's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Agency being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control that we consider to be material or significant weaknesses.

However, we noted certain matters involving the internal control over the Agency's financial operations, safeguarding of assets, and/or compliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

CONCLUSION

In conclusion, we wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Office of the Governor and the Department of Administrative Services during the course of this examination.

Robert G. Koch
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

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