

STATE OF CONNECTICUT



**AUDITORS' REPORT
OFFICE OF THE GOVERNOR
OFFICE OF THE LIEUTENANT GOVERNOR
FISCAL YEARS ENDED JUNE 30, 2013 and 2014**

**AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ♦ ROBERT M. WARD**

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June 23, 2015

AUDITORS' REPORT OFFICE OF THE GOVERNOR OFFICE OF THE LIEUTENANT GOVERNOR FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2014

We have audited certain operations of the Office of the Governor and the Office of the Lieutenant Governor 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 years ended June 30, 2013 and 2014. The Department of Administrative Services (DAS) provided accounting, payroll and personnel services for the offices during the audited period. The scope of our audit did not extend to the evaluation of the relevant controls at that agency. The objectives of our audit were to:

1. Evaluate the offices' internal controls over significant management and financial functions.
2. Evaluate the offices' compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the department; and testing selected transactions. 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 our audit in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from the offices' management and was not subjected to the procedures applied in our audit of the department.

For the areas audited, we identified (1) no deficiencies in internal controls, (2) no apparent noncompliance with legal provisions, and (3) need for improvement in management practices and procedures that we deemed to be reportable. The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Office of the Governor and the Office of the Lieutenant Governor.

COMMENTS

FOREWORD

The Office of the Governor was established under Article Fourth of the Constitution of the State of Connecticut and operated 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. Dannel P. Malloy, who was sworn in on January 5, 2011, served as Governor for the period under review. Under Section 3-2 of the General Statutes, the annual salary of the Governor is \$150,000.

The Office of the Lieutenant Governor was also established under Article Fourth of the Constitution of the State of Connecticut and operated under the provisions of Title 3, Chapter 31, of the General Statutes. Nancy Wyman, who was also sworn in on January 5, 2011, served as Lieutenant Governor for the period under review. Under Section 3-2 of the General Statutes, the annual salary of the Lieutenant Governor is \$110,000.

Legislative Changes

Notable legislative changes are presented below:

Public Act 13-247, Section 388, effective June 19, 2013, eliminated the Office of Health Reform and Innovation, which had been established within the Office of the Lieutenant Governor.

RÉSUMÉ OF OPERATIONS

General Fund receipts for the Office of the Governor totaled \$513 and \$943 during the fiscal years ended June 30, 2013 and 2014, respectively. The source of these receipts was refunds of expenditures.

General Fund receipts for the Office of the Lieutenant Governor totaled \$10,000 during fiscal year 2013. The revenue was due to a transfer related to a memorandum of understanding between the Office of Policy and Management and the Office of the Lieutenant Governor for the Office of Health Reform and Innovation project. No receipts were recorded for fiscal year 2014.

General Fund expenditures for the Office of the Governor totaled \$2,598,722 and \$2,442,341 during the fiscal years ended June 30, 2013 and 2014, respectively. A summary of expenditures during the audited period is presented below:

	Fiscal Year Ended June 30,	
	2013	2014
Personal Services and Employee Benefits	\$2,089,726	\$2,072,048
Other Expenditures	<u>508,996</u>	<u>370,293</u>
Total General Fund Expenditures	<u>\$2,598,722</u>	<u>\$2,442,341</u>

Other Expenditures were made up as follows:

	Fiscal Year Ended June 30,	
	2013	2014
Membership Dues	\$267,311	\$195,605
Rental Expenditures	57,501	40,950
IT Software Maintenance & Support	27,927	25,514
Office Equipment – Lease	15,360	15,481
Out-of-State Travel	15,762	22,631
Telecommunications	19,499	9,079
Miscellaneous	<u>105,636</u>	<u>61,033</u>
Total Other Expenditures	<u>\$508,996</u>	<u>\$370,293</u>

The other expenditures total above is primarily made up of expenditures associated with membership in the National Governors' Association and rental expenditures associated with the Governor's office in Washington D.C. The decrease in membership dues in fiscal year 2014 resulted from the Office of the Governor making one fiscal year payment to one membership organization, the Coalition of Northeastern Governors, whereas in fiscal year 2013, two payments were made to the organization to cover two separate fiscal years.

In addition to the General Fund expenditures detailed above, the Office of the Governor also expended \$18,692 from the Capital Equipment Purchases Fund in fiscal year 2013. The expenditures primarily related to telecommunication equipment/systems.

General Fund expenditures for the Office of the Lieutenant Governor totaled \$688,293 and \$473,193 during the fiscal years ended June 30, 2013 and 2014, respectively. A summary of expenditures during the audited period is presented below:

	Fiscal Year Ended June 30,	
	2013	2014
Personal Services and Employee Benefits	\$ 652,077	\$ 437,180
Other Expenditures	36,216	36,013
Total General Fund Expenditures	<u>\$ 688,293</u>	<u>\$ 473,193</u>

The decrease in expenditures from fiscal year 2013 to 2014 was due to the elimination of the Office of Health Reform and Innovation within the Office of the Lieutenant Governor.

During the audited period, there was one foundation associated with the Office of the Governor. The foundation is the Governor's Residence Conservancy, Inc. Foundations are private, not-for-profit organizations that 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 raised private funds to assist in the restoration and preservation of the Governor's official residence. During the audited period, administration of the Governor's Residence Conservancy's funds was provided by the Department of Administrative Services.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our review of the Office of the Governor and the Office of the Lieutenant Governor for the fiscal years ended June 30, 2013 and 2014 noted the following conditions.

Tracking and Monitoring Executive Orders

Background: According to the General Assembly's Office of Legislative Research, Connecticut Governors have been issuing executive orders since 1836.

Criteria: On February 1, 1986, Attorney General Joseph Lieberman issued an opinion (1986 Conn. Op. Atty. Gen. 13) stating that executive orders remain in effect after the issuing Governor has left office; adhere to the office and not the incumbent officer; and continue indefinitely until additional formal action is taken by the legislative or executive branches of government. Furthermore, the opinion cites a court case, *Baxter v. State* (1975) that declared, "The Executive Order issued pursuant to the statutory provision, until rescinded or superseded, is effective beyond the expiration of the term of the Governor who issued it. The executive power is one of continuing effect, never ending, and unbroken by succession, a principal inherent and necessary to preservation of the stability and the integrity of our constitutional government."

To ensure the operation of government is as effective and efficient as possible, directives in the form of executive orders should be easily accessible to interested parties and maintained in an understandable manner.

Condition: The Office of the Governor website lists only executive orders issued by the current Governor. While the Connecticut State Library's website contains archived executive orders from previous administrations, there is no central authority assigned to the task of tracking and monitoring those orders for compliance with their stated requirements.

Effect: It is difficult for an interested party to determine which executive orders are active and applicable or whether they have been revised, expanded or eliminated by subsequent executive orders.

Cause: There is no centralized tracking mechanism for executive orders. It was indicated that the extensive research involved with evaluating the existing executive orders contributed to the delay in official action being taken.

Recommendation: The Office of the Governor should establish a centralized mechanism that tracks the status of the executive orders and monitors those orders for compliance with state requirements. (See Recommendation 1.)

Agency Response: “The Governor’s Office issued an Executive Order (Executive Order 47 on April 23, 2015) identifying which Executive Orders are still active and applicable. Additionally, the Governor will direct all agency heads biannually or before December 1 to report on non-compliance with such Executive Orders and the appropriate reasons.”

Sustinet Health Care Cabinet

Criteria: Section 19a-725 of the General Statutes defines who shall be appointed as members of the Sustinet Health Care Cabinet and who may designate a person to serve in such member’s place. Section 19a-725 subsection (b) (2) allows that if an appointing authority fails to make an initial appointment to the cabinet or an appointment to fill a cabinet vacancy within ninety days of the date of such vacancy, the appointed cabinet members shall, by majority vote, make such appointment to the cabinet.

Section 4-9d of the General Statutes indicates that required officials, who are unable or choose not to serve, may only designate another officer of their agency to serve on such body in their place.

Subsection (a) of Section 1-225 of the General Statutes indicates that the votes of each member of any such public agency upon issue before such public agency shall be reduced to writing and made available for public inspection within forty-eight hours and shall also be recorded in the minutes of the session at which taken. Not later than seven days after the date of the session to which such minutes refer, such minutes shall be available for public inspection and posted on the public agency’s website, if available, except that no public agency of a political subdivision of the state shall be required to post such minutes on an Internet site. Each public agency shall make, keep, and maintain a record of the proceedings of its minutes.

Subsection (b) of Section 1-225 of the General Statutes indicates that not later than January 31st of each year, each public agency of the state shall file the schedule of regular meetings of such public agency for the ensuing year and shall post such schedule on such public agency’s website.

Robert’s Rules of Order states that if bylaws do not specify what the quorum shall be, it is a majority of the members of the association. It is also indicated that the minutes should contain all the main motions of the meeting. Meeting minutes should be signed by the individual designated as secretary.

Condition: Upon our review of the Sustinet Health Care Cabinet, we noted the following:

- One long-term gubernatorial appointment vacancy exists within the cabinet.
- Appointment letters were not available for two members.
- Designees were inappropriately serving for appointed members that were not state officials.
- Minutes do not specifically identify motions or votes by members.
- Minutes for October 2014, November 2014, and January 2015 were not posted to the website for public inspection within seven days of the date of the sessions.
- Meeting schedules for 2014 and 2015 were not on file with the Office of the Secretary of the State.
- Quorums were not present for four out of the seventeen meetings that took place during the audited period.
- Meeting minutes were not signed as approved by the secretary of the cabinet.

Effect: The effective operation of the cabinet is called into question without a full complement of members appointed and present; proper notification to the public of meetings; and properly documented meeting minutes.

Cause: It appears that the individual overseeing operations of the cabinet was not fully cognizant of the Freedom of Information laws or Robert's Rules of Order.

Recommendation: The Office of the Lieutenant Governor should encourage the Sustinet Health Care Cabinet to comply with Sections 19a-725 and 1-225 of the General Statutes, as well as Robert's Rules of Order. (See Recommendation 2.)

Agency Response: "Going forward, the Office of Lieutenant Governor Wyman will ensure that the Sustinet Healthcare Cabinet (Cabinet) complies with all relevant laws and regulations under which its operations are governed, including Robert's Rules of Order.

Specifically, the Lieutenant Governor's staff will explicitly identify motions and votes by members in the meeting minutes and post votes on the Cabinet's website within 48 hours of the meeting in accordance with Section 1-225 of the General Statutes. Future meeting minutes will be posted on the Cabinet's website within seven days of the meeting, and the meeting schedule for 2015 will be submitted to the Secretary of the State's office in accordance with Section 1-225 of the General Statutes.

Additionally, Cabinet vacancies will be filled by a majority vote of the cabinet members during the next several meetings in accordance with Section 18a-725(b)(2) of the General Statutes. Once the vacancies are filled, staff from the Office of Lieutenant Governor Wyman will ensure that these appointment letters are properly filed and stored. Designees will only be permitted for ex officio members, and only if the designee is an official from the appropriate state agency.

Finally, as Chair of the Cabinet, Lieutenant Governor Wyman will ensure a quorum (15 members) is present before proceeding with the meeting, as outlined in Robert's Rules of Order.”

Various Statutory Appointments by the Governor

Criteria: A multitude of state statutes identify the need for the Governor to make numerous appointments to many boards, commissions, councils, and other appointed bodies at various times. As such, an effective internal control mechanism is required to ensure that all necessary appointments or reappointments are made in a timely fashion.

Condition: Out of the nine boards, commissions, councils and other appointed bodies reviewed, we noted that four did not appear to have full membership, due in part to a lack of timely appointments by the Governor.

Effect: Without the timely appointments or reappointments of members to boards, commissions, councils and other appointed bodies, there is increased risk of meeting without a quorum or without the expertise expected with a full complement of members.

Cause: It appears that full consideration of such risks was not taken.

Recommendation: The Office of the Governor should ensure that an adequate internal control mechanism is in place and effectively operating so that all of the necessary Governor's appointments or reappointments are made to the multitude of boards, commissions, councils, and other appointed bodies, in a timely fashion. (See Recommendation 3.)

Agency Response: “The Governor’s Office does strive to make timely appointments to the various boards and commissions within the Governor’s purview. However, many of the appointments specify a particular background or skill set; it also sometimes takes longer to find a qualified individual due to the time commitment required of serving on a board.”

RECOMMENDATIONS

Our prior audit report on the Office of the Governor contained one recommendation, which will be repeated.

Status of Prior Audit Recommendation:

- **The Office of the Governor should establish a centralized tracking mechanism that tracks the status of the executive orders and monitors those orders for compliance with state requirements.** This recommendation will be repeated. (See Recommendation 1.)

Our current audit report, which now encompasses the Office of the Governor and the Office of the Lieutenant Governor, contains three recommendations, of which one was repeated from the prior audit report of the Office of the Governor.

Current Audit Recommendations:

1. **The Office of the Governor should establish a centralized mechanism that tracks the status of executive orders and monitors those orders for compliance with state requirements.**

Comment:

During the prior audited period, it was noted that there was no central authority assigned to the task of tracking and monitoring executive orders for compliance with stated requirements. This makes it difficult for interested parties to determine which executive orders are active and applicable or whether they have been revised, expanded or eliminated by subsequent executive orders. It does not appear that corrective action has taken place since the prior audit report.

2. **The Office of the Lieutenant Governor should encourage the Sustinet Health Care Cabinet to comply with Sections 19a-725 and 1-225 of the General Statutes, as well as Robert's Rules of Order.**

Comment:

Upon our review of the Sustinet Health Care Cabinet, we noted one long-term vacancy for one gubernatorial appointment; appointment letters were not available for two members; designees were inappropriately serving for appointed members who were not state officials; minutes do not specifically identify motions or votes by members; minutes for October 2014, November 2014, and January 2015 were not put on the website for public inspection within seven days of the date of the session; meeting schedules for 2014 and 2015 were not on file with the Office of the Secretary of the State; quorums were not present for four out of the seventeen meetings that

took place during the audited period; and meeting minutes were not signed as approved by the secretary of the cabinet.

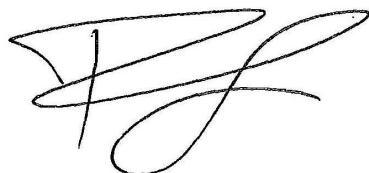
- 3. The Office of the Governor should ensure that an adequate internal control mechanism is in place and effectively operating so that all of the necessary Governor's appointments or reappointments are made to the multitude of boards, commissions, councils, and other appointed bodies, in a timely fashion.**

Comment:

Out of the nine boards, commissions, councils, and other appointed bodies reviewed, we noted that four did not appear to have full membership due, in part, to a lack of timely appointments made by the Governor.

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, the Office of the Lieutenant Governor and the Department of Administrative Services during the course of this examination.



Dennis Collins
Principal Auditor

Approved:



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts