

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
OFFICE OF THE GOVERNOR  
OFFICE OF THE LIEUTENANT GOVERNOR  
FISCAL YEARS ENDED JUNE 30, 2017 AND 2018*

**AUDITORS OF PUBLIC ACCOUNTS**  
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

## Table of Contents

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EXECUTIVE SUMMARY .....	i
COMMENTS .....	2
FOREWORD .....	2
RÉSUMÉ OF OPERATIONS .....	2
STATE AUDITORS' FINDINGS AND RECOMMENDATIONS.....	4
Non-Compliance with Audit Requirement – Governor's Residence Conservancy, Inc. ...	4
Failure to Make Statutory Appointments .....	5
RECOMMENDATIONS .....	7
Status of Prior Audit Recommendations: .....	7
Current Audit Recommendations: .....	8
ACKNOWLEDGMENTS .....	9
CONCLUSION.....	10

**November 6, 2019**  
**EXECUTIVE SUMMARY**

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of the Offices of the Governor and the Lieutenant Governor. The objectives of this review were to evaluate the department's internal controls; compliance with policies and procedures, as well as certain legal provisions; and management practices and operations for the fiscal years ended June 30, 2017 and 2018.

The key findings and recommendations are presented below:

<b>Page 4</b>	The Governor's Residence Conservancy, Inc. has not been audited since fiscal year 2011. The Office of the Governor should ensure that the Governor's Residence Conservancy, Inc. is compliant. The office should review the audit reports and transmit them with a signed review letter to the Auditors of Public Accounts, as required by Sections 4-37f and 4-37g of the General Statutes. (See Recommendation 1.)
<b>Page 5</b>	As of July 3 <sup>rd</sup> , 2019, there were 270 gubernatorial-appointed vacancies on various boards, commissions, councils and other appointed bodies. The Office of the Governor should continue to take all necessary steps to promptly appoint and reappoint members to fill any vacancies on boards, commissions, councils and other appointed bodies. (See Recommendation 2.)

# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

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ROBERT J. KANE

November 6, 2019

### **AUDITORS' REPORT**

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, 2017 and 2018. 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 those offices. 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 offices or promulgated by other state agencies, as well as certain legal provisions; and
3. Evaluate the effectiveness, 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 offices, 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 various available sources including, but not limited to, the offices' management and the state's information systems, and was not subjected to the procedures applied in our audit of the offices. For the areas audited, we identified:

1. Deficiencies in internal controls;
2. Apparent noncompliance with policies and procedures or 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 offices of the Governor and Lieutenant Governor were established under Article Fourth of the Constitution of the State of Connecticut and operate 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. The Honorable Dannel P. Malloy and the Honorable Nancy Wyman, both sworn in on January 5, 2011, served as Governor and Lieutenant Governor for the period under review. The Honorable Ned Lamont and the Honorable Susan Bysiewicz were sworn in as Governor and Lieutenant Governor on January 9, 2019.

### **RÉSUMÉ OF OPERATIONS**

No receipts were recorded for the Office of the Governor during the audited period.

The Office of the Lieutenant Governor recorded a total of \$200,000 in receipts in fiscal year 2017-2018 to support the development and design of a health data architecture, and to support the organizational development and design of the Office of Health Strategy. The details of these arrangements are spelled out in two memorandums of understanding.

A summary of General Fund expenditures for the Office of the Governor during the audited period and the preceding fiscal year follows:

Expenditure Description	Fiscal Year Ended June 30,		
	2016	2017	2018
Wages, Salaries and Employee Expenses	\$2,111,390	\$2,030,307	\$1,879,611
Other Services	213,295	221,519	207,791
Rental and Maintenance - Equipment	13,453	11,722	10,625
Motor Vehicle Costs	8,390	8,659	8,412
Premises and Property Expenses	67,942	68,637	69,593
Information Technology	31,533	11,476	27,881
Communications	28,810	22,441	20,740
Purchased Commodities	6,501	3,181	2,879
<b>Total General Fund Expenditures</b>	<b>\$2,481,314</b>	<b>\$2,377,942</b>	<b>\$2,227,532</b>

A summary of General Fund expenditures for the Office of the Lieutenant Governor during the audited period and the preceding fiscal year follows:

Expenditure Description	Fiscal Year Ended June 30,		
	2016	2017	2018
Wages, Salaries and Employee Expenses	\$521,564	\$594,920	\$573,042
Other Services	3,643	62,470	1,670
Rental and Maintenance - Equipment	3,124	2,563	2,475
Motor Vehicle Costs	8,041	8,114	8,385
Information Technology	2,726	3,480	2,728
Communications	5,595	5,078	4,073
Purchased Commodities	4,105	(375)	3,062
<b>Total General Fund Expenditures</b>	<b>\$548,798</b>	<b>\$676,250</b>	<b>\$595,435</b>

In addition to the General Fund expenditures detailed above, the Office of the Lieutenant Governor also expended \$200,000 from the Federal and Other Restricted Accounts Fund during the 2017-2018 fiscal year. These monies were used in accordance with two memorandums of understanding with the Office of the Healthcare Advocate. One agreement was established to support the organizational development and design for the Office of Health Strategy. The other was to support the development and design of the electronic clinical quality measurement (ECQM) capabilities of the state's Health Information Technology platform.

During the audited period, there was one foundation, as defined by Section 4-37e of the General Statutes, associated with the Office of the Governor. The Governor's Residence Conservancy, Inc. raises private funds to assist in the restoration and preservation of the Governor's official residence. As a foundation, the Governor's Residence Conservancy is subject to the audit requirements of Section 4-37f(8) of the General Statutes. The foundation has not obtained any of its required audits, as we discuss further in the State Auditors' Findings and Recommendations section of this report.

## STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of Offices of the Governor and the Lieutenant Governor disclosed the following 2 findings and recommendations, both of which have been repeated from the previous audit:

### **Non-Compliance with Audit Requirement – Governor’s Residence Conservancy, Inc.**

*Criteria:* Section 4-37f(8) of the General Statutes requires that a foundation, as defined under Section 4-37e(2), which has in any of its fiscal years receipts and earnings from investments totaling \$100,000 or more, to have a full audit of the books and accounts of the foundation completed on its behalf for such fiscal year. A foundation which has receipts and earnings from investments totaling less than \$100,000 in each fiscal year during any 3 of its consecutive fiscal years, must have completed a full audit of its books and accounts on its behalf for the third fiscal year in any such 3-year period. These audits may be conducted by an independent certified public accounting firm or the Auditors of Public Accounts (APA), upon request by the state agency with the consent of the foundation.

Section 4-37g(b) provides that, in the case of an audit that was not conducted by the Auditors of Public Accounts, the executive authority and chief financial official of the state agency shall review the audit report and transmit the report and a signed review letter, to the APA.

*Condition:* The Auditors of Public Accounts completed the last conservancy audit of the Governor’s Residence Conservancy, Inc. for the fiscal years ended June 30, 2010 and 2011. At a minimum, the conservancy should have obtained 2 audits since then. Even if the conservancy’s receipts and earnings from investments were less than \$100,000 during each of the fiscal years since the last audit, it should have obtained audits for the fiscal years ended June 30, 2014 and June 30, 2017.

*Effect:* In the absence of audits conducted in accordance with Section 4-37f(8) of the General Statutes, there is reduced assurance to donors and other interested parties that conservancy funds have been properly administered and used as intended.

*Cause:* The Office of the Governor informed us that the Board of Directors of the Governor’s Residence Conservancy, Inc. could not obtain a quorum to take formal action to obtain the audit.

*Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2015 and 2016.

*Recommendation:* The Office of the Governor should ensure that the Governor’s Residence Conservancy, Inc. is audited. The office should review the audit reports and transmit them with a signed review letter to the Auditors of Public Accounts, as required by Sections 4-37f and 4-37g of the General Statutes. (See Recommendation 1.)

*Agency Response:* “The Office of the Governor (“OTG”) agrees with this recommendation. Under the prior administration, the Conservancy failed to obtain and provide to the Auditors the requisite audits for FYE June 30, 2014 and 2017. The current OTG is in the process of finalizing new appointments to the Conservancy in accordance with its bylaws. OTG will take reasonable steps to ensure the Conservancy obtains the requisite audits for the periods in question.”

### **Failure to Make Statutory Appointments**

*Criteria:* Under various state statutes, the Governor is required to make appointments to boards, commissions, councils, and other appointed bodies. The Governor should make appointments in a timely manner to ensure that the bodies benefit from the expertise provided by a full complement of members.

*Condition:* As of July 3, 2019, there were 270 gubernatorial-appointed vacancies on various boards, commissions, councils and other appointed bodies.

*Context:* The 270 vacancies represent approximately 17% of the 1,620 seats appointed by the Governor.

*Effect:* Without the timely appointment or reappointment of these positions, there is an increased risk of the lack of a quorum and the lack of expected expertise of a full complement of members.

*Cause:* The Office of the Governor informed us that although there is a mechanism in place to track vacant seats, many of the appointments specify a particular background or skill set which sometimes makes it difficult to find qualified individuals. The lack of a full-time designated staff member to monitor the status of appointments and vacancies has also contributed to the condition.

*Prior Audit Finding:* This finding has been previously reported in the last 2 audit reports covering the fiscal years ended June 30, 2013 to 2016.

*Recommendation:* The Office of the Governor should continue to take all necessary steps to promptly appoint and reappoint members to fill any vacancies on



boards, commissions, councils and other appointed bodies. (See Recommendation 2.)

*Agency Response:*

“The OTG agrees with this recommendation. The OTG strives to make timely appointments to the various boards and commissions within the Governor’s purview. Many of those appointments specify a particular background or skill set; it also sometimes takes longer to find a qualified individual due to the time commitment required. OTG meets weekly to discuss and make appointments. To address the challenges associated with filling all gubernatorial appointments in a timely manner, the current administration has developed and now operates a website advertising open vacancies and soliciting volunteers to serve.”

## RECOMMENDATIONS

### Status of Prior Audit Recommendations:

Our prior audit report on the Offices of the Governor and the Lieutenant Governor contained 4 recommendations. Two have been implemented or otherwise resolved and 2 have been repeated or restated with modifications during the current audit.

- The Office of the Governor should ensure that the Governor’s Residence Conservancy, Inc. is audited and the audit reports are reviewed and transmitted with a signed review letter to the Auditors of Public Accounts, as required by Sections 4-37f and 4-37g of the General Statutes. **This recommendation is being repeated. (See Recommendation 1.)**
- The Office of the Governor should improve controls over the use of purchasing cards by maintaining supporting documentation for all purchasing card transactions. **The recommendation has been resolved.**
- The Office of the Governor should take all necessary steps to appoint and reappoint members to fill any vacancies that arise in membership of boards, commissions, councils and other appointed bodies in a timely fashion. **This recommendation is being repeated. (See Recommendation 2.)**
- The Office of the Lieutenant Governor should ensure that the Sustinet Health Care Cabinet complies with Section 1-225 of the General Statutes and establishes and enforces standards for its members’ attendance. **The responsibility for this issue is no longer under the Office of the Lieutenant Governor.**

**Current Audit Recommendations:**

- 1. The Office of the Governor should ensure that the Governor’s Residence Conservancy, Inc. is audited. The office should review the audit reports and transmit them with a signed review letter to the Auditors of Public Accounts, as required by Sections 4-37f and 4-37g of the General Statutes.**

Comment:

At a minimum, the conservancy should have obtained 2 audits since the last audit. Even if the conservancy’s receipts and earnings from investments were less than \$100,000 during each of the fiscal years since the last audit, it should have obtained audits for the fiscal years ended June 30, 2014 and June 30, 2017.

- 2. The Office of the Governor should continue to take all necessary steps to promptly appoint and reappoint members to fill any vacancies on boards, commissions, councils and other appointed bodies.**

Comment:

As of July 3, 2019, there were 270 gubernatorial-appointed vacancies on various boards, commissions, councils and other appointed bodies.

**ACKNOWLEDGMENTS**

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

Dennis Collins

**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 Office of the Lieutenant Governor during the course of our examination.



Dennis Collins  
Principal Auditor

Approved:



John C. Geragosian  
State Auditor



Robert J. Kane  
State Auditor