

STATE OF CONNECTICUT



*AUDITORS' REPORT
DEPARTMENT OF LABOR
FISCAL YEARS ENDED JUNE 30, 2019 AND 2020*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ CLARK J. CHAPIN

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March 9, 2022

EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of the Department of Labor (DOL) for the fiscal years ended June 30, 2019 and 2020. Our audit identified internal control deficiencies; instances of noncompliance with laws, regulations, and policies; and a need for improvement in practices and procedures that warrant the attention of management. The significant findings and recommendations are presented below:

<p><u>Page 17</u></p>	<p>DOL did not prepare monthly motor vehicle usage reports properly since some included instances in which official state business miles were not separated from non-business miles. DOL does not calculate or report taxable fringe benefits for employees who regularly park their state-owned vehicles at home. DOL did not obtain DAS approval for two employees to garage state-owned vehicles at their home. The Department of Labor should comply with DAS General Letter 115 – Use of State-Owned Motor Vehicles and develop procedures to accurately calculate and report the taxable fringe benefits for commuting or personal use of a state vehicle. (Recommendation 4.)</p>
<p><u>Page 18</u></p>	<p>DOL did not have adequate controls in place over complaints, lacked a cash receipts log and a reconciliation process between receipts and deposits, and did not promptly make or record deposits. The Department of Labor should implement internal controls to ensure that all complaints are properly documented within the eWage system. The department should develop policies and procedures to properly safeguard receipts, and ensure compliance with accounting and deposit requirements in accordance with Section 4-32 of the General Statutes and the State Accounting Manual. (Recommendation 5.)</p>
<p><u>Page 21</u></p>	<p>DOL’s asset inventory is incomplete and unreliable. Core-CT inventory records indicate that the department conducted the most recent physical inventory in 2015 and has not entered any acquisitions since February 2019 into the asset management module. The department should implement an internal control structure for asset management that is capable of meeting statutory requirements of accountability and reliable reporting. (Recommendation 6.)</p>

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AUDITORS OF PUBLIC ACCOUNTS

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March 9, 2022

AUDITORS' REPORT DEPARTMENT OF LABOR FISCAL YEARS ENDED JUNE 30, 2019 AND 2020

We have audited certain operations of the Department of Labor 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, 2019 and 2020. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions;
2. Evaluate the 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. 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 department, and testing selected transactions. Our 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 Résumé of Operations is presented for informational purposes. This information was obtained from various available sources including, but not limited to, the department's management and the state's information systems, and was not subjected to the procedures applied in our audit of the department. For the areas audited, we:

1. Identified deficiencies in internal controls;
2. Identified apparent non-compliance with laws, regulations, contracts and grant agreements, policies, and procedures; and
3. Identified 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 Department of Labor.

COMMENTS

FOREWORD

The Department of Labor (DOL) is authorized in Title 31 of the General Statutes within Chapters 556, 556a, 557, 558, 559, 560, 561, 562, 563a, 564, 565, 566a, 567, 571, 572, and 573.

The department's major function is to serve the unemployed by helping them find suitable employment and providing monetary benefits that are dependent upon the claimant's employment and wage history. The department also administers certain state and federal training and skill development programs, regulation and enforcement of working conditions, enforcement of minimum and other wage standards, enforcement of labor relations acts, mediation and arbitration services, and maintenance of labor statistics. During the audited period, the department carried out its field operations from 20 job centers. The department is responsible for the following:

- **Unemployment Insurance** – Provides monetary benefits to the unemployed that are dependent upon the claimant's employment and wage history as provided in the Federal Unemployment Tax Act and Titles III, IX and XII of the Social Security Act. The benefits are financed by employer contributions collected by the department.
- **Workforce Innovation and Opportunity Act (WIOA)** – Advocates One-Stop Career Centers to provide universal access to effective employment and training programs. The department has a partnership and a broad administrative role in implementing this service delivery system.
- **Jobs First Employment Services (JFES)** – Provides employment services such as job search assistance and skills training to participants who receive Temporary Family Assistance (TFA). The JFES program helps parents gain the skills needed to obtain meaningful employment and become independent of cash assistance. The Department of

Labor administers the program in partnership with the Department of Social Services and five workforce development boards. Participants may also qualify for further on-the-job and occupational skills training, adult basic education, General Educational Development preparation, and English as a second language.

- **Office of Workforce Competitiveness (OWC)** – The department, with the assistance of its OWC, serves as the Governor’s principal workforce development policy advisor with the goal of ensuring that Connecticut has the essential talent to support growth. OWC collaborates with multiple partners to develop employment and training strategies and initiatives to support Connecticut’s position in the knowledge economy.
- **Wage and Workplace Standards Division** – The division enforces a number of state statutes and administers a wide range of workplace laws, including minimum wage, overtime, wage payment, prevailing wage, standard wage, employment of minors, and misclassification of workers as independent contractors.

The Department of Labor is administered by a commissioner appointed by the Governor under Sections 4-5 to 4-8 of the General Statutes. Kurt Westby was appointed commissioner on June 22, 2018 and served in that capacity until July 1, 2021. Danté Bartolomeo was appointed as successor on July 2, 2021 and continues to serve in that capacity.

Significant Legislation

- **Public Act 19-4 (Sections 1 and 2)**, effective upon passage, increased the state’s minimum hourly wage. Current wage law provides a ‘tip credit’ to employers of hotel and restaurant staff, and bartenders who customarily receive tips. The credit allows employers to count their tips toward their employer’s minimum wage requirement. The act freezes the employer’s share of minimum wage for hotel and restaurant staff, and bartenders by requiring the labor commissioner to recognize a tip credit that equals the difference between the applicable minimum wage and the employer’s share. As the minimum wage increases under the act, the value of the tip credit will correspondingly increase to make up the difference between the employer’s share and new minimum wage.
- **Public Act 19-25 (Sections 1 to 26)**, effective upon passage, created a Family and Medical Leave Insurance (FMLI) program that provides wage replacement benefits to certain employees taking leave for reasons allowed under the current Family and Medical Leave Act (FMLA), which this act also amended. The act provides eligible employees with up to 12 weeks of FMLI benefits over a 12-month period. The program also provides two additional weeks of benefits for a serious health condition that results in incapacitation during pregnancy. The program applies to employers with one or more employees.
- **Public Act 19-117 (Sections 149 and 151)**, effective upon passage, made necessary changes to Connecticut’s unemployment insurance statutes so that the Department of Labor’s unemployment insurance modernization consortium for technology development could move forward for an estimated May 2021 implementation date. Due to the pandemic, this was rescheduled for July 2022. Specifically, the changes required the quarters in an

unemployment claimant's special base period to be consecutive, limited the benefit eligibility penalty to claims deemed payable before October 1, 2019, and explicitly allowed the Department of Labor to enter into a consortium with other states.

- **Public Act 19-129 (Sections 1 to 4)**, effective July 1, 2019, required the southwest region's workforce development board to develop and operate two pilot programs within the region, the Military to Machinists pilot program for veterans, and the Veterans Platform to Employment pilot program by October 1, 2019.

Councils, Boards, and Commissions

The General Statutes related to the Department of Labor provide for the following councils, boards, and commissions to operate:

Name	Responsibility
State Apprenticeship Council	Advises and guides the commissioner in formulating work training standards and developing apprenticeship training programs.
Workforce Training Authority	Responsible for establishing an application and approval process with guidelines and terms for the development and implementation of training programs awarded by the Workforce Training Authority Fund to any eligible recipient.
State Board of Mediation and Arbitration	Provides mediation and arbitration to employers and employee organizations.
State Board of Labor Relations	Investigates complaints of unfair labor practices by employers affecting the rights of employees to organize and bargain collectively.
Employment Security Board of Review	The Employment Security Appeals Division is an independent quasi-judicial agency within DOL that hears and rules on appeals from the granting or denial of unemployment compensation benefits. The division consists of the Referee Section and the Employment Security Board of Review.
Occupational Safety and Health Review Commission	Hears and rules on appeals from citations, notifications, and assessment of penalties under the Occupational Safety and Health Act in Chapter 571 of the General Statutes.
Employment Security Advisory Board	Advises the commissioner on matters concerning Employment Security Division policy and operations. No regulations concerning the division are adopted without consulting the advisory board.

Connecticut Employment and Training Commission (CETC)/Governor’s Workforce Council	The Connecticut State Workforce Development Board is authorized under the federal Workforce Innovation and Opportunity Act and state statute. CETC provides workforce-related policy and planning guidance to the Governor and General Assembly and promotes coordination of the state’s workforce-related investments, strategies, and programs. Appointed by the Governor, its members represent Connecticut businesses, employers, key state agencies, regional/local entities, organized labor, community-based organizations, and other stakeholders. The Office of Workforce Competitiveness (OWC) provides staffing, leadership, support, and technical assistance to CETC. By Executive Order No. 4 issued on October 19, 2019, Governor Lamont indicated that the CETC shall also be known as the Governor’s Workforce Council. The Council, through its chair, is to serve as the principal advisor to the Governor on workforce development issues, and coordinate the efforts of all state agencies and other entities in promoting workforce development throughout the state.
Joint Enforcement Commission on Workforce Misclassification	Reviews employee misclassification, a technique employers use to avoid obligations under state and federal labor, employment, workers’ compensation, and tax laws. It also coordinates the civil prosecution of violations of state and federal employee misclassification laws and reports any suspected violations of state criminal statutes to the Chief State’s Attorney.

RÉSUMÉ OF OPERATIONS

The department’s operations which were accounted for in the General Fund, several special revenue funds, and two fiduciary funds, are discussed below.

General Fund

General Fund Receipts

General Fund receipts during the audited period and the preceding fiscal year follow:

	Fiscal Year Ended June 30,		
	2018	2019	2020
Federal Contributions	\$37,285,780	\$32,262,060	\$42,187,435
Recoveries of Expenditures	198,647	1,387,830	(734,350)
Fees and Fines	669,090	777,333	581,451
Refunds of Expenditures	981,080	277,257	538,036
Miscellaneous	1,613	2,450	1,000
Total Receipts	\$39,136,210	\$34,706,930	\$42,573,572

The fluctuation in receipts between periods was mostly attributed to federal contributions for the Workforce Innovation and Opportunity Act Program.

General Fund Expenditures

General Fund expenditures during the audited period and the preceding fiscal year follow:

	Fiscal Year Ended June 30,		
	2018	2019	2020
Personal Services and Employee Benefits	\$18,836,447	\$22,087,155	\$19,165,685
Employee Expenses, Allowances, Fees	96,183	182,786	142,730
Contractual Services	2,457,764	3,454,069	3,398,201
Commodities	174,059	193,200	243,300
Other	4,790	(4,050,449)	(3,772,883)
Grants	40,487,640	47,261,231	45,746,795
Capital Outlays	9,149	8,984	2,308
Total Expenditures	\$62,066,032	\$69,136,976	\$64,926,136

The fluctuation in expenditures was primarily attributed to personal services, employee benefits, and grants to non-state agencies.

Special Revenue Funds

The purposes of the major special revenue funds are discussed below:

- **Employment Security Administration Fund** – Operates under Sections 31-259(a) through (c) of the General Statutes and consists of monies appropriated by the state, funding received from the federal government or any agency thereof, and from any other source, for the purpose of defraying the administrative costs of the Employment Security Division. According to Section 31-237(a) of the General Statutes, the “Employment Security Division shall be responsible for matters relating to unemployment compensation and the Connecticut State Employment Service and shall establish and maintain free public employment bureaus.”
- **Unemployment Compensation Advance Fund** – Established under Section 31-264a(b) of the General Statutes. Fund receipts include employer special bond assessments for debt service. The Office of the State Treasurer issued up to \$1,000,000,000 in state revenue bonds to repay benefit funds borrowed from the federal government. This action avoided federal interest charges and provided advances for benefit payments until revenue from employer taxes was sufficient to support benefit payouts.
- **Employment Security Special Administration Fund** – Authorized by Section 31-259(d) of the General Statutes to receive all penalty and interest on past due employer contributions. Resources in the fund are used to pay administrative costs, reimburse the

Employment Security Administration Fund when the appropriations made available to the Employment Security Administration Fund are insufficient to meet the expenses of that fund, and any other purpose authorized by law. Subsection (d) also states that, on July 1st of any calendar year, the assets in the Employment Security Special Administration Fund that exceed \$500,000 are to be appropriated to the Unemployment Compensation Fund. During the fiscal years ended June 30, 2019 and 2020, DOL transferred \$4,400,000 and \$0, respectively, to the Employment Security Administration Fund to offset projected deficits of federal administrative funds.

- **Grants and Restricted Accounts Fund** – Accounts for certain federal and other revenues that are restricted from general use.
- **Individual Development Account Reserve Fund** – Authorized by Section 31-51aaa of the General Statutes to provide grants to community-based organizations. These organizations operate certified state programs that provide matching funds for the individual development accounts in their programs, to assist the organizations in providing training, counseling, and case management for program participants and program administration purposes.

Schedules of receipts and expenditures for the special revenue funds during the audited period, together with those of the preceding fiscal year, are presented below:

	Fiscal Year Ended June 30,		
	2018	2019	2020
Employment Security Administration Fund	\$77,136,890	\$69,130,685	\$72,575,756
Grants and Restricted Accounts Fund	8,918,672	9,543,878	4,922,635
Employment Security Special Administration Fund	4,611,328	4,410,695	5,198,617
Special Assessment Unemployment Compensation Advance Fund	21,739	1,809	1,713
Banking Fund	3,993	42,195	4,492
Workers' Compensation Fund	1,021	10,768	-
Total Receipts	\$90,693,643	\$83,140,030	\$82,703,213

The decreases were primarily because of a reduction of receipts in the Employment Security Administration Fund and Grants in fiscal year 2018-2019 and a reduction in Restricted Accounts Fund receipts in fiscal year 2019-2020.

Receipts for the Employment Security Administration Fund are used to defray the administrative costs of the department's Employment Security Division and vary, depending on the number and amount of federal grants received during the year.

Special revenue fund expenditures during the audited period and the preceding fiscal year follow:

	Fiscal Year Ended June 30,		
	2018	2019	2020
Employment Security Administration Fund	\$73,413,051	\$67,076,638	\$78,940,298
Grants and Restricted Accounts Fund	6,889,429	8,209,430	8,009,820
Employment Security Special Administration Fund	4,600,000	4,400,000	-
Small Town Economic Assistance Program – Grants to Local Government	506,410	3,580,327	570,364
Banking Fund	1,425,000	1,425,000	1,314,355
Individual Development Account Reserve Fund	31,351	30,026	313,112
Workers’ Compensation Fund	658,368	642,515	673,015
Capital Equipment Purchase Fund	20,207	381,325	768,053
Economic Assistance Bond Fund	-	22,932	725,258
Total Expenditures	\$87,543,816	\$85,768,193	\$91,314,275

Personal services and employee benefits activity within the Employment Security Administration Fund was primarily responsible for the fluctuation in total expenditures for fiscal years 2018-2019 and 2019-2020, respectively.

Special revenue fund expenditures by category during the audited period and the preceding fiscal year follow:

	Fiscal Year Ended June 30,		
	2018	2019	2020
Personal Services and Employee Benefits	\$63,155,265	\$54,923,246	\$60,239,222
Employee Expenses, Allowances, Fees	246,667	201,030	209,002
Contractual Services	11,034,498	7,753,065	8,720,614
Commodities	180,900	162,578	228,109
Indirect Overhead – Federal and Other	-	9,041,165	9,859,850
Grants	12,769,341	13,269,428	11,425,174
Capital Outlay	143,892	345,412	632,304
Other	13,253	72,269	-
Total Expenditures	\$87,543,816	\$85,768,193	\$91,314,275

The decreases in expenditures for personal services and employee benefits were primarily due to employee retirements in 2018. However, the increases in fiscal year 2019-2020 were due to hiring and a significant increase in overtime to address the influx in unemployment compensation claims due to the pandemic.

Fiduciary Funds

The department operated two fiduciary funds and a wage restitution account during the audited period as discussed below.

Unemployment Compensation Fund

Section 31-261 of the General Statutes authorizes the Unemployment Compensation Fund to be used for the receipt of employer contributions and the collection of benefits for state and municipal government workers, and nonprofit organizations. Section 31-263 of the General Statutes authorizes the Unemployment Compensation Benefit Fund to be used for the payment of unemployment benefits.

In accordance with the provisions of Section 31-262 and 31-263 of the General Statutes, the State Treasurer deposits all contributions, less refunds and other appropriate receipts of the Unemployment Compensation Fund, in the Unemployment Trust Fund of the U.S. Treasury. Requisitions from the Unemployment Trust Fund are made on the advice of the administrator (Department of Labor commissioner) for the payment of estimated unemployment compensation benefits. The resources of the Unemployment Trust Fund are invested by the Secretary of the U.S. Treasury for the benefit of the various state accounts which constitute the fund.

Unemployment Compensation Fund receipts during the audited period and the preceding fiscal year follow:

	Fiscal Year Ended June 30,		
	2018	2019	2020
Employer Tax Contributions	\$711,800,738	\$703,239,273	\$ 688,431,105
Reimbursement from the State, Municipalities and Nonprofits	46,596,635	37,760,446	35,215,030
Reimbursement from Other States	14,785,298	13,815,441	10,699,908
Reimbursements from the Federal Employee Contribution Account	4,083,792	3,571,728	3,742,697
Federal Contributions	12,501,408	8,614,605	2,521,141,989
Emergency US Relief 50 Reimb Distribution to UC Trust Fund	-	-	14,627,400
EUISSA Grant Funds Distribution to UC Trust Fund	-	-	11,908,187
Federal Trust Fund Interest Income	10,515,378	13,984,886	15,276,671
Income Derived from Claimant Fraud Penalty	1,189,229	900,033	964,444
Total Receipts	\$801,472,478	\$781,886,412	\$3,302,007,431

Total receipts decreased by \$19,586,066 in fiscal year 2018-2019 and significantly increased by \$2,520,121,019 in fiscal year 2019-2020. Federal contributions increased by \$2,512,527,384 in fiscal year 2019-2020 due to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) program funding.

Reimbursements from the state, municipalities, and non-profits decreased in both audited fiscal years. These entities do not make employer tax contributions, but are billed when a former employee begins collecting unemployment compensation.

Total employer tax contributions decreased by \$8,561,465 and \$14,808,168 in fiscal years 2018-2019 and 2019-2020, respectively. The unemployment rate has steadily decreased, resulting in a drop in unemployment claims.

Calendar Year	Fund Solvency Rate	New Employer Rate	Range of Tax Rates
2020	1.4%	3.2%	1.9% to 6.8%
2019	1.4%	3.4%	1.9% to 6.8%
2018	1.4%	3.6%	1.9% to 6.8%
2017	1.4%	3.9%	1.9% to 6.8%

The Unemployment Trust Fund balance at June 30, 2018, 2019, and 2020 was \$576,873,522, \$737,429,548, and \$206,489,338, respectively.

A summary of disbursements from the Unemployment Compensation Fund during the audited period, along with those of the preceding fiscal year, follows:

	Fiscal Year Ended June 30,		
	2018	2019	2020
Benefits Paid with Employer Contributions, Federal Loans and Federal Reed Funds	\$628,813,284	\$554,537,010	\$1,236,209,761
Benefits Paid for the State, Municipalities and Nonprofits	45,611,977	38,412,134	111,984,502
Benefits Paid for Other States	14,725,729	14,178,400	22,279,618
Benefits Paid from Federal Employee Contribution Account	4,064,390	3,567,774	4,155,688
Benefits Paid with Federal Contributions	11,687,784	8,584,390	2,335,378,828
Reed Act Fund Transfer	3,903,872	-	-
Short Time Compensation (STC) Grant	242,490	186,564	92,145
Funding Transfer	108,020	97,049	115,694
Other			
Total Disbursements	\$709,157,546	\$619,563,321	\$3,710,216,236

Total disbursements decreased by \$89,594,225 in fiscal year 2018-2019 due to a reduction in unemployment insurance claims. The Covid-19 pandemic during the fourth quarter of fiscal year 2019-2020 resulted in an unprecedented increase of \$3,090,652,915 in unemployment insurance claims.

Funds Awaiting Distribution Fund and Wage Restitution Account

Fund collections totaled \$10,430,932 and disbursements and transfers totaled \$10,083,167 during the audited period. Of these amounts, collections for the Wage Restitution Account totaled \$3,710,586, and disbursements and transfers totaled \$3,365,406.

Section 31-68 of the General Statutes authorizes the commissioner to take assignment of wage claims in trust for workers who are paid less than the minimum fair wage or overtime wage by employers. Wages collected by the commissioner are paid to the claimants. Activity of the Wage

Restitution Account was recorded in a separate account within the Funds Awaiting Distribution Fund.

In the event the whereabouts of an employee is unknown after the issue is resolved, the commissioner is empowered to hold the wages for three months and later pay the next of kin in accordance with statutory procedures. Any unclaimed wages held by the commissioner for two years shall escheat to the state subject to the provisions of Title 3, Chapter 32, Part III of the General Statutes.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Department of Labor disclosed the following seven recommendations, of which seven have been repeated from the previous audit including two of the prior recommendations that were restated within one current recommendation:

Leave Time Usage and Accountability Issues

Criteria: The NP-2 collective bargaining agreement states that employees are encouraged to use vacation credits in full days but may use them in minimum units of one-half (½) hour.

The NP-3 collective bargaining agreement states that employees are encouraged to use vacation credits in full days but may use them in minimum units of one (1) hour.

The Department of Labor Time Reporting Procedure Manual states that supervisors should check timesheets for accuracy and completeness.

The Wage and Workplace Standards Division (WWSD) Weekly and Monthly Report policy requires field supervisors to review their staff's weekly and monthly reports to ensure accuracy and consistency within both reports.

Good business practice dictates that supervisors verify that the time reported on weekly activity reports agrees with self-service time reported by the employee in Core-CT prior to approving the timesheet.

Condition: A review of union employee leave time usage during fiscal years 2018-2019 and 2019-2020 noted that 70% and 61%, respectively, of the vacation time charged was not in accordance with the minimum increments identified in collective bargaining agreements.

A review of weekly activity reports noted that three of ten Wage and Workplace Standards Division employees' reports did not agree with time reported in Core-CT. One of ten employees did not complete a weekly activity report for one period reviewed.

Effect: Use of leave time in increments less than the mandated minimum is a violation of the collective bargaining unit contracts.

Reduced accountability of time exists when supervisors do not consistently reconcile weekly activity reports to timesheet entries.

Cause: A lack of managerial oversight and effective internal control policies and procedures contributed to the condition.

Prior Audit Finding: This finding has been previously reported, in part, in the last audit report covering the fiscal years ended June 30, 2017 through 2018.

Recommendation: The Department of Labor should improve controls over the reporting, review, and approval of time records to ensure compliance with collective bargaining unit contracts. (See Recommendation 1.)

Agency Response: “The Department agrees with this finding. The agency previously took corrective action to ensure the leave time is recorded in 15 minute increments. Timesheet policies are periodically reissued and WWSD will reissue guidance on weekly activity reports. The Department will revise its timesheet policy to account for the minimum units identified in the NP-2 and NP-3 agreements.”

Inadequate Controls over Cash Receipts

Criteria: The State Accounting Manual requires each agency to establish internal controls over cash receipts to minimize the risk of loss. An individual responsible for receiving cash should record the receipt date, remitter name, receipt amount, receipt type, and the purpose of the remittance in a journal. All receipts must be logged into a receipts journal or equivalent tracking record.

Section 4-32 of the General Statutes generally requires that receipts be deposited and accounted for within 24 hours.

Adequate internal controls over receivables and revenues require segregation of duties. Different employees should be responsible for the collecting, recording, and depositing of funds.

Condition: DOL did not promptly deposit or account for receipts of the Benefit Payment Control Unit (BPCU) and the Occupational Safety and Health Unit (OSHA) in accordance with Section 4-32 of the General Statutes. Our review of 25 BPCU cash receipts revealed that six were deposited between one and three days late. Our review of ten OSHA receipts noted that four, totaling \$4,181, were deposited one day late. We also found that seven receipts, totaling \$24,383, were not promptly accounted for in Core-CT.

The same BPCU employee received and deposited 53 of 1,281 (4%) cash receipts transactions.

Context: BPCU deposited \$1,299,178 in receipts during fiscal year 2019-2020.

OSHA deposited \$118,565 in receipts during fiscal years 2018-2019 and 2019-2020.

<i>Effect:</i>	Receipts that are not deposited on time are subject to potential loss and the agency or employee responsible for untimely deposits is not complying with laws and regulations. There is an increased risk of loss due to error or fraud if key duties are not segregated.
<i>Cause:</i>	Diminished staffing levels and the implementation of new procedures utilizing the CashPro scanner may have been contributing factors.
<i>Prior Audit Finding:</i>	This finding has been previously reported in the last four audit reports covering the fiscal years ended June 30, 2011 through 2018.
<i>Recommendation:</i>	The Department of Labor should ensure proper segregation of duties over the collection, recording, and depositing of revenues, and ensure that receipts are promptly deposited and accounted for in accordance with Section 4-32 of the General Statutes. (See Recommendation 2.)
<i>Agency Response:</i>	“The agency agrees with this finding and is continuing to review and improve its policies and procedures for cash receipts. This issue has been recently complicated by the Covid-19 pandemic due to the sudden implementation of telework. The Department continues to develop its cash handling policies and procedures as the state workforce moves to a mix of in office and telework. The Department will be deploying additional check scanners in several DOL units and has issued guidance regarding the keeping of proper check logs.”

Lack of Administrative Oversight for Boards

<i>Background:</i>	The General Statutes related to the Department of Labor include four boards, two commissions, two councils, and an authority, which we collectively refer to as boards. These include the Board of Mediation and Arbitration, Board of Labor Relations, Employment Security Board of Review, Employment Security Division Advisory Board, Occupational Safety and Health Review Commission, Joint Enforcement Commission on Employee Misclassification, Governor’s Workforce Council, and the State Apprenticeship Council.
<i>Criteria:</i>	Section 1-225 of the General Statutes requires public agencies to: (1) post meeting minutes to its website no later than seven days after such meeting; (2) file a schedule of regular meetings for the ensuing year with the Secretary of the State no later than January 31 st of each year, and to post such schedule on the agency’s website; and (3) file the agenda of such meeting with the Secretary of the State no less than 24 hours before a meeting, and post such agenda on the agency’s website.

Statutory references for appointments to the various boards follow:

Board	Section
State Apprenticeship Council	31-22n
Joint Enforcement Commission on Employee Misclassification	31-57h
Board of Labor Relations	31-102
Employment Security Division Advisory Board	31-250a
Occupational Safety and Health Review Commission	31-376

Section 31-96 of the General Statutes provides that the Labor Commissioner, with the advice and approval of the Board of Mediation and Arbitration, shall appoint at least five mediators to act for it in making investigations and adjusting labor disputes.

Condition:

Our review of the boards for the fiscal years ended June 30, 2019 and 2020 revealed the following:

- The Connecticut State Apprenticeship Council had one vacancy since November 2019.
- The Board of Labor Relations has a permanent member and four alternate board members with expired terms. The board also did not file a meeting schedule with the Secretary of the State for the 2020 calendar year and did not post meeting agendas on its website.
- The Occupational Safety and Health Review Commission had one vacancy since 2008.
- The Employment Security Division Advisory Board had one vacancy since March 2019. In addition, the board did not post meeting agendas on its website and did not file them with the Secretary of the State. The board also did not post meeting minutes to its website after January 2019, until our auditors notified the board.
- The Board of Mediation and Arbitration did not file its meeting agendas with the Secretary of the State and did not leave agendas on the agency's website after the meetings took place.
- The Joint Enforcement Commission on Employee Misclassification did not meet during the audited period.
- Only two of five mediators required by Section 31-96 were appointed during the audited period.

Effect: Certain boards did not provide public notice for their respective meetings, minutes, or agendas. They did not operate in compliance with applicable legislation regarding appointments, membership, and meetings.

Cause: A lack of administrative oversight contributed to this condition. DOL did not effectively work with boards.

Prior Audit Finding: This finding has been previously reported in the last five audit reports covering the fiscal years ended June 30, 2009 through 2018.

Recommendation: The Department of Labor should work with its related boards to ensure compliance with applicable legislation. If the department determines that any statutory requirement is impractical or outdated, it should request a legislative change. (See Recommendation 3.)

Agency Response: “The Department does not agree with the specific finding concerning the Joint Enforcement Commission on Employee Misclassification. As stated in several previous audits, the agency is not responsible for and has no oversight over this entity. When an agency has responsibility for a Board or Commission, the statute specifically mentions that agency. These statutes do not indicate that DOL is responsible for the Board or the Commission. Therefore, the finding concerning this entity should be removed from the audit.

Every Board has been made aware of the requirements for filing the meeting dates, agendas, and minutes. Currently, each Board for which we are responsible has received direction and each will follow the proper protocol.”

Auditors’ Concluding Comment:

The department should consider requesting legislative clarification to Section 31-57h of the General Statutes regarding its responsibilities related to the Joint Enforcement Commission on Employee Misclassification. The commission is dedicated to reviewing employee misclassification by employers to avoid their obligations under state and federal labor, employment, and tax laws. Since employee misclassification is a labor issue and complaints from the public regarding employee misclassification are received by the department’s Wage and Workplace Standards Division, it appears that DOL should have a vested interest in ensuring that this entity remains active.

Improper Utilization of State Fleet Vehicles

Criteria: The Department of Administrative Services' (DAS) General Letter 115 states:

- Agencies are responsible for ensuring that their state-owned vehicles are used in the most cost-effective and efficient manner possible.
- Agencies must obtain approval from the Director of DAS Fleet Operations to allow employees to continuously garage a state-owned vehicle at their home.
- Overnight parking of a state-owned vehicle at an employee's home for more than one night per month may be classified as a fringe benefit taxable income pursuant to Federal Public Law 99-44.

The Office of the State Comptroller's Memorandum No. 2020-08 requires state agencies to calculate and report taxable fringe benefits when a state employee commutes in or uses a state vehicle for personal use.

Condition: Our review of state vehicle usage noted the following:

- Occupational Safety and Health Unit (OSHA) employees did not accurately prepare monthly motor vehicle usage reports because they did not separate official state business miles from non-business home-to-office and special commuting miles. Non-business and special commuting miles are considered taxable fringe benefits.
- DOL did not obtain approval from the Director of DAS Fleet Operations for two employees to garage state-owned vehicles at home.
- DOL does not calculate or report taxable fringe benefits for employees who regularly park their state-owned vehicles at home.

Effect: There is reduced assurance that the department efficiently and effectively administers the use of state vehicles.

Taxable fringe benefits may not be reported to the Internal Revenue Service.

Cause: A lack of administrative oversight contributed to this condition.

Prior Audit Finding: This finding has been previously reported in the last three audit reports covering the fiscal years ended June 30, 2013 through 2018.

Recommendation: The Department of Labor should comply with DAS General Letter 115 – Use of State-Owned Motor Vehicles and develop procedures to accurately calculate and report the taxable fringe benefits for commuting or personal use of a state vehicle. (See Recommendation 4.)

Agency Response: “The Department agrees with the finding that the Department did not obtain approval from the Director of DAS Fleet Operations for two employees to garage state-owned vehicles at their home. A review was conducted on the two missing approvals and it was determined that there was either a clerical or technical oversight. DOL recently requested approval for all garaged state-owned vehicles and will enhance its record keeping process to ensure compliance with DAS General Letter 115.

Regarding the monthly motor vehicle usage reports and taxable fringe benefits, DOL’s OSHA employees do not use their state vehicles for non-business or any special commuting. The Department requires OSHA staff to utilize state vehicles due to the equipment needed for their duties. This requirement is in place because employees may be required to respond to emergencies outside of normal duty hours (accidents, fatalities, disasters). Because of this mandate and the business only utilization, the Department historically did not calculate taxable fringe benefits because DAS General Letter 115 states overnight parking “may be” considered a fringe benefit. Additionally, while OSHA staff qualify for a \$200 garaging fee per their A&R contract, it has been determined that OSHA staff have not consistently received the garaging allowance. The Department will be working with the Office of State Comptroller to review the commuting, vehicle usage reports and taxable fringe benefit policies of the Department.”

Ineffective Management of Employer Workplace Violation Case Files and Handling of Receipts

Background: The Department of Labor assesses civil penalties on employers who violate prevailing and minimum wage standards. Although wage enforcement cases constitute a larger portion of the division’s investigations, the department informed us that it does not assess civil penalties on employers who violate wage enforcement standards unless they are a repeat offender. This practice is based on the premise that, in many wage enforcement cases, the civil penalty is greater than the wages due, and imposing civil penalties would detract from the department’s primary purpose of collecting unpaid wages.

Criteria: The State Accounting Manual requires each agency to establish internal controls over cash receipts to minimize the risk of loss. All receipts must be logged into a receipts journal or equivalent tracking record.

Section 4-32 of the General Statutes generally requires state agencies to account for and deposit receipts within 24 hours.

Proper internal controls dictate that formal written policies and procedures should be established and disseminated to provide guidance to employees in the performance of their duties.

Wage and Workplace Standards Division (WWSD) employees are authorized to accept in-person civil penalty and wage payments from employers under only special conditions with the director's written authorization.

Condition:

During the review of case files and the handling of deposits, we noted the following:

- The division lacks sufficient controls to ensure that it properly documents all complaints in the eWage system.
- WWSD does not maintain a cash receipts log. All checks are entered directly into the applicable case files within the eWage system.
- The division does not have a formal process to document compliance with its own directive requiring written authorization for checks to be picked up (or received at a satellite office) rather than submitted directly to the WWSD central office.
- The division does not maintain a log to track courier pick-ups or deliveries. We identified four instances in which checks sent to the Central Office via the Department of Administrative Services (DAS) courier were documented as received by the central office between three and eight days after their initial receipt.
- There is no reconciliation process between WWSD and the fiscal unit to ensure that all receipts are deposited.
- eWage Civil Penalty reports do not agree with Core-CT Civil Penalty revenue reports.
- DOL did not promptly account for and deposit seven of 67 receipts in accordance with Section 4-32 of the General Statutes.

Context: An instance was identified in which a serious allegation, involving child labor, was not entered into the eWage system. The complaint was received by the director and assigned to a field agent. Neither entered the case or any related information into the eWage system.

Core-CT Civil Penalty revenue reports exceeded eWage Civil Penalty reports by \$51,930 for fiscal year 2019-2020.

Civil penalty deposits totaled \$1,337,540 and \$1,185,442 during fiscal years 2018-2019 and 2019-2020, respectively.

Effect: Without adequate documentation and oversight, complaints may be received but never investigated.

There is an increased risk that checks may be received but never documented and/or deposited.

Late deposits deprive the state of timely revenue.

Cause: There is a lack of effective controls over the receipt and entry of complaints into the eWage system.

Employer checks received in the field may not be promptly processed and deposited.

Prior Audit Finding: This finding has been previously reported in part, in the last six audit reports covering the fiscal years ended June 30, 2007 through 2018.

Recommendation: The Department of Labor should develop and implement internal controls to ensure that all complaints are properly documented within the eWage system. The department should develop policies and procedures to properly safeguard receipts, and ensure compliance with accounting and deposit requirements in Section 4-32 of the General Statutes and the State Accounting Manual. (See Recommendation 5.)

Agency Response: “The agency disagrees with the characterization that there was ineffective management or inadequate oversight associated with employer workplace violation case files, specifically as it relates to the aforementioned child labor complaint. Although the clerical data entry was delayed, the allegations were investigated thoroughly and immediately on the same day that the information was provided to the Wage and Workplace Standards Division.

Regarding controls within the E-Wage system, the agency disagrees with this finding as well. There is an operational guidebook and training manual that provides the framework for accessing, managing and

utilizing the E-Wage system. Supervisory staff review submitted claims and assign them to investigative personnel based on a variety of factors, including type, nature, caseload, and geographic location. Supervisory staff are prompted with updates on case progression and are cued through features in the system that require documented approval for certain decisions. Supervisory staff are authorized and required to review cases submitted for closure and generate final case reports which is the last step in the investigative process. The division will add a procedure to the policy for the entry of the miniscule number of complaints that are submitted in paper form and electronic mail.”

*Auditors’ Concluding
Comment:*

Our office inquired about the child labor complaint approximately eight months after the department formally received it and although it was investigated and closed, it still was not recorded on the eWage system.

Inadequate Controls over Equipment Inventory and CO-59 Reporting

Criteria:

Section 4-36 of the General Statutes requires a property inventory to be kept in the form prescribed by the State Comptroller. The State Property Control Manual specifies requirements and standards for state agency property control systems, including maintaining a software inventory to track and control all agency software media, as well as tagging, recording, and maintaining capital assets and controllable property on the Core-CT Asset Management module.

Condition:

The department’s asset inventory as recorded in Core-CT is incomplete and obsolete in several respects, and is an unreliable record for management accountability and reporting. Specifically:

- The Core-CT inventory record does not include physical inventory results after June 2015. Although management informed us that it performed subsequent inventory in 2019, it did not successfully upload results to the Core-CT Asset Management module.
- Core-CT data did not report acquisitions after February 2019, and management acknowledged that there is a backlog in updating the system for recent acquisitions and removals from service.
- We determined that 2,068 (70%) of the 2,235 information technology items recorded in Core-CT are likely past their expected operational life, and may have been removed from service or custody, but not the active inventory record. These items total \$5,634,309 (37%) of the value of all recorded non-real estate assets.

<i>Context:</i>	<p>We identified 109 items, totaling \$1,102,988, that DOL acquired during the audited period.</p> <p>The 2,068 information technology items, totaling \$5,634,309, are mostly personal computers placed in service more than five or ten years ago.</p>
<i>Effect:</i>	<p>A failure to conduct timely physical inventories and promptly record asset acquisitions, transfers and dispositions impairs management's ability to account for equipment, report accurate values, and identify and report losses as required. As a result, the department's CO-59 inventory reports are unreliable.</p>
<i>Cause:</i>	<p>An inadequate segregation of duties is the primary cause of the conditions.</p> <p>The Facilities Unit, which was primarily responsible for asset custody and accountability, experienced staff turnover and reductions preventing proper segregation of duties, timely performance, and sufficient training of employees about their new responsibilities.</p> <p>The impacts of Covid-19 in fiscal year 2019-2020 made a physical inventory process impractical due to the closing of facilities.</p>
<i>Prior Audit Finding:</i>	<p>This finding combines two findings that have been previously reported in the last ten audit reports covering the fiscal years ended June 30, 1999 through 2018.</p>
<i>Recommendation:</i>	<p>The Department of Labor should implement an internal control structure for asset management that is capable of meeting statutory requirements of accountability and reliable reporting. (See Recommendation 6.)</p>
<i>Agency Response:</i>	<p>"The DOL is in agreement with the finding and noted cause. In concert with conversations with the State Auditors, CORE, DAS BEST and partnered DOL Divisions, a comprehensive plan is being developed to address the recommendations and ensure compliance with requirements of the Office of the State Comptroller. As part of the plan, DOL is in the final stages of hiring new staff to fill turnover of relevant staff that perform the required functions. Staff training through CORE is being coordinated to ensure that segregated duties are assigned, understood and performed as required. At the recommendation of the State Auditors an oversight/segregated duty role utilizing Business Management is being reviewed as part of DOL's plan moving forward. Based on the changes outlined above, the findings related to the asset management module and information technology items should be resolved."</p>

Lack of Effective Oversight over State Regulations

Criteria: The Regulations of Connecticut State Agencies serve to clarify the General Statutes.

Condition: DOL did not develop and adopt state regulations required under Sections 31-3z, 31-40b, 31-40u, 31-51ii, 31-76a, 31-76l, 31-223b, 31-362g, and 31-374(f)(2) of the General Statutes.

Context: The department did not establish required regulations related to nine out of 35 statutory references.

Effect: In the absence of state regulations, certain policies and procedures may not be administered or adhered to as intended.

Cause: Inadequate administrative oversight over state regulations appears to contribute to the condition.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The Department of Labor should improve administrative oversight and pursue adoption of statutorily required regulations or request legislative changes to repeal unnecessary or outdated regulatory mandates. (See Recommendation 7.)

Agency Response: “The Department agrees in part and disagrees in part with this finding.

Section 31-76l calls for the promulgation of regulations on the exceptions from OT. The agency has complied with this section in part. Certain regulations concerning the exceptions were promulgated - specifically those having to do with bona fide executive administrative and professional capacities.

Certain of the statutes that call for the promulgation of regulations are obsolete, i.e. Conn. Gen. Stat. 31-40b lung function tests and 31-40u guidelines for display terminals. Conn. Gen. Stat.31-3z self-employment program was never instituted and therefore, regulations were not needed. Another statute that requires regulations is 31-262g. This statute passed in 1994 and to the best of anyone’s recollection has never been raised. The Department will seek to repeal these requirements for regulations, but these statutes have not been utilized in many, many years. The Department will also seek the repeal of the regulatory requirement for 31-51ii, meal periods, as well as 31-223b which calls for the promulgation of regulations concerning SUTA dumping.

31-374(f)(1) and (f)(2) were taken from the OSHA Act when Connecticut adopted its own state plan. The USDOL/OSHA Field Operations Manual covers procedures regarding complaint inspections and the Connecticut Public-Sector Only State Plan had adopted the USDOL/OSHA procedures which would satisfy the regulatory mandate prescribed in the sections mentioned. In our legislative package for the 2022 session, we are proposing the repeal of the sections requiring the adoption of regulations.”

Write Off of Receivables

Background:

Uncollectible amounts may be written off after reasonable collection efforts have been exhausted. Section 3-7 of the General Statutes authorizes the department to write off any uncollectible claims of \$1,000 or less with the department head’s authorization. For accounts receivable greater than \$1,000, the department submits a request to the Assistant Attorney General’s (AAG) office for abatement coding. Accounts identified to be uncollectible are referred to the Office of the Attorney General for approval. Upon Attorney General approval, the Delinquent Account Unit requests that the delinquent account be written off. The Information Technology (IT) Unit posts the write-offs annually.

Criteria:

Section 31-266c(a) of the General Statutes provides that the administrator, upon the advice of the Attorney General, may abate any receivables due under this chapter that have been found by the administrator to be uncollectible.

Section 3-7(a) of the General Statutes states that any uncollectible claim for an amount of \$1,000 or less may be cancelled upon the books of any state department or agency upon the authorization of the head of such department or agency.

Sound business practice dictates that agencies should periodically review past due accounts receivables to determine their collectability. Receivables that management deems uncollectible should be written off.

Condition:

Aged receivables were not reviewed to assess their collectability. Receivables that would likely be deemed uncollectible were not written off for fiscal years 2018-2019 and 2019-2020.

Effect:

The inclusion of uncollectible accounts in the accounts receivable records misrepresents the true level of accounts receivables and inhibits their efficient management.

Cause: Due to decreased staffing levels, the department focused its efforts on collecting outstanding debts rather than taking the time to write off amounts that should have been deemed uncollectible.

Prior Audit Finding: This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2017 through 2018.

Conclusion: While the Department of Labor complied with Section 31-266c(a) of the General Statutes, it is also notable that it eventually wrote off \$9.4 million in uncollectible accounts on June 30, 2021.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on the Department of Labor contained 13 recommendations. Six have been implemented or otherwise resolved and seven have been repeated or restated with modifications, including two that were combined into one recommendation, during the current audit.

- The Department of Labor should ensure that it completes annual performance appraisals for all of its employees. **This recommendation has been resolved.**
- The Department of Labor should ensure that any payments made related to the SEBAC vs. Rowland Settlement are not charged to federal funds as stipulated in the Office of the State Comptroller's Memorandum No. 2016-13. **This recommendation has been resolved.**
- The Department of Labor should provide consistent guidance to its employees to ensure that leave time is recorded accurately. **This recommendation is being repeated. (See Recommendation 1.)**
- The Department of Labor should strengthen internal controls to ensure that contracts are fully executed prior to their start date. If necessary, the department should delay the service period start date on these contracts. **This recommendation has been resolved.**
- The Department of Labor should strengthen internal controls to ensure that it periodically reviews employer receivables and writes off aged receivables deemed uncollectible. **This recommendation has been resolved.**
- The Department of Labor should strengthen internal control procedures to ensure that it accurately logs all receipts into a journal or equivalent tracking record.

The department should promptly notify the Auditors of Public Accounts and State Comptroller of any unauthorized, illegal, irregular, or unsafe handling of state funds. **This recommendation is being restated with modifications. (See Recommendation 2.)**

- The Department of Labor should ensure that it appropriately designs and implements internal controls over the custody and reporting of its assets. The department should take a complete and accurate physical inventory and update any changes in the Core-CT Asset Management module. **This recommendation is being restated with modifications and combined. (See Recommendation 6.)**

- The Department of Labor should improve internal controls to ensure that property inventory is maintained in the form prescribed by the Office of the State Comptroller. The department should review and adequately support its CO-59 reports for accuracy prior to submission. **This recommendation is being restated with modifications and combined. (See Recommendation 6.)**
- The Department of Labor should implement internal control procedures to ensure the timely submission of mileage reimbursement requests. **This recommendation has been resolved.**
- The Department of Labor should formalize its policies for assigning and monitoring vehicles and reallocate underutilized vehicles for efficiency and cost savings. In addition, the department should develop procedures to accurately calculate and report the taxable fringe benefit for commuting or personal use of a state vehicle. **This recommendation is being restated with modifications. (See Recommendation 4.)**
- The Department of Labor should institute procedures and establish effective internal controls to ensure that it submits all required reports. **This recommendation has been resolved.**
- The Department of Labor should strengthen employer labor violation internal controls to ensure consistent investigation and recordkeeping practices. Additionally, the department should develop internal controls to comply with accounting and deposit requirements of Section 4-32 of the General Statutes and the Office of the State Comptroller's directives.

The Department of Labor should assess civil penalties as prescribed by Section 31-69 of the General Statutes and seek legislative changes to Section 31-57f of the General Statutes to give it the authority to impose and collect civil penalties. **This recommendation is being restated with modifications. (See Recommendation 5.)**

- The Department of Labor should work with its related boards to ensure compliance with the General Statutes. If the department determines that any statutory requirement is impractical or outdated, then it should request a legislative change. **This recommendation is being restated with modifications. (See Recommendation 3.)**

Current Audit Recommendations:

- 1. The Department of Labor should improve controls over the reporting, review, and approval of time records to ensure compliance with collective bargaining unit contracts.**

Comment:

Vacation leave time was not always charged in accordance with the minimum increments specified in collective bargaining agreements. Weekly activity reports did not agree with time reported on Core-CT and one activity report was not completed for the period reviewed.

- 2. The Department of Labor should ensure proper segregation of duties over the collection, recording, and depositing of revenues, and ensure that receipts are promptly deposited and accounted for in accordance with Section 4-32 of the General Statutes.**

Comment:

DOL did not promptly deposit or account for receipts of the Benefit Payment Control Unit (BPCU) and the Occupational Safety and Health Unit (OSHA) in accordance with Section 4-32 of the General Statutes. Also, one BPCU employee received and deposited 53 of 1,281 (4%) cash receipts transactions.

- 3. The Department of Labor should work with its related boards to ensure compliance with applicable legislation. If the department determines that any statutory requirement is impractical or outdated, it should request a legislative change.**

Comment:

Boards under DOL had vacancies, expired terms, lacked posting of agenda and minutes, and did not meet in accordance with statutory requirements and the Freedom of Information Act.

- 4. The Department of Labor should comply with DAS General Letter 115 – Use of State-Owned Motor Vehicles and develop procedures to accurately calculate and report the taxable fringe benefits for commuting or personal use of a state vehicle.**

Comment:

Monthly state vehicle usage reports improperly include instances in which official state business miles are not separated from non-business miles. DOL does not calculate or report taxable fringe benefits for employees who regularly park their state-owned vehicles at home. DOL did not obtain DAS approval for two employees to garage state-owned vehicles at their home.

- 5. The Department of Labor should develop and implement internal controls to ensure that all complaints are properly documented within the eWage system. The department should develop policies and procedures to properly safeguard receipts, and ensure compliance with accounting and deposit requirements in Section 4-32 of the General Statutes and the State Accounting Manual.**

Comment:

The division lacked sufficient controls to ensure that all complaints are properly documented in the eWage system.

The Wage and Workforce Division does not maintain a cash receipts log. Checks are entered directly into eWage system case files.

eWage Civil Penalty reports do not agree with Core-CT Civil penalty revenue reports, and there is no reconciliation process between WWSD and the fiscal unit to ensure all receipts are properly recorded and deposited.

DOL did not promptly account for and deposit receipts.

- 6. The Department of Labor should implement an internal control structure for asset management that is capable of meeting statutory requirements of accountability and reliable reporting.**

Comment:

DOL's asset inventory is incomplete and unreliable. Core-CT inventory records indicate that the department conducted the most recent physical inventory in 2015 and has not entered any acquisitions since February 2019 into the asset management module.

- 7. The Department of Labor should improve administrative oversight and pursue adoption of statutorily required regulations or request legislative changes to repeal unnecessary or outdated regulatory mandates.**

Comment:

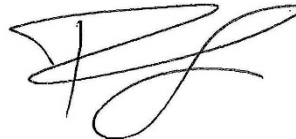
DOL did not establish required state regulations for 11 out of 35 statutory requirements.

ACKNOWLEDGMENTS

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

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

Dennis Collins
Sidney Gale
Jaimey Makie



Dennis Collins
Principal Auditor

Approved:



John C. Geragosian
State Auditor



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State Auditor