

STATE OF CONNECTICUT



*AUDITORS' REPORT
MILITARY DEPARTMENT
FISCAL YEARS ENDED JUNE 30, 2016, 2017 AND 2018*

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

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December 23, 2020
EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of the Military Department for the fiscal years ended June 30, 2016, 2017 and 2018. Our audit identified internal control deficiencies; and instances of noncompliance with laws, regulations, and policies; and the need for changes in management practices that warrant the attention of management. The significant findings and recommendations are presented below:

Page 8	Our review of reconciliations for the 2017-2018 fiscal year disclosed that the department did not always complete reconciliations and performed them quarterly rather than monthly. We also found that supervisors did not always approve them. The Military Department should strengthen internal controls over receipts and should implement procedures to comply with the State Accounting Manual. (See Recommendation 1.)
Page 8	Our review of 10 employees' personnel files disclosed 6 instances in which the department did not have the required medical certificate on file. The Military Department should improve monitoring of medical leave to ensure employees provide medical certificates for any absence of more than five consecutive working days as prescribed by the Commissioner of Administrative Services. (See Recommendation 2.)
Page 9	Our review of the department's Asset Management Report (CO-59) disclosed that the department understated the CO-59 balances by \$624,531 and \$646,810 for the 2016-2017 and 2017-2018 fiscal years, respectively. The Military Department should implement controls to ensure that amounts on its annual inventory report are accurate, complete, and reported in accordance with the State Property Control Manual. (See Recommendation 3.)
Page 11	We reviewed errors in balances recorded in the GAAP reporting form for grants receivable. The Military Department understated the grants receivable balances by \$1,978,728 and \$5,165,555 for the 2016-2017 and 2017-2018 fiscal years, respectively. The Military Department should ensure that it sufficiently trains personnel completing its GAAP reporting forms to improve compliance with grants receivable reporting rules and regulations. (See Recommendation 4.)
Page 12	Our review of the Military Department's software inventory disclosed the inventory records did not contain the requirements prescribed by the State Comptroller. The department did not conduct a physical software inventory. The Military Department should comply with the Office of the Comptroller's software inventory policies and procedures. (See Recommendation 5.)
Page 13	The department had not deactivated eight of the 10 terminated employees' Core-CT accounts we examined at the time of our review. They remained active 566 to 1154 days after termination. The Military Department should establish internal controls to ensure that it promptly deactivates employee access to the Core-CT system upon termination. (See Recommendation 6.)

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AUDITORS OF PUBLIC ACCOUNTS

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December 23, 2020

AUDITORS' REPORT

We have audited certain operations of the Military Department 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, 2016, 2017 and 2018. 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, as well as certain external parties; 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 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 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 Military Department.

COMMENTS

FOREWORD

Title 27 of the General Statutes contains the Military Department's statutory authority and responsibilities. The department's principle public responsibilities are to train, resource, and coordinate state emergency response assets and plan for and protect citizens and their property in times of war, terrorism, invasion, rebellion, riot, or disaster. The Military Department facilitates public safety during emergencies.

The Military Department is functionally divided into 4 major components: Headquarters, Connecticut Army National Guard, Connecticut Air National Guard, and the Organized Militia. Headquarters includes the adjutant general and assistant adjutant general, who are appointed by the Governor. The adjutant general is the commander of the National Guard and Organized Militia and oversees civilian employees who provide administrative support to the department's military personnel. The adjutant general commands the elements of the Military Department through the Joint Force Headquarters located in the William A. O'Neill Armory in Hartford. As of June 30, 2018, the Connecticut Army National Guard consisted of four major commands with 47 units stationed in 17 state readiness centers, 3 army aviation facilities, 8 maintenance facilities, and 5 training facilities. The Connecticut Air National Guard consists of a headquarters and the 103rd Airlift Wing. The Airlift Wing is comprised of the 103rd Air Control Squadron based in Orange and the 103rd Air and Space Operations Group, Maintenance Group, Operations Group, Mission Support Group, and Medical Group, which are all located in East Granby. The Organized Militia consists of the Connecticut State Guard, Connecticut State Guard Reserve, and the Governor's Foot and Horse Guards. The Connecticut State Guard and Connecticut State Guard Reserve may be called upon during emergencies to augment the state's military force structure with administrative and logistical support. The Foot and Horse Guards also represent the Governor and the citizens of the state in a ceremonial capacity.

Major General Thaddeus J. Martin served as adjutant general until his retirement on June 30, 2018. Major General Francis Evan Jr. was appointed adjutant general on July 1, 2018 and continues to serve in that capacity.

Recent Legislation

The following notable legislative changes affecting the department took effect during the audited period:

- **Public Act 16-52**, effective May 26, 2016, made several changes to the law on leasing and using state military facilities. The act: (1) expands the adjutant general's responsibility to include the security of all military facilities; (2) expands the insurance requirement for leasing or using a facility to any applicant, instead of just nongovernmental entities; (3) prohibits any lease from being sublet; (4) allows the leasing of the Governor's Horse Guard's Avon and Newtown facilities to anyone if it does not conflict with military use; (5) allows the adjutant general to charge certain fees for leasing or using military facilities; (6) eliminates certain terms and conditions for joint military and veterans' groups using military facilities; and (7) makes minor, technical, and conforming changes.
- **Public Act 16-110**, effective June 6, 2016, allowed the Military Department to take control of and supervise more expensive building construction projects, increasing the threshold from \$500,000 to \$2 million. The act also eliminated a requirement that the Military Department receive the Department of Administrative Services' (DAS) approval before beginning capital improvements. It requires the Military Department to comply with the state's competitive bidding requirements for projects over \$500,000. The act also allows the adjutant general to compile a list and enter into "on-call contracts" with architects, professional engineers, and construction administrators, under the same conditions as the DAS commissioner.
- **Public Act 17-127**, effective October 1, 2017, added veteran status as a basis on which certain discriminatory practices are prohibited and grants the Commission on Human Rights and Opportunities jurisdiction to investigate complaints alleging a violation of this law. The act also: (1) requires the employer of anyone serving in another state's National Guard to allow the employee to take a leave of absence to perform ordered military duty during regular work hours; (2) allows active-duty members of the armed forces to register certain family members for Medicaid home and community-based programs; and (3) explicitly includes U.S. Department of Defense military law enforcement authorities among the federal law enforcement officers to whom Department of Children and Families records are disclosable without the consent of the person who is the subject of the record, under certain circumstances specified in law.

- **Public Act 17-197**, effective October 1, allowed Connecticut National Guard members ordered into active service to cancel certain contracts at any time after receiving orders to serve for 90 days or more at a location that does not support such contracts. These include contracts for (1) athletic club and gym memberships and (2) telecommunication, internet, television, and satellite radio services.
- **Public Act 18-104**, effective July 1, 2018, specified that requests for Military Department records and documents generated and maintained by the adjutant general under state or federal law must be processed under their respective state or federal Freedom of Information Act (FOIA). The records the adjutant general keeps are service records. The adjutant general is also required to generate Military Department records and documents instead of just maintaining them.

RÉSUMÉ OF OPERATIONS

General Fund Receipts and Expenditures

A comparison of General Fund revenues and expenditures for the fiscal years under review and the preceding year follows:

	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
Refund of Expenditures	\$ 47,712	\$ 2,552	\$ 898
All Other Receipts	6,858	7,484	8,763
Total General Fund Receipts	\$ 54,570	\$ 10,036	\$ 9,661

General Fund receipts were primary derived from refunds of prior years' expenditures and the sale of property. General Fund receipts decreased by \$44,534 for the 2016-2017 fiscal year due to year-end corrections and adjustments.

The department's General Fund expenditures for the fiscal years under review and the preceding year are as follows:

	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
Personal Services and Employee Benefits	\$3,219,049	\$3,122,433	\$2,813,247
Purchases and Contracted Services	71,860	136,135	94,638
Other Services	39,499	38,198	44,696
Rental and Maintenance – Equipment	75,810	76,191	57,702
Motor Vehicle Costs	86,737	80,884	98,924
Premises and Property Expenses	1,652,801	1,300,033	1,602,168
Information Technology and Communications	55,673	44,732	47,724
Purchase Commodities	109,871	107,438	101,419
Reimbursements	-	5,239	9,159

Grants	76,200	28,300	63,800
Capital Outlays	783	(56)	(307)
Total General Fund Expenditures	<u>\$5,418,283</u>	<u>\$4,939,528</u>	<u>\$4,933,170</u>

General Fund expenditures decreased by \$478,755 during the fiscal year ended June 30, 2017 and decreased by \$6,358 during the fiscal year ended June 30, 2018. The majority of the budgeted expenditures are personal services, employee benefits, premises, and property expenses. The Personal Services and Employee Benefits expenditures decreased by \$126,615 for fiscal year 2016-2017 and \$309,186 for fiscal year 2017-2018 due to retirements. The Premises and Property expenditures decreased by \$352,768 for fiscal year 2016-2017 and increased by \$302,134 for fiscal year 2017-2018 mainly due to projects at the Hartford and Norwich armories and the Military Department's Groton facility. In order for the department to utilize the federal Department of Defense construction improvement funds, the department must use a portion of state funding for those projects.

Federal and Other Restricted Accounts Fund

The department's Federal and Other Restricted Accounts Fund receipts for the audited period, as compared to the preceding year, are as follows:

	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
Federal Grants	\$17,309,238	\$17,171,047	\$18,636,447
Non-Federal Grants	680,903	1,857,078	849,701
All Other Revenues	147,269	111,782	124,112
Total General Fund Receipts	<u>\$18,137,411</u>	<u>\$19,139,908</u>	<u>\$19,610,259</u>

The department receives federal grants from the Department of Defense to provide support to the Army and Air National Guards for the construction, maintenance, and operation of military facilities. Federal grants decreased by \$138,191 for fiscal year 2016-2017 and increased by \$1,465,400 for fiscal year 2017-2018. The federal government increased its grant funding to the Military Department for fiscal year 2017-2018.

Non-federal grants revenue is comprised of income from facility rentals, the Horse Guard Public-Private-Partnership, the New England Disaster Training Center, and Foot & Horse Guard fees for services. Non-federal grants increased by \$1,176,175 for fiscal year 2016-2017 and decreased by \$1,007,378 for fiscal year 2017-2018. The growth in revenue for fiscal year 2016-2017 is due to the increase of services the department provided to the community. The amount collected each fiscal year varies.

The department's Federal and Other Restricted Accounts Fund expenditures for the audited period, as compared to the preceding year, are as follows:

	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
Personal Services and Employee Benefits	\$8,982,710	\$9,457,823	\$9,436,664
Purchases and Contracted Services	1,209,751	979,022	1,371,263
Other Services	25,067	41,396	23,617
Rental and Maintenance – Equipment	135,243	139,569	183,758
Motor Vehicle Costs	63,989	94,680	139,219
Premises and Property Expenses	6,609,116	6,909,186	10,147,959
Information Technology and Communications	125,509	45,724	51,912
Purchase Commodities	127,959	173,078	180,805
Reimbursements	30,312	140,833	6,240
Grants	1,060,297	912,339	1,116,855
Capital Outlays	266,003	788,521	583,172
Total Expenditures	<u>\$18,635,955</u>	<u>\$19,682,170</u>	<u>\$23,241,464</u>

The total Federal and Other Restricted Accounts Fund expenditures increased by \$1,046,215 for the 2016-2017 fiscal year and \$3,559,294 for the 2017-2018 fiscal year.

Personal services and employee benefits increased by \$475,113 for the 2016-2017 fiscal year and decreased by \$21,159 for the 2017-2018 fiscal year. This increase in personal services is due to vacation and sick leave retirement payouts and overtime for the maintenance department during the winter.

Purchased and contracted services decreased by \$230,729 for the 2016-2017 fiscal year and increased by \$392,241 for the 2017-2018 fiscal year. The increase in purchased and contracted services is attributed to the removal of hazardous waste from the department’s facilities and consulting services to ensure the department is in compliance with environmental laws.

Premises and property expenses increased by \$300,070 for the 2016-2017 fiscal year and \$3,238,773 for the 2017-2018 fiscal year. The increases were due to major projects at the Army Air Support Facility in Windsor and the Stratford Armory. The department took over the management of Camp Nett’s daily operations from the CT National Guard. The department also replaced the sprinkler system at Camp Nett during the 2017-2018 fiscal year.

Capital outlay expenditures increased by \$522,518 for the 2016-2017 fiscal year and decreased by \$205,349 for the 2017-2018 fiscal year. The department mainly used the funds at Camp Nett for the construction of concrete encased duck banks, including manholes and vaults for electrical service, and restoration of the paved and grassed areas. Most of the construction of Camp Nett took place in fiscal year 2016-2017, and continued in fiscal year 2017-2018. Grants expenses decreased by \$147,958 for the 2016-2017 fiscal year and increased by \$205,349 for the 2017-2018 fiscal year. The Military Department transferred funds to the Department of Administrative Services Division of Construction Services to execute the department’s major projects. These amounts vary depending on the nature of the program.

Capital Improvements and Other Purpose Funds

Capital Improvements and Other Purpose Fund expenditures totaled \$531,029, \$965,982 and \$2,070,368 during the fiscal years ended June 30, 2016, 2017 and 2018, respectively. The increase in expenditures was due to projects required for operational needs for the Enfield, New Britain, and Hartford armories, and Camp Nett in Niantic.

Military Relief Fund

The Military Relief Fund (MRF) was established by Section 27-100a of the General Statutes for the purpose of providing financial assistance in times of hardship to immediate family members of military service personnel residing in the State of Connecticut. The fund is available to active duty service members, National Guard, and Reserves who are on active duty. The Military Department established a grant application and approval process that includes a 6-person board responsible for awarding benefits to eligible applicants.

MRF is a separate, non-lapsing General Fund account administered by the Office of the State Treasurer. The account was established with an initial \$500,000 state appropriation. The MRF receives funding provided by public donations from state income tax refunds. MRF receipts totaled \$49,251, \$49,398, and \$39,435 during the fiscal years ended June 30, 2016, 2017 and 2018, respectively. The MRF expenditures totaled \$32,721, \$27,754 and \$43,929 during the fiscal years ended June 30, 2016, 2017 and 2018, respectively.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of Military Department disclosed the following 6 findings and recommendations, of which 3 have been repeated from the previous audit:

Revenue and Receipts Cash Reconciliation Not Performed

Criteria: Effective internal controls require the monthly reconciliation of receipts and proper documentation. The State Accounting Manual requires that state agencies periodically prepare accountability reports to compare monies recorded with actual amounts.

Condition: Our review of reconciliations for the 2017-2018 fiscal year disclosed that the department did not always complete reconciliations and performed them quarterly rather than monthly. We also found that supervisors did not always approve them.

Effect: Inadequate controls increase the risk that errors or irregularities may go undetected.

Cause: The department did not implement adequate internal controls over the processing of receipts as set forth by the Office of the State Comptroller.

Prior Audit Finding: This finding has been previously reported in the last 2 audit reports covering the fiscal years ended 2012 to 2015.

Recommendation: The Military Department should strengthen internal controls over receipts and should implement procedures to comply with the State Accounting Manual. (See Recommendation 1.)

Agency Response: “The department agrees with this finding and has taken corrective action. Beginning fiscal year 2019, the Military Department implemented new cash reconciliation procedures that require monthly reconciliations to be performed in accordance with the State Accounting Manual. This was transmitted to the auditor on June 28, 2019.”

Absence of Medical Certificates on File

Criteria: Section 5-247-11 of the Regulations of Connecticut State Agencies provides that an acceptable medical certificate, which must be on the form prescribed by the Commissioner of Administrative Services and signed by a licensed physician or other practitioner whose method of healing is recognized by the state, will be required of an employee by his appointing authority to substantiate a request for sick leave for any period of absence consisting of more than 5 consecutive working days.

The Department of Administrative Services recommends that state employees absent for health reasons use the Employee Medical Certificate (P-33A) Form.

The Military Department's policy states employees should report an absence due to illness or injury to their supervisors as soon as possible. Employees should submit a required medical certificate for an absence of more than 5 consecutive workdays to the Human Resources Unit. Various collective bargaining agreements specify the same policy.

Condition: We reviewed 10 employees' personnel files and discovered 6 instances in which the department did not have the required medical certificate on file. However, all 6 files had a doctor's note.

Context: During the audit period, 19 employees were on medical leave for more than 5 consecutive days with a total of 629 days. We reviewed 10 employees on medical leave with a total of 212 days.

Effect: The department increases the risk that employees may abuse their use of sick leave when it does not obtain required medical certificates.

Cause: The department does not adequately monitor employees for compliance with the state's medical certificate requirements.

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

Recommendation: The Military Department should improve monitoring of medical leave to ensure employees provide medical certificates for any absence of more than five consecutive working days as prescribed by the Commissioner of Administrative Services. (See Recommendation 2.)

Agency Response: "The department agrees with this finding and has taken corrective action. The Military Department's past practice permitted employees to present medical certificates with the physician's letterhead as an acceptable medical certificate to account for absences of more than five consecutive workdays. Based on the audit finding, the department immediately revised its practice and henceforth will only accept Employee Medical Certificates on the DAS (P-33A) form to account for absences of five or more consecutive days."

Asset Management- CO-59 GAAP Reporting Form

Criteria: Section 4-36 of the General Statutes requires state agencies to establish and maintain an inventory system as prescribed by the Office of the State Comptroller. Agencies are required to transmit an annual Asset Management

Report (CO-59) to the Office of the State Comptroller, which provides a detailed inventory of all real or personal property owned by the state in the custody of an agency.

The State Property Control Manual provides that the recorded asset cost for buildings should include the purchase or construction costs, professional fees for architects, attorneys, appraisers, or financial advisors, and any other expenditure necessary to put a building or structure into its intended state of operation. The value should include any improvements and the original costs if the improvements significantly extend the building's useful life or enhance the value.

Condition: Our review of the department's Asset Management Report (CO-59) for the audit period disclosed errors in amounts reported for site improvements, buildings, real property, and equipment. This resulted in the understatement of the CO-59 balances by \$624,531 and \$646,810 for the 2016-2017 and 2017-2018 fiscal years, respectively. We also noted that the department did not reconcile the CO-59 to the Core-CT Asset Management module.

In the prior audit, we reported that the Military Department failed to record the cost of Building 65 in Niantic, as the department did not properly track the project's costs. During our current review, we noted that the department did not correct the building's reported value.

Context: The CO-59 ending balances were \$284,611,206 and \$284,090,174, at June 30, 2017 and 2018, respectively.

Effect: Inventory amounts reported on the state's Comprehensive Annual Financial Report (CAFR) could be inaccurate.

Cause: The department did not seek the Comptroller's assistance for guidance on reporting the accurate cost of Building 65 in Niantic.

The department did not properly train its personnel in preparing the CO-59. Therefore, the department did not accurately calculate or reconcile CO-59 balances to the Core-CT Asset Management module. The department has not made a sufficient effort to maintain accurate inventory records in accordance with the State Property Control Manual.

Prior Audit Finding: This finding has been previously reported in the last 2 audit reports, covering the fiscal years ended 2012 to 2015.

Recommendation: The Military Department should implement controls to ensure that amounts on its annual inventory report are accurate, complete, and reported in

accordance with the State Property Control Manual. (See Recommendation 3.)

Agency Response: “The department agrees with the finding that the Military department adjusted/corrected the inaccurately reported additions and deletions. The department strengthened internal controls with respect to asset management in order to fully comply with the State Accounting Manual and the Property Control Manual.

The department agrees with this finding that the value of Building 65 was not accurately reported. In accordance with auditor guidance, the department contacted the Office of the State Comptroller’s Office (OSC). The OSC advised the Department to estimate the allocated cost to the best of its ability. Based on the OSC direction, the department estimated the cost associated with the Building 65 renovations at Camp Nett at Niantic and adjusted Core-CT, effective June 30, 2019, to adequately report the value of Building 65.”

Grants Receivable GAAP Form

Criteria: The Office of the State Comptroller requires state agencies to submit complete and accurate GAAP (generally accepted accounting principles) reporting forms at the end of each fiscal year in accordance with the State Accounting Manual procedures.

Condition: We reviewed errors in balances recorded in the GAAP reporting form for grants receivable. The Military Department understated the grants receivable balances by \$1,978,728 and \$5,165,555 for the 2016-2017 and 2017-2018 fiscal years, respectively.

Context: The Military Department’s grants receivables totaled \$5,070,845, \$4,473,836 and \$10,529,549, at June 30, 2016, 2017, and 2018, respectively.

Effect: Errors in year-end reporting lead to inaccuracies in the statewide financial statements.

Cause: It appears that the employees completing the form were not sufficiently knowledgeable about the requirements.

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

Recommendation: The Military Department should ensure that that it sufficiently trains personnel completing its GAAP reporting forms to improve compliance with grants receivable reporting rules and regulations. (See Recommendation 4.)

Agency Response: “The department agrees with this finding and has taken corrective action. The Military Department corrected the inaccuracy of year-end reporting. The errors were due to employee turnover. The department contacted the Comptroller’s Office for proper staff training for employees to eliminate the future recurrence of the finding. The training has been conducted and the new employee is aware of proper accounting process. The department developed a standard operating procedure to ensure new employees are using the proper process and accurately reporting asset values.”

Information and Technology- Software Inventory

Criteria: Chapter 7 of the State of Connecticut Property Control Manual requires state agencies to establish a software inventory to track and control all software media and licenses. Agencies must annually produce a software inventory report and have an inventory record for all licensed, owned, and agency-developed software. The manual requires state agencies to perform physical inventories of their software libraries at the end of each fiscal year, and they should compare them to the annual software inventory report. Agencies should retain the physical inventory for audit purposes.

The Copyright Act, U.S. Code - Title 17, protects software. The Office of the State Comptroller requires all agencies to comply with all provisions of the law. The agency may use the inventory/library source documentation to verify it complies with the Copyright Act, United States (U.S.) Code - Title 17. The State of Connecticut is responsible for ensuring compliance with software manufacturers' licensing requirements.

Condition: The department continued to maintain an on-line software inventory for the fiscal years ended June 30, 2016, 2017 and 2018. However, the department’s software inventory did not comply with the requirements prescribed by the State Comptroller. In addition, the department did not perform a physical inventory of its software records for the fiscal years ended June 30, 2016, 2017, and 2018.

Effect: The lack of proper accountability increases the risk that software may be lost, stolen, or improperly used. The state may also be at a higher risk of litigation from software companies for violation of licensing and copyright agreements.

Cause: There appears to be a lack of management oversight.

Prior Audit Finding: This finding has been previously reported in the last 2 audit reports covering the fiscal years ended 2012 to 2015.

Recommendation: The Military Department should comply with the Office of the Comptroller’s software inventory policies and procedures. (See Recommendation 5.)

Agency Response: “The department agrees with this finding and has taken corrective action. The Military Department, after receiving the audit findings for fiscal years ended June 30 2014 and 2015, initiated the process to conduct formal physical software inventories in June 2019. Since then, the department has conducted software inventories annually in the month of June. The department physically accounted for all software and software licenses and validated compliance with the manufacturer’s licensing requirements.

The department, upon receipt of audit findings for fiscal years ended June 30 2016-2018, recognized that the format of the software inventory did not meet audit specifications as required by the State Comptroller’s Property Control Manual. The department modified the inventory format and implemented the corrections for the inventory completed on June 16, 2020.”

Core-CT Security- Access to Core-CT for Terminated Employees

Criteria: The Core-CT Security Liaison Guide states that upon the notice of an employee’s termination, retirement, or transfer to another department or agency, the agency’s security liaison should request immediate deactivation of an employee’s access to Core-CT.

Condition: The department had not deactivated eight of the 10 terminated employees’ Core-CT accounts we examined at the time of our review. They remained active 566 to 1154 days after termination.

Context: During the audited period, 27 employees separated from state service.

Effect: Failing to deactivate employee accounts decreases the security of Core-CT. Continued access after termination could lead to unauthorized access.

Cause: The department lacks adequate termination procedures.

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

Recommendation: The Military Department should establish internal controls to ensure that it promptly deactivates employee access to the Core-CT system upon termination. (See Recommendation 6.)

Agency Response: “The department agrees with this finding and has taken corrective action. The Military Department added “CORE” deactivation to the department’s employee out-processing procedures and checklist.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on the Military Department contained 8 recommendations. Four have been implemented or otherwise resolved, and 4 have been repeated or restated with modifications during the current audit.

- The Military Department should strengthen internal controls to prevent the intentional misuse or fraudulent abuse of purchasing cards. The department should seek reimbursement for any improper purchases. **This recommendation has been resolved.**
- The Military Department should perform monthly reconciliations of the cash receipts journal to postings made in the general ledger and maintain supporting documentation for audit purposes. **This recommendation is being repeated with modification. (See Recommendation 1.)**
- The Military Department should ensure that it reports accurate amounts on the CO-59 Asset Management / Inventory Report / GAAP Reporting Form and CO-648B Summary Motor Vehicle Report. **This recommendation is being repeated with modification. (See Recommendation 3.)**
- The Military Department should strengthen its internal controls over state-owned vehicles to ensure compliance with established policies and procedures and make certain state resources are being used efficiently. **This finding has been resolved.**
- The Military Department should ensure that it complies with all General Statutes pertaining to agency-administered construction projects and should verify that projects are completed in the most efficient and cost-effective manner. In addition, the department should ensure that buildings are valued in inventory records in accordance with the State of Connecticut Property Control Manual. **This recommendation is being repeated in part. (See Recommendation 3.)**
- The Military Department should establish a software library/inventory in compliance with the State Property Control Manual. In addition, the department should perform and document an annual physical software inventory. **This recommendation is being repeated. (See Recommendation 5.)**
- The Military Department should establish a network security policy that addresses system access control and prohibits unauthorized access to state and military information. **This recommendation has been resolved.**
- The Military Department should comply with Section 27-100(a) (d) through (f) of the General Statutes and obtain sufficient and adequate supporting documentation to verify

delivery and timeliness of reports and supporting documentation. In addition, regulations should be in place to adequately address the department's grant award process. **This recommendation has been resolved.**

Current Audit Recommendations:

- 1. The Military Department should strengthen internal controls over receipts and should implement procedures to comply with the State Accounting Manual.**

Comment:

The Business Office Unit did not reconcile its receipts on a monthly basis.

- 2. The Military Department should improve monitoring of medical leave to ensure employees provide medical certificates for any absence of more than five consecutive working days as prescribed by the Commissioner of Administrative Services for statewide use.**

Comment:

We reviewed 10 employees' personnel files and discovered 6 instances in which the department did not have the required medical certificate on file.

- 3. The Military Department should implement controls to ensure that amounts on its annual inventory report are accurate, complete, and reported in accordance with the State Property Control Manual.**

Comment:

Our review of the department's Asset Management Report (CO-59) for the audit period, disclosed that the department understated the CO-59 balances by \$624,531 and \$646,810 for the 2016-2017 and 2017-2018 fiscal years, respectively.

- 4. The Military Department should ensure that it sufficiently trains personnel completing its GAAP reporting forms to improve compliance with grants receivable reporting rules and regulations.**

Comment:

We reviewed the GAAP reporting form for grants receivable and discovered the department understated the grants receivable balances by \$1,978,728 and \$5,165,555 for the 2016-2017 and 2017-2018 fiscal years, respectively.

5. The Military Department should comply with the Office of the Comptroller's software inventory policies and procedures.

Comment:

The department's software inventory did not comply with the requirements prescribed by the State Comptroller. The department did not conduct a physical software inventory.

6. The Military Department should establish internal controls to ensure that it promptly deactivates employee access to the Core-CT system upon termination.

Comment:

The department had not deactivated eight of the 10 terminated employees' Core-CT accounts we examined at the time of our review. They remained active 566 to 1154 days after termination.

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 Military Department during the course of our examination.

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

Sophia Chen
Jennifer Courbin



Kathrien E. Williams
Principal Auditor

Approved:



John C. Geragosian
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