

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
OFFICE OF POLICY AND MANAGEMENT  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2016*

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

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December 19, 2019

## EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes we have audited certain operations of the Office of Policy and Management. The objectives of this review were to evaluate the department's internal controls, compliance with policies and procedures, as well as certain legal provisions, and management practices and operations for the fiscal years ended June 30, 2015 and 2016.

The key findings are presented below:

<b>Page 10</b>	The Office of Policy and Management signed a personal service agreement before obtaining the proper approval. In addition, a contractor evaluation was completed 1 month late. The Office of Policy and Management should strengthen its internal controls to ensure the required approvals are obtained and contractor evaluations are submitted in a timely manner in accordance with state personal service agreement standards.
<b>Page 11</b>	We identified numerous internal control issues with physical inventory assets at Rentschler Field. Assets were not tagged and 2 assets totaling \$21,434 could not be located. The Office of Policy and Management should improve its internal controls over asset accountability for Rentschler Field.
<b>Page 12</b>	OPM submitted various reports required by the General Statutes late or did not document the submission date. The Office of Policy and Management should file reports in accordance with the General Statutes and document the timeliness of all report submissions.
<b>Page 13</b>	The Office of Policy and Management is responsible for developing and implementing information technology policies for executive branch agencies. We found that 11 statewide policies were outdated and many referenced the former Department of Information Technology, which was abolished during 2011. The Office of Policy and Management should update the information technology policies to provide guidance for all executive branch agencies.
<b>Page 14</b>	The Office of Policy and Management has not codified the memoranda of agreements with the State Employees Bargaining Coalition (SEBAC). The Office of Policy and Management should continue its efforts to ensure the timely codification of the SEBAC agreements.

# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

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Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

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December 19, 2019

### **AUDITORS' REPORT OFFICE OF POLICY AND MANAGEMENT FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2016**

We have audited certain operations of the Office of Policy and Management (OPM) 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, 2015 and 2016. The objectives of our audit were to:

1. Evaluate the office's internal controls over significant management and financial functions;
2. Evaluate the office'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 economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the department; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office. For the areas audited, we identified

1. Deficiencies in internal controls;
2. Apparent noncompliance with legal provisions; and
3. No need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Office of Policy and Management.

## **COMMENTS**

### **FOREWORD**

The Office of Policy and Management operates primarily, under Title 4, Chapter 50, and Title 16a, Chapters 295 through Chapters 298, of the General Statutes. The secretary of the Office of Policy and Management serves as the department head and is appointed by the Governor. OPM has broad statutory authority and serves as a centralized management and planning agency for the state. Section 4-65a of the General Statutes states OPM is responsible "for all aspects of state staff planning and analysis in the areas of budgeting, management, planning, energy policy determination and evaluation, intergovernmental policy, criminal and juvenile justice planning, and program evaluation."

Pursuant to Section 4-66 of the General Statutes, the OPM fiscal and program responsibilities include the following:

- To keep on file information concerning the state's general accounts.
- To assist agencies in the creation of state capital (physical plant and equipment) plans.
- To prescribe reporting requirements to state agencies, analyze, and act upon such reports.
- To convey financial information to the General Assembly and the State Comptroller.
- To review and assist in improving the operations of state agencies.

Pursuant to Sections 12-1c and 12-1d of the General Statutes, OPM is also responsible for issues related to municipal finance and local taxes. These tasks include processing tax-related grants to towns, including reimbursing towns for various tax relief programs (elderly homeowners, veterans, and the totally disabled). Section 12-170h of the General Statutes provides OPM with the power to "enforce the provisions and make all necessary regulations for carrying out, enforcing, and preventing violations of all or any of the provisions regarding property tax relief for elderly homeowners, renters and persons with permanent total disability."

OPM is also responsible for various oversight and control functions, including the following:

- The preparation and implementation of the state budget – Sections 4-69 through 4-107a of the General Statutes.
- The establishment of agency financial policies; the review and approval of budgets for financial systems and acting to remedy deficiencies in such systems; advising agencies of financial staff needs; recommendations of career development programs for managers; and the coordination of transfers of financial managers are responsibilities assigned to the OPM Office of Finance under Section 4-70e of the General Statutes.
- The oversight and coordination of contracting by state agencies for outside personal service contractors. Personal service contractors provide consulting or other services to state agencies – Sections 4-205 through 4-219 of the General Statutes.
- The administration of the Capital Equipment Purchase Fund used to purchase capital equipment for state agencies – Section 4a-9 of the General Statutes.
- The administration of the state single audit program – Sections 4-230 to 4-236 of the General Statutes. This program is responsible for ensuring adequate audit coverage of state grants to certain recipients.
- The Office of Labor Relations (OLR) within OPM acts on behalf of the state in collective bargaining and other roles requiring employer representation. Under the provisions of Sections 5-270 through 5-280 of the General Statutes, the Governor designated OLR to act as the representative of the state.
- The provisions of Section 32-655 through 32-669 of the General Statutes, pertaining to the construction and administration of Adriaen’s Landing and Rentschler Stadium.

In addition, OPM is responsible for coordinating the activities of certain advisory bodies and other programs pursuant to various statutes including:

- Municipal Finance Advisory Commission (Section 7-394b of the General Statutes)
- Connecticut Advisory Commission on Intergovernmental Relations (Section 2-79a of the General Statutes)
- Juvenile Justice Advisory Committee (Established under the federal Juvenile Justice and Delinquency Prevention Act)
- Criminal Justice Policy Advisory Commission (Sections 18-87j and 18-87k of the General Statutes)
- Connecticut Partnership for Long Term Care (Section 17b-252 of the General Statutes)
- Tobacco and Health Trust Fund Board of Trustees (Section 4-28f of the General Statutes)
- Connecticut Sentencing Commission (Section 54-300 of the General Statutes)

Benjamin Barnes was appointed secretary of the Office of Policy and Management on January 5, 2011 and continued to serve in that position through the audited period. Melissa McCaw was appointed secretary of the Office of Policy and Management on January 9, 2019 and continues to serve in that capacity.

### **Criminal Justice Information System Governing Board**

The Criminal Justice Information System (CJIS) Governing Board operates under Section 54-142q of the General Statutes and is under OPM for administrative purposes only. The board is responsible for overseeing the development and implementation of information systems to support law enforcement and court functions involving apprehension, adjudication, incarceration, and supervision. The Judicial Branch's Chief Court Administrator and a person appointed by the governor from among its board members shall serve as co-chairpersons. An executive director, hired by the board, is responsible for overseeing the design and implementation of the CJIS system which will improve communication and sharing of information between the agencies with criminal justice responsibilities.

Statutory board members as of June 30, 2016 were:

- Michael Lawlor, Undersecretary, Criminal Justice, OPM, Co-Chairperson
- Patrick L. Carroll, III, Chief Court Administrator, Judicial Branch, Co-Chairperson
- Kevin T. Kane, Chief State's Attorney
- Melody Currey, Commissioner, Department of Administrative Services
- Susan O. Storey, Chief Public Defender
- Scott Semple, Commissioner, Department of Correction
- Michael Bzdyra, Commissioner, Department of Motor Vehicles
- Natasha Pierre, Office of Victim Advocate
- Carleton Giles, Chairperson, Board of Pardons and Parole
- Dr. Dora Schriro, Commissioner, Department of Emergency Services and Public Protection
- James Cetran, Chief, Connecticut Police Chiefs Association
- John Kissel, Senator
- Eric Coleman, Senator
- William Tong, Representative
- Rosa C. Rebimbas, Representative

### **Finance Advisory Committee**

The Finance Advisory Committee (FAC) is authorized under Section 4-93 of the General Statutes and consists of the Governor, Lieutenant Governor, State Treasurer, State Comptroller, two Senate members, and three House members of the Appropriations Committee. The senators are appointed by the president pro tempore of the Senate and must be of different political parties. The speaker of the House appoints the representatives and no more than two of the three representatives can be of the same party. Those legislative leaders also appoint alternate members

to serve in the appointees' absence. The legislative members are appointed upon the convening of the General Assembly in each odd-numbered year and serve until the next regular legislative session convenes in an odd-numbered year. The FAC meets on the first Thursday of each month and at such other times as the Governor designates.

Committee members as of June 30, 2016 were:

Ex-Officio Members

Governor Dannel P. Malloy  
Lieutenant Governor Nancy S. Wyman  
State Comptroller Kevin Lembo  
State Treasurer Denise L. Nappier

Appointed Legislative Member

Alternate

Senator Beth Bye  
Senator Robert Kane  
Representative Robyn Porter  
Representative Toni Walker  
Representative Melissa Ziobron

Senator Joan Hartley  
Senator Leonard Fasano  
Representative Henry Genga  
Representative Catherine Abercrombie  
Representative Themis Klarides

The deputy secretary of the Office of Policy and Management serves as clerk and the executive budget officer of the Budget and Financial Management Division serves as assistant clerk.

Various statutes authorize the FAC to approve appropriation transfers and other budgetary changes. A majority of the items approved by the FAC are done in accordance with the provisions of Section 4-87 of the General Statutes. The section requires committee approval for all appropriation transfers between accounts of the same agency when those transfers exceed \$50,000, or ten percent of the specific appropriation, whichever is less.

## **RÉSUMÉ OF OPERATIONS**

### **General Fund**

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



**Revenues**

	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
Casino Gaming Receipts:			
Mashantucket Gaming	\$132,318,143	\$121,205,147	\$119,717,767
Mohegan Gaming	149,882,921	146,716,698	147,692,773
Total Casino Gaming Receipts	282,201,064	267,921,845	267,410,540
Recoveries – Negotiated Settlements	11,021,621	293	-
Refunds of Grants & Other Expenditures	47,422	100,462	178,313
All Other Receipts	3,026	3,377	4,641
<b>Total Revenues</b>	<b><u>\$293,273,133</u></b>	<b><u>\$268,025,977</u></b>	<b><u>\$267,593,494</u></b>

**Expenditures**

	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
Personal Services	\$10,689,192	\$11,735,284	\$11,244,909
Other Expenses	1,181,413	1,304,143	1,482,071
Special Program or Project	5,612,023	6,122,688	4,529,987
Aid to Other than Local Government	-	25,305,101	26,287,142
Aid to Local Government	223,938,852	244,395,840	223,722,886
<b>Total Expenditures</b>	<b><u>\$241,421,480</u></b>	<b><u>\$288,863,056</u></b>	<b><u>\$267,266,995</u></b>

The majority of OPM revenues are from casino gaming, and although these receipts are credited to OPM, they are processed by the Department of Consumer Protection. A substantial portion of these funds were transferred into the Mashantucket Pequot and Mohegan Fund and used for grants to towns.

The decrease in revenue recoveries for the 2014-2015 fiscal year was due to the one-time receipt of a litigation settlement payment in the prior fiscal year that related to construction problems at the University of Connecticut Law Library. Additional decreases in revenue in the 2014-2015 and 2015-2016 fiscal years were due to the reduction in casino gambling receipts.

Public Act 14-217 restored the Elderly Rental Rebate Program and transferred the program administration from the Department of Housing to the Office of Policy and Management. Total expenditures were \$25,305,101 and \$26,287,142 for the 2014-2015 and 2015-2016 fiscal years, respectively.

**Special Revenue Funds**

Special revenue funds are used to finance a particular activity in accordance with specific state laws or regulations, and are financed through either bond sale proceeds or specific state revenue. A summary of special revenue fund revenues and expenditures for the fiscal years under review and the preceding year follows:

**Revenues**

	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
Tobacco Settlement (12037)	\$197,139,187	\$118,987,704	\$120,448,145
Federal & Other Restricted (12060):			
Sales & Use Taxes:			
General Sales & Use Tax	1,676,834	2,200,145	34,227,201
Room Occupancy & Sales Tax	6,980,751	7,533,578	9,457,555
Other Use Taxes	21	0	491,018
Total Sales & Use Taxes	<u>8,657,606</u>	<u>9,733,723</u>	<u>44,175,774</u>
Federal Restricted Contributions	10,385,707	6,542,411	5,910,556
Federal Aid – Miscellaneous	1,081,306	-	-
Interest Income	10,483	9,633	15,699
Non-Federal Restricted Contributions	43,540	4,722,452	2,074,668
Grant Transfer Federal Grant –			
Restricted	(21,169,535)	-	-
Grant Transfer Non-Federal Grant –			
Restricted	-	-	235,000
Restricted Aid not Grant Transfer	<u>2,820,000</u>	<u>2,495,000</u>	<u>2,105,000</u>
Total Federal & Other Restricted	<u>1,829,107</u>	<u>23,503,219</u>	<u>54,516,697</u>
<b>Total Revenues</b>	<b><u>\$198,968,494</u></b>	<b><u>\$142,490,923</u></b>	<b><u>\$174,964,842</u></b>

**Expenditures**

	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
Insurance Fund (12004)	\$383,789	\$461,624	\$478,802
Mashantucket & Mohegan (12009)	61,670,907	61,698,907	61,687,907
Local Capital Improvements (12050)	25,005,587	29,818,550	42,864,909
Capital Equipment Purchase Fund (12051)	324,385	39,794	15,809
Small Town Economic Assistance			
Program (STEAP) – Grants (12052)	62,327,179	69,599,975	82,212,850
Htfd Downtown Redevelopment (12059)	175,299	(124,850)	26,175
Federal & Other Restricted (12060):			
Federal Restricted Contributions	10,916,979	6,886,879	6,472,563
Non-Federal Restricted Contributions	<u>50,816,072</u>	<u>24,610,680</u>	<u>34,728,975</u>
Total Federal & Other Restricted	<u>61,733,051</u>	<u>31,497,559</u>	<u>41,201,538</u>
Community Conservation & Dev (13019)	-	9,068	4,990,000
Capital Improvements & Other Purposes (17000's)	7,728,936	12,323,040	4,562,491
Stadium Facility Fund (21019)	465,225	90,566	16,872
<b>Total Expenditures</b>	<b><u>\$219,814,358</u></b>	<b><u>\$205,414,233</u></b>	<b><u>\$238,057,353</u></b>

### **Tobacco Settlement**

The Tobacco Settlement Fund was established under Sections 4-28e through 4-28f of the General Statutes to account for funds received by the state in conjunction with the Tobacco Litigation Master Settlement Agreement executed on November 23, 1998. The receipts are a product of the sales of the major tobacco companies and are calculated in advance by a certified public accounting firm assigned to the settlement by the courts. Tobacco proceeds were higher in the 2013-2014 fiscal year because the fund received an additional settlement payment in October. The proceeds are offset by transfers to the Department of Public Health, which administers the disbursement of the funds. These transfers totaled \$107,366,766 and \$111,330,149, for the 2014-2015 and 2015-2016 fiscal years, respectively.

### **Mashantucket Pequot and Mohegan Fund**

The Mashantucket Pequot and Mohegan Fund is a formula-based grant to towns operating under Sections 3-55i through 3-55k of the General Statutes. The formula is based on a number of factors, including the value of the payment in lieu of taxes, grant payments to towns, town population, equalized net grand property list, and per capita income.

The fund expenditures totaled \$61,698,907 and \$61,687,907 for the 2014-2015 and 2015-2016 fiscal years, respectively.

### **Local Capital Improvement Program**

The Local Capital Improvement Program (LoCIP) Fund operates under Sections 7-535 through 7-538 of the General Statutes and is financed through state bond proceeds. OPM reimburses towns for up to 100 percent of the cost of eligible capital improvement projects. Eligible projects generally consist of the construction, renovation, repair, and resurfacing of roads; sidewalk and pavement improvements; and public buildings and public housing renovations and improvements.

The annual LoCIP expenditure totals fluctuate from year to year since projects authorized by OPM must wait until the State Bond Commission places the request on its agenda and subsequently votes to approve the project.

### **Small Town Economic Assistance Program (STEAP)**

The Small Town Economic Assistance Program (STEAP) was established under Section 4-66g of the General Statutes to provide grants-in-aid to any municipality or group of municipalities. The statutes provide guidelines on each municipality's eligibility. During the 2015-2016 fiscal year, an additional bond authorization for \$20,000,000 was included in the budget pursuant to Public Act 15-1 of the June Special Session of the General Assembly.

### **Federal and Other Restricted Accounts**

The increase in fund revenues for the 2015-2016 fiscal year was attributed to legislative changes impacting the revenue diversion to the municipal revenue sharing account pursuant to Public Act 16-2 of the May Special Session of the General Assembly, Section 40(1)(K).

The expenditure decrease during the 2014-2015 fiscal year was mainly attributed to the repeal of the Manufacturing Transition and the Municipal Revenue Sharing grants in Section 207 of Public Act 15-244. Expenditures increased during the 2015-2016 fiscal year primarily due to the fluctuation in grant pass thru activity.

### **Capital Projects Funds**

Capital projects funds account for bond sale proceeds used to acquire capital facilities financed from state bond sale proceeds. The legislature authorizes funds through bond act legislation. Subsequent State Bond Commission approval is generally required to make the funds available. Total capital projects fund expenditures were \$12,323,040 and \$4,562,491 for the 2014-2015 and 2015-2016 fiscal years, respectively. Expenditures during fiscal year 2014-2015 were primarily for the development of a criminal justice information system, Core-CT web-based business intelligence project and the municipal benchmarking system. Expenditures during fiscal year 2015-2016 were primarily for the development of the Core-CT web-based business intelligence project and the municipal benchmarking system.

## STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our review of the records of the Office of Policy and Management disclosed certain matters of concern requiring agency attention.

### Compliance with Personal Service Agreement Standards

- Background:* Section 4-217 (a) of the General Statutes requires the Office of Policy and Management to establish standards for state agencies to follow while entering into personal service agreements. The OPM Office of Finance oversees the state's personal service agreements and publishes state procurement standards, as required by state statute. When OPM enters into a personal service agreement, it must adhere to the state procurement standards in the same manner as any other state agency.
- Criteria:*
- Timely Approvals – State procurement standards require the agency obtain prior approval for personal service agreements when a contract has an anticipated cost of more than \$50,000 or an anticipated term of more than one year. When a state agency intends to make a sole source procurement and the anticipated cost or term of the contract exceeds \$20,000 or exceeds one year, the agency must obtain prior approval for a waiver from competitive solicitation. The waiver request should be submitted to OPM at least one month before the anticipated start date of the contract, and must be approved before discussions can be held with any potential contractor.
- Contractor Evaluations – State procurement standards for personal service agreements require that contractors complete an evaluation form not later than 60 days after they have completed work on the contract
- Condition:*
- Timely Approvals – Our review of 10 personal service agreements disclosed one \$550,000 contract in which the vendor signed the contract 3 days prior to the agency receiving the required contract approval.
- Contractor Evaluations – An agency completed contractor evaluation forms for one personal service agreement approximately a month late.
- Effect:*
- Timely Approvals – The lack of timely approvals increases the risk of unauthorized state obligations to contractors.

Contractor Evaluations – It is difficult to determine if a contractor is suitable for selection of future services if the contracting agency does not evaluate their prior performance in a timely manner.

*Cause:* OPM informed us that a lack of managerial oversight was the cause for the errors.

*Prior Audit Finding:* This finding has been previously reported in the last 2 audit reports covering the 2010-2011 to 2013-2014 fiscal years.

*Recommendation:* The Office of Policy and Management should strengthen its internal controls to ensure that contractor evaluations and approvals are submitted and obtained in a timely manner, in accordance with state personal service agreement standards. (See Recommendation 1.)

*Agency Response:* “The Office of Policy and Management agrees with this finding. The untimely approval of a contract and the incomplete and untimely contractor’s evaluation were oversights by staff. In December 2018 implemented a tracking system to improve compliance with its personal service agreement procedure related to contractor evaluations and in December 2019 implemented a procedure requiring the approvals in accordance with Chapter 55a of the Connecticut General Statutes before the agency commences the execution of contracts with vendors.”

### **Property Control Deficiencies**

*Criteria:* The State Property Control Manual requires that equipment and controllable items be tagged and inventory be kept on a current basis with accurate, detailed recordkeeping. OPM procedures require that the movement of items must be reported to the employee responsible for inventory control so they can record the changes.

*Condition:* During a random inspection of 20 assets at Rentschler Field, we found that 12 assets were not recorded in the Core-CT system. Ten of the 12 assets were not tagged.

Our physical inspection of 23 assets that were selected for testing at Rentschler Field noted the following exceptions:

- Two assets could not be located.
- Three assets were physically located in a different place than recorded in the Core-CT system.
- Three assets were not tagged, which required the use of other asset identifying information to verify their existence.

- Effect:* The lack of complete property records increases the risk of undetected losses to the state.
- Cause:* There appears to be a lack of enforcement of policies and procedures to ensure all property acquired for Rentschler Field is promptly and accurately recorded in the OPM property control records.
- Prior Audit Finding:* This finding has been previously reported in the last 3 audit reports covering the 2008-2009 to 2013-2014 fiscal years.
- Recommendation:* The Office of Policy and Management should improve its internal controls over asset accountability for Rentschler Field. (See Recommendation 2.)
- Agency Response:* “The Office of Policy and Management agrees with this finding and implemented the following steps to address this recommendation:
- Commenced a quarterly inventory in fiscal year 2020 at the Office of Policy and Management to ensure assets are located, properly tagged, and recorded in the Core-CT financial system;
  - Educated staff at Rentschler Field in December 2018 on their responsibilities to report on assets changes;
  - Assigned the responsibilities of reporting and tracking property at Rentschler Field to a member of the concession staff in December 2018; and
  - Commenced a semi-annual inventory in fiscal year 2020 at Rentschler Field to ensure assets are located, properly tagged, and recorded in the Core-CT financial system.

### **Statutory Reporting Requirements**

- Criteria:* The Office of Policy and Management is required to issue over 100 reports each year in accordance with various sections of the General Statutes.
- Condition:* Our review identified the following reporting issues.
- OPM submitted the annual report on personal service agreements, required by Section 4-218 (a) of the General Statutes, 6 days late and 2 months late for the fiscal years ended June 30, 2015 and 2016, respectively.
  - OPM submitted the annual List of Municipalities that Meet Certain Fiscal Disparities, required by Section 7-148 dd(b), 3 months late and 2 months late for fiscal years ended June 30, 2015 and 2016, respectively.

- We were unable to determine if OPM timely filed the monthly reports concerning Contract Compliance tracking, required by Section 46a-68j, for fiscal years June 30, 2015 and 2016.
- We were unable to determine if OPM submitted the annual reports on Correctional System Population Projections, required by Section 4-68n, for fiscal years 2014-2015 and 2015-2016.

*Effect:* Lack of timely reporting may prevent the distribution of information needed for informed decision-making by management and the legislature.

*Cause:* It appears that the issues noted were due to a lack of administrative oversight.

*Prior Audit Finding:* This finding has been previously reported in the last audit report covering the 2012-2013 and 2013-2014 fiscal years.

*Recommendation:* The Office of Policy and Management should file reports in accordance with the General Statutes and document the timeliness of all report submissions. (See Recommendation 3.)

*Agency Response:* “The Office of Policy and Management agrees with this finding and in fiscal year 2019 modified its Statutory Requirements Tracking system to automatically generate and disseminate tracking reports which allows staff to monitor compliance with the agency’s statutory obligations.”

### **Outdated Information Technology Policies**

*Criteria:* Section 4d-8a of the General Statutes requires that the Office of Policy and Management (1) develop and implement an integrated set of policies governing the use of information and telecommunications systems for state agencies, and (2) develop a series of comprehensive standards and planning guidelines pertaining to the development, acquisition, implementation, oversight and management of information and telecommunications systems for state agencies.

*Condition:* Our review revealed outdated statewide information technology (IT) policies. Furthermore, many of the policies referenced the former Department of Information Technology (DOIT), which was abolished as of July 1, 2011. The outdated policies include the following:



- Health Insurance Portability and Accountability Act (2004)
- Acceptable Use of State Systems (November 2006)
- Data Classification Policy (2010)
- Domain Name Registration and Usage (1999)
- Implementation and Development of State Agency Intranet (2001)
- Network Security Policy and Procedures
- Policy on Security for Mobile Computing and Storage Devices (2007)
- Social Media Policy (2010)
- Telecommunication Equipment Policy
- Universal Web Site Accessibility Policy
- Use of Relational Data Base System Policy (2001)

*Effect:* The lack of updated information technology policies may encourage state agencies to ignore statewide policies and implement information technology systems that do not integrate with other technology initiatives.

*Cause:* OPM did not update the IT policies transferred from the Department of Information Technology on July 1, 2011.

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

*Recommendation:* The Office of Policy and Management should update the statewide information technology policies to provide guidance for all executive branch agencies. (See Recommendation 4.)

*Agency Response:* “The Office of Policy and Management agrees with this finding and updated the identified information technology policies in December 2019 in order to provide guidance for all executive branch agencies.”

### **Codification of the Pension Agreement Modifications**

*Criteria:* In accordance with Sections 4-65a, 5-271 and 5-278 (f)(1) of the General Statutes, the OPM Office of Labor Relations (OLR) is designated to act on behalf of the state in all dealings with representatives of executive branch employees with respect to collective bargaining issues, including the negotiation of retirement benefits.

In accordance with Section 5-155a (c) of the General Statutes, the Retirement Division of the Office of the State Comptroller is responsible for the general supervision of the operation of the

retirement system, in accordance with Chapter 66 (the State Employees Retirement Act) and applicable law. Said section further states that the State Employees Retirement Commission shall act in accordance with the provisions of the General Statutes and applicable collective bargaining agreements.

*Condition:* The Office of Labor Relations negotiated various memoranda of agreements with the State Employees Bargaining Agent Coalition (SEBAC) regarding modifications to provisions of Chapter 66. These agreements, commonly referred to as SEBAC II through SEBAC V(a), provided that the language of the agreements be codified in the General Statutes. However, those agreements were not codified.

At the time of our review, OPM informed us that it completed the technical language and submitted it to the Internal Revenue Service (IRS) for its confirmation that the terms are acceptable and in compliance with federal law.

*Effect:* While the failure to codify these agreements violates the terms of the SEBAC pension changes, it has no apparent effect on the validity of the modifications to the agreements. However, the failure to codify these changes makes it more difficult to administer the State Employees Retirement System, because the provisions appear in various documents. Therefore, in order to ascertain whether a provision was superseded, you would have to examine all of the subsequent agreements.

*Cause:* The codification of the series of SEBAC agreements is a complicated process that required the assistance of outside legal counsel, SEBAC, state agencies, and the federal government.

*Prior Audit Finding:* This finding has been previously reported in the last 8 audit reports covering the 1997-1998 to 2013-2014 fiscal years.

*Recommendation:* The Office of Policy and Management should continue its efforts to codify the SEBAC agreements, consistent with the provisions of those agreements. (See Recommendation 5.)

*Agency Response:* “The Office of Policy and Management agrees with this finding. A compilation of the series of SEBAC Agreements, up to and including the SEBAC 2017 Agreement, was submitted to the Internal Revenue Services (IRS), including any required ERISA components, in order to obtain a favorable determination that the SERS is a qualified plan.

The IRS issued a favorable determination letter dated September 30, 2019. On December 12, 2019, the Office of Labor Relations and SEBAC negotiated an agreement which provides that the “Compilation” that was submitted to and approved by the IRS would replace the previously negotiated language regarding the codification of the various agreements. The parties agreed that the Compilation resolves the issues concerning the fragmentation of the various documents. All the various SEBAC Agreements, including those negotiated after SEBAC 5A, are incorporated into this single document. The Compilation shall be posted on the Office of the State Comptroller’s web site, thus making it accessible to the general public.”

## RECOMMENDATIONS

Our prior report on the fiscal years ended June 30, 2013 and 2014 contained 8 recommendations. Of these recommendations, 4 have been modified and repeated for the current audit to reflect the issues noted. The report also includes 1 additional recommendation for the current audited period. The status of the recommendations contained in the prior report are presented below.

### *Status of Prior Audit Recommendations:*

- The Office of Policy and Management should maintain adequate documentation to ensure that absences are supported in accordance with FMLA guidelines and state personnel regulations. **Our current audit did not disclose any instances of inadequate documentation. This recommendation is not repeated.**
- The Office of Policy and Management should improve its oversight over criminal justice grant processing. **Our current audit did not disclose any non-compliance with criminal justice grant processing procedures. This recommendation is not repeated.**
- The Office of Policy and Management should clearly communicate the records retention requirements for the Renters' Rebate Program to municipalities, and internal controls over the examination of tax relief claims should be strengthened to ensure claims are accurate, complete, and in compliance with program requirements. **Our current audit did not disclose any non-compliance with record retention requirements. This recommendation is not repeated.**
- The Office of Policy and Management should perform grant reconciliations timely and should reconcile amounts reported by the grantee as expended to the single audit reports. The reconciliation process should be well documented and should include evidence that the agency reviewed and is in agreement with variance explanations provided by the grantee. **Our current audit noted variances with data submitted by the municipalities, but the Office of Policy and Management has implemented procedures to reconcile such differences. This recommendation is not repeated.**
- The Office of Policy and Management should update its personal service agreement procedures to accurately reflect the current procurement process. In addition, the agency should strengthen its internal controls to ensure the required approvals are obtained, contractors are properly selected, and contractor evaluations are completed in accordance with state personal service agreement standards. **The recommendation was partially implemented. The prior audit finding is modified and repeated. (See Recommendation 1.)**

- The Office of Policy and Management should improve the efficiency of its property control records for Rentschler Field. **The recommendation is repeated. (See Recommendation 2.)**
- The Office of Policy and Management should file reports in accordance with the General Statutes. **The recommendation is repeated. (See Recommendation 3.)**
- The Office of Policy and Management should continue its efforts to ensure the timely codification of the SEBAC agreements. **This recommendation is repeated. (See Recommendation 5.)**

*Current Audit Recommendations:*

- 1. The Office of Policy and Management should strengthen its internal controls to ensure that contractor evaluations and approvals are submitted and obtained in a timely manner, in accordance with state personal service agreement standards.**

Comment:

During our review of 10 personal service agreements, we noted that one personal service agreement was signed by the contractor before obtaining the proper approval. In addition, we found a contractor evaluation that was submitted a month late.

- 2. The Office of Policy and Management should improve its internal controls over asset accountability for Rentschler Field.**

Comment:

Our review of 23 inventory items for Rentschler Field found that 2 assets could not be located, some assets were not tagged, and other assets had inaccurate information recorded in the Core-CT control system.

- 3. The Office of Policy and Management should file reports in accordance with the General Statutes and document the timeliness of all report submissions.**

Comment:

We reviewed 15 statutorily required reports and found that OPM submitted 4 reports between 6 days and 3 months late. In addition, we could not determine if OPM submitted 4 other reports in a timely manner.

- 4. The Office of Policy and Management should update the statewide information technology policies to provide guidance for all executive branch agencies.**

Comment:

Our review revealed outdated statewide information technology (IT) policies. Furthermore, many of the policies referenced the former Department of Information Technology (DOIT), which was abolished as of July 1, 2011.

- 5. The Office of Policy and Management should continue its efforts to codify the SEBAC agreements, consistent with the provisions of those agreements.**

Comment:

The lack of codification makes it more difficult to administer the State Employee Retirement System, because the provisions appear in various documents.

**ACKNOWLEDGMENT**

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

Yadira Gonzalez  
Ramiz Mehmedovic  
Bruce C. Vaughan  
Kathrien E. Williams



**CONCLUSION**

In conclusion, we wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Office of Policy and Management during the course of our examination.



Bruce C. Vaughan  
Principal Auditor

Approved:



John C. Geragosian  
State Auditor



Robert J. Kane  
State Auditor