STATE OF CONNECTICUT

AUDITORS' REPORT
DEPARTMENT OF PUBLIC UTILITY CONTROL
AND
OFFICE OF CONSUMER COUNSEL
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2005

AUDITORS OF PUBLIC ACCOUNTS

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December 5, 2007

AUDITORS' REPORT
DEPARTMENT OF PUBLIC UTILITY CONTROL
AND
OFFICE OF CONSUMER COUNSEL
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2005

We have examined the financial records of the Department of Public Utility Control and the Office of Consumer Counsel for the fiscal years ended June 30, 2004 and 2005. This report on our examination consists of the Comments, Recommendations and Certification that follow.

The financial statement presentation and auditing of the books and accounts of the State are done on a Statewide Single Audit basis to include all State agencies including the Department of Public Utility Control and the Office of Consumer Counsel. This audit examination has been limited to assessing compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating both agencies' internal control structure policies and procedures established to ensure such compliance.

DEPARTMENT OF PUBLIC UTILITY CONTROL COMMENTS

FOREWORD:

The Department of Public Utility Control (the Department) operates primarily under Title 16, Chapters 277, 281 through 284, and 289 of the General Statutes, and is under the direction of the chairperson of the Public Utilities Control Authority as provided for in Section 16-1b of the General Statutes. The chief administrative officer of the Department is the executive director, who is appointed by the chairperson, in accordance with Section 16-2, subsection (f), of the General Statutes.

The Department has primary regulatory responsibility for investor-owned electric, gas, water, telecommunications and cable television companies in Connecticut. Decision-making responsibility resides with the Public Utilities Control Authority.

Costs and industry assessments, which can be expended only by appropriations of the General Assembly, are accounted for by the Department in the Consumer Counsel and Public Utility Control Fund, a special revenue fund, according to Section 16-48a of the General Statutes.

Significant legislation affecting the Department during the audited period included the following:

- Public Act 04-43 increases from $10,000 to $40,000 the maximum civil penalty for violations of the State's Call Before You Dig (CBYD) laws, which govern excavations near utility lines. It also provides for a $1,000 maximum penalty for a utility's failure to properly mark the location of underground facilities or to mark them by the deadlines specified by the DPUC regulations, and requires the DPUC to revise its CBYD regulations regarding a graduated schedule of penalties and the criteria the Department uses to determine the amount of a penalty.

- Public Act 04-85 requires the DPUC to establish, by regulations, energy efficiency standards for specified heating, cooling, and lighting and other types of products. DPUC must establish the standards in consultation with the Office of Policy and Management by July 1, 2005.

- Public Act 04-86 requires the DPUC to adopt regulations by January 1, 2005, to allow competitive electric suppliers to provide direct billings and collection services for commercial and industrial customers who choose this option and have a demand meter or whose peak demand is at least 500 kilowatts.

- Public Act 05-241 bars cell phone and related companies from disclosing a customer's cell phone number, name, or address to another person for listing in a directory assistance database or for publication or listing in a directory unless the customer authorizes or the law requires the disclosure. The Act imposes several responsibilities on the DPUC and cell phone companies and resellers of cell phone services regarding cell phone complaints and inquiries.

- Public Act 05-1, of the June 2005 Special Session, establishes several initiatives to reduce costs associated with congestion on the electric transmission system. The Act requires the DPUC to identify near-term measures that could reduce the transmission congestion costs and order the electric companies to begin implementing the steps DPUC considers appropriate by January 1, 2006. The Act requires the DPUC to conduct a study on establishing a procurement fee for the default services electric companies must provide starting in 2007 and various other steps.

PUBLIC UTILITIES CONTROL AUTHORITY:

The Authority is comprised of five members appointed by the Governor with the advice and consent of the General Assembly. As of June 30, 2005, the members were as follows:

	Term Expires June 30,
Donald W. Downes, Chairperson	2009
Jack R. Goldberg, Vice Chairperson	2007
Anne C. George	2007
Linda Kelly	2007
John W. Betkoski, III	2009

Donald W. Downes continued to serve as Chairperson of the Authority during the audited period.

Anthony J. Palermino was appointed Commissioner on September 30, 2005, assuming the term of Commissioner Linda Kelly, who resigned.

William Palomba continued to serve as Executive Director of the Department during the audited period.

RÉSUMÉ OF OPERATIONS-DEPARTMENT OF PUBLIC UTILITY CONTROL (DPUC):

A comparative summary of receipts credited to the Consumer Counsel and Public Utility Control Fund for the fiscal years ended June 30, 2004 and 2005, is as follows:

	Fiscal Year Ended June 30,	
	2004	2005
Public service company assessments	$16,176,264	$18,306,478
Other receipts	248,374	219,490
Total Receipts	$16,424,638	$18,525,968

Receipts consisted primarily of assessments received from public service companies for the costs of operating the Department of Public Utility Control and the Office of Consumer Counsel. In accordance with Section 16-49 of the General Statutes, each public service company having more than one hundred thousand dollars of gross revenue in the State must pay its share of all the expenses of the Department and of the Office of Consumer Counsel. Each company shall pay the Department an estimated payment for the expenses of the following year equal to 25 per cent of its assessment for the fiscal year ending on such June thirtieth, and 25 percent of the proposed assessment on September 30th, December 31st, and March 31st. Also in accordance with Section 16-49 of the General Statutes, the September 30th payment shall be adjusted to reflect and credit any amount due under the recalculated assessment for the preceding year. The recalculated assessment is based on the actual expenses of the Department and is calculated after the close of the fiscal year.

Assessment revenue decreased $2,693,902 and increased $2,130,214 during the 2003-2004 and 2004-2005 fiscal years, respectively, as compared with the 2002-2003 fiscal year assessment revenues which totaled $18,870,166. Increases and decreases in assessment revenue primarily are a function of the net increases or decreases, from one fiscal year to the next, in Departmental budgeted appropriations and net expenditures. Other receipts included fines and costs, refunds of prior year expenditures, and miscellaneous fees.

As of June 30, 2005, the available cash balance of the Consumer Counsel and Public Utility Control Fund was $5,606,595.

In addition to the receipts deposited to the Consumer Counsel and Public Utility Control Fund, and to the General Fund, the DPUC also deposited receipts totaling $37,500 and $358,723 to “Grants and Restricted Accounts Fund” in the 2003-2004 and 2004-2005 fiscal years, respectively, consisting of receivables collected for the "Gas Pipeline Safety"/Call Before You Dig” Federal Grant program (CDFA #20.700). Under this Federal program, the Federal Department of Transportation’s Office of Pipeline Safety reimburses the DPUC up to 50 percent of the actual cost, including the cost of personnel and equipment, up to a maximum dollar amount according to the grant agreement. Included in the Federal program is a separate grant amount for the “Call Before You Dig” program, which provides a toll-free number for the public to call before digging in the area of underground utilities. Due to an accounting error, the amount of $237,394 should have been deposited to this fund in fiscal year 2003-2004 but was incorrectly deposited to the Consumer Counsel and Public Utility Control Fund. This error is discussed in more detail below.

Lastly, under the Nuclear Safety Emergency Preparedness program established by Section 28-31 of the General Statutes, the Department deposited General Fund receipts for the Military Department in the amounts of $1,123,596 and $1,507,079 in fiscal years 2003-2004 and 2004-2005, respectively.

A summary of Department expenditures from the Consumer Counsel and Public Utility Control Fund for the audited period is presented below:

	Fiscal Year Ended June 30,		
	2003	**2004**	**2005**
Personal services	$9,826,101	$8,695,224	$9,525,808
Other Expenses	1,690,085	1,570,063	1,714,668
Equipment	37,986	116,634	107,372
Fringe Benefits	3,941,162	3,862,443	4,867,467
Indirect Overhead	309,059	(20,878)	(37,768)
Total Expenditures	**$15,804,393**	**$14,223,486**	**$16,177,547**

Total expenditures decreased by $1,580,907, or ten percent, in fiscal year 2003-2004 as compared to fiscal year 2002-2003. Lower personal services costs and fringe benefits accounted for most of this decrease. Expenditures for personal services decreased $1,130,877 primarily as a result of an early retirement incentive accepted by 15 employees late in fiscal year 2002-2003.

Personal services expenditures increased by $830,584 in fiscal year 2004-2005 over fiscal year 2003-2004, as filled positions of the Department increased from 126 in fiscal year 2003-2004 to 140 employees as of June 30, 2005. The Department’s filled positions totaled 118 as of June 30, 2003.

Expenditures for Fringe Benefits decreased $78,719 in fiscal year 2003-2004 as a result of the reduction in personal services expenditures due to the aforementioned early retirement plan. In fiscal year 2004-2005 fringe benefit expenditures increased by $1,005,024 over fiscal 2003-2004 levels due to higher personal services costs and a higher fringe benefit recovery rate.

Reported Federal Fund (#12060) expenditures during the audited period totaled $50,000 and $346,223 for the fiscal years 2003-2004 and 2004-2005, respectively, and were primarily for personal services, related employee fringe benefits, and indirect overhead paid from a Federal contribution account for the "Gas Pipeline Safety”/“Call Before You Dig" program. As noted above, due to an accounting error, revenues in the amount of $237,394 were not deposited to this Federal fund, however, due to the cost-sharing nature of the program, an equal amount of expenditures were not charged, either. Accordingly, the errors offset each other and resulted in no impact on the fund balance. However, as a result, expenditures reported for this program in the Statewide Single Audit’s Schedule of Expenditure of Federal Award for fiscal year ended June 30, 2004, were understated by $237,394. This error occurred only in the fiscal year ended June 30, 2004.

CONDITION OF RECORDS

Our audit of the Department of Public Utility Control's records disclosed the following areas that require improvement.

Use of the Equipment Appropriation:

Criteria: Section 4-97 of the General Statutes states: "No appropriation or part thereof shall be used for any other purpose than that for which it was made unless transferred or revised as provided in Section 4-87."

The State Accounting Manual states that the "equipment" appropriation is to be charged for the purchase of items meeting the definition of equipment, which is property having a value of one thousand dollars or more.

Condition: During the fiscal year ended June 30, 2004, the DPUC purchased 123 computers at a total cost of $77,063. The average cost for each computer was $627, below the $1,000 minimum value for capitalization as required by the State Accounting Manual. The DPUC incorrectly charged the expenditure to the equipment appropriation, despite the fact that the items purchased did not meet the State Accounting Manual's requirement for capitalization.

Effect: Section 4-97 of the General Statutes and the State Accounting Manual were not complied with.

Cause: Initially, the agency anticipated the cost to be over $1,000 for each computer, but the price changed when the monitor was no longer included in the order. As a result, the final price per unit was under $1,000; however, the Department did not change the original appropriation to be charged.

Recommendation: The Department of Public Utility Control should comply with Section 4-97 of the General Statutes and charge "Other Expenses" appropriation, when purchasing non-capitalized equipment. (See Recommendation 1.)

Agency Response: "The Department agrees with this recommendation and has taken the necessary steps to ensure expenditures are attributed to the proper appropriation."

Late Deposits:

Criteria: Section 4-32 of the General Statutes states: "Each state department, institution, board, commission or other state agency and each official and employee thereof, including the clerks of the Superior Court, receiving any money or revenue for the state, shall, within twenty-four hours of its receipt, account for and, if the total of the sums received amounts to five hundred dollars or more, pay the same to the Treasurer or deposit the same in the name of the state in depositories designated by the Treasurer under such regulations as the Treasurer prescribes."

Condition: We found receipts totaling $49,412 for the fiscal year ended June 30, 2004, which were deposited between one and four days late.

Effect: The Department was not in compliance with Section 4-32 of the General Statutes with respect to these receipts.

Cause: The cause was not determined.

Recommendation: The Department of Public Utility Control should deposit all receipts in accordance with Section 4-32 of the General Statutes. (See Recommendation 2.)

Agency Response: "The Department agrees with this finding that the referenced deposit was made as noted. The appropriate agency staff has been reminded of the 24 hour deposit provision and will make every effort to ensure compliance."

Timely Submission of the Report of Management Audits Performed:

Background: Section 16-8 (b) (1) of the General Statutes permits the DPUC to perform "management audits", which are audits performed on a regular or irregular schedule on all or any portion of the operating procedures and any other internal workings of any public service company.

Criteria: Section 16-8, subsection (b) (5), of the General Statutes requires the DPUC to "annually submit a report of audits performed pursuant to this section to the joint standing committee of the General Assembly having cognizance of matters relating to public utilities which report shall include the status of audits begun but not yet completed and a summary of the results of audits completed."

Condition: The required reports for calendar years 2002, 2003, 2004, and 2005, were not submitted on time. All four reports were submitted in April 2007.

Effect: The reporting requirement of Section 16-8, subsection (b) (5), of the General Statutes was not complied with during the fiscal years audited.

Cause: Administrative oversight appears to be the cause of this condition.

Recommendation: The Department of Public Utility Control should comply with Section 16-8, subsection (b) (5), of the General Statutes and annually submit a report of management audits performed, including the status of audits begun but not yet completed and a summary of the results of audits completed, to the joint standing committee of the General Assembly having cognizance of matters relating to public utilities. (See Recommendation 3.)

Agency Response: "The Department agrees with this recommendation. Management audit reports have been submitted in years prior to those reviewed, but the Department appreciates that consistency in reporting is in need of improvement. The manager of this unit retired in 2003, and the unit was reorganized thereafter. The new manager was not properly instructed on the issuance of these reports. The Department has corrected this and will comply going forward."

Lack of a Comprehensive Agency Policy on Attendance:

Criteria: Good business practices require that management have a written policy to address excessive absenteeism for instances of potential abuse.

The Department of Administrative Services (DAS) has issued, for its employees, a comprehensive attendance policy that addresses various attendance issues and specifies managerial actions to be taken in the event of multiple "occasions of absence" from work. "Occasion of Absence" is defined by the DAS policy as "one or more unscheduled or unapproved continuous day(s) or partial day(s) of absence".

Condition: The DPUC has not issued a comprehensive attendance policy similar to DAS's policy.

Effect: Without a comprehensive policy, the Department cannot adequately identify and address excessive absences from work by its employees.

Cause: The cause was not determined.

Recommendation: The Department of Public Utility Control should issue a comprehensive attendance policy that addresses, among other issues, managerial actions to be taken in the event of excessive occasions of absence by its employees. (See Recommendation 4.)

Agency Response: "The Department agrees with this recommendation. The Department addresses the issue of attendance in the employee handbook, but acknowledges that a more comprehensive policy is needed. In response to the last audit, the DPUC had reviewed the policies of several other State agencies in order to determine the best model from which to work. Shortly thereafter, the Department was assigned to the Department of Administrative Services (DAS) SMART program. Since then, we have been working with SMART to implement such a policy and will continue to work with them to ensure that an appropriate policy is enacted and communicated to agency staff."

Establishment of an Agency Training Program:

Criteria: The Department of Administrative Services' "Managers' Guide" provides a suggested framework for the creation of individual training and development plans, including a section on "technical credibility". Training in technical credibility ensures that managers understand and appropriately apply procedures, requirements, regulations, and policies related to specialized expertise; are able to make sound hiring and capital resource decisions and to address training and development needs; and understand linkages between administrative competencies and mission needs.

Condition: The DPUC's current organizational structure does not include an employee with the responsibility of researching and coordinating available training opportunities, disseminating training information to Departmental employees, and tracking and summarizing their progress in periodic reports to management.

Effect: Without a formalized training program, it is difficult to demonstrate that employees are receiving the proper level of training to maintain and enhance their technical abilities and skills.

Cause: The Department provides training to its employees but has not established a formal mechanism to coordinate available training opportunities, disseminate training information, or track training received.

Recommendation: The Department of Public Utility Control should establish a formal training program within the agency, and assign these duties to one of its employees. (See Recommendation 5.)

Agency Response: "The Department agrees with this recommendation, understanding the benefits of a training program for agency staff. The agency has provided training for employees in the form of seminars, conferences and the in-service training program offered by the state. The Department recognizes the benefits of someone to oversee and monitor this process. We feel that the size of the agency does not warrant a full time position to accomplish this goal and will look to assign these duties to an existing position."

Personnel Function Performed by the Small Agency Resource Team:

Background: Public Act 05-251 directed the Commissioner of Administrative Services to develop a plan for the Department of Administrative Services (DAS) to provide personnel, payroll, affirmative action, and business office functions of the State agencies. All executive branch agencies were to be considered but the specific agencies to be included were to be determined by the Commissioner of DAS. The Public Act led to the creation of the Small Agency Resource Team (SMART) within the Department of Administrative Services to provide "small" agencies with these service functions.

Criteria: State agencies should organize their work in a manner that is efficient, effective in meeting the agencies' mission, and economical.

Condition: Effective with the fiscal year 2005-2006, the Small Agency Resource Team began providing the DPUC with personnel services that were previously provided by the Department's own personnel officer. The DPUC, currently with over 130 employees, and budgeted for more, appears to be too large of an agency for this plan.

Effect: Due to the fact that the "SMART" unit personnel are located in Hartford and only visit the DPUC about once a week, the overall effectiveness and efficiency of this arrangement is questionable as the DPUC is not receiving the same level of personnel services prior to its inclusion in the SMART plan.

Cause: Public Act 05-251 required the Commissioner of DAS to develop a plan to provide certain small agencies with these services and the DPUC was one of the agencies selected. The DPUC, however, did not agree with this decision and has requested to be excluded from it as it pertains to personnel services.

Recommendation: The Department of Public Utility Control should formally request exclusion from the Small Agency Resource Team for personnel services and seek approval to hire a full-time personnel officer. (See Recommendation 6.)

Agency Response: "The Department agrees with this recommendation. The Department appreciates the concept behind the SMART program and supports the goal of increased efficiency in agency operations. The DPUC has participated in this program since its inception but has reluctantly concluded that the program does not provide the efficiencies that it is designed to produce for an agency of our size and composition. The Department agrees that the presence of a full-time Personnel Officer on premises is critical for the effective operation of the agency and is willing to formally request exclusion from the SMART program."

Compensatory Time Issue:

Criteria: Article Sixteen, Section 5 (b) (1), of the P-5 Collective Bargaining Agreement (CBA) states: "Time and one half shall be paid for all hours in excess of forty (40) except as may otherwise be provided in Article 16A or C.G.S. Section 5-245 for employees on approved rotating shifts, unscheduled positions or classes, and averaging schedules." Section 5 (d) (1) of the CBA states: "Except as may otherwise be provided by specific terms of this agreement, C.G.S Section 5-245(b) (1) shall be deemed to exempt from overtime payment all employees being paid above Salary Grade 24…." Section 5 (g) of the CBA states: "There shall be no compensatory time for employees eligible to receive overtime pay."

Condition: During the calendar years 2006, and 2007, we found an employee was earning and using compensatory time who was at salary grade 23. Section 5-245 of the General Statutes requires the payment of overtime in this instance, at a rate of time and one half for hours over 40, and the collective bargaining agreement prohibits compensatory time for employees eligible to receive overtime pay. This employee "earned" 194.5 hours, and 40 hours, during calendar years 2006, and 2007, respectively.

Effect: Section 5-245 of the General Statutes, and the overtime and compensatory time sections of the P-5 Collective Bargaining Agreement were not complied with. The DPUC granted compensatory time to an employee who was ineligible to earn it, but was eligible to earn overtime at the rate of one and one-half for hours over 40 in a week. As a result, the DPUC will have to determine what additional compensation the employee is entitled to.

Cause: This condition applies to an employee in the Consumer Education Outreach Program (CEOP) and its successor, the Consumer Education Outreach unit. While in the CEOP, this employee was an unclassified durational employee at salary grade VR 99 and was eligible to earn compensatory time. After the Consumer Education Outreach Program formally ended, the employee was terminated on December 30, 2005, due to the elimination of the position.

The employee was re-hired in May 2006 as a "Rate Specialist", which is a P-5 collective bargaining agreement position. However, due to the positions' salary step (below AR 25), this employee was no longer eligible for compensatory time, but due to a lack of administrative oversight, continued to accrue it.

Recommendation: The Department of Public Utility Control should review its policies and procedures for granting compensatory time to ensure they are in agreement with collective bargaining agreements and with Section 5-245, subsection (b) (1), of the Connecticut General Statutes, and should determine what additional compensation is due the employee who was granted compensatory time but should have been paid overtime. (See Recommendation 7.)

Agency Response: "The Department agrees with this recommendation, acknowledging the error made in granting compensatory time versus overtime to the employee in question. This particular employee was originally on staff as a non-classified employee whose pay level at the time did authorize the granting of compensatory time. The individual was subsequently hired as a classified bargaining unit employee, but the method of granting time did not reflect the new classification. The Department has corrected this and is in the process of determining the necessary compensatory amendments to be made to the employee. We are also reviewing our processes to ensure the proper procedures for granting compensatory and overtime."

Performance Assessment and Recognition System Annual Evaluations:

Criteria: Section 5-210 of the General Statutes authorizes the Commissioner of Administrative Services to establish one or more State incentive plans for employees whose positions have been designated managerial or confidential.

The Department of Administrative Services has established an incentive program called the Performance Assessment and Recognition System (PARS) for managers. Managers are eligible for PARS if they work in an agency which uses the prescribed PARS plan, are excluded from collective bargaining, and are paid on a managerial pay plan.

Basic features of the plan include developing objectives, progress reviews (including formal quarterly progress reviews), an annual review which concludes the PARS cycle for the fiscal year, and the resulting differential annual salary increases.

DAS Memoranda 04-007 and 05-004 authorized differential salary increases for fiscal years 2004 and 2005 as follows: A three percent (3%) salary increase not to exceed the maximum of his/her salary group will be built into the salary of those managers rated in the top two categories: "meets all expectations" and "exceeds expectations". A one and one-half percent (1.5%) increase not to exceed the maximum of his/her salary group will be built into the salary of those managers with a rating of "needs improvement" unless this is the second consecutive rating of "needs improvement". In this case, there will be no (0%) pay increase.

No payout will be made to those managers with a rating of "unsatisfactory".

Condition: The Department of Public Utility Control participates in the Performance Assessment and Recognition System (PARS).

Our test of payroll found two managerial employees' personnel files did not include the required PARS evaluations for the fiscal years audited, however the maximum annual salary increases were awarded. We expanded our review, and requested the PARS evaluations for all managers during the audited period. The agency was unable to locate PARS evaluations for the remaining managers, who also received annual salary increases.

Effect: The objectives of the PARS evaluation process were not met. Annual increases were awarded, but lack supporting documentation. The DPUC did not follow established PARS guidelines, which could result in DAS prohibiting the DPUC from using Performance Recognition Awards in the future.

Cause: Administrative oversight appears to be the cause of this condition.

Recommendation: The Department of Public Utility Control should improve controls to ensure that all managers receive annual evaluations as required by the Performance Assessment and Recognition System handbook, and follow the State's Records Retention Guidelines. (See Recommendation 8.)

Agency Response: "The Department agrees with this recommendation. Strict attention will be paid to ensure that the proper protocols in assessing PARS are verifiable in the future."

Establishment of a Threat Assessment Team:

Criteria: The State's "Violence in the Workplace Policy and Procedures Manual" (the Manual) requires: "each agency…establish a Threat Assessment Team to handle workplace violence complaints filed regarding behaviors and activities that violate this policy, assess the agency's vulnerability to workplace violence, and reach agreement on preventive actions."

Condition: The DPUC has not established a Threat Assessment Team.

Effect: An important requirement of the Manual has not been complied with.

Cause: The cause was not determined.

Recommendation: The Department of Public Utility Control should establish a Threat Assessment Team as required by the Violence in the Workplace Policy and Procedures Manual. (See Recommendation 9.)

Agency Response: "The Department agrees with this recommendation and has made initial contact with DAS regarding the formation of a Threat Assessment Team (TAT). We have been informed by DAS that they are in the planning stages for providing TAT training to interested agencies. The Department plans to dovetail this training into the formation of the TAT."

OFFICE OF CONSUMER COUNSEL
COMMENTS

FOREWORD:

The Office of Consumer Counsel (the Office or OCC) operates under Section 16-2a of the General Statutes and is within the Department of Public Utility Control for administrative purposes only. The OCC acts as the advocate for consumer interests in matters relating to public service companies. Under Section 4-38f of the General Statutes, an agency assigned to a department for "administrative purposes only" exercises its statutory authority independent of such department and without approval or control of the department. The department to which an agency is assigned for administrative purposes shall provide record keeping, reporting and related administrative and clerical functions for the agency to the extent deemed necessary by the department head.

The Office is under the direction of a Consumer Counsel appointed by the Governor with the advice and consent of either House of the General Assembly. Mary J. Healey was appointed as Consumer Counsel, effective September 14, 2001, and continues to serve in that capacity.

Significant legislation affecting the Office of Consumer Counsel during the audited period included the following:

- Public Act 05-264 allows the Office of Consumer Counsel to participate in proceedings before Federal agencies and Federal courts on matters affecting utility services rendered or to be rendered in the State. The Act also allows the OCC to request that the Attorney General retain outside legal counsel to participate, but not lobby, as defined by Federal law, on its behalf in proceedings before relevant federal agencies and appeals of these proceedings.

RÉSUMÉ OF OPERATIONS - OFFICE OF CONSUMER COUNSEL:

A summary of the Office of Consumer Counsel expenditures of the Consumer Counsel and Public Utility Control Fund for the audited period is presented below:

	Fiscal Year Ended June 30,		
	2003	**2004**	**2005**
Personal services	$1,160,918	$862,533	$920,711
Other Expenses	498,913	515,489	525,579
Equipment	0	0	12,100
Fringe Benefits	458,548	384,621	482,280
Indirect Overhead	144,430	54,682	69,262
Total Expenditures	**$2,262,809**	**$1,817,325**	**$2,009,932**

Total expenditures decreased $445,485 (19.7 percent) in fiscal year 03-04 over fiscal year 02-03 levels, primarily due to decreases in personal services expenditures and related fringe benefit expenditures as a result of the early retirement accepted by two employees and the resignation of another employee. In fiscal year 2004-2005, total expenditures increased $192,607, (11 percent), over fiscal year 2003-2004, as personal services increased by seven percent and fringe benefit expenditures increased by 25 percent. The Office of Consumer Counsel's full-time filled positions totaled 13 as of June 30, 2004 and June 30, 2005.

CONDITION OF RECORDS

Our audit of the Office of Consumer Counsel's records disclosed the following areas that require improvement.

Use of the Equipment Appropriation:

Criteria: Section 4-97 of the General Statutes states: "No appropriation or part thereof shall be used for any other purpose than that for which it was made unless transferred or revised as provided in Section 4-87."

The State Accounting Manual states that the equipment appropriation is for the purchase of items that meet the State Accounting Manual's definition of "equipment", which is property having a value of one thousand dollars or more.

Condition: During the fiscal year ended June 30, 2005, the OCC expended $14,323 for various non-capitalized office furniture of which $12,100 of this amount was incorrectly charged to the OCC's equipment appropriation. All of the items purchased were under $1,000 and accordingly do not meet the State Accounting Manual's definition of equipment.

Effect: Section 4-97 of the General Statutes, and the State Accounting Manual were not complied with.

Cause: The expenditure was processed by DAS SMART unit which appears to have misunderstood the nature of the items being purchased. However, the OCC, which should have known the items did not meet the definition of equipment, did not prevent the erroneous use of its appropriation.

Recommendation: The Office of Consumer Counsel should comply with Section 4-97 of the General Statutes and with the State Accounting Manual and charge the "Other Expenses" appropriation when purchasing non-capitalized equipment. (See Recommendation 1).

Agency Response: "OCC will work closely with the DAS Smart Team to review all expenditure coding to prevent a future miscoding."

Lack of a Comprehensive Agency Policy on Attendance:

Criteria: Good business practices require that management have a written policy to address excessive absenteeism for instances of potential abuse.

The Department of Administrative Services (DAS) has issued, for its employees, a comprehensive attendance policy that addresses various attendance issues and specifies managerial actions to be taken in the event of multiple "occasions of absence" from work. "Occasion of Absence" is defined by the DAS policy as "one or more unscheduled or unapproved continuous day(s) or partial day(s) of absence".

Condition: The Office of Consumer Counsel has not issued a comprehensive attendance policy similar to DAS's policy.

Effect: Without a comprehensive policy, the Office of Consumer Counsel cannot adequately identify and address excessive absences from work by its employees.

Cause: The cause was not determined.

Recommendation: The Office of Consumer Counsel should issue a comprehensive attendance policy that addresses, among other issues, managerial actions to be taken in the event of excessive occasions of absence by its employees. (See Recommendation 2.)

Agency Response: "OCC is working with the DAS Smart Team to establish a comprehensive attendance policy."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The Department of Public Utility Control and the Consumer Education Advisory Council should work more closely to achieve the objectives of the Consumer Education Outreach Program. The Consumer Education Outreach Program ended on December 31, 2006 and was not renewed. As a result of this event, we are not repeating the recommendation.

- The Department of Public Utility Control should redesign its assessments receivable system to provide for a general ledger and subsidiary ledger and improved internal controls. This recommendation has been implemented.

- The Department of Public Utility Control should deposit receipts in accordance with Section 4-32 of the General Statutes. This recommendation is being repeated. (See Recommendation 2.)

- The Department of Public Utility Control should strengthen internal controls over expenditures to prevent duplicate payments and to prevent the incurrence of obligations without a valid purchase order. This recommendation has been implemented.

- The Department of Public Utility Control should comply with State policy when granting compensatory time. This recommendation is being repeated. (See Recommendation 7.)

- The Department of Public Utility Control should develop a policy to address potential instances of excessive absenteeism. This recommendation is being repeated. (See Recommendation 4.)

- The Department of Public Utility Control should correct inventory errors and take steps to ensure the Fixed Assets/Property Inventory Reports are correctly prepared. This recommendation has been implemented.

Current Audit Recommendations:

__Department of Public Utility Control__:

1. **The Department of Public Utility Control should comply with Section 4-97 of the General Statutes, and charge the "Other Expenses" appropriation when purchasing non-capitalized equipment.**

   Comment:

   During the fiscal year ended June 30, 2004, the DPUC purchased 123 computers at a total cost of $77,063. The average cost for each computer was $627, below the $1,000 minimum value for capitalization as required by the State Accounting Manual. The DPUC incorrectly charged the expenditure to the equipment appropriation, despite the fact that the items purchased did not meet the State Accounting Manual's requirement for capitalization.

2. **The Department of Public Utility Control should deposit all receipts in accordance with Section 4-32 of the General Statutes.**

   Comment:

   We found receipts totaling $49,412 for the fiscal year ended June 30, 2004 which were deposited between one and four days late.

3. **The Department of Public Utility Control should comply with Section 16-8, subsection (b) (5), of the General Statutes and annually submit a report of management audits performed, including the status of audits begun but not yet completed and a summary of the results of audits completed, to the joint standing committee of the General Assembly having cognizance of matters relating to public utilities.**

   Comment:

   The required reports for calendar years 2002, 2003, 2004, and 2005, were not submitted on time. All four reports were submitted in April 2007.

4. **The Department of Public Utility Control should issue a comprehensive attendance policy that addresses, among other issues, managerial actions to be taken in the event of excessive occasions of absence by its employees.**

   Comment:

   The DPUC has not issued a comprehensive attendance policy similar to the Department of Administrative Services' policy.

5. **The Department of Public Utility Control should establish a formal training program within the agency, and assign these duties to one of its employees.**

   Comment:

   The DPUC's current organizational structure does not include an employee with the responsibility of researching and co-coordinating available training opportunities, disseminating training information to Departmental employees, and tracking and summarizing their progress in periodic reports to management.

6. **The Department of Public Utility Control should formally request exclusion from the Small Agency Resource Team for personnel services and seek approval to hire a full-time personnel officer.**

Comment:

Effective with the fiscal year 2005-2006, the Small Agency Resource Team began providing the DPUC with personnel services that were previously provided by the Department's own personnel officer. The DPUC, currently with over 130 employees, and budgeted for more, appears to be too large of an agency for this plan.

7. **The Department of Public Utility Control should review its policies and procedures for granting compensatory time to ensure they are in agreement with collective bargaining agreements and with Section 5-245, subsection (b) (1), of the Connecticut General Statutes, and should determine what additional compensation is due the employee who was granted compensatory time but should have been paid overtime.**

Comment:

During the calendar years 2006, and 2007, we found an employee who was earning and using compensatory time who was at salary grade 23. Section 5-245 of the General Statutes requires the payment of overtime in this instance, at a rate of time and one half for hours over 40, and the collective bargaining agreement prohibits compensatory time for employees eligible to receive overtime pay. This employee "earned" 194.5 hours, and 40 hours, during calendar years 2006, and 2007, respectively.

8. **The Department of Public Utility Control should improve controls to ensure that all managers receive annual evaluations as required by the Performance Assessment and Recognition System handbook, and follow the State's Records Retention Guidelines.**

Comment:

Our test of payroll found two managerial employees' personnel files did not include the required PARS evaluations for the fiscal years audited, however the maximum annual salary increases were awarded. We expanded our review, and requested the PARS evaluations for all managers during the audited period. The agency was unable to locate PARS evaluations for the remaining managers, who also received annual salary increases.

9. **The Department of Public Utility Control should establish a Threat Assessment Team as required by the Violence in the Workplace Policy and Procedures Manual.**

Comment:

The DPUC has not established a Threat Assessment Team.

Office of Consumer Counsel:

1. **The Office of Consumer Counsel should comply with Section 4-97 of the General Statutes and with the State Accounting Manual and charge the "Other Expenses" appropriation when purchasing non-capitalized equipment.**

   Comment:

   During fiscal year ended June 30, 2005, the OCC expended $14,323 for various non-capitalized office furniture, of which $12,100 of this amount was incorrectly charged to the OCC's equipment appropriation. All of the items purchased were under $1,000, and accordingly do not meet the State Accounting Manual's definition of equipment.

2. **The Office of Consumer Counsel should issue a comprehensive attendance policy that addresses, among other issues, managerial actions to be taken in the event of excessive occasions of absence by its employees.**

   Comment:

   The Office of Consumer Counsel has not issued a comprehensive attendance policy similar to Department of Administrative Services' policy.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Department of Public Utility Control and the Office of Consumer Counsel for the fiscal years ended June 30, 2004 and 2005. This audit was primarily limited to performing tests of each Agency's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of each Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to each Agency are complied with, (2) the financial transactions of each Agency are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of each Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Public Utility Control and the Office of Consumer Counsel for the fiscal years ended June 30, 2004 and 2005, are included as part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Department of Public Utility Control and the Office of Consumer Counsel complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grants and to obtain a sufficient understanding of the internal control to plan the audit and determine the nature, timing and extent of test to be performed during the conduct of the audit.

Compliance:

Compliance with the requirements of laws, regulations, contracts and grants applicable to the Department of Public Utility Control and the Office of Consumer Counsel is the responsibility of the Department of Public Utility Control's management and the Office of Consumer Counsel's management.

As part of obtaining reasonable assurance about whether each Agency complied with laws, regulations, contracts, and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of each Agency's financial operations for the fiscal years ended June 30, 2004 and 2005, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under auditing standards generally accepted in the United States of America.

We did, however, note certain immaterial or less than significant instances of noncompliance that we have disclosed in the "Condition of Records", and "Recommendations" sections of this report.

Internal Control over Financial Operations, Safeguarding of Assets and Compliance:

The management of the Department of Public Utility Control and the Office of Consumer Counsel are responsible for establishing and maintaining effective internal control over their financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants applicable to each of their Agencies. In planning and performing our audit, we considered each Agency's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on each Agency's financial operations in order to determine our auditing procedures for the purpose of evaluating the Department of Public Utility Control and Office of Consumer Counsel's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives.

Our consideration of the internal controls over the Agency's financial operations and over compliance would not necessarily disclose all matters in the internal controls that might be material or significant weaknesses. A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants or failure to safeguard assets that would be material in relation to the Agency's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions by the Agency being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal controls that we consider to be material or significant weaknesses.

We also noted other matters that are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly, and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

CONCLUSION

We wish to express our appreciation for the cooperation and courtesy extended to our representatives by the Department of Public Utility Control and the Office of Consumer Counsel during this examination.

Gary P. Kriscenski
Principal Auditor

Approved:

Kevin P. Johnston Auditor of Public Accounts	Robert G. Jaekle Auditor of Public Accounts