STATE OF CONNECTICUT

AUDITORS' REPORT
DEPARTMENT OF PUBLIC UTILITY CONTROL
AND
OFFICE OF CONSUMER COUNSEL
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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August 22, 2011

AUDITORS' REPORT
DEPARTMENT OF PUBLIC UTILITY CONTROL
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FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009

We have examined the financial records of the Department of Public Utility Control (DPUC) and the Office of Consumer Counsel (OCC) for the fiscal years ended June 30, 2008 and 2009. 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 DPUC and the OCC. 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 (DPUC) 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 (Authority) as provided for in Section 16-1b of the General Statutes. The chief administrative officer of the DPUC is the executive director, who is appointed by the chairperson, in accordance with Section 16-2, subsection (f), of the General Statutes.

The DPUC 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 DPUC in the Consumer Counsel and Public Utility Control Fund, a special revenue fund, according to Section 16-48a of the General Statutes. According to this section, amounts in this fund may be expended only pursuant to appropriation by the General Assembly, and any balance remaining in the fund at the end of any fiscal year shall be carried forward in the fund to the succeeding fiscal year.

Public Act 05-251, Section 60, subsection (c), effective July 1, 2005, allows the Commissioner of the Department of Administrative Services (DAS), in consultation with the Secretary of the Office of Policy and Management to develop a plan whereby the DAS would merge and consolidate personnel, payroll, affirmative action and business office functions of selected executive branch state agencies within DAS. The DPUC was one of the agencies selected for consolidation of its personnel, payroll, and affirmative action functions into DAS' Small Agency Resource Team (SmART).

Legislative Changes:

Legislative action affecting the DPUC during the audited period included the following:

- Public Act 08-77, among other things, subjected thermal energy transportation companies, having an exclusive franchise to use public rights-of-way to distribute steam, chilled water or other media, to the jurisdiction of the DPUC as public service companies (utilities) and subject to DPUC rate regulations.

- Public Acts 09-1, 09-2, and 09-111, among other things, authorized the transfer of $3,500,000 and $3,900,000 from the Consumer Counsel and Public Utility Control Fund and the Public, Educational and Governmental Programming and Educational Technology Investment Account (PEGPETIA), respectively, to the General Fund to help reduce a projected deficit in that fund for the year ending June 30, 2009.

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, 2009, the members were as follows:

	Term Expires June 30,
Donald W. Downes, Chairman	2009
John W. Betkoski, III, Vice Chairman	2013
Amalia Vazquez Bzdyra	2011
Anthony J. Palermino	2011
Kevin M. DelGobbo	2011

Donald W. Downes served as Chairperson of the Authority during the audited period and until his retirement on July 1, 2009, when Kevin M. DelGobbo was appointed Chairperson.

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

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

General Fund Receipts and Expenditures:

General Fund receipts totaled $91,520 and $163,970 for the fiscal years ended June 30, 2008, and 2009, respectively, and primarily represent fines collected for violations of the Call Before You Dig regulations and miscellaneous receipts.

Public Act 07-242 established a statewide energy efficiency and outreach marketing campaign on educating consumers on the benefits of energy efficiency. General Fund expenditures totaled $131,859 and $1,103,401 for the fiscal years ended June 30, 2008 and 2009, respectively, primarily for management consultant services to assist in developing and implementing the energy efficiency program.

Consumer Counsel and Public Utility Control Fund:

A summary of receipts credited to the Consumer Counsel and Public Utility Control Fund for the fiscal years ended June 30, 2008 and 2009 is as follows:

	Fiscal Year Ended June 30,	
	2008	**2009**
Public service company assessments	$20,913,971	$22,613,843
Other receipts	259,648	231,780
Total Receipts	$21,173,619	$22,845,623

Receipts consisted primarily of assessments received from public service companies for the costs of operating the DPUC and the Office of Consumer Counsel. Other receipts included fines and costs, fees for legal or clerical services, and expenditure refunds.

Assessments received from public service companies decreased $1,272,979 (six percent) and increased $1,699,872 (eight percent) during the 2007-2008 and 2008-2009 fiscal years, respectively, as compared with the 2006-2007 fiscal year assessment revenues which totaled $22,186,950. Fluctuations resulted from timing differences of amounts received for year-end assessment due dates combined with assessment fee increases, which are reflected in changes in expenditures.

As of June 30, 2009, the available cash balance of the Consumer Counsel and Public Utility Control Fund was $7,203,817. As noted earlier, a $3,500,000 transfer from this fund to the General Fund, authorized by Public Acts 09-01and 09-02, occurred for the year ending June 30, 2009.

Comparative summaries of DPUC expenditures from the Consumer Counsel and Public Utility Control Fund for the audited period, as compared to the period ended June 30, 2007, are shown below:

	Fiscal Year Ended June 30,		
	2007	**2008**	**2009**
Personal services	$10,002,220	$10,566,749	$10,544,554
Other Expenses	1,724,301	1,750,291	1,711,685
Equipment	71,300	43,922	0
Fringe Benefits	5,515,486	5,730,774	5,865,856
Indirect Overhead	72,609	4,985	130,918
Total Expenditures	**$17,385,916**	**$18,096,721**	**$18,253,013**

Total expenditures increased by $867,097, or five percent, during the audited period. Personal services and related fringe benefit costs accounted for the majority of expenditures during the audited period.

Increases in personal services costs were the result of (1) an increase of three filled full-time positions from 121 to 124 during the audited period, representing a two percent increase in filled positions, and (2) salary increases under collective bargaining agreements. Increases in fringe benefit costs were due to increases in medical insurance payments and contributions to the State Employees' Retirement System (SERS).

Federal and Other Restricted Accounts Fund:

Comparative summaries of the DPUC's federal and other restricted receipts for the audited period, as compared to the period ended June 30, 2007, are shown below:

	Fiscal Year Ended June 30,		
	2007	**2008**	**2009**
Federal and Other Restricted Accounts:	**$**	**$**	**$**
Federal Grants	367,311	368,544	404,482
Other-than-Federal	10,300	2,073,422	5,534,080
Total Receipts	**$ 377,611**	**$2,441,966**	**$5,938,562**

Federal grant receipts consisted of receivable collections for the Gas Pipeline Safety/Call Before You Dig federal grant program (CDFA #20.700). Under this 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 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. Federal grant receipts increased $37,171 (10 percent) during the audited period and were primarily due to changes in federal grant funding levels.

Other-than-federal receipts increases consisted primarily of receipts from a new tax on cable TV and other providers funding a program entitled the Public, Educational and Governmental Programming and Educational Technology Investment Account (PEGPETIA) for community access and education technology initiatives.

Comparative summaries of the DPUC's federal and other restricted expenditures for the audited period, as compared to the period ended June 30, 2007, are shown below:

	Fiscal Year Ended June 30,		
	2007	**2008**	**2009**
Federal and Other Restricted Accounts:	**$**	**$**	**$**
Restricted Federal Accounts	350,339	392,320	399,982
Other-than-Federal Accounts	0	0	1,285,927
Total Expenditures	**$ 350,339**	**$ 392,320**	**$1,685,909**

Federal grant expenditures increased $49,643 (14 percent) during the audited period and primarily consisted of personal services and related fringe benefit costs for the Gas Pipeline Safety/Call Before You Dig program. Other-than-federal accounts expenditures consisted of grant awards to the various municipalities and other eligible grantees from the PEGPETIA program. As noted earlier, the PEGPETIA account balance decreased to $2,431,875 at June 30, 2009 mainly due to a $3,900,000 transfer to the General Fund authorized by Public Acts 09-1 and 09-111.

Funds Awaiting Distribution:

The DPUC used a pending receipts account to hold monies in a custodial capacity until final disposition was determined. Total receipts collected and deposited were $3,697,323, $4,014,887 and $1,998,751 for the fiscal years ended June 30, 2008, 2009 and 2010, respectively. Pending receipts withdrawals were based on actual activity and represented the final disposition of the previously deposited receipts into appropriate revenue accounts or disbursed to appropriate payees. Most of these receipts, which were for the Department of Emergency Management and Homeland Security under the Nuclear Safety Emergency Preparedness program, were erroneously deposited into this fund. However, this issue was resolved and activity for this program is currently being accounted for in the correct fund (Federal and Other Restricted Accounts, 12060 Fund).

CONDITION OF RECORDS

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

Property Control and Inventory Reporting:

Criteria: Section 4-36 of the General Statutes requires each state agency to establish and maintain an inventory record as prescribed by the State Comptroller. The State of Connecticut's *Property Control Manual* establishes the standards and sets reporting requirements for maintaining an inventory system to provide for complete accountability and safeguarding of assets.

The Core-CT *Asset Management Guide for Managers* sets forth policies and procedures to follow in maintaining assets in Core-CT providing for accurate control and reporting.

Condition: Our review of the equipment inventory records and the annual inventory report (Form CO-59) showed the following deficiencies:

1) A physical test check of 25 equipment items showed three items (12 percent) were surplused but not removed from the Core-CT Asset Record and four items (16 percent) were found in different locations than recorded on the inventory list.

2) *Voucher Information* in the Core-CT Inventory Module was missing for 42 of 50, representing 84 percent, of the assets reviewed.

3) A separate inventory of library materials was not maintained as required by the *Property Control Manual*.

4) Additions and deletions for equipment in Core-CT were not accurately posted to the CO-59. In the 2008-2009 fiscal year, Core-CT reported $20,900 in deletions for equipment while the CO-59 showed zero.

5) Reconciliations between reported amounts in Core-CT and the CO-59 were not prepared for the audited fiscal years resulting in discrepancies in calculations, inventory balances carried forward on inventory reports, and inventory lists that support equipment balances.

Effect: There was a lack of compliance with the General Statutes and the State Comptroller's guidelines to ensure the proper recording, safeguarding, and reporting of the state's assets.

Cause: Inadequate management oversight and dedicated staff resources appear to have contributed to the property control weaknesses.

Recommendation: The DPUC should improve its controls over state property in accordance with Section 4-36 of the General Statutes as outlined by the State of Connecticut's *Property Control Manual* and the Core-CT *Asset Management Guide for Managers*. (See Recommendation 1.)

Agency Response: "The Department agrees with this recommendation. Specific corrections relating to the reconciliation with the Core-CT and the agency's inventory controls have since been addressed. Also after discussions with the Office of the Comptroller, adjustments have been made to property control reporting in order to reflect accurate data."

Alleged Theft of Time and Falsification of Timesheets:

Background: During the prior audited period, we investigated a complaint revealing that a DPUC employee was coming in for work late and leaving early, resulting in $24,792 of wages paid to the employee for hours not worked.

DPUC management conducted their own internal investigation concerning the complaint and concurred with our finding, resulting in termination of the employee on September 28, 2009. The employee challenged or appealed the dismissal through the grievance process and was reinstated on October 13, 2010.

Criteria: Sound business practices and proper internal control provide assurances that employees are properly supervised and are only compensated for hours worked.

Timesheets signed by an employee and supervisor provide for evidence of hours worked.

Condition: Based on our prior audit review of various sources of information, along with the employee's attendance and leave records from January 7, 2008 to February 24, 2009, it was determined that the employee was paid $24,792 while being absent from work. The $24,792 was calculated based on 492 hours in lost time at the employee's hourly rate of $50.39.

During this period, the employee's leave records and timesheets showed that no leave time was charged during periods of absence in order to complete a full workday.

Effect:	An employee was paid $24,792 for being absent from work, and a potential risk exists that the wages paid for non-work will not be reimbursed by the employee. There is also a risk that situations such as this can create an environment where employees will abuse time and take advantage of management.
Cause:	The immediate supervisor/manager failed to adequately supervise this employee and internal documents indicated that this employee had a light work load, explaining how he was able to complete assigned tasks while being present less than half the time.
Recommendation:	The DPUC, in conjunction with the DAS, should seek recovery of wages paid to an employee who was absent for periods of time for which he was compensated. (See Recommendation 2.)
Agency Response:	(Response made by DPUC and DAS personnel) "The Department agrees with this recommendation and notes that it has made significant efforts to recover the wages in question and will continue to pursue in the appropriate manner. The DAS SmART Unit, acting as the Department's Human Resource function, immediately initiated steps necessary to collect the amount by properly notifying the employee of its intent per Article 53, Section 1 of the Engineer, Scientific & Technical bargaining union contract. The union filed a grievance and the agency was forced to halt recovery efforts pending its outcome. The grievance was heard on February 16, 2011 and as a result, upon recommendation of the Office of Labor Relations, the agency is seeking guidance from the Office of the Attorney General on how this matter should proceed."

OFFICE OF CONSUMER COUNSEL
COMMENTS

FOREWORD:

The Office of Consumer Counsel (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 OCC 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.

Public Act 05-251, Section 60, subsection (c), effective July 1, 2005, allows the Commissioner of the Department of Administrative Services (DAS), in consultation with the Secretary of the Office of Policy and Management, to develop a plan whereby the Department of Administrative Services would merge and consolidate personnel, payroll, affirmative action, and business office functions of selected executive branch agencies within DAS. The OCC was one of the agencies selected for consolidation of its personnel, payroll, affirmative action, and business office functions.

RÉSUMÉ OF OPERATIONS - OFFICE OF CONSUMER COUNSEL (OCC):

Receipts credited to the General Fund for the OCC totaled $0 and $660 for the fiscal years ended June 30, 2008 and 2009, respectively. Receipts consisted of refunds of prior years' expenditures for travel.

Comparative summaries of OCC expenditures from the Consumer Counsel and Public Utility Control Fund for the audited period, as compared to the period ended June 30, 2007, are shown below:

	Fiscal Year Ended June 30,		
	2007	**2008**	**2009**
Personal services	$1,177,263	$1,368,997	$1,340,000
Other Expenses	452,993	447,704	425,144
Equipment	23,268	6,544	1,003
Fringe Benefits	681,741	762,553	762,845
Indirect Overhead	95,949	236,127	146,402
Total Expenditures	**$2,431,214**	**$2,821,925**	**$2,675,394**

Total expenditures increased $244,180, or 10 percent, during the audited period. Personal services and related fringe benefit costs accounted for the majority of expenditures during the audited period.

Increases in personal services costs were the result of (1) an increase of one filled full-time position from 16 to 17 during the audited period, representing a six percent increase in filled positions, and (2) salary increases under collective bargaining agreements. Increases in fringe benefit costs were due to increases in medical insurance payments and contributions to the State Employees' Retirement System (SERS).

CONDITION OF RECORDS

Our audit of the Office of Consumer Counsel's (OCC) 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 Comptroller's *State Accounting Manual* states that the equipment appropriation is used for the purchase of items that meet the definition of equipment, which are assets having a value of one thousand dollars or more.

The DAS is responsible for the processing and issuing of purchase orders for equipment.

Condition: During the fiscal years ended June 30, 2008, 2009 and 2010, the OCC charged $6,544, $1,003, and $8,660, respectively, to the equipment appropriation account for various items and many did not meet the State Comptroller's definition of equipment. We reviewed an equipment expenditure made in May 2010 partially for 10 computers costing $608 each, which were under the $1,000 threshold for capitalization.

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

Cause: It appears that OCC management and DAS purchasing personnel are unaware of the statutory requirements for purchasing equipment.

Recommendation: The OCC, in conjunction with the DAS, should comply with Section 4-97 of the General Statutes by charging the "Other Expenses" appropriation when purchasing non-capitalized equipment. (See Recommendation 1.)

Agency Response: (Response made by OCC and DAS personnel)

"It appears that there was some confusion on the use of the two equipment accounts, 40255 and 10050. There was an amendment to the Capital Equipment Purchase Fund (CEPF), 40255, Senate Bill 2002, P.A. 01-07 which allows the purchase of data processing equipment under $1,000. The equipment account that Consumer Counsel (OCC) had is Agency Equipment, 10050, and it does not allow for the purchasing of data processing equipment as the CEPF account does. Based on the definitions for the Agency Equipment and the Capital Equipment Purchase Fund, and since the OCC did not have CEPF funds, the data processing items should have been paid for with 10020 (Other Expenses) funds because they did not meet the Agency Equipment criteria and we will follow this procedure going forward."

RECOMMENDATIONS

Our previous audit examination of the Department of Public Utility Control (DPUC) contained ten recommendations, and three recommendations for the Office of Consumer Counsel (OCC). A summary of those recommendations and their status follows:

Status of Prior Audit Recommendations:

Department of Public Utility Control:

- **The DPUC should comply with Section 4-97 of the General Statutes and charge the "Other Expenses" appropriation when purchasing non-capitalized equipment**. The Department complied with statutory requirements for purchasing equipment; therefore, this recommendation is not being repeated.

- **The DPUC should utilize the billing and receivable functions of the Core-CT system to process its assessment billings and receivables.** The Department uses Core-CT for processing its billing and receivable assessments; therefore, this recommendation is not being repeated.

- **The DPUC should develop a standard form for companies to use to comply with the reporting requirements of Section 16-49, subsection (3) (b) of the General Statutes, and provide for managerial approval of the companies' final assessments.** A standard form to comply with reporting requirements is being used and managerial approval for final assessments is being done. As a result, this recommendation is not being repeated.

- **The DPUC should comply with Section 28-31 of the Connecticut General Statutes and deposit Nuclear Safety Emergency Preparedness Account receipts to the established restricted General Fund account (now the Federal and Other Restricted Accounts, 12060 Fund). The DPUC should monitor the balance in the account so that it does not exceed the statutory maximum of $300,000 and improve controls over the billing and receipt process.** The billing and receipting process for the Nuclear Safety Emergency Preparedness program assessments is being done in the correct fund, account, and amount; therefore, this recommendation is not being repeated.

- **The DPUC should issue the notice as required by Section 16-41 subsection (c) of the General Statutes. The DPUC should consider imposing the minimum $200 civil penalty on first-time violators of the Call Before You Dig regulations that do not involve property damage and consider revising the regulations to require first-time violators to attend a training class in addition to, or in lieu of, paying a civil penalty. The DPUC should seek a change in legislation to specifically allow for the current practice of negotiating civil penalties and entering into settlement agreements in lieu of following the requirements set forth in Section 16-41 and 16-356 of the Connecticut General Statutes.** The DPUC's attorney and the Assistant Attorney General have sufficiently clarified and resolved the statutory requirements concerning notifications and settlements and the Call Before You Dig regulations are being revised to include the requirement that first-time violators attend training sessions in lieu of paying a $200 civil penalty. As a result, this recommendation will not be repeated.

- **The DPUC should comply with Section 4-36 of the Connecticut General Statutes, the State of Connecticut's Property Control Manual and the Core-CT Asset Management Guide for Managers, and improve internal control over equipment inventory and reporting. The DPUC should also consider purchasing a bar code scanner to conduct its periodic and annual inventory.** Some improvements were noted, i.e., form CO-1079 Record of Equipment on Loan or equivalent and Core-CT Asset Profile/Category for inventory reporting are being properly maintained; however, deficiencies in this area still exist. As a result, this recommendation will be repeated in modified form. (See Recommendation 1.)

- **The DAS SmART Unit should ensure that personnel files are complete, including having employees' Social Security numbers and INS / CIS Form I-9s on file. The DAS SmART should also follow Section 11-8b of the Connecticut General Statutes and the records retention schedules. Terminations should be processed in a timely manner to prevent erroneous payroll and personnel transactions from occurring. The DAS SmART Unit should follow the Core-CT Checklist for Terminating an Employee and the procedures for terminating an employee's leave plan to prevent future errors. The DAS SmART Unit should terminate the leave plans for those terminated employees for which this has not been done.** The DAS SmART Unit sufficiently improved payroll and personnel matters; therefore, this recommendation is not being repeated.

- **Leave in lieu of accrual (LILA) – DAS SmART Unit should follow the Core-CT Job Aid, which assists agencies in monitoring the LILA Time Reporting Code so they can identify and adjust the employee's leave balance after the accruals have been posted. The DAS SmART Unit should correct the affected employee's leave. The DAS SmART Unit should follow the Core-CT Checklist for Terminating an Employee, which outlines the procedures for terminating an employee's leave plan and zeroing out their leave balance upon payment, etc. to prevent future errors. The DAS SmART Unit should ensure that the leave plans are terminated and balances zeroed out for all terminated employees, and make any necessary corrections. Leave plan terminations should be processed in a timely manner to prevent erroneous payroll transactions from occurring. The DAS SmART Unit should recover the PL hours used in excess of the allowed amount. DAS SmART Unit should review the leave balances of employees who transfer from another agency before processing any adjustments.** The DAS SmART Unit sufficiently improved its monitoring of employee leave balances for accuracy. As a result, this recommendation is not being repeated.

- **The DPUC should implement better controls in the area of overtime and adhere to any future limits imposed by OPM or its designee. The DPUC should ensure that supervisors earn compensatory time for periods that exceed 35 hours or are not covered by an OPM waiver.** The Department improved controls for overtime limits and compensatory time earned by supervisors; therefore, this recommendation is not being repeated.

- **The DPUC should investigate the alleged theft of time and falsification of timesheets in accordance with the provisions of the P-4 contract and the State Personnel Act. If the investigation reveals that the employee was absent for periods of time in which they were compensated, the DPUC should seek recovery of those funds. The DPUC should also follow the requirements of Section 4-33a of the General Statutes, which requires all state agencies to promptly notify the Auditors of Public Accounts and the State Comptroller of any unauthorized, illegal, or unsafe handling or expenditure of state funds or breakdowns in the safekeeping of other state resources. The DPUC should improve controls over payroll and personnel to provide assurances that employees are properly supervised and are only compensated for actual hours worked and leave time charged. The DPUC should correct the inadequate reporting relationship and evaluate the workload for this employee to ensure that resources are being used efficiently and effectively. Lastly, the DPUC should restrict flex schedules to those employees who show that they are reliable and can be trusted to work the hours that are indicated on their work schedule election form. These forms should be retained in accordance with the state's records retention requirements.** Some improvements were noted, including complying with reporting requirements and improving supervision of employees; however, deficiencies concerning this matter still exist. As a result, this recommendation will be repeated in modified form. (See Recommendation 2.)

<u>Office of Consumer Counsel:</u>

- **The OCC 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.** *S*tatutory requirements for purchasing equipment were not being followed; therefore, this recommendation is being repeated in modified form. (See Recommendation 1.)

- **The DAS SmART Unit should ensure that personnel files are complete, including having employees' Social Security numbers, INS/CIS Form I-9s, and items supporting pay increases on file. The DAS SmART Unit should also follow Section 11-8b of the Connecticut General Statutes and the records retention schedules.** The DAS SmART Unit sufficiently improved payroll and personnel matters; therefore, this recommendation will not be repeated.

- **The DAS SmART Unit should review the manager's annual salary, and adjust it accordingly. If an overpayment has in fact occurred, steps should be taken to recover the overpayment.** The DAS SmART Unit reviewed the manager's salary and found that no overpayment occurred. As a result, this recommendation will not be repeated.

Our current audit examination contains two recommendations for the DPUC and one recommendation for the Office of Consumer Counsel.

Current Audit Recommendations:

Department of Public Utility Control:

1. **The DPUC should improve its controls over state property in accordance with Section 4-36 of the General Statutes as outlined by the State of Connecticut's *Property Control Manual* and the Core-CT *Asset Management Guide for Managers*.**

   Comments:

   Our examination noted that equipment inventory records were not maintained in accordance with state guidelines, contributing to inaccurate annual inventory reports. Deficiencies also included equipment items listed in different locations from those recorded on the master inventory and no inventory maintained for library materials.

2. **The DPUC, in conjunction with the DAS, should seek recovery of wages paid to an employee who was absent for periods of time in which he was compensated.**

   Comments:

   An employee, who was terminated for allegedly falsifying timesheets and later reinstated, was paid wages of $24,792 while absent from work.

Office of Consumer Counsel:

1. **The OCC, in conjunction with the DAS, should comply with Section 4-97 of the General Statutes by charging the Other Expenses appropriation when purchasing non-capitalized equipment.**

   Comments:

   We noted computers and other non-capitalized equipment items, each costing under $1,000, being erroneously charged to the equipment appropriation account.

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 (DPUC) and the Office of Consumer Counsel (OCC) for the fiscal years ended June 30, 2008 and 2009. This audit was primarily limited to performing tests of each agency's compliance with certain provisions of laws, regulations, contracts and grant agreements 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 grant agreements applicable to the agency are complied with, (2) the financial transactions of the agency are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the agency are safeguarded against loss or unauthorized use. The financial statement audits of the DPUC and the OCC for the fiscal years ended June 30, 2008 and 2009 are included as a 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 DPUC and OCC complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

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

In planning and performing our audit, we considered the DPUC and the OCC's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating each agency's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of each agency's internal control over those control objectives.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance requirements was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that we consider to be significant deficiencies.

A *control deficie*ncy exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects each agency's ability to properly initiate, authorize, record, process, or report financial data reliably, consistent with management's direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by each agency's internal control. We consider the following deficiencies described in the accompanying Condition of Records and Recommendations sections of this report to be significant deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements: DPUC Recommendation 1 – weaknesses in property control and inventory reporting; and Recommendation 2 – fraudulent timesheet reporting resulting in wages paid for non-work.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with certain provisions of laws, regulations, contracts, and grant agreements or the requirements to safeguard assets that would be material in relation to each agency's financial operations, noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions, and/or material financial misstatements by each agency being audited will not be prevented or detected by the agency's internal control.

Our consideration of the internal control over each agency's financial operations, safeguarding of assets, and compliance with requirements was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that neither of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the DPUC and the OCC complied with laws, regulations, contracts and grant agreements, 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 the agency's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those 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 or other matters that are required to be reported under *Government Auditing Standards.* However, we noted certain matters which we reported to each agency's management in the accompanying Condition of Records and Recommendations sections of this report.

The DPUC and the OCC's responses to the findings identified in our audit report are described in the accompanying Condition of Records sections of this report. We did not audit the DPUC and the OCC's responses and, accordingly, we express no opinion on it.

This report is intended for the information and use of the management of each agency, 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 courtesies extended to our representatives by the personnel of the Department of Public Utility Control and the Office of Consumer Counsel during the course of our audit.

William T. Zinn
Principal Auditor

Approved:

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts