STATE OF CONNECTICUT

AUDITORS' REPORT
DEPARTMENT OF TRANSPORTATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008

AUDITORS OF PUBLIC ACCOUNTS
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Table of Contents

February 24, 2010

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We have examined the financial records of the Department of Transportation as they pertain to that Agency's operations for the fiscal years ended June 30, 2007 and 2008.

The financial statement presentation and auditing of the books and accounts of the State are performed on a Statewide Single Audit basis to include all State agencies. This audit examination has been limited to assessing the Department's compliance with certain provisions of laws, regulations, contracts and grants and evaluating the Department's internal control structure policies and procedures established to ensure such compliance. This report on that examination consists of the Comments, Condition of Records, Recommendations and Certification that follow.

COMMENTS

FOREWORD:

The Department of Transportation operates generally under Titles 13a and 13b of the General Statutes. During the audited period the Department was organized into the following five Bureaus, each administered by a Bureau Chief: Engineering and Highway Operations, Aviation and Ports, Public Transportation, Finance and Administration, and Policy and Planning.

The Bureau of Engineering and Highway Operations was responsible for the engineering design, construction and inspection of transportation improvement projects for all modes. The Bureau also operated and maintained the State highway and bridge system including snow and ice control, equipment repair and maintenance, traffic engineering, land acquisition and management, and research and materials testing. The Bureau of Engineering and Highway Operations has since been separated into two Bureaus, the Bureau of Engineering and Construction and the Bureau of Highway Operations.

The Bureau of Aviation and Ports operates six State-owned airports, the State Pier in New London, as well as two ferry services on the Connecticut River. It also licenses and regulates private aviation facilities, State harbor and river pilots and agents of foreign vessels. The Bureau's most significant financial operations are related to the State's largest airport - Bradley International Airport. Financial operations at that airport are accounted for in the Bradley International Airport Operations Fund, an enterprise fund, and carried out under the terms of the bond indenture, which secures revenue bonds issued to finance major renovations at the airport. Section 15-101*l* of the General Statutes originally authorized the issuance of Airport revenue bonds, which are secured by and payable solely from the gross operating revenues generated by the Airport, as well as other receipts, funds or monies pledged in the bond indenture. Revenues derived from airport operations are deposited with a corporate trustee and applied as provided for in the indenture. As of June 30, 2008, the total Airport revenue bonds outstanding amounted to $208,535,000.

The Bureau of Public Transportation is responsible for the operations of three mass transit systems: Metro-North Railroad, the Shore Line East rail commuter service, and the Connecticut Transit bus system. The Metro-North Railroad, an agency of the New York Metropolitan Transportation Authority, operates commuter train service between New Haven and New York and on branch lines to Danbury and Waterbury in partnership with the Department of Transportation. The Connecticut Transit system is comprised of the public bus service in Hartford, New Haven, and Stamford. A corporate agent under contract with the Department operates the Connecticut Transit system. The Shore Line East Rail Commuter Service is operated by Amtrak and provides service between New Haven and New London. The State of Connecticut, through the Department of Transportation, subsidizes the operating deficits of these three mass transit systems. The Bureau of Public Transportation is also responsible for the many projects needed to maintain these systems and for aid and assistance to local and regional mass transit districts and for the regulation of motor carriers.

The Bureau of Finance and Administration provides administrative, budgetary, financial, personnel, information management, and support services to all Bureaus of the Department.

The Bureau of Policy and Planning provides roadway traffic volumes, accident information, travel forecasting models, intermodal policy planning, and environmental planning services.

Joseph F. Marie was appointed as Commissioner during the audited period and continues to serve as the Commissioner. Ralph J. Carpenter, Emil H. Frankl and H. James Boice also served as Department Commissioners during the audited period.

Significant Legislation:

Several legislative acts affecting the Department were passed by the General Assembly or became effective during the audited period. Some of the more significant legislation is presented below:

Section 2 of Public Act 06-136, codified as Section 13b-79p of the General Statutes, effective July 1, 2006, details several strategic transportation projects and initiatives, including restoring commuter rail service on the New Haven-Hartford-Springfield line, implementing the New Britain-Hartford busway, and rehabilitating rail passenger coaches for use on various rail lines. Public Act 07-7 of the June 2007 Special Session added several more projects and initiatives, including purchasing up to thirty-eight electric rail cars for use on the New Haven Line and Shore Line East, purchasing equipment and facilities to support Shore Line East commuter rail expansion, improving bicycle access to transportation centers, improving storage facilities at transportation centers, developing new commuter rail stations in Orange and West Haven, funding the Waterbury

Intermodal Transportation Center, and conducting the first phase of a study examining construction of a Route 2A bypass alternative.

Section 10 of Public Act 06-136, codified as Section 13b-79r of the General Statutes established the "Grant Anticipation Transportation Fund." That Section also authorizes the issuance of $1,300,000,000 of Grant Anticipation Revenue Vehicle Bonds and specifies the conditions under which such bonds can be issued and the purposes for which the bond funds can be used. The Grant Anticipation Transportation Fund was not used during the audited period and there were no bond issues made under this authority during the audited period.

Section 13 of Public Act 06-136, effective July 1, 2006, placed the Connecticut Transportation Strategy Board within the Office of Policy and Management, for administrative purposes only.

Various Sections of Public Act 07-7, of the June 2007 Special Session, authorized the issuance of Special Tax Obligation Bonds for several purposes, including the Department's general operations, the establishment of Fix-it-First programs to repair the State's roads and bridges, rail station improvements and constructing a parking garage at the Stamford Transportation Center.

Sections 66, 67, 93 and 94 of Public Act 07-7, of the June 2007 Special Session, effective November 2, 2007, redefined Transit-oriented development, established a transit-oriented development planning grant program, a transit-oriented development facilitation grant program, and authorized participation in transit-oriented development projects.

Section 90 of Public Act 07-7, of the June 2007 Special Session, repealed the surcharge on the New Haven Line that was to take effect on January 1, 2008, and established annual fare increases effective January 1, 2010 through January 1, 2016. This Section also requires that the proceeds of such increases be deposited in the New Haven Line revitalization account, which is a non-lapsing account within the Special Transportation Fund, and that the Commissioner of Transportation adopt regulations in accordance with chapter 54, to determine the method by which the increase shall be applied to daily, multiple-ride, weekly and monthly commutation tickets.

Section 95 of Public Act 07-7, of the June 2007 Special Session, authorized the issuance of $1,500,000 in bonds for use by the Department of Transportation and The University of Connecticut Transportation Institute for the purpose of establishing a noise reduction open graded friction course pilot program. Requirements of the program include the installation and construction of at least four one-mile test sections of rubberized open graded friction course, and monitoring of the pavement performance, including durability and sound reduction for a period of six years. Reporting requirements include submission of a status report to the joint standing committee of the General Assembly having cognizance of matters relating to transportation not later than January 1, 2011, and a final report by January 1, 2015, or at the completion of the pilot program, whichever is earlier.

Section 44 of Public Act 07-232, codified as Section 13b-38c of the General Statutes, effective July 1, 2007, authorizes the Commissioner of Transportation to loan funds for the purpose of financing the acquisition of vanpool vehicles to any person, firm or organization.

Public Act 08-155 established the Buses for 21st Century Mobility program effective July 1, 2008, and authorizes $5,000,000 for the purchase of vehicles for the program.

BOARDS AND AUTHORITIES:

Connecticut Transportation Strategy Board:

Section 13b-57e of the General Statutes created the Connecticut Transportation Strategy Board (CTSB). The CTSB is composed of fifteen members; the Commissioners of Transportation, Environmental Protection, Public Safety, Economic and Community Development, and the Secretary of the Office of Policy and Management, five representatives from the private sector, and five representatives of regional transportation investment areas. The purpose of the Board is to propose strategy ideas to the members of the legislature. The goals of the Board include improving the mobility of people and goods, to enhance connectivity to regional, national, and global economies, and to enhance safety and security. The CTSB is required to submit a report describing any revisions to its transportation strategy to the Governor and the General Assembly not later than January 1, 2007, and biennially thereafter. The report must include a prioritized list of projects which the Board, in consultation with the Commissioner of Transportation, determines are necessary to implement the recommended strategy, including the estimated capital and operating costs and time frame of such projects.

As previously indicated, effective July 1, 2006, Section 13 of Public Act 06-136, placed the Connecticut Transportation Strategy Board within the Office of Policy and Management, for administrative purposes only. CTSB project expenditures continued to be charged to the Department accounts, and totaled approximately $15,000,000 during the audited period.

Bradley Airport Board of Directors:

Per Section 15-101mm of the General Statutes, the Bradley Airport Board of Directors consists of seven members. These members include the Commissioners of Transportation, and Economic and Community Development, who serve as ex-officio members. The five appointed members include a representative from the CTSB, a member of the Bradley International Community Advisory Board, and three private sector members. Each appointed member serves a four-year term, with the first group serving until June 30, 2005. The Board of Directors is to advocate the airport's interests, make sure resources are being fully utilized, and to ensure that there is an appropriate mission statement and goals in place for the airport.

According to statute, the Board must implement and maintain an organizational and management structure that will allow Bradley International Airport to accomplish its goals. The Board must approve the annual operating and capital budgets for the airport. The Board must also advocate the airport's interest in economic development, approve the master plan of the airport, establish and review policies and plans for the airport and ensure that the appropriate independent expertise is available. The Board is required to adopt rules to conduct business and establish a code of ethics for its members. The Board must also put procedures in place to review significant contracts. The Board is required to submit an annual report to the governor and legislature.

RÉSUMÉ OF OPERATIONS:

The operations of the Department are funded from various sources. Appropriations for continuing operations, including highway maintenance, minor highway and bridge renovation projects, and commuter rail and bus operations are included in the Special Transportation Fund and the Transportation Grants and Restricted Accounts Fund. The Transportation Grants and Restricted Accounts Fund, a Special Revenue Fund, is used to account for restricted transportation monies that were previously accounted for in the Special Transportation Fund and for all Federal monies. Major capital projects for roads, bridges, mass transit equipment and facilities, and airports are financed from the Infrastructure Improvement Fund, a Capital Projects Fund, and from the Federal monies included in the Transportation Grants and Restricted Accounts Fund. Separate Funds, including the Public Bus Transportation Revenue Fund, the Local Bridge Revolving Fund and the Bradley International Airport Operations Fund are used to account for other Department operations. During the audited period, town aid grants for roads and bridges were funded from the Special Transportation Fund.

Schedules of total receipts and expenditures recorded in Core-CT for all funds for the fiscal years ended June 30, 2006, 2007, and 2008, are presented below for comparative purposes:

Schedule of Receipts - by Fund:

	Fiscal Year Ended June 30,		
	2006	**2007**	**2008**
General Fund	$ 3,266	$ 4,707	$ 7,496
Special Transportation Fund	30,331,493	44,123,632	30,967,084
Transportation Grants and Restricted Accounts Fund	117,792,019	437,185,466	466,638,465
Public Bus Transportation Revenue Fund	30,629,183	32,211,282	33,343,137
Infrastructure Improvement Fund	448,302,923	0	38,116
Bradley International Airport Operations Fund	35,149,646	37,971,539	39,853,989
Local Bridge Revolving Fund	164,952	204,507	60,621
Other	50,000	0	0
Total Receipts	**$662,423,482**	**$ 551,701,133**	**$ 570,908,908**

Schedule of Expenditures - by Fund:

	Fiscal Year Ended June 30,		
	2006	**2007**	**2008**
General Fund	$ 1,810,062	$ 2,103,114	$ 127,398
Special Transportation Fund	410,321,843	446,523,659	492,749,268
Transportation Grants and Restricted Accounts Fund	95,193,864	433,813,066	541,827,011
Public Bus Transportation Revenue Fund	29,983,156	33,002,744	33,187,712
Infrastructure Improvement Fund	562,295,728	178,517,974	204,038,179
Bradley International Airport Operations Fund	35,540,165	36,978,560	41,977,527
Local Bridge Revolving Fund	2,020,530	3,539,243	1,544,444
Grants to Local Governments and Others	1,968,814	0	2,057,120
All Other Funds	1,172,334	57,789	(11,675)
Total Expenditures	**$ 1,140,306,496**	**$ 1,134,536,149**	**$ 1,317,496,984**

Schedules of expenditures recorded in Core-CT by major types for the Special Transportation Fund (including the Transportation Grants and Restricted Accounts Fund) and for the Infrastructure Improvement Fund for the fiscal years ended June 30, 2006, 2007, and 2008, are presented below for informational purposes:

Special Transportation Fund and Transportation Grants and Restricted Accounts Fund Expenditures:*

	Fiscal Year Ended June 30,		
	2006	**2007**	**2008**
Personal Services	$124,236,227	137,260,348	151,635,821
Other Expenses	50,257,118	44,062,208	55,449,561
General Agency Equipment	1,386,693	3,820,491	2,051,448
Town Aid Grants	27,887,928	29,999,993	30,000,000
Handicap Access Program	15,479,804	18,998,030	20,530,035
Highway Construction - Federal Share	57,896,794	349,197,108	421,161,043
Highway Planning and Research	2,762,236	3,510,287	3,004,895
Highway and Bridge Projects	13,153,897	10,244,238	10,730,329
Highway and Bridge Renewal Equipment	3,771,268	11,799,618	9,370,430
Claim Settlements	0	0	16,400,346
Highway Safety - Federal Share	9,688,560	11,537,954	9,468,963
Transit Assistance - Federal Share	6,848,456	31,596,714	70,311,413
Rail Operations	81,384,260	84,694,785	94,364,226
Bus Operations	86,937,384	100,002,319	111,889,785
Amtrak Pass Through Funds	(143,175)	1,614,604	11,539,161
Overhaul of M-2 Railcars	0	6,179,097	8,328,379
Transportation Strategy Board Projects	18,140,511	17,651,527	(4,883,158)
Airport Improvement - Federal Share	779,773	4,709,890	6,017,768
Bradley Airport Improvement	963,991	1,589,370	1,670,433
All Other	4,083,981	11,868,144	5,535,401
Total Expenditures	$505,515,706	$880,336,725	$1,034,576,279

* For comparison purposes, the expenditures of both Funds are combined.

Infrastructure Improvement Fund Expenditures:

	Fiscal Year Ended June 30,		
	2006	**2007**	**2008**
Personal Services	$ 47,077,916	$ 13,979,990	$ 16,927,400
Employee Fringe Benefits	24,948,028	7,093,702	10,196,330
Other Expenses	113,302,151	63,429,516	45,012,783
Highway and Transit Facility Projects	343,046,706	85,036,615	93,581,195
Land	14,860,827	6,912,409	19,614,684
Equipment	19,060,100	2,065,742	18,705,787
Total Expenditures	$ 562,295,728	$ 178,517,974	$ 204,038,179

Revenues and Receipts - Infrastructure Improvement and Special Transportation Funds:

The majority of Department revenues during the audited period were recorded in the Special Transportation Fund and the Transportation Grants and Restricted Accounts Fund. Receipts recorded in those Funds totaled $481,309,098 and $497,605,549 for the fiscal years ended June 30, 2007 and 2008, respectively, as compared to $148,123,512 for the fiscal year ended June 30, 2006. Infrastructure Improvement Fund receipts totaled $448,302,923 for the fiscal year ended June 30, 2006, and decreased to zero for the fiscal year ended June 30, 2007, and $38,116 for the fiscal year ended June 30, 2008. The significant increases and decreases in the receipts of these Funds was the direct result of the change in accounting for the reimbursement of expenditures partly funded by Federal grants. The major source of the Department's receipts is from Federal reimbursements, which prior to the 2006-2007 fiscal year, were recorded in the Infrastructure Improvement Fund. Effective with the 2006-2007 fiscal year, they are recorded in the Transportation Grants and Restricted Accounts Fund. Federal reimbursements received during the audited period totaled $404,656,589 and $461,010,633 for the fiscal years ended June 30, 2007 and 2008, respectively, and $538,129,822 for the fiscal year ended June 30, 2006. The overall fluctuation in receipts is generally due to changes in the number of Federally reimbursed highway construction projects administered. However, the sizeable decrease in the 2006-2007 fiscal year receipts, as compared to the 2005-2006 fiscal year amounts, was also due to the Department receiving Federal reimbursement for payroll expenditures that it was unable to bill prior to the 2005-2006 fiscal year. Payroll expenditures have been billed on a consistent basis since then. Federal reimbursements are summarized below:

	Fiscal Year Ended June 30,		
	2006	2007	2008
Federal Highway Administration	$ 441,728,339	$ 341,700,149	$ 396,010,276
Federal Transit Administration	81,420,768	47,440,582	49,273,591
National Highway Traffic Safety Administration	10,249,946	9,742,569	11,741,098
Federal Aviation Administration	4,730,770	5,934,522	3,985,668
Other	0	(161,233)	0
Total Federal Reimbursements	$ 538,129,823	$ 404,656,589	$ 461,010,633

Other major receipts deposited to the Special Transportation Fund included motor carrier permit fees, royalties from highway concessions, rental income, and sales of surplus real property.

Expenditures - Infrastructure Improvement Fund:

Expenditures for highway and transit construction projects during the audited period were recorded in the Infrastructure Improvement Fund and the Transportation Grants and Restricted Accounts Fund. Prior to the 2006-2007 fiscal year all such expenditures were recorded in the Infrastructure Improvement Fund. Accordingly, the expenditures recorded in the Infrastructure Improvement Fund decreased from $562,295,728 during the fiscal year ended June 30, 2006, to $178,517,974 and $204,038,179 for the fiscal years ended June 30, 2007 and 2008, respectively. Expenditures recorded in this Fund are dependent on the number of active construction projects. Significant projects during the audited period included numerous projects on I-95 in the New Haven area, work on Route 7 in Brookfield, and resurfacing, bridge, and safety improvements on various parts of I-91 and Route 2. In addition, several new buses were purchased for Connecticut Transit and significant amounts were expended for rail cars and rail improvements, including the New Haven Rail Yard.

Expenditures - Special Transportation and Transportation Grants and Restricted Accounts Funds:

Department expenditures from the Special Transportation and the Transportation and Restricted Accounts Funds totaled $880,336,725 and $1,034,576,279 for the fiscal years ended June 30, 2007 and 2008, respectively, as compared to $505,515,706 for the fiscal year ended June 30, 2006. The significant increase in expenditures from the 2005-2006 fiscal year to the 2006-2007 fiscal year was due to the change in the Fund used to account for Federal monies, as previously indicated.

Payments for personal services, subsidies for bus and rail transit, highway construction, and the maintenance of highways and bridges, including snow and ice removal, were the major expenditures made by the Special Transportation and the Transportation Grants and Restricted Accounts Funds. Expenditure increases over the audited period were primarily attributed to increases in highway construction, public transportation operations, and personal services. Also, during the 2007-2008 fiscal year expenditures of $16,400,346 were charged to a special restricted account for claim settlements. These were expenditures made to correct problems on two projects that were originally awarded to L.G. DeFelice. The Department set up this special restricted account in the 2006-2007 fiscal year after claim settlements on the projects were reached with the bonding company. Deposits totaling $24,750,000 were made in the 2006-2007 fiscal year to the account. Adjustments for expenditures that were made in the 2006-2007 fiscal year are required because they were not correctly recorded against the special account during that year. We were informed that both projects were completed during the 2008-2009 fiscal year.

Increases in personal services expenditures were mainly due to general salary increases, increased overtime, and additional staff. The Department’s staffing level, excluding Bradley, increased from 3,076 employees as of June 2006, to 3,198 as of June 2008.

Expenditures - General Fund:

General Fund expenditures were $2,103,114 and $127,398 for the fiscal years ended June 30, 2007 and 2008, respectively, and were exclusively for Connecticut Transportation Strategy Board projects. The decrease was caused by these projects being phased out.

Public Bus Transportation Revenue Fund:

Receipts from Connecticut Transit bus fares are deposited to the Public Bus Transportation Revenue Fund and used toward the operations of Connecticut Transit. Subsidies are paid through the Special Transportation Fund. Parking revenues from the Stamford and Bridgeport parking facilities are also deposited to this Fund and used for rail station improvements and property management expenses. Total revenues of the Fund totaled $32,211,282 and $33,343,137 for the fiscal years ended June 30, 2007 and 2008, respectively. Revenues over the audited period increased for both bus fares and parking. Expenditures from the Fund totaled $33,002,744 and $33,187,712 for the fiscal years ended June 30, 2007 and 2008, respectively. Payments for Connecticut Transit operations were $28,650,000 and $28,915,273 for those same fiscal years, respectively. Expenditures during the audited period recorded as Stamford station improvements were $5,955,871. Property management expenses during the audited period for the Bridgeport and Stamford rail facilities were $2,669,311.

Bradley International Airport Operations Fund:

Income from airport parking, car rentals, landing fees, and concessions at Bradley International Airport is reflected in the receipts of the Bradley International Airport Operations Fund. Revenues of the Fund recorded in Core-CT totaled $37,971,539 and $39,853,989 for the fiscal years ended June 30, 2007 and 2008, respectively. Expenditures from the Fund for airport operations, primarily for the cost of payrolls and fringe benefits, were $36,978,560 and $41,977,527 for the same fiscal years, respectively.

Bradley International Parking Operations Fund:

The Bradley International Parking Operations Fund was established to account for the revenue collected by the operator of certain parking facilities at the Airport. Revenues of the Fund are held by a trustee and are used to repay bonds issued to fund the construction of the garage parking facilities. In addition, certain excess funds are required to be used to make an annual developer payment as required under the lease agreement. We were informed that during the audited period there were no excess funds available.

Local Bridge Revolving Funds:

The Local Bridge Revolving Funds consist of a Bond Financed Fund and a Revenue Financed Fund. During the audited period, the Bond Financed Fund was used for granting loans to municipalities for the repair, rehabilitation or replacement of local bridges; the Revenue Financed Fund had no expenditures.

Activities of the Bond Financed Fund during the audited fiscal years consisted of investment interest of $461,557 and $314,279, revenues from loan repayments and loan interest of $204,507 and $60,621, and expenditures for grants and loans of $3,539,243 and $1,544,444 for the fiscal years ended June 30, 2007 and 2008, respectively. As of June 30, 2008, the Bond Financed Fund had a total of $8,464,610 available for expenditures.

Activities of the Revenue Financed Fund during the audited fiscal years consisted only of investment interest totaling $1,436,620 and $1,131,087 for the fiscal years ended June 30, 2007 and 2008, respectively. As of June 30, 2008, the Revenue Financed Fund had a total of $28,348,658 available for expenditures. It should be noted that Public Act 09-2 was passed during the 2009 Regular Session. Section 12(a) of the Act required that $28,000,000 be transferred from the Local Bridge Revolving Fund to the General Fund for the fiscal year ended June 30, 2009. This transfer was made on April 23, 2009.

State Funds Awaiting Distribution Fund:

Receipts credited to the Department's account in the State Funds Awaiting Distribution Fund, totaled $10,491,843 and $8,930,058 for the fiscal years ended June 30, 2007 and 2008, respectively. Disbursements and transfers from the Department's account in the Fund were $11,190,216 and $7,086,029 for the same fiscal years, respectively.

CONDITION OF RECORDS

Our review disclosed certain areas requiring improvement or attention as discussed below:

Payments to Employees Leaving State Service:

Criteria: When employees leave State service they are entitled to receive full payment for their accrued vacation leave balance. Employees who retire are also entitled to receive payment for 25 percent of their accrued sick leave balance, up to a maximum payment of 60 days.

Condition: The Department paid approximately $3,550,000 to some 260 employees who left State service during the audited period. Our review disclosed overpayments totaling $50,970 that were made to three employees who retired October 31, 2007. We noted that for each of the three employees, the Department applied the 100 percent rate to the employees' eligible sick leave balances and paid that as accrued vacation leave. The 25 percent rate was applied to the employees' eligible vacation leave balances and was paid as accrued sick leave. One employee was overpaid by $23,408, another by $15,300, and the other by $12,262. We informed the Department of the errors and suggested that it review the payments it made to other employees who retired, to ensure the accuracy of those payments already made. The Department's review disclosed two additional instances in which the vacation and sick leave accrued balances were reversed and paid incorrectly; those errors resulted in underpayments to the retired employees. The Department sent letters to the retirees notifying each of the errors made, and has made payments to the employees who were underpaid. The Department requested repayment from the three who were overpaid.

Effect: Incorrect payments were made to several employees who left State service during the audited period.

Cause: The employees' accrued vacation hours were accidentally switched with their accrued sick hours and paid as such. The review procedures the Department had in place did not detect those errors.

Recommendation: The Department should improve internal controls over the payments it makes to employees who leave State service. (See Recommendation 1.)

Agency Response: "In 2007 the Department eliminated the use of the former EHS system for Human Resource data and began solely utilizing Core-CT information. As a result, documents printed from Core-CT and manual documents used for processing purposes had the sick and vacation categories reversed in order from each other. This was identified in 2007 and the manual tracking form was modified and therefore, as was indicated in the Auditor report, no other issues were identified since the form modification. In addition, Payroll staff has added an additional step of verifying Core-CT information from Personnel staff prior to final payout as well as validating the correct maximum payout calculation based on date of hire. The recent restructure of the Human Resources Office will greatly enhance this communication due to the physical proximity of the various staff (payroll, time and attendance and retirement)."

Employee Timesheet Approvals:

Criteria: Employee timesheets supporting the amounts paid should be approved by the employee's supervisor.

Condition: Employee timesheets are automated in the Core-CT system, and most employees enter their information directly on the automated timesheet. In addition to accounting for the employee's hours, the timesheets are used to pay mileage, travel reimbursements, and other payments for miscellaneous items authorized per the various Union agreements. In order for employees to get paid, their timesheets have to be approved. There are always occasions in which supervisors do not approve all of the timesheet entries before the pay cycle deadline. In those instances the Department's payroll office approves the entries even though the payroll office has no way of knowing whether the information it approves is correct. The Department has a procedure in place to obtain supervisors' approvals, in which each Bureau is sent a list identifying each employee and the transactions requiring approval. The list is required to be initialed and returned to the payroll office. Our review disclosed that this procedure was not always complied with, and when it was, the payroll office did not verify the documentation returned but just filed it. We were told that when the file got too big, information in it was discarded to make room for more. It should be noted that the original timesheet approver will be shown in the computer system unless changes were made to the original timesheet. Thus, there are timesheet entries which indicate a payroll office employee as the approver rather than the supervisor, with no documentation supporting that a supervisor approved them.

Effect: The documentation supporting that supervisors reviewed and approved employee timesheets are not on file for all instances in which payroll staff approved the original timesheets, increasing the possibility that the timesheets include incorrect information.

Cause: We did not determine the cause.

Recommendation: The Department should improve internal controls over employee timesheet approvals by implementing procedures which provide for adequate documentation supporting that all employee timesheet transactions are approved by the employees' supervisors. (See Recommendation 2.)

Agency Response: "In April 2009, the Department's Payroll staff instituted a new protocol to maintain the records of the returned supervisor signoffs attached to the original master list of "payroll approved" time and filed by pay period. The records are now maintained with the master pay period records and therefore, will not be destroyed as previously done."

Access to Core-CT for Terminated Employees:

Criteria: The Core-CT Security Liaison Guide indicates that each agency has the responsibility to assign a Core-CT Security Liaison to be the primary contact for the Statewide Core-CT Applications Security Administrator. Agency Security Liaisons are responsible for requesting the deletion of user access immediately upon the notice of an employee's termination, retirement, or transfer to another department or agency. The Guide also indicates that the agency's human resource office must provide notification to the liaison of an employee's termination, retirement or transfer to another department or agency.

Condition: Our test of access to the Core-CT system for employees who no longer work for the Department disclosed that the Department is not requesting the deletion of user access immediately upon notice that an employee is leaving the Department. According to a listing we received from the Department, there were 86 employees whose Core-CT passwords were terminated during the period from November 1, 2008, through April 30, 2009. We noted that there were 20 employees on that listing who left the Department during the 2007 or 2008 calendar year, but did not have their access terminated until February 2009, due to user inactivity. We also reviewed the access status for all employees who left the Department between October 2008 and April 2009. There were 38 employees who left the Department during that period who had Core-CT access; we noted that six of the 38 still had Core-CT access at the time of our review, in May 2009.

Effect: There is an increased risk of unauthorized access to the Core-CT system and possible manipulation or destruction of data. Former Department employees may still have Core-CT access.

Cause: We did not determine the cause.

Recommendation: The Department should implement procedures to ensure that access to the State's Core-CT computer system is deactivated immediately upon termination of an employee and the Department should review the status of all of its Core-CT users to ensure that all of them are active employees. (See Recommendation 3.)

Agency Response: "During the audit period, the Department depended on managers to notify the Office of Human Resources (HR) with a PER-5 form, Department Core Support with a CO-1092 form and the Office of Information Systems (OIS) with an employee discharge form when there is a change in employee status. There was no central location to gather the employee separation information to ensure that access to the Department's and Core-CT's computer systems was removed. In May 2009, with the anticipation of numerous employee retirements, HR issued a Separation Checklist to be used by managers to identify the actions required prior to an employee's separation. With the information submitted to HR, employee access was centrally processed for deactivation.

HR has also been working with the Department Core Support unit and OIS to develop an electronic version of the PER-5 which will be used to notify Core-CT, Security and OIS staff concurrent with the notice of the employee's separation. Once this is up and running the issue of people falling through the cracks should be eliminated. A projected go-live date is August 31, 2009.

As an additional step to determine that the deactivation process has been completed, the Department Core Support unit will begin a semi-annual review of active employee's to an HR list of separated employees during the period."

Data Center and Computer Room Access for Terminated Employees:

Criteria: The Department's Security Office issues ID access badges to employees and others, as necessary. Specific access to various locations within the Department is granted through the ID badges. Terminated employees are required to return their ID badges to their immediate supervisors when they are no longer employed by the Department, and the supervisors are required to return them to the Department's Security Office.

Condition: The Department's Security Office provided us with a listing of all persons whose ID badges allow access to the Department's Data Center and Computer Room. We reviewed the entire listing and noted that there were seven retired or terminated employees whose ID badges were still active. Apparently, the Department's Security Office did not remove the access rights because it was not notified that the employees were terminated.

Effect: The security of the Data Center and Computer Room could be compromised when terminated employees do not have their access rights revoked.

Cause: The Department's Security Office was not notified of the employees' separation.

Recommendation: The Department should require that the Office of Human Resources inform the Security Office immediately of any terminated employee so that the access rights to the Department's facilities can be removed. (See Recommendation 4.)

Agency Response: "In addition to what was included in the Department's response regarding the finding titled "Access to Core-CT for Terminated Employees" the

Human Resources Administrator issued a "Separation Checklist" to all supervisors and managers that include instruction to notify Core-CT, the Department's Office of Information Systems, and Division of Security of the separation."

Infrastructure Valuation:

Criteria: The State Comptroller prepares the Comprehensive Annual Financial Report (CAFR) for the State for each fiscal year ending June 30th. Completion of the report requires that certain information be obtained from State agencies. The Comptroller's Office sets the deadlines for when the agencies are to submit this information.

Condition: The Department of Transportation is responsible for providing the valuation of the State's infrastructure assets to the State Comptroller for inclusion in the CAFR. The Department compiles the amounts from computer systems; however the compilation process is for the most part a manual one. For the fiscal year ended June 30, 2008, and for several years prior to that, the compilation could be performed by only one employee, and the report to the State Comptroller was consistently submitted well after the specified deadlines.

Effect: Internal controls are weakened when only one employee is able to perform a required task. Delays in the submission of required information to the State Comptroller increases the risk that the Comptroller's Office will not meet its deadlines for the preparation of the CAFR.

Cause: The process for valuing the infrastructure is essentially a manual one, and there was only one employee who could perform the valuation. That employee had several other regular responsibilities that took precedence over the once per year infrastructure valuation.

Recommendation: The Department should take the steps necessary to ensure that its annual infrastructure valuation is submitted to the State Comptroller before the established deadline. (See Recommendation 5.)

Agency Response: "The Department has been working to correct the infrastructure valuation conditions identified in the audit. The Office of the Comptroller and Core-CT staff has developed a system to allow the recording of Department infrastructure values in Core-CT. For fiscal year 2009 this process will be done at the end of the fiscal year. For fiscal year 2010, starting in September, the process will be done on a monthly basis, which will help to ensure the reporting is done in a timely manner. In addition, as a result of year-end deadlines in Core-CT, future infrastructure asset valuations will be required to be recorded by July for the previous fiscal year which will also help to ensure the reporting is completed by the September or October Comptroller deadline. The Department is also in the process of training two additional employees who will assist in the identification and recording of our infrastructure assets in Core-CT. As a result of these changes, it is anticipated that future infrastructure valuations will be submitted to the State Comptroller before the established deadline."

Recording Proper Receipt Dates in Core-CT for Goods and Services Received:

Criteria: Section 1.7 of the State Accounting Manual describes the receipt date for goods or services as the date goods or services were received or, in certain instances the date payment is contractually due. The Accounting Manual also states that the correct completion of the receipt date is important for two reasons, one being that these dates are used to determine payment due dates prepared annually in accordance with Generally Accepted Accounting Principles (GAAP) and to calculate vendor accounts payable for inclusion in year-end GAAP reporting. Proper completion of the receipt date will eliminate the need for agencies to calculate and report their vendor accounts payable to the Comptroller at the end of the year.

Condition: Our review of the payments made by the Department from July 1, through September 30, 2008, that were used to determine the Department's accounts payable for the fiscal year ended June 30, 2008, disclosed several payments with unusually large periods between the receipt and payment dates that were entered in Core-CT. There were 322 payments included as accounts payable as of June 30, 2008, totaling $22,676,796, for which at least 65 days passed between the receipt and payment dates; including 15 for which over one year had passed. We selected 48 of the 322 payments for review to determine the cause of the payment delays. Our review disclosed that for all 48 payments selected the Department entered incorrect receipt dates. We noted further that for most of the reviewed items, less than ten days had passed between the actual receipt dates and the payment dates. There were only five of the 48 payments that were valid accounts payable as of June 30, 2008.

Effect: The incorrect receipt dates entered in Core-CT resulted in the June 30, 2008, accounts payable balance being overstated. The 43 payments identified in our review resulted in a known overstatement of $1,981,813, and it is likely that the actual overstatement is much higher than that.

Cause: The Department's Accounts Payable Unit is not entering the correct receipt dates in Core-CT when it makes payments to vendors.

Recommendation: The Department should enter the receipt dates of goods or services in Core-CT in accordance with Section 1.7 of the State Accounting Manual. (See Recommendation 6.)

Agency Response: "The Department's Accounts Payable Unit recognizes that existing procedures used to enter a receipt date onto a voucher may not have always resulted in the recording of the correct receipt date. It is the

Department's intent to perform a thorough review of the procedures and other issues involved in identifying and entering correct receipt dates. Once the review is completed, procedural changes to ensure use of the correct receipt date will be implemented and documented. Training of Accounts Payable staff and other department employees as appropriate will be completed. The Department will begin a process by requesting copies of the documentation that led to this finding. This process will expand from there based upon the various payment types contained in the backup documentation. Payment type is important to categorize because it will help identify who in the process actually knows the correct receipt date and how that information is or should be documented and communicated."

Locomotives Purchased from Amtrak:

Criteria: Payments to vendors should be supported by an original vendor's invoice that is approved for payment. Time-sensitive agreements should be assigned priority status to ensure that agreed upon terms can be enforced. Equipment purchased should be included as assets at the time of purchase.

Condition: In May of 2005, the Department entered into an agreement with Amtrak to sublease eight P-40 locomotives for a two-year period ending July 1, 2007. The agreement included an option for the Department to purchase the locomotives at the conclusion of the initial lease term for $900,000 each, with written notification of the intent to purchase required six months prior to July 1, 2007. The Department had attempted to acquire locomotives through the Request for Proposals process however it was unable to award a contract. Since it was too late to exercise the original purchase option, the Department extended the sublease and eventually ended up purchasing the eight locomotives for $925,000 each, for a total of $7,400,000. The Department was able to negotiate the price down to $850,000 each if the transaction was effected by January 2, 2008; however, delays in negotiating the final sales agreement caused the transaction to close at the end of January 2008, and resulted in the final price being increased to $925,000 each. According to information obtained from the Department, Amtrak provided the first draft of the sales agreement to the Department on December 4, 2007, and the Department returned a "final draft" to Amtrak on December 21, 2007. Apparently Amtrak needed additional time beyond the deadline to review the changes that the Department made to the original agreement.

Our review of the payment to Amtrak disclosed that the payment documentation obtained from the Accounts Payable Unit did not include an original vendor invoice and that the amount paid, $7,416,418, was more than the contract amount of $7,400,000. There was no documentation supporting the additional $16,418 payment. When we inquired on this matter we were told that the Department had nothing on file and that the additional amount was for something else, and was included in this payment for convenience. A copy of an Amtrak invoice was emailed to the Department's Central Office, on December 10, 2008, subsequent to our inquiry.

The Department made full payment for the eight locomotives in February 2008, however, they were not reported as assets on the Department's June 30, 2008 property inventory report (CO-59) to the State Comptroller, and were not entered in the asset management system until December 11, 2008. This appears to be an isolated instance, as our other testing of the Department's procedures for recording newly purchased assets disclosed no exceptions.

Effect: The delayed processing of the sales agreement resulted in the Department paying a total of $600,000 more than it would have, had the agreement been finalized before the January 2, 2008 deadline. Payments made without adequate supporting documentation increases the risk of payment errors. The Department's assets were understated on the June 30, 2008 property inventory report that it sent to the State Comptroller.

Cause: The additional cost for the locomotives was caused in part by the Department taking over two weeks to make the changes to the original sales agreement, thus leaving Amtrak with only a few days to review those changes. Apparently, Amtrak was unable to perform its review before the deadline.

The Accounts Payable Unit had an approved Department generated invoice it used as the basis for payment, which was deemed sufficient.

The delay in recording the locomotives in the asset records appeared to be an isolated instance.

Recommendation: The Department's Accounts Payable Unit should not make payments without first obtaining the proper supporting documentation. The Department should make reviewing any time-sensitive agreements priority items to ensure that the Department's best interests are protected. (See Recommendation 7.)

Agency Response: "The Department acknowledges that the invoice that supported the $16,418 payment was not contained in the original back-up of the $7,416,418 voucher processed to Accounts Payable in February 2008. The $16,418 payment represented a billing that was outstanding at the time of the purchase and represented Amtrak's three year inspection costs associated with one of the locomotives being purchased. Amtrak was concerned about getting this invoice paid prior to the change in ownership of the locomotives, so the inspection invoice was combined with the purchase cost of $7,400,000. As stated in the finding, a copy of the inspection invoice was subsequently requested and received from Amtrak during the audit inquiry and included in the file.

The Department agrees that delays in completing the final sales agreement for the purchase of the eight locomotives resulted in an increase to the final cost. However, due to the complex nature of this agreement and the number of parties involved in the negotiations, the January 2, 2008 due date was not met. To the extent possible, every effort was made by the Department, to complete this transaction on time. The Department will attempt to avoid similar delays in the future."

Other Projects Included in the New Haven Rail Yard Project Bond Fund Account:

Criteria: According to the State Comptroller's Accounting Manual, the Special Identification Code (SID) defines the source and use of funding in non-appropriated Funds. The New Haven Rail Yard Bond Fund Account is set up in the Infrastructure Improvement Fund, a non-appropriated Fund, as SID #43000. It is to be used to account for the activities of the New Haven Line revitalization program that are funded with monies from certain State bond issues. Authorized activities are the acquisition of new self-propelled rail cars for use on the New Haven Line and its branch lines, as well as construction of a new rail maintenance facility for the New Haven Line revitalization program.

Condition: Our review of the activities within the Bond Fund Account disclosed that during the 2008 fiscal year, the Department set up budgets in the Account totaling $4,779,000 for nine unrelated projects; to purchase buses for CT Transit and to purchase transit buses, vans, and small buses for various transit districts throughout the State. Expenditures paid against those budgets totaled $3,961,278 as of May 15, 2009. These are not part of the New Haven Revitalization program, and as such, monies in the Bond Fund Account should not have been used to pay for them. We note further that the State Bond Commission passed bond authorizations in March 2006 and October 2006, totaling $7,500,000 for the bus purchases and that SID #42926, within the Infrastructure Improvement Fund was set up for that purpose. As of May 15, 2009, SID #42926 had no expenditures charged against it and $7,500,000 was available for spending.

Effect: The Bond Fund Account was charged $3,961,278, as of May 15, 2009, for projects that are not authorized to be paid for from that Account.

Cause: The Department included the bus purchases in the Bond Fund Account in error.

Recommendation: The Department should not commingle other projects within the New Haven Rail Yard Bond Fund Account and should adjust the records for those expenditures erroneously charged to that account. (See Recommendation 8.)

Agency Response: "Public Act 05-4 was originally established under a single SID (43001) and was subsequently broken up into four separate SID's for the following Public Act authorizations:

43000 - New Haven Line Revitalization Program
42924 - I-95 Operational Improvements
42925 - Transportation Improvements Off I-95
42926 - Bus Rolling Stock

When the nine Bus Rolling Stock projects were initiated in Core-CT they were mistakenly set-up under SID 43000 instead of SID 42926. The Department's Office of Financial Management and Support in the Bureau of Finance and Administration will be processing Project Modifications, Purchase Order changes and Spreadsheet Journals to properly account for the Bus Rolling Stock Projects against SID 42926 by September 30, 2009."

Receivable Not Recorded in the Records:

Criteria: An objective of internal control over financial reporting includes providing management with reasonable assurances that transactions are executed according to management's authorizations and are properly recorded in the records and reported in the financial statements.

Condition: The Department entered into a three party Memorandum of Understanding (MOU) with Metro-North and Amtrak for track work on the New Haven Line. Under Section 3.C.(b) of Amendment No.3 to the MOU, Amtrak is to pay $16,000,000 to the Department toward the total estimated project cost of $21,834,000. Metro-North performed the work on the project. In summary, the Department paid Metro-North for the work, and Amtrak was to reimburse the Department for the costs, up to $16,000,000. The Department made payments to Metro-North throughout the life of the project, however, our review disclosed that the Department was not recording those payments as monies due from Amtrak in a receivable account in Core-CT, and that a receivable was not reported to the State Comptroller for inclusion in the State's Financial Statements. The unreported receivable amount as of June 30, 2008, was $12,106,703. We informed the State Comptroller of this error and the June 30, 2008 financial statements were adjusted accordingly to include the receivable amount. The Department collected the entire $16,000,000 during the 2008-2009 fiscal year.

Effect: The Department understated the receivable balance on the June 30, 2008 report that was sent to the State Comptroller.

Cause: It appears that the unusual nature of this agreement contributed to the cause.

Recommendation: The Department should implement internal controls that provide reasonable assurance that financial transactions associated with any unusual agreements it enters into are properly recorded and reflected in the State's financial statements. (See Recommendation 9.)

Agency Response: "The agreement identified in the finding is a funding agreement that calls for Amtrak to reimburse the Department $16 million associated with a Concrete Tie Replacement Project (DOT03010091CN) on the New Haven Line. The agreement was the basis for initiating and allotting the "private receivable" funding under Fund/SID 12062-30269 (Amtrak Passthrgh Fd-Ne Cordr) in Core-CT. Periodic billing requests were initiated by the Office of Financial Management and Support to Accounts Receivable as the project progressed and were recorded in Core-CT as receivables in the Accounts Receivable module as requested billings were processed.

The issue raised in this finding is that expenditures against this project were not being recorded as a receivable to the State as they were being expended. To resolve this issue, future funding agreements similar to the Amtrak agreement above will make use of the Core-CT Customer Contracts and Billing Module that is currently used to service Federal Highway Administration (FHWA) and Federal Transit Administration (FTA). This will automate the recording of expenditures, receivables and billings in the same manner as is done on the Department's Federally funded projects."

Damage Recoveries from Motor Vehicle Accidents:

Background: When motor vehicle accidents occur on roads in the State that result in damage to State property, whenever possible, the Department will set up accounts receivable and bill the responsible parties for the damage that was incurred.

Criteria: Proper internal controls over accounts receivable include procedures that provide assurances that the billing unit receives the information required to bill the parties who owe money.

Condition: The Department's four District Offices are responsible for making the repairs necessary to State property that is damaged as a result of motor vehicle accidents and determining the costs associated with those repairs. Each District Office is also responsible for obtaining and completing the required paperwork and forwarding it to the Department's Revenue Accounting Unit. It is the responsibility of the Revenue Accounting Unit to set up accounts receivable and bill the liable parties after it has received the information from the District Offices.

Our review of selected accidents disclosed several instances in which a responsible party was identified, but the Revenue Accounting Unit had no record of the accident. Our testing covered all four District Offices. The exceptions noted are summarized below:

- District 1: Accounts receivable were not set up for 12 of the 33 tested accidents, and the Revenue Accounting Unit had no record of the 12 accidents in its files.
- District 3: Accounts receivable were not set up for two of the 14 tested accidents, and the Revenue Accounting Unit had no record of the two accidents in its files.
- The total damages according to the damage reports we reviewed for the 14 accidents for which receivables were not set up was $45,289 excluding additives, which when added would result in an estimated total of $80,000.

Effect: The Department loses out on damage recoveries when the required information is not provided to the Revenue Accounting Unit for processing. As indicated above, our audit test disclosed approximately $80,000 in unbilled damage.

Cause: The lack of communication procedures between the District Offices and the Revenue Accounting Unit appears to be the cause. We noted that there is no requirement for the Revenue Accounting Unit to acknowledge that it has received the information that it needs for billing from the District Offices. Also, the District Offices do not have procedures in place to ensure that the Revenue Accounting Unit received the information that its records indicate were sent.

Recommendation: The Department should implement procedures that provide assurance that the Revenue Accounting Unit receives the accident information it needs from the District Offices so that it can bill the responsible parties for damage caused by motor vehicle accidents. Consideration should also be given to reviewing the records supporting closed accidents at the Department's District 1 Office to identify any others which might not have been billed. (See Recommendation 10.)

Agency Response: "The Department's District Maintenance offices currently send all the damage report information to the Revenue Unit through the inter-department mail. This process can be changed to an electronic system (e-mail), with the tracking function to assure that the information is received.

The records identified in the audit were forwarded to the District 1 Office where they are currently being reviewed. The District Office will also be reviewing their records to ensure there are no other outstanding records."

Supply Inventory Valuations:

Background: The Department maintains a significant amount of supply inventories at facilities throughout the State. Effective during the fiscal year ended June 30, 2008, the inventory valuation was maintained in the Core-CT system. The Special Transportation Fund Independent Auditors' Report on Internal Control over Financial Reporting, for the year ended June 30, 2008, included a finding regarding the inventory valuation. Information that is included in that finding is also included below.

Criteria: An adequate system of internal control over supply inventory balances should include a reconciliation procedure of the valuation of items in the accounting system to the actual amounts on hand.

Condition: The Core-CT system was unable to produce an accurate inventory balance as of June 30, 2008. The inventory balances per Core-CT reports were not reconciled to the physical inventory counts and did not agree with physical inventory valuations maintained at the various locations throughout the State.

We were told that there were several problems encountered with the conversion to the Core-CT system, a major one being with the units of measure of various items. That resulted in significant discrepancies between the physical inventory valuation and that which was in Core-CT. We discussed this matter with Department staff in June 2009, and were informed that although progress has been made, the Core-CT system still cannot provide a reliable valuation. We were also told that the Department is continuing its efforts to resolve the differences that exist.

Effect: The Department's inventory balance reported in the Special Transportation Fund as of June 30, 2008, was overstated by $12,500,675.

Cause: The 2008 fiscal year was the first year in which the Core-CT accounting system was used to value supply inventory. The Department did not reconcile the Core-CT reports it used for reporting the balances in the financial statements to the results of its physical inventory valuations.

Recommendation: The Department should implement the procedures necessary to provide assurances that the supply inventory valuations maintained in Core-CT are accurate. (See Recommendation 11.)

Agency Response: "The Division of Purchasing and Materials Management (Materials Management) is continuing to work closely with the Core-CT Support and Inventory Lead Team in addressing this issue. The Department continues to make progress in managing the Core-CT Inventory Management process.

Issues occurred early in the conversion process, catalog management items carried different unit of issues (which affected quantity and dollar values) and incorrect prices were manually entered by Materials Management staff. These incorrect unit prices distorted the inventory value and needs to be reconciled. In an effort to address this problem, on July 22, 2009, a team was assembled to review and correct all unit prices in each business unit. This project is expected to take approximately 4-6 weeks and is being managed by the Assistant Director of Materials

Management. Reports have been provided by the Core-CT Support Unit to assist in this effort.

Additional efforts to validate the inventory will be addressed by performing physical inventory counts. The DOT - Core-CT Physical Inventory Process was drafted on April 28, 2009, a Pilot Physical Inventory held on May 12, 2009, and the process has been re-defined and will be implemented on or before September 30, 2009. The DOT Core-CT Physical Inventory Process will include two (2) types of inventory verification procedures. One is a "Perpetual Inventory Cycle Count" which is done on a continual basis throughout the year at a rate of approximately 100 randomly selected items and is completed by the stockroom personnel. The other one is a "Physical Inventory Procedure" which counts ALL items in a business unit at one time by a separate Inventory Team, and will occur at least one time every three (3) years for each business unit. The Physical Inventory will commence on or before September 30, 2009. These processes will give an actual count and dollar value of the inventory and will be thoroughly documented and become a permanent record.

Implementation of the processes stated above will ensure the accuracy of the inventory."

Bridge Maintenance Repairs:

Criteria: The Department has a Bridge Inspection Manual that has been developed to provide a uniform standard for performing and reporting structure inspections in the State of Connecticut. According to the Manual, after an inspection, the inspection report reviewer, with input from the inspection team, will prepare a list of possible maintenance items that should be performed to extend the useful life of the structure and to ensure its continued safety. These items shall be presented in a memo to Bridge Maintenance, referred to as a BMM, and prioritized as indicated below:

- Priority A - Critical - IMMEDIATE response by Bridge Maintenance.
- Priority B - Urgent, but not critical - Response within 1 WEEK.
- Priority C - Important, but not urgent - Response within 2 MONTHS.
- Priority D - Of lesser importance, but needing attention - Response within 6 MONTHS.
- Priority E - Routine repairs - scheduled by Bridge Maintenance to coincide with other commitments of the same type or within the same general area. – Response within 2 YEARS.

Bridge Maintenance is required to make the necessary repairs.

Condition: Bridge inspections for the most part are being performed within the time frames required per the Bridge Inspection Manual. Also, in accordance with the Manual, the Office of Bridge Safety and Evaluation prepares the

BMMs and sends them to Bridge Maintenance as necessary. However, Bridge Maintenance cannot keep up with repairing the possible maintenance items reported in the BMMs. Information obtained from Bridge Maintenance shows that outstanding BMMs have increased steadily, from 531 in the 2000 calendar year to 1,943 as of March 31, 2009. We tested Priority A items, and found that those were addressed immediately as required. We were informed the Department has been performing work on Priority B items, however, for the most part the repairs being made are considered temporary rather than permanent. We were also informed that there are only some Priority C items worked on.

Effect: Certain bridge conditions will continue to worsen if the required permanent repairs are not made in a timely manner, and could eventually end up in bridges being closed.

Cause: We were told that the cause is due to a lack of staff in Bridge Maintenance and insufficient funding.

Recommendation: The Department should comply with the bridge maintenance repair requirements set forth in its Bridge Inspection Manual. (See Recommendation 12.)

Agency Response: "The auditor cites in the report that according to the Department's Bridge Inspection Manual that after an inspection, the inspection report reviewer, with input from the inspection team, will prepare a list of possible maintenance items that should be performed to extend the life of the bridge and that Bridge Maintenance is required to make the necessary repairs. It is the position of the Bureau of Highway Operation's Division of Bridge Maintenance that 25 percent of the list of possible maintenance items received are minor or cosmetic in nature or are not bridge items (i.e. small spalls of the concrete substructure, conditions that were as built, single missing bolts on plate girders, electrical/lighting items, impact damage to approach guide rail). Repairs that are minor or cosmetic are neither cost nor time effective as they would not add to the life of the structure. All other items are directed to the appropriate maintenance facility to be scheduled for repair.

Although bridge inspections are being performed within the required time limits and Bridge Maintenance Memoranda (BMMs) are being sent as necessary, the Division of Bridge Maintenance faces challenges in keeping up with the workload, and the backlog of BMM items continues to grow. As a result of the Minnesota bridge collapse in 2007, the Department increased the number of Bridge Inspectors while the number of Bridge Maintainers was reduced by 4 skilled positions. Funding was also not available to utilize on-call contractors for the increased workload.

Despite the challenges faced by the Division of Bridge Maintenance, Priority A and B items are addressed and though some of the repairs may be temporary that is not the situation with all of these conditions and must be looked into on a case by case basis. Also, the Division of Bridge Maintenance does focus on the Priority C items that are of a more critical nature than others, but that is not to say that Priority D and E items are neglected. Most BMMs contain multiple line items for each bridge and if these less critical deficiencies are deemed cost and time efficient they will be addressed at the same time the higher priority item is being addressed. During the period from January 1, 2008 through December 31, 2008, a total of 258 Priority C, 310 Priority D, and 258 Priority E line items were addressed statewide.

In addressing compliance with bridge maintenance requirements in the Department's Bridge Inspection Manual and the increasing workload of the Division of Bridge Maintenance, it is a goal of the Department to seek the following:

- Increase the number of Bridge Maintainers
- Restore funding to the Vendor In Place (VIP) enabling bridge deck joints to be installed immediately following paving, which will prevent water and chlorides from leaking down on the substructure causing deterioration
- Provide funding of 10 to 15 million dollars annually for the Federal Preventive Maintenance Program to address issues that are beyond maintenance capabilities
- Provide 5 million dollars in State funding for on-call contractual services using the existing Department of Administrative Services Bridge Repair Unit contract."

Certificates of Insurance - Leased Property:

Background: The Department leases rental space on land areas along the Rails Rights of Way and within Rail Stations. A lease agreement between the Department and the tenant is required for each property the Department leases. Each lease agreement includes language that requires insurance coverage to be held by the lessee throughout the lease period.

Criteria: Standard language included in the contracts indicates that tenants leasing property from the Department are required to "…furnish to the State, only on the form or forms supplied by the State, Certificate of Insurance (CON-32), fully executed by an insurance company or companies satisfactory to the State…"

Condition: We reviewed seven lease files maintained by the Rail Operations Property Management Unit. We noted that six of seven files did not contain CON-32 forms that reflected current insurance coverage.

Effect: Without proof of insurance the Department cannot be assured that tenants have the required insurance coverage stipulated in the lease agreements.

Cause: We did not determine the cause.

Recommendation: The Department should obtain the required Certificates of Insurance for all of the tenants who lease property from it and should implement procedures that provide assurance that the required Certificates are on file and are up to date. (See Recommendation 13.)

Agency Response: "The Department concurs with the recommendation and will begin the process to update lease/license files to ensure compliance with Department policies and contractual insurance requirements."

Gasoline Dispensed from Department Gas Pumps:

Background: The Department operates 70 gasoline stations throughout the State for use by State vehicles. The Fuelmaster® system is utilized to control the fuel dispensed and the billing of State agencies. An individual "Prokee" is assigned to each vehicle and is used to activate the gas pumps. However, there are occasions in which an operator does not have a Prokee. The Department has a special "white supervisor key" that it uses in such situations. The Fuelmaster® system identifies transactions using that key as manual transactions.

Criteria: The Department's policy states that a maximum of five gallons are to be dispensed using the "white supervisor key." Also, a "Manual Fuel Transaction Slip" is to be completed for each such transaction.

Condition: During the audited period there were 481 transactions that the system identified as manual transactions, dispensing a total of approximately 3,900 gallons of gas. We noted that 219 of those transactions, or 46 percent, exceeded the five gallon maximum. We noted further, that those 219 transactions totaled approximately 3,300 of the 3,900 gallons dispensed as manual transactions, or 85 percent. There were 19 manual transactions in which the system recorded over 25 gallons dispensed, including one for 117 gallons. The manual fuel transaction slips require that the number of gallons dispensed be entered and they clearly indicate the maximum to be five gallons.

Concerning the manual fuel transaction slips, the Department employee is not required to include their name and signature on the slips, or to indicate a reason for overriding the five gallon policy maximum. During our review we noted several instances in which the information recorded in the Fuelmaster® system was incomplete. In these cases, the Department cannot bill any State agency because it has no information about the details of the transactions. Also, we could not locate the manual transaction slips for three of the ten transactions we selected to review. These transactions occurred in the fiscal year ended June 30, 2007. We were told that they were most likely misplaced when the Unit was moved to a new location.

Effect: Internal controls are weakened when established policies are not enforced.

Cause: We did not determine the cause.

Recommendation: The Department should enforce its policies regarding the use of the supervisor key for dispensing gasoline and revise its manual transaction slips to require the employee name and signature, and an explanation in every instance why the policy maximum is overridden. (See Recommendation 14.)

Agency Response: "The Fuel Control Section within the Division of Purchasing and Materials Management (Materials Management) has addressed this finding by reissuing the Fuel Directive regarding the proper use of the supervisor key and by adjusting all the supervisor keys to allow for the dispensing of a 5-gallon limit per transaction. The Fuelmaster Manual Fuel Transaction Slip was also revised to include the employee name and reason for use. Fuel Control personnel monitor the dispensing transactions on the monthly fuel usage report and research any issues with the proper personnel. Materials Management implemented these revisions March 12, 2009."

Employee Mileage Reimbursements:

Criteria: Employee mileage reimbursement requests for employees working in the Office of Construction should be submitted in accordance with the General Policy and Procedure, as stated in an August 21, 2007 memorandum issued by the Construction Administrator. Mileage reimbursements are to be made only for travel on State business and the miles reimbursed are to be determined as per the applicable Union agreement. Evidence of current auto insurance is required to be on file for employees who receive mileage reimbursements.

Condition: Follow-up on our prior audit recommendation included a review of 20 mileage reimbursements paid to employees during the 2008 calendar year. Our review disclosed the following:

- The General Policy and Procedure for Submitting Mileage Reimbursement was not followed on a consistent basis. Two instances were noted in which the mileage entries made on the Core-CT timesheet did not comply with the policy of entering the cumulative amount on the last day of the pay period. We also noted one instance in which the mileage reimbursement report, Form PER-72, did not have a supervisor approval signature and another that had no signatures at all.

- One instance in which the miles claimed and paid was not computed in accordance with Article 21 of the P-4 agreement which states in part that "…Mileage shall be computed as the lesser of the following: (1) From the permanent employment station to and around his/her work area and return or (2) from home to and around his/her work area and return."

- One instance in which an employee was reimbursed for mileage on a day in which the employee did not work. The employee was also paid an auto usage fee for that day.

- One instance in which the mileage charged to individual projects per the mileage report did not agree with the projects charged per the employee's timesheet.

- One instance in which mileage was paid at the incorrect rate and another in which the mileage paid per the employee timesheet did not agree with the mileage report submitted. The errors were minimal in amount, but nonetheless incorrect.

- The Department maintains evidence of auto insurance only for the current period of the insurance coverage. For five of the 20 transactions selected, the insurance policies on file did not correspond to the dates covered by the mileage reimbursement. There was also one instance in which there was no evidence of insurance on file at all.

We note that the Department's Internal Audit Unit performed a detailed review of mileage reimbursements and auto usage fees paid by the Department and found exceptions along the same lines as those disclosed above, as well as others. The Unit's written report included a recommendation that the Department develop a written mileage reimbursement policy and cited several specific areas for consideration when developing the policy. We were told that mileage reimbursements will be an area which the Internal Audit Unit plans to include as an annual review.

Effect: Errors were made in mileage reimbursements paid to employees. Evidence supporting that insurance coverage was in place when the reimbursements were made was not on file for several of the payments we reviewed.

Cause: Documentation of auto insurance was not on file for certain payments we reviewed because the Department only retains the most current certificates of insurance. We did not determine the cause of the inconsistency in applying the Department's policy or the payment errors.

Recommendation: The Department should improve its procedures for reviewing mileage reimbursements and require that evidence of insurance coverage supporting all mileage reimbursement payments be retained. (See Recommendation 15.)

Agency Response: "Policy Statement No. F&A-36 titled "Mileage Reimbursement for Use of Personally-Owned Motor Vehicles on State Business" was issued on June 11, 2009. This policy should provide for the consistent application of mileage reimbursements requests on a Department-wide basis.

For all mileage reimbursement requests, this policy specifically identifies:

- The responsibilities of the employee and the supervisor.
- The supporting documentation required, which includes Form PER-72 and Proof of Insurance.
- And, the document retention schedule for maintaining these records for audit purposes.

In addition to this Policy Statement, the Division of Internal Audits has performed an audit of mileage reimbursements and will continue this audit on an annual basis."

Accounting for Federally Participating Expenditures and Prompt Federal Billing - Bureau of Aviation and Ports:

Criteria: To maximize the benefit of Federal financial assistance, sound business practice requires the prompt billing, receipt and deposit of Federal grant receivables.

Federally participating project expenditures are to be recorded in accordance with the Department's Federal Assumption of Total Expenditures (FATE) Implementation Guide, which became effective in the 2007-2008 fiscal year. It is clearly stated in the FATE Implementation Guide that Federal Aviation Administration (FAA) projects are not to be included in the FATE process. An adequate system of internal control provides for the accurate recording of transactions in the accounting records. The accounting system used by the State is referred to as Core-CT.

Condition: Our prior audit included a recommendation that the Department's Bureau of Aviation and Ports should make it a priority to claim Federally participating project costs in a timely manner. Our current audit found that the Department has not adequately addressed this recommendation. During the 2007-2008 fiscal year there were no Federal reimbursements received in the months of August, September, October and February, even though there were a considerable amount of expenditures eligible for reimbursement.

Regarding the recording of transactions, our review disclosed that the

Department was applying the FATE process to FAA participating projects. This resulted in automated adjustments to the records for expenditure and revenue transactions being recorded in error. The Bureau of Aviation and Ports was unaware that the FATE process was being applied to FAA projects until we brought it to their attention. After that, the Department discontinued using the FATE process for FAA projects and began reviewing and correcting certain of the erroneous transactions. We were informed that corrections were made to all of the entries recorded during the 2008-2009 fiscal year, and to all of the revenue entries made in the 2007-2008 fiscal year that resulted from applying the FATE process. The Department did not adjust any of the expenditures which had gone through the FATE process during the 2008 fiscal year, apparently because the expenditure allocations that were being manually recorded were not always entered in accordance with the allocations outlined in the Federal agreements to begin with. We note further, that Federal reimbursements recorded in Core-CT were not always recorded to the project for which the reimbursements applied.

Effect: When reimbursable expenditures are not promptly billed the State is not making full use of its financial resources.

Expenditure and revenue information in Core-CT for individual FAA funded projects is unreliable. There are expenditure and revenue errors in the accounting records for the individual FAA projects, as well as expenditure errors recorded in the Federal and State assigned SIDs.

Cause: The Department using the Core-CT system for all of its business processes effective during the 2007-2008 fiscal year and a lack of monitoring the entries made in Core-CT for FAA participating projects appear to be the cause.

Recommendation: The Department's Bureau of Aviation and Ports should make it a priority to claim FAA participating project costs in a timely manner and should correct the expenditure and revenue errors in Core-CT at both the project and SID levels so that the accounting system contains accurate information. Also, the Department should review its procedures for recording and monitoring FAA participating transactions and modify them as necessary to ensure that these transactions are properly recorded in Core-CT. (See Recommendation 16.)

Agency Response: "The Department's Bureau of Finance and Administration acknowledges the fact that the Federal Aviation Administration (FAA) billings were not done in a timely manner. During fiscal year 2008, due to staffing issues, the unit determined it would bill on a quarterly basis. Other billing delays occur at the project's final billing. When payments reach 90 percent of the estimate, FAA only allows one final billing. Preparing the final bill can take several months or more. This is due to the time required for audits to be completed, retainage to be paid and the required engineering documents to be produced and submitted to the FAA.

It should also be noted that the process for Federal billing for other Federal agencies (FHWA, FTA and NHTSA) cannot be duplicated for the FAA process. Due to various requirements of the FAA, the Core Billing Module and FATE could not be used for the FAA billing process.

Reconciliation of the closed FAA projects is underway and during this process any expenditure errors that occurred in Core-CT will be corrected. The Bureau of Aviation and Ports and the Office of Engineering have been working together to ensure that the field office and/or district personnel responsible for coding expenditures for Federal projects are coding the expenditures properly. Revenue errors have been corrected."

Transit Grants Awaiting Closeout:

Criteria: An adequate system of internal control should include effective communication among various units to ensure that the business processes are carried out completely.

Condition: The Department of Transportation expends over $20,000,000 in grant payments to 13 transit districts, numerous private carriers, and other providers in each fiscal year. The Department has a process in place to close out transit grants, which includes the receipt and review of audit reports from grant recipients, a financial review completed by the Department's Internal Audit Unit, and the determination and subsequent resolution of monies due to or from the grantees. Grants are left open until all of the outstanding obligations are settled. We tested eight grants and noted that three remained open for extended periods beyond the date that the final payment was received. The Accounts Receivable Unit is responsible for collecting funds owed by transit districts and the Office of Transit and Rideshare is responsible for closing the grants. There is no reporting mechanism to make the Office of Transit and Rideshare aware of when receivables are collected, nor is there a complete listing maintained of the grants awaiting closeout. The Office of Transit and Rideshare does perform periodic reviews of open transit grants to determine whether to inquire if they may be closed out.

Effect: Prompt closeout of Transit grants cannot be accomplished without timely information being shared between the Unit responsible for collecting the receivables from the transit districts and the Unit responsible for closing out the grants.

Cause: The Accounts Receivable Unit is responsible for the collection efforts for the entire Department and, because of the transaction volume, cannot notify the Office of Transit and Rideshare whenever a collection is made on their behalf. The Office of Transit and Rideshare does not maintain an aging schedule showing the status of the grants awaiting closeout that could be provided to management for monitoring timely closeouts.

Recommendation: The Department should implement procedures to effectively monitor those transit grants that are awaiting closeout. (See Recommendation 17.)

Agency Response: "The Department's Office of Transit and Ridesharing (OTR) has created and maintains an Access file to track the chronology of 'Transit Grants' (projects) from initiation to closeout. This tracking mechanism was implemented to deal with the accumulation of current projects to be initiated and closed out by OTR. The OTR is able to produce different types of project/vendor queries and reports, for managerial distribution, showing the project status including the list of activities performed to-date by OTR. Development of this Access file allows OTR to better monitor, address, and resolve any financial issues with the vendor and closeout projects in a timely manner.

With respect to projects that have currently remained open for extended periods of time beyond the date that the final payment was received from a vendor, OTR will continue to work with appropriate offices within the Bureau of Finance and Administration to develop a mechanism that would provide direct notification to OTR that final project payment has been received. In the interim, OTR will work with vendors to inform OTR directly when they have made final payments. Additionally, OTR will monitor core project balances to ascertain that final payment has been received."

Reporting Systems:

Background: The Department of Transportation is mandated to submit numerous reports under various Sections of the General Statutes or by individual legislative acts. The Governor, General Assembly as a whole and various joint standing committees of the General Assembly are included among the designated recipients of these reports. The information provided is necessary to facilitate both executive and legislative branch oversight of the projects administered by the Department.

Criteria: An adequate system of internal control should include a method for management to track or otherwise monitor the submission of all mandated reports.

Condition: In our prior report we recommended that the Department maintain a complete listing of all of the reporting requirements mandated by the General Statutes or by legislative acts, and consider creating a central reporting function to monitor the submission of them. Our current review disclosed that the Department has developed and maintains a comprehensive listing of all of the reports that it is required to prepare. For each report, the listing includes such details as the statutory reference, the report contents, the due date, the preparer and submitter, as well as the party it is to be submitted to. Although this listing is maintained, a procedure to centrally monitor whether the reporting requirements have been met has not been established.

We selected 22 reports for testing. Our review disclosed that the Department did not prepare or submit 11 of the 22 reports we selected for testing. Those reports that were not completed include an annual report on the New Haven Line Revitalization Program that is required to be submitted not later than September 1st of each year (Section 13b-78o of the General Statutes), an annual report regarding certain special tax obligation bonds that is required to be submitted on or before February 1st of each year (Section 13b-77a of the General Statutes), reports on the Fix-it-First programs for State roads and bridges that were required to be submitted before January 1, 2009 (Section 13b-78r and 13b-78s of the General Statutes), and two transportation studies that were required to be submitted not later than January 1, 2008, per Public Act 06-136, Sections 24 and 25; one required a study on the transportation and mobility needs of residents and businesses in eastern Connecticut and the other required the development of an assessment and plan for the implementation of commuter rail service between New London and Worcester, Massachusetts.

Effect: Executive and/or legislative oversight of the Department is diminished.

Cause: We were informed that certain of the reports were not prepared due to a lack of funding and/or a lack of staff. Also, the lack of a centralized system capable of monitoring and tracking the submission of the mandated reports on a Department-wide basis appears to have contributed to the cause.

Recommendation: The Department should institute a centralized monitoring procedure that provides assurance that all Department reports mandated by statutes or legislative acts are submitted as required. (See Recommendation 18.)

Agency Response: "As noted above, significant improvements have been made by the Department in establishing and maintaining a Master List of mandated reports and studies in a central location. This list, which was initially compiled by the Bureau of Policy and Planning, is now maintained by the Legal Services Unit, with updates provided by the Legislative Unit.

Currently, there are 40 reports and plans listed that are mandated by Public Acts and/or General Statutes. Preparers of these reports include all five Bureaus in the Department in addition to Office of Policy and Management, Transportation Strategy Board, and the Connecticut Maritime Commission. With the reorganization within the Department, some preparers of the reports have been changed. For example, the Fix-it-First reports were listed as to be prepared by the Bureau of Engineering and Highway Operations. These reports were completed by the Bureau of Finance and Administration. Five of the new reports identified are being reviewed to determine who the preparer will be.

We have reviewed the 11 reports identified as not being issued during the audit period. After identifying the required preparers of these reports, the following is the status of these reports:

- Two Fix-it-First reports have been completed and issued.
- The report on Tax Obligation Bonds has been started. The Department's Office of Information Systems is creating a program to download data from the legacy Preconstruction Management system and Core-CT Support is creating a program to upload the data into Core-CT.
- The Special Transportation Report (84-40 Section 5) has been started and will be complete by the October due date.
- Two transportation studies by the Bureau of Policy and Planning have not been prepared due to the lack of funding. Funds have been requested, but not approved by the Bond Commission.
- The five remaining reports are being reviewed. Although previously prepared by the Bureau of Public Transportation, they will now be prepared by the Bureau of Finance and Administration with input from Public Transportation.

Additionally, the Bureau of Finance and Administration will review, on an annual basis, the master list of mandated reports to assure that all Department reports are being submitted as required."

Annual Contract Certifications:

Criteria: Governor Rell's Executive Order 7C, Section 10, requires that all State contracts between State agencies and private entities with a value of $50,000 or more in a calendar or fiscal year shall comply with the gift and campaign contribution certification requirements of Section 4-252 of the Connecticut General Statutes and Section 8 of Executive Order Number 1. For purposes of Section 10 of Executive Order 7C, the term "certification" includes the campaign contribution and annual gift affidavits required by Section 8 of Executive Order Number 1.

Condition: The Department uses Agreement Bulletins as a means for establishing certain procedures, and Part III of the Department's Agreement Bulletin No. 06-7, dated September 20, 2006, details the procedures for obtaining the required annual affidavit updates. Part III of the Agreement Bulletin created a decentralized procedure for collecting the annual affidavits by requiring that the contracting unit be responsible for obtaining the Annual Contract Certification during the term of the contract or until such time as the work described in it is completed.

Our test of four contracts that were initiated by four different contracting units disclosed that two of the required annual updates were not on file, and those contacted in the units appeared unaware of the unit's responsibilities regarding the affidavits. In addition, although one of the contracts selected did not require an annual update because the project was completed, the employee we contacted in the contracting unit was unfamiliar with the requirement. It was evident that the procedure the Department has in place to ensure that the annual affidavits are received is not operating as it was intended to.

Effect: The Department cannot be assured that the contractors are complying with Executive Order 7C, Section 10, regarding the submission of campaign contribution and annual gift affidavits.

Cause: Decentralizing the process without establishing standardized procedures for the various units appears to be the cause. Individual units within the Department were left to develop their own procedures for determining the consultants and contractors required to submit annual affidavits and for monitoring compliance with the requirement to submit them. Also contributing to the cause is a lack of a monitoring function over the individual units and/or the lack of a reporting procedure that the units could follow.

Recommendation: The Department should improve the procedures it has in place for obtaining the required annual campaign contribution and gift affidavits from the consultants and contractors it hires. (See Recommendation 19.)

Agency Response: "The Department's Bureau of Engineering and Construction will add a line item to the semi-annual consultant, annual construction and Rights of Way fee appraiser performance evaluations specifically for timely submission of the required annual gift and campaign contribution certification. This revised performance evaluation will be distributed to all Bureaus to use. This will serve three functions it will inform the units of the requirement regarding the submission of the annual gift and campaign contribution certification. It will also alert the consultant/contractor/ appraiser of the importance in submitting it in a timely fashion. Lastly, it will provide a means for verification that it has been submitted to the department, since the evaluations are signed by a manager.

This process will capture a very high percentage of contracts requiring gift and campaign contribution certifications, the few remaining contracts that don't fall into the above types can be captured using a manual notification method. The Agreements Section can generate a Core-CT report for the remaining contract types. This report can be forwarded annually to the various Bureaus in order to alert them of a contract that may require a gift and campaign contribution certification.

Lastly, the Purchasing Unit will handle its purchasing type contracts, the unit within Purchasing that handles Bonds and Insurance will be responsible for pending the annual gift and campaign contribution certification. The unit currently maintains a spreadsheet for pending

Bond and Insurance notifications, and the spreadsheet will be modified to include the certification. In addition to the spreadsheet, staff in the unit will also use MS Outlook (calendar) to send the certification notification. When the certification is due, Purchasing will notify the vendor and make sure that it is received."

Mileage Reports for State Vehicles Used at Bradley International Airport:

Criteria: According to the Department of Administrative Services - *General Letter 115 - Policy for the Use of State-Owned Motor Vehicles*, the Agency Transportation Administrator has several responsibilities, including maintaining records regarding the agency's usage of State-owned vehicles, including mileage logs. Monthly usage reports are to be completed for State-owned vehicles.

The preparation and submission of vehicle usage reports is a good business practice that helps ensure that State assets are used appropriately.

Condition: Our prior audit included a recommendation that the Department require the operators of State-owned vehicles used at Bradley International Airport to prepare and submit properly completed monthly mileage reports. Our current review disclosed that monthly usage reports were not prepared during the audited period for the Department owned vehicles used at Bradley International Airport, which we were told do not leave the airport.

Effect: Internal controls over the use of certain State-owned motor vehicles are not adequate. The misuse of such resources could occur, and would not be detected by Department management in a timely manner.

Cause: We did not determine the cause.

Recommendation: The Department should require that monthly mileage reports be submitted for the State-owned vehicles used exclusively at Bradley International Airport. (See Recommendation 20.)

Agency Response: "In an August 6, 2009 memorandum from the Deputy Commissioner to the Airport Administrator, effective immediately, monthly mileage reports must be submitted for all maintenance, operations and fire State owned vehicles used exclusively at Bradley International Airport. These reports are due by the 5th of each month."

Improper Use of a Funding Source:

Criteria: According to the State Comptroller's Accounting Manual, the Special Identification Code (SID) defines the source and use of funding in non-appropriated Funds. SID #41404 is set up within the Infrastructure

Improvement Fund, to be used to fund Intrastate Highway Projects. SID #43000, also within the Infrastructure Improvement Fund, is to be used to account for the activities of the New Haven Line Revitalization Program, including the purchase of new railcars. Both SIDs are funded with monies from State bond issues.

Condition: Our review of payments during the audited period showed that, in order to expedite the purchase of new M-8 railcars while waiting for the General Assembly to approve appropriate funding, the Department charged some $2,000,000 for railcar purchases to Intrastate Highway Projects SID #41404, despite the fact that funds in this account are only supposed to be used for Intrastate Highway Projects. The Department's records indicated that the $2,000,000 in payments charged to this SID account were to be reimbursed from the New Haven Line Revitalization Program SID #43000, once funding for the purchase of these railcars was authorized for this latter SID account. This funding was subsequently authorized by the General Assembly and such funding was allocated by the Bond Commission at its August 2006 meeting. As of December 10, 2009, however, expenditure adjustments had not yet been made to reallocate the expenditure charges for these railcar purchases from Intrastate Highway Projects SID #41404 to the New Haven Line Revitalization Program SID #43000.

Effect: Funds designated for highway projects were used toward the purchase of new railcars.

Cause: We did not determine the cause.

Recommendation: The Department should not use the funding sources it receives for anything except that which is authorized under each specific funding source and should adjust the records for those expenditures it charged to SID #41404 that are applicable to new railcar purchases. (See Recommendation 21.)

Agency Response: "The Department agrees that in May, 2005 Metro North was authorized to expend up to $2,000,000 to expedite the development of specifications for new M-8 rail cars and that funding was provided for this purpose from SID #41404 (Intra-State bonds). It was understood that the funds would be returned to the Bureau of Engineering and Highway Operations once funding for the purchase of M-8 rail cars was authorized by the legislature. As of the date of the finding this adjustment had not been made. An adjustment to move the expenditures recorded against SID #41404 to SID #43000 (funds authorized under PA 05-4 for the purchase of M-8 rail cars) was made and posted on December 17, 2009."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

We presented 15 recommendations in our previous Departmental report. The Department has implemented ten of those recommendations. Five recommendations are repeated or restated in this report. Also, as a result of known problems with an Interstate 84 construction project, J.R. Knowles/Hill International was hired by the State's Office of Policy Management, at the direction of the Governor, to perform an audit of the I-84 expansion project in the Cheshire/Waterbury area. The report was issued on May 18, 2007, and resulted in six immediate corrective actions ordered by the Governor, which we presented in our previous Departmental report.

This report contains 21 recommendations, five from our prior report, and 15 from our current review. The following is a summary of the recommendations and the Governor's immediate corrective actions presented in our prior report and the actions taken by the Department:

Status of Prior Audit Recommendations:

- The Department should review its Core-CT account code structure and code its expenditures accordingly, so that the accounting system accurately reflects what the Department's expenditures were made for. The Department has resolved this recommendation.

- The Department should implement procedures to ensure that the bi-weekly payments to employees that are in addition to their regular pay are reasonable. The Department has complied with this recommendation.

- The Department should make every effort to resolve the remaining cost issues that are causing the delays in the final vouchering process for Federally participating highway projects and should work toward eliminating the backlog of projects waiting for final vouchering. The Department has taken steps to address this matter and is working with the FHWA on a continuing basis to resolve the backlog. We are not repeating this recommendation.

- The Department should implement procedures to effectively monitor those transit grants that are awaiting closeout and to close them out as necessary. Our current review disclosed that the Department has not addressed this issue. We are repeating this recommendation. (See Recommendation 17.)

- The Department's Bureau of Aviation and Ports should make it a priority to claim project costs in a more timely manner. This recommendation will be restated; the condition was not resolved and accounting errors were made in Core-CT which should be corrected. (See Recommendation 16.)

- The Department should enforce the terms of the original agreement it has with the New Haven Parking Authority or obtain the proper authorization under the provisions of Section 3-7, subsection (c), of the General Statutes to reduce the balance it is due. This recommendation has been resolved. During the 2008-2009 fiscal year the Department began collecting the proper amount as per the terms of the original agreement, and collected all of the monies due to it for previous periods in which the payments made were less than the original agreed upon amount.

- The Department should implement a reconciliation procedure to ensure that it receives the amount it is due from surplus equipment sales. The Department has resolved this recommendation.

- The Department should correct its official inventory records to accurately reflect the physical locations of the motorcycles it uses for motorcycle training classes and require that any location changes be reported to the Property and Facilities Administration Unit. The Department has complied with this recommendation.

- The Department should establish formal standardized procedures for entering mileage reimbursement amounts into the payroll system and for signing and approving mileage reimbursement request forms. Our current review disclosed that the Department has established such procedures however they are not being followed on a consistent basis. We are restating this recommendation. (See Recommendation 15.)

- The Department's Office of Transportation Safety should improve internal controls over the reimbursement payments it makes to grantees. The Department has complied with this recommendation.

- The Department should continue its efforts to establish a formal disaster recovery plan to ensure that data processing resources would be available in the event of an emergency. The Department has complied with this recommendation.

- The Department should maintain a complete listing of the reporting requirements mandated by the General Statutes or by legislative acts, and consider creating a central reporting function to monitor the submission of them. Our review disclosed that the Department has developed a listing of mandated reports but has not instituted an effective monitoring procedure. We are restating this recommendation. (See Recommendation 18.)

- The Department should execute an agreement with the Department of Public Safety for the law enforcement services provided at Bradley International Airport. This recommendation has been resolved. A formal agreement was entered into on September 23, 2009.

- The Department should require that the operators of State-owned vehicles used at Bradley International Airport prepare and submit properly completed monthly mileage reports. Mileage reports for the vehicles that are used exclusively at Bradley International Airport were not prepared during the audited period. We are repeating this recommendation. (See Recommendation 20.)

- The Department should implement a procedure to effectively review the monthly billings of the property manager it contracts with to provide management services related to the Transportation Centers in Bridgeport and Stamford, and identify and adjust for any unallowable costs prior to making the monthly payment. The Department has complied with this recommendation.

I-84 Construction Oversight and Audit Services – Task 3 – Construction Audit:

Our prior report included the six corrective actions that were ordered by the Governor as a result of the construction audit. The corrective actions that were ordered are summarized below along with the status of each. We based the status on our reviews of documentation and discussions with Department staff knowledgeable in the specific areas of concern.

- The Department is to improve its Risk Management and Analysis Procedures. The Department has adequately addressed this matter.

- The Department is required to limit project engineers on major projects to one project. We note that the Department has procedures in place to ensure that this requirement is met.

- The Department is to require contractors and contract inspectors to certify that all work was performed according to specifications. The Department has addressed this matter by requiring certifications in the Daily Work Reports and compliance certifications at the conclusion of the projects.

- The Department is required to separate the positions of Bureau Chief and Chief Engineer. To address this matter, the Department split the Bureau of Engineering and Highway Operations into a Bureau of Highway Operations and a Bureau of Engineering and Construction, and assigned a Bureau Chief to each one.

- The Department is to create a formalized Quality Assurance/Quality Control structure and process for projects. The Department has made adequate progress setting up a Unit to handle this function. We note that the organizational structure for the Unit has been established and the Department has positions available and has been working toward filling them. The full staffing of the Unit has been delayed by the difficulty the Department has been facing in its efforts to fill the positions it needs.

- The Department is required to directly pay for the Department of Public Safety personnel used for traffic control at job sites. The Department addressed this matter by entering into a Memorandum of Understanding with the Department of Public Safety.

Current Audit Recommendations:

1. **The Department should improve internal controls over the payments it makes to employees who leave State service.**

Comment:

Our review disclosed overpayments totaling $50,970 that were made to three employees who retired October 31, 2007. An expanded review performed by the Department disclosed two additional errors which resulted in underpayments to other retired employees.

2. **The Department should improve internal controls over employee timesheet approvals by implementing procedures which provide for adequate documentation supporting that all employee timesheet transactions are approved by the employees' supervisors.**

Comment:

Employee timesheets are automated in the Core-CT system, and most employees enter their information directly on the automated timesheet. On occasions in which supervisors do not approve all of the timesheet entries before the pay cycle deadline, the Department's payroll office approves the entries even though the payroll office has no way of knowing whether the information it approves is correct. The Department has a procedure in place to obtain supervisors' approvals, in which a listing of unapproved timesheet entries is required to be initialed and returned to the payroll office. Our review disclosed that this procedure was not always complied with, and when it was, the payroll office did not verify the documentation returned but just filed it. We were told that when the file got too big, information in it was discarded to make room for more.

3. **The Department should implement procedures to ensure that access to the State's Core-CT computer system is deactivated immediately upon termination of an employee and the Department should review the status of all of its Core-CT users to ensure that all of them are active employees.**

Comment:

Our test of access to the Core-CT system for employees who no longer work for the Department disclosed that the Department is not requesting the deletion of user access immediately upon notice that an employee is leaving the Department.

4. **The Department should require that the Office of Human Resources inform the Security Office immediately of any terminated employee so that the access rights to the Department's facilities can be removed.**

Comment:

We reviewed the entire listing of persons whose ID badges allow access to the Department's Data Center and Computer Room and noted that there were seven retired or terminated employees whose ID badges were still active.

5. **The Department should take the steps necessary to ensure that its annual infrastructure valuation is submitted to the State Comptroller before the established deadline.**

Comment:

For the fiscal year ended June 30, 2008, and for several years prior to that, the infrastructure valuation could be performed by only one employee who had several other regular responsibilities that took precedence over the once per year infrastructure valuation. As a result, the report to the State Comptroller was consistently submitted well after the specified deadlines.

6. **The Department should enter the receipt dates of goods or services in Core-CT in accordance with Section 1.7 of the State Accounting Manual.**

Comment:

There were 322 payments included as accounts payable as of June 30, 2008, for which at least 65 days passed between the receipt and payment dates; including 15 for which over one year had passed. We selected 48 of the 322 payments for review, to determine the cause of the payment delays. Our review disclosed that for all 48 payments selected the Department entered incorrect receipt dates. We noted further that for most of the reviewed items, less than ten days had passed between the actual receipt dates and the payment dates. There were only five of the 48 payments that were valid accounts payable as of June 30, 2008.

7. **The Department's Accounts Payable Unit should not make payments without first obtaining the proper supporting documentation. The Department should make reviewing any time-sensitive agreements priority items to ensure that the Department's best interests are protected.**

Comment:

The Department purchased eight locomotives with a total contract price of $7,400,000. The payment documentation obtained from the Department's Accounts Payable Unit did not include an original vendor invoice and the amount paid was $7,416,418. There was no documentation supporting the additional payment amount and when we inquired we were told that the Department had nothing on file and that the additional amount was for something else, and was included in this payment for convenience. Delays in negotiating the final sales agreement caused the transaction to close after an established deadline and resulted in the price of the locomotives to increase from $850,000 each to $925,000 each, for a total cost increase of $600,000.

8. The Department should not commingle other projects within the New Haven Rail Yard Bond Fund Account and should adjust the records for those expenditures erroneously charged to that account.

Comment:

Our review of the activities within the Bond Fund Account disclosed that during the 2008 fiscal year, the Department set up budgets in the Account totaling $4,779,000 for nine unrelated projects; to purchase buses for CT Transit and to purchase transit buses, vans, and small buses for various transit districts throughout the State. Expenditures paid against those budgets totaled $3,961,278 as of May 15, 2009. We note further that the State Bond Commission passed bond authorizations in March 2006 and October 2006, totaling $7,500,000 for the bus purchases and that SID #42926, within the Infrastructure Improvement Fund was set up for that purpose. As of May 15, 2009, SID #42926 had no expenditures charged against it and $7,500,000 was available for spending.

9. The Department should implement internal controls that provide reasonable assurance that financial transactions associated with any unusual agreements it enters into are properly recorded and reflected in the State's financial statements.

Comment:

The Department entered into a three party Memorandum of Understanding (MOU) with Metro-North and Amtrak for track work on the New Haven Line. Under Section 3.C.(b) of Amendment No. 3 to the MOU, Amtrak is to pay $16,000,000 to the Department toward the total estimated project cost of $21,834,000. Metro-North performed the work on the project and the Department paid Metro-North for it. As of June 30, 2008, Amtrak owed the Department $12,106,703 for the work Metro-North performed. This amount was not recorded as a receivable in the accounting system and the Department did not report it to the State Comptroller for inclusion in the June 30, 2008 financial statements.

10. The Department should implement procedures that provide assurance that the Revenue Accounting Unit receives the accident information it needs from the District Offices so that it can bill the responsible parties for damage caused by motor vehicle accidents. Consideration should also be given to reviewing the records supporting closed accidents at the Department's District 1 Office to identify any others which might not have been billed.

Comment:

Our review of selected accidents disclosed several instances in which the District Office files identified a responsible party, but the Revenue Accounting Unit that does the billing for the Department had no record of the accident. Most of the exceptions noted were related to the District 1 Office, for which we noted that accounts receivable were not set up for 12 of the 33 tested accidents.

11. The Department should implement the procedures necessary to provide assurances that the supply inventory valuations maintained in Core-CT are accurate.

Comment:

The Core-CT system was unable to produce an accurate inventory balance as of June 30, 2008. The inventory balances per Core-CT reports were not reconciled to the physical inventory counts and did not agree with physical inventory valuations maintained at the various locations throughout the State. As a result, the Department's inventory balance reported in the Special Transportation Fund as of June 30, 2008, was overstated by $12,500,675.

12. The Department should comply with the bridge maintenance repair requirements set forth in its Bridge Inspection Manual.

Comment:

Our review disclosed that bridge inspections for the most part are being performed within the time frames required per the Bridge Inspection Manual and that in accordance with the Manual, the Office of Bridge Safety and Evaluation prepares Bridge Maintenance Memos and sends them to Bridge Maintenance as necessary. However, Bridge Maintenance cannot keep up with repairing all of the possible maintenance items reported to it.

13. The Department should obtain the required Certificates of Insurance for all of the tenants who lease property from it and should implement procedures that provide assurance that the required Certificates are on file and are up to date.

Comment:

We reviewed seven lease files maintained by the Rail Operations Property Management Unit and noted that six of seven files did not contain Certificate of Insurance forms that reflected current insurance coverage.

14. The Department should enforce its policies regarding the use of the supervisor key for dispensing gasoline and revise its manual transaction slips to require the employee name and signature, and an explanation in every instance why the policy maximum is overridden.

Comment:

The Department's policy states that a maximum of five gallons of gasoline are to be dispensed using the supervisor key and that a manual transaction slip is to be completed for each such transaction. During the audited period there were 481 transactions that the system identified as manual transactions, and 219 of those transactions exceeded the five gallon maximum. Currently, the Department does not require the employee to include their name and signature on the slips, or to indicate a reason for overriding the five gallon policy maximum.

15. **The Department should improve its procedures for reviewing mileage reimbursements and require that evidence of insurance coverage supporting all mileage reimbursement payments be retained.**

Comment:

Our review of 20 mileage reimbursements disclosed several payment exceptions. We also noted that the Department maintains evidence of auto insurance only for the current period of the insurance coverage. For five of the 20 transactions selected, the insurance policies on file did not correspond to the dates for the mileage reimbursement and there was also one instance in which there was no evidence of insurance on file at all.

16. **The Department's Bureau of Aviation and Ports should make it a priority to claim Federal Aviation Administration (FAA) participating project costs in a timely manner and should correct the expenditure and revenue errors in Core-CT at both the project and SID levels so that the accounting system contains accurate information. Also, the Department should review its procedures for recording and monitoring FAA participating transactions and modify them as necessary to ensure that these transactions are properly recorded in Core-CT.**

Comment:

During the 2007-2008 fiscal year there were no Federal reimbursements received in the months of August, September, October and February, even though there were a considerable amount of expenditures eligible for reimbursement. Recording errors were made in the Core-CT system and they have not been corrected.

17. **The Department should implement procedures to effectively monitor those transit grants that are awaiting closeout.**

Comment:

We tested eight grants and noted that three remained open for extended periods beyond the date that the final payment was received.

18. **The Department should institute a centralized monitoring procedure that provides assurance that all Department reports mandated by statutes or legislative acts are submitted as required.**

Comment:

Our review disclosed that the Department did not prepare or submit 11 of the 22 reports we selected for testing. The Department has developed and maintains a comprehensive listing of all of the reports that it is required to prepare but does not have a procedure in place to monitor whether the reporting requirements have been met.

19. The Department should improve the procedures it has in place for obtaining the required annual campaign contribution and gift affidavits from the consultants and contractors it hires.

Comment:

Our test of four contracts that were initiated by four different contracting units disclosed that two of the required annual updates were not on file, and those contacted in the units appeared unaware of the unit's responsibilities regarding the affidavits. In addition, although one of the contracts selected did not require an annual update because the project was completed, the employee we contacted in the contracting unit was unfamiliar with the requirement.

20. The Department should require that monthly mileage reports be submitted for the State-owned vehicles used exclusively at Bradley International Airport.

Comment:

Our current review disclosed that monthly usage reports were not prepared for the Department owned vehicles used at Bradley International Airport, which we were told do not leave the airport.

21. The Department should not use the funding sources it receives for anything except that which is authorized under each specific funding source and should adjust the records for those expenditures it charged to SID #41404 that are applicable to new railcar purchases.

Comment:

During the 2006-2007 fiscal year the Department used some $2,000,000 that was bonded for intrastate highway projects toward the purchase of new railcars. Department records indicate that the $2,000,000 was to be returned to the Department's Bureau of Engineering and Highway Operations, to coincide with its Q-Bridge funding plan, and that the returned funding was to come from the Governor's railcar funding or public transportation bonds.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the Department of Transportation for the fiscal years ended June 30, 2007 and 2008. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the 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 Department of Transportation for the fiscal years ended June 30, 2007 and 2008, 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 Department of Transportation 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 Department of Transportation'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 the 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 the 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 deficiency* 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 the 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 the Agency's internal control. We consider the following deficiencies, described in detail 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: Recommendation numbers 1 - Payments at Termination, 5 - Infrastructure Valuation, 6 - Recording Proper Receipt Dates in the Accounting System for Goods and Services, 7 - Purchase and Recording of Eight Locomotives, 8 - Recording Bus Purchases in the SID Designated for the New Haven Rail Yard Project, 9 - Receivable not Recorded in the Records, 10 - Damage Recoveries from Motor Vehicle Accidents, 11 - Supply Inventories, 16 - Recording Transactions for Projects Participating in Federal Aviation Administration Programs, and 21 - Improper Use of a Funding Source.

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 the Agency's financial operations, noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions, and/or material financial misstatements by the Agency being audited will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over the 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, of the significant deficiencies described above, we consider the following items to be material weaknesses: Recommendation numbers 5 - Infrastructure Valuation, 6 - Recording Proper Receipt Dates in the Accounting System for Goods and Services Received, 11 - Supply Inventories, and 21 - Improper Use of a Funding Source.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Department of Transportation 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 Agency management in the accompanying "Condition of Records" and "Recommendations" sections of this report.

The Department of Transportation's response to the findings identified in our audit is described in the accompanying "Condition of Records" section of this report. We did not audit the Department of Transportation's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of Agency management, 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 officials and staff of the Department of Transportation during this examination.

Michael DiDomizio
Principal Auditor

Approved:

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