

STATE OF CONNECTICUT



*AUDITORS' REPORT
DEPARTMENT OF TRANSPORTATION
FOR THE FISCAL YEARS ENDED
JUNE 30, 2013, 2014, 2015 AND 2016*

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

Table of Contents

EXECUTIVE SUMMARY	i
INTRODUCTION	1
COMMENTS.....	2
FOREWORD	2
Significant Legislation.....	3
Boards and Commissions	6
RÉSUMÉ OF OPERATIONS.....	8
Revenue Receipts	8
Expenditures	9
Transportation Fund Revenue Receipts.....	10
Transportation Fund Expenditures	11
Transportation Grants and Restricted Accounts Fund – Federal Expenditures	14
Infrastructure Improvement Fund Expenditures	15
PROGRAM REVIEW OF FERRY OPERATIONS	17
History	17
Ferry Operations	18
Operating Revenues and Expenditures.....	19
Analysis	20
Conclusion.....	21
Agency Response	21
STATE AUDITORS’ FINDINGS AND RECOMMENDATIONS.....	23
Questioned Pricing for Rail Car Purchases	23
Information Technology Disaster Recovery Plan Deficiencies	24
Inadequate Server Room Access Controls	25
Infrastructure Capitalization Policies Inconsistent with Accounting Principles	26
Delays in Addressing Potential Conflicts of Interest	27
Timesheets Not Approved by Supervisors	29
Overtime Worked Without Prior Approval.....	30
Payments for Meals Provided to Employees Not Properly Documented.....	31
Flaw in Control Intended to Provide Accountability for Ferry Fares	32
Delays in Addressing Driving Complaints.....	33
Mileage Reports Not Approved.....	33
Security Division Activity Not Logged.....	35
Statutorily Required Report Not Completed.....	36
RECOMMENDATIONS	38
ACKNOWLEDGMENT.....	47
CONCLUSION.....	48

EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes we have audited certain operations of the Department of Transportation (DOT). The objectives of this review were to evaluate the department’s internal controls, compliance with policies and procedures, as well as certain legal provisions, and management practices and operations for the fiscal years ended June 30, 2013, 2014, 2015 and 2016.

Our audit included an evaluation of the financial viability of the Rocky Hill and the Chester-Hadlyme ferries. We found that, though the ferries receive operating subsidies exceeding \$1,000,000 per year, they do not serve a practical transportation function. The nearby William H. Putnam Memorial and East Haddam bridges provide readily available alternatives for the relatively few people who use the ferries. Considering that the state’s financial condition has forced cuts to vital services, it is difficult to justify the continued subsidization of this activity.

The key findings are presented below:

Page 23	DOT did not adequately support per car prices paid for certain rail cars. DOT should document how the prices were calculated. In the future, purchases should be documented prior to payment. (Recommendation 1.)
Page 24	The disaster recovery plan for information technology provides only a high-level overview. DOT should develop and regularly test a comprehensive disaster recovery plan. (Recommendation 2.)
Page 25	Too many individuals were issued access cards for the server room. DOT should restrict access to individuals who need it on a regular basis. (Recommendation 3.)
Page 27	DOT did not address potential conflicts of interest in a timely manner. DOT should establish a control log for reported conflicts and address them in a timely manner. (Recommendation 5.)
Page 29	Some timesheets processed without supervisory approval were not retroactively approved. DOT should promptly carry out retroactive validation procedures for all timesheets processed pending supervisory approval. (Recommendation 6.)
Page 33	DOT is not promptly investigating a significant number of complaints regarding DOT vehicle usage submitted by the public. DOT should promptly investigate all complaints and report the results to DAS. (Recommendation 10.)
Page 33	In October 2017, 1,101 of 85,707 monthly mileage reports prepared for DOT-procured vehicles from January 2012 through July 2017 were not approved by supervisors. DOT should periodically verify that all required reports are completed and approved. (Recommendation 11.)

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

ROBERT J. KANE

January 30, 2020

AUDITORS' REPORT DEPARTMENT OF TRANSPORTATION FOR THE FISCAL YEARS END JUNE 30, 2013, 2014, 2015 AND 2016

We have audited certain operations of the Department of Transportation in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2013, 2014, 2015 and 2016. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions;
2. Evaluate the department's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions; and
3. Evaluate the effectiveness, economy and efficiency of certain management practices and operations, including certain financial transactions.

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

We conducted our audit in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United

States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from various available sources including, but not limited to, the department's management and the state's information systems, and was not subjected to the procedures applied in our audit of the department. For the areas audited, we identified:

1. Deficiencies in internal controls;
2. Apparent noncompliance with legal provisions; and
3. Need for improvement in management practices and procedures that we deemed to be reportable.

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

COMMENTS

FOREWORD

The Department of Transportation (DOT) operates principally under the provisions of Title 13a, Title 13b and Chapter 249 of the General Statutes. The Department of Transportation also had significant responsibilities under Chapters 266, 266a and 267 until DOT transferred its aeronautics responsibilities to the Connecticut Airport Authority by memoranda of understanding effective July 1, 2013, as provided for in Public Act 11-84. Similarly, Public Act 15-5 of the June Special Session transferred DOT's responsibilities for oversight of maritime, harbor and port-related laws (as set forth in Chapter 263) to the Connecticut Port Authority or the Department of Energy and Environmental Protection as of July 1, 2016.

The Department of Transportation's mission is to provide a safe and efficient transportation network that improves the quality of life and promotes economic vitality for the state and the region. DOT is organized into 5 bureaus, each administered by a bureau chief, as follows:

- **Engineering and Construction** – Responsible for the implementation of the capital program for all transportation modes, including engineering and construction services as well as property acquisition and management, research, and material testing.
- **Finance and Administration** – Provides administrative, budgetary, financial, personnel, information management, and support services.

- **Highway Operations** – Responsible for the safe operation and maintenance of the state’s highway and bridge system, including snow and ice control, equipment repair, and maintenance.
- **Policy and Planning** – Responsible for conducting planning studies for the movement of people and goods for all modes of transportation, preparing highway location plans and conceptual layouts, conducting alternatives analyses, administering DOT’s statewide commuter parking lot program, and planning and coordinating the development of bicycle and pedestrian facilities.
- **Public Transportation** – Responsible for the development, maintenance, and operation of a safe and efficient public transportation system for the movement of people and goods, such as bus transit, rail operations, ferries, and ridesharing programs.

Prior to July 1, 2013, DOT had a Bureau of Aviation and Ports, which managed DOT’s aeronautics-related and maritime responsibilities. The bureau operated 6 state-owned airports, the state pier in New London, and 2 ferry services on the Connecticut River. It also licensed and regulated private aviation facilities, state harbor and river pilots, and agents of foreign vessels. The Department of Transportation retained its interests in the Bradley International Airport parking garage, surface parking lots, and the parking lease until it transferred them by a memorandum of understanding, effective June 10, 2015. The Department of Transportation still has jurisdiction over the taking of property connected with airports.

After the Bureau of Aviation and Ports was discontinued, DOT’s maritime responsibilities were managed by the Bureau of Public Transportation until July 1, 2016. Public Act 15-5 of the June Special Session transferred DOT’s maritime responsibilities, as set forth in Chapter 263 of the General Statutes, to the Connecticut Port Authority or the Department of Energy and Environmental Protection, as of that date. The Department of Transportation is still responsible for operating the 2 Connecticut River ferries under Chapter 241.

Governor Malloy appointed James P. Redeker as transportation commissioner on August 25, 2011. He continued to serve in that position through the audited period. On February 1, 2019, Governor Lamont appointed Joseph Giulietti as transportation commissioner and he continues to serve in that capacity.

Significant Legislation

Noteworthy legislation that took effect during the period under review and thereafter is presented below:

- **Public Act 11-84**, effective July 1, 2011, established the Connecticut Airport Authority to operate Bradley International Airport and the state’s 5 other general aviation airports. Prior law assigned airport-related powers, duties, and functions to several agencies. The act automatically transferred those duties to the Connecticut Airport Authority. However, DOT retained its responsibilities in this area until it transferred them to the Connecticut Airport Authority by memoranda of understanding, as of July 1, 2013. The Department of

Transportation retained its interests in the Bradley International Airport parking garage, surface parking lots, and parking lease until June 10, 2015.

- **Public Act 12-70**, effective June 6, 2012, authorized the use of the construction-manager-at-risk or design-build contract procurement processes as alternatives to the DOT traditional design-bid-build procurement process and sets forth procedures to be followed for such contracts. The act also required that all reasonable efforts be made to use DOT employees to perform development and inspection work for such contracts and eliminated DOT's authority to use consultants for this work by January 1, 2019, unless the legislature reauthorizes it.
- **Public Act 12-132**, effective July 1, 2012, eliminated the State Traffic Commission and replaced it with the DOT Office of State Traffic Administration.
- **Public Act 12-138**, effective July 1, 2012, authorized the establishment of noise mitigation programs in neighborhoods surrounding privately owned airports and required DOT to set aside at least 30% of the noise mitigation projects or contracts for veterans who served in time of war.
- **Public Act 12-196**, effective June 15, 2012, exempted airport property that DOT conveys to the Connecticut Airport Authority from the Hazardous Waste Establishment Transfer Act.
- **Public Act 13-184**, effective July 1, 2013, amended Section 13b-61a of the General Statutes, increasing the amounts of petroleum products gross receipts tax deposited into the Transportation Fund (with any shortfall to be made up by the General Fund).
- **Public Act 13-239**, effective November 1, 2013, mandated the establishment of a local transportation capital program to provide state funding, instead of specific available federal funding, to municipalities and local planning agencies to improve certain state or local roads or facilities. It also made changes to the local bridge program, increased the amount of state grant money available to municipalities, and eliminated the program's loan component.
- **Public Act 13-277**, effective July 1, 2013, authorized DOT to use the construction-manager-at-risk contract with a guaranteed maximum price or design-build contract procurement processes for any projects. Previously, these procurement processes could only be used for highway construction or maintenance projects. It also reinstated the Connecticut Public Transportation Commission, which had been eliminated by Public Act 13-299.
- **Public Act 13-299**, effective July 1, 2013, eliminated 32 state boards and commissions including the Connecticut Public Transportation Commission (which was subsequently reinstated by Public Act 13-277) and the Metro North New Haven Rail Commuter Council. It established the Connecticut Commuter Rail Council as a successor to the Metro North New Haven Rail Commuter Council.

- **Public Act 14-222** created the Connecticut Port Authority as a quasi-public agency, effective October 1, 2015, and required a plan to move DOT's maritime functions to the authority, effective June 13, 2014.
- **Public Act 15-192**, effective July 2, 2015, amended statutory provisions regarding jurisdiction over aeronautics in the state to conform to existing law and current practice. The act codified the transfer of powers and duties from DOT to the Connecticut Airport Authority previously implemented by memoranda of understanding, as provided for in Public Act 11-84. The Department of Transportation retained jurisdiction over the taking of property connected with airports.
- **Public Act 15-244**, effective July 1, 2015, directed a portion of sales tax revenue to the Transportation Fund. It also eliminated the requirement that a set amount of petroleum products gross receipts tax be deposited into the Transportation Fund with any shortfall to be made up by the General Fund, replacing it with the requirement to deposit the entire amount collected into the Transportation Fund.
- **Public Act 15-5 (June Special Session):**
 - Allowed DOT to buy or condemn land for highways and bridges, as well as highway maintenance storage areas and garages, effective June 30, 2015.
 - Established the quasi-public Connecticut Port Authority on July 1, 2015 instead of October 1, 2015. It eliminated the Connecticut Maritime Commission, effective July 1, 2015, and transferred oversight of maritime and most harbor and port-related laws from DOT to the authority, as of July 1, 2016. It required DOT to enter into one or more memoranda of understanding to provide for an orderly transition. A memorandum of understanding was executed on June 23, 2016.
 - Eased certain requirements for the use of the construction-manager-at-risk procurement process, effective June 30, 2015.
 - Extended the authorization to use consultants for development and inspection work for the construction-manager-at-risk contract with a guaranteed maximum price and design-build contract procurement processes by 3 years to January 1, 2022. If the Governor certifies that the continued use of consultants is necessary, the authorization will be extended for another 3 years until January 1, 2025.
 - Made the Special Transportation Fund a perpetual fund and restricted its use to transportation purposes only, including paying debt service on state obligations incurred for transportation purposes, effective June 30, 2015.
- **Public Act 15-1 (December Special Session)**, effective December 29, 2015, delayed sales tax revenue diversion to the Special Transportation Fund by 2 months from October 1, 2015 to December 1, 2015.

- **Public Act 16-3 (May Special Session)**, effective July 1, 2016, again eliminated the Connecticut Public Transportation Commission.
- **Public Act 17-140**, as amended by **Public Act 17-203**, established a regulatory structure for transportation network companies with provisions of the act effective October 1, 2017 and January 1, 2018.
- On November 6, 2018, voters approved a legislatively referred amendment to the Constitution of the State of Connecticut, which added Section 19 of Article III. Section 19 prohibits the diversion of funds required to be deposited in the Special Transportation Fund and mandates that all of the resources of the fund be used solely for transportation purposes, including the payment of state debts incurred for transportation purposes.

Boards and Commissions

Bradley International Airport Board of Directors

Public Act 11-84 established the Connecticut Airport Authority, effective July 1, 2011, as a quasi-public agency to develop, maintain, and operate Bradley International Airport and the state's general aviation airports. These functions were formerly performed by DOT and the Bradley International Airport Board of Directors. The Connecticut Airport Authority Board of Directors replaced the Bradley International Airport Board of Directors. In addition to the jurisdiction inherited from the former board, it has the ability to hire staff, retain consultants, procure goods and services, apply for federal and state funds, enter into contracts, borrow money, and issue bonds.

Office of the State Traffic Administration

The State Traffic Commission was composed of the commissioners of Transportation, Motor Vehicles, Public Safety, and Economic and Community Development (only when the commission discussed and voted on any matter relating to an economic development project). It was established to provide for a uniform system of traffic control signal devices, signs, and markings consistent with the provisions of Chapter 249 of the General Statutes.

Effective July 1, 2012, Public Act 12-132 eliminated the State Traffic Commission and created the DOT Office of the State Traffic Administration as its successor, transferring most of its duties and powers. The Office of the State Traffic Administration operates generally under Chapter 249 of the General Statutes.

Connecticut Maritime Commission

The Connecticut Maritime Commission, codified as Section 13b-51a of the General Statutes, was charged with providing advice concerning the state's maritime policy and operations, developing the state's maritime policy, and taking various actions to support, preserve, and enhance Connecticut's maritime commerce and industries. It was eliminated by Public Act 15-5 of the June Special Session, which created the new Connecticut Port Authority, effective July 1, 2015. The new Connecticut Port Authority assumed the functions of the Connecticut Maritime Commission, along with DOT's maritime responsibilities.

Connecticut Pilot Commission

The Connecticut Pilot Commission, codified as Section 15-13c of the General Statutes, is within DOT for administrative purposes. The commission assisted and advised the DOT commissioner on matters relating to the licensure of pilots, the safe conduct of vessels and the protection of the ports and waters of the state, including Long Island Sound.

Effective July 1, 2016, Public Act 15-5 of the June Special Session placed the Connecticut Pilot Commission within the Connecticut Port Authority for administrative purposes. The commission now provides assistance and advice to the authority.

Five Mile River Commission

Operating under the authority of Section 15-26a of the General Statutes, the Five Mile River Commission, which consists of 2 electors from each of the towns of Norwalk and Darien, has regulatory jurisdiction over the river.

Connecticut Public Transportation Commission

The Connecticut Public Transportation Commission, codified as Section 13b-11a of the General Statutes, was created to advise and assist in the performance of the commissioner's functions and duties relating to public transportation. The commission was required to hold annual public hearings in each of the urbanized areas of the state for the purpose of evaluating the adequacy of rail and motor carrier facilities. Previously eliminated by Public Act 13-299 and reinstated by Public Act 13-277, the Connecticut Public Transportation Commission was again eliminated by Public Act 16-3 of the May Special Session, effective July 1, 2016.

Connecticut Bicycle and Pedestrian Advisory Board

The Connecticut Bicycle and Pedestrian Advisory Board, codified as Section 13b-13a of the General Statutes, is within DOT for administrative purposes only. The duties of the board include examining the need for bicycle and pedestrian transportation, promoting programs and facilities for bicycles and pedestrians in Connecticut and advising state agencies on policies, programs and facilities for bicycles and pedestrians. By January 15th of each year, the board must submit a report to the Governor, DOT commissioner, and the General Assembly regarding

the progress made on, and recommendations for improvements related to, the environment for bicycling and walking in the state, as well as any specific actions taken by DOT in the preceding fiscal year. The Department of Transportation is required to assist the board in carrying out its responsibilities.

Connecticut Commuter Rail Council

The Connecticut Commuter Rail Council is an independent board that acts as an advocate for commuters on railroad lines throughout the state under Section 13b-212c of the General Statutes. It was established by Public Act 13-299, effective July 1, 2013, as a successor to the Metro North New Haven Rail Commuter Council.

RÉSUMÉ OF OPERATIONS

The Department of Transportation is a large state agency with approximately 3,000 employees and expenditures of more than \$2,000,000,000 annually during each year of the audited period. Most of DOT's operations were accounted for in 3 funds, the Transportation Fund, the Transportation Grants and Restricted Accounts Fund and the Infrastructure Improvement Fund. The Transportation Fund essentially takes the place of the General Fund for DOT. The Transportation Grants and Restricted Accounts Fund primarily accounts for federal transportation funding provided to the state. The Infrastructure Improvement Fund is used to account for state funding for major capital transportation projects. It is funded by the issuance of special obligation bonds, the debt service on which is paid from the Transportation Fund.

Revenue Receipts

Department of Transportation revenue for all funds for the audited period are presented below.

Department of Transportation Revenue by Fund				
Fund	2012-2013	2013-2014	2014-2015	2015-2016
Transportation	\$ 18,088,861	\$ 12,343,650	\$ 12,468,918	\$ 16,504,302
Public Bus/Rail Operations	42,682,676	42,815,587	41,250,068	38,712,388
Transportation Grants and Restricted Accounts – Federal	747,513,616	678,658,620	714,650,794	775,381,612
Transportation Grants and Restricted Accounts – Non-Federal	10,886,829	6,070,401	7,294,838	6,547,831
Bradley International Airport Operations	40,454,016	5,303,017	-	
Net Other Revenue Receipts	1,072,588	4,413	(1,539)	78
Total Receipts	\$ 860,698,586	\$ 745,195,688	\$ 775,663,079	\$ 837,146,211

Program activity fluctuates from year to year as most of DOT's federal funding is for infrastructure improvements and involves multiyear capital projects.

Accrual of Bradley International Airport Operations Fund revenues ended when DOT transferred its responsibilities for Bradley International Airport operations to the Connecticut Airport Authority by memoranda of understanding effective July 1, 2013.

Expenditures

Department of Transportation expenditures for all funds for the audited period are presented below.

Department of Transportation Expenditures by Fund				
Fund	2012-2013	2013-2014	2014-2015	2015-2016
Transportation	\$ 553,792,452	\$ 578,123,179	\$ 592,393,295	\$ 630,227,426
Public Bus/Rail Operations	44,097,182	43,775,323	42,578,584	41,891,047
STEAP – Grants to Local Governments	8,731,243	3,088,235	76,293,862	82,862,098
Transportation Grants and Restricted Accounts – Federal	744,121,653	652,438,558	719,986,517	772,326,828
Transportation Grants and Restricted Accounts – Non-Federal	13,984,569	47,919,017	45,651,925	10,915,927
Infrastructure Improvement	598,084,452	757,890,128	662,912,513	844,318,055
Bradley International Airport Operations	43,678,483	-	-	-
Net Other Expenditures	1,666,075	(23,018)	3,454,437	359,660
Total Expenditures	\$ 2,008,156,109	\$2,083,211,422	\$ 2,143,271,133	\$ 2,382,901,041

During the audited period, the Transportation Fund directly financed 27% of DOT’s expenditures. The Infrastructure Improvement Fund provided 33% of DOT funding through the issuance of special obligation bonds, the debt service on which is paid from the Transportation Fund. In total, the Transportation Fund supported 60% of DOT’s expenditures, through operating costs or by the incurrence of liabilities for future debt service payments. The remainder of the DOT budget was comprised of 34% in federal grants and 6% from various sources.

These percentages do not include DOT-related expenditures by the Department of Administrative Services (insurance and workers’ compensation), State Comptroller’s Office (fringe benefits) and Office of the State Treasurer (debt service). Though they support DOT operations and are charged to the Transportation Fund, they are not classified as DOT expenditures in Core-CT or the State Comptroller’s statutory basis reports.

Public Bus/Rail Operations Fund expenditures decreased slightly during the audited period, which is consistent with the change in the fund’s revenue receipts. Notwithstanding the loss of ridership and revenue in the rest of the system, which paralleled the national trend in transit ridership, CTfastrak (New Britain-Hartford Busway) opened on March 28, 2015 with increased ridership during the audited period.

Starting with the fiscal year ended June 30, 2015, Town Aid Road grants, formerly paid out of the Infrastructure Improvement Fund, were paid out of the STEAP – Grants to Local Governments Fund. This caused offsetting expenditure fluctuations in those funds. Grant

amounts were \$30,000,000 for the fiscal year ended June 30, 2013 and \$60,000,000 for each of the following 3 fiscal years.

Infrastructure Improvement Fund program activity fluctuates from year to year as expenditures are primarily for infrastructure improvements and involve multiyear capital projects. The \$181,405,542 increase in Infrastructure Improvement Fund expenditures in the fiscal year ended June 30, 2016 represented the net change in the expenditures recorded under 1,672 projects.

The changes in non-federal Transportation Grants and Restricted Accounts Fund expenditures during the audited period were primarily attributable to fluctuations in Connecticut Transportation Strategy Board projects account activity. During the audited period, this account primarily expended funds during the fiscal years ended June 30, 2014 and 2015.

Transportation Fund Revenue Receipts

Transportation Fund revenue from all sources for the audited period are summarized below.

Transportation Fund Revenue by Source				
Source	2012-2013	2013-2014	2014-2015	2015-2016
Motor Fuels Tax	\$ 501,269,424	\$ 508,057,833	\$ 516,581,283	\$ 518,230,007
Taxes on Petroleum Companies	199,400,000	380,700,000	379,100,000	249,999,996
Sales and Use Tax	-	-	-	109,001,959
Sales and Use Tax (Dept. of Motor Vehicles)	79,000,463	82,215,610	83,867,710	87,160,728
Tax Refunds	(6,094,318)	(6,992,781)	(7,236,364)	(17,408,724)
Motor Vehicle Licenses	234,483,769	236,063,132	249,479,090	251,506,448
Net Other Revenue Receipts	224,427,877	55,646,643	139,119,080	154,321,942
Fund Total	\$ 1,232,487,215	\$ 1,255,690,437	\$ 1,360,910,799	\$ 1,352,812,356

During the audited period, tax revenues and motor vehicle licenses were the primary funding sources for the Transportation Fund, comprising 70% and 19% of the fund's support, respectively.

Public Act 15-244, as amended by Public Act 15-1 December Special Session, directed a portion of sales tax revenue to the Transportation Fund beginning the fiscal year ended June 30, 2016. However, this increase in support was largely offset by a decline in taxes on petroleum companies attributable to a decrease in the price of fuel.

Prior to the fiscal year ended June 30, 2016, Section 13b-61a of the General Statutes sets the amount of petroleum products gross receipts tax that is deposited into the Transportation Fund, with the General Fund compensating for any shortfall. Public Act 15-244, effective July 1, 2015, mandated that the entire amount collected be deposited into the Transportation Fund and eliminated the provision for shortfall transfers.

Connecticut’s petroleum products gross receipts tax is calculated as a percentage of gross revenue from the initial sale of petroleum products into the state. It is assessed at the wholesale level and is volatile, because it is tied to price. This contrasts with the motor fuel tax, which is assessed on a per gallon basis.

Transportation Fund Expenditures

Transportation Fund expenditures for all agencies for the audited period are summarized below.

Transportation Fund Expenditures by Agency				
Agency	2012-2013	2013-2014	2014-2015	2015-2016
Dept. of Administrative Services	\$ 12,671,429	\$ 13,465,729	\$ 12,041,129	\$ 12,467,010
Dept. of Motor Vehicles	52,893,052	57,456,374	64,796,355	65,399,651
Dept. of Transportation	553,792,452	578,123,179	592,393,295	630,227,426
Office of the State Comptroller	156,548,606	163,844,671	192,218,598	193,959,231
Office of the State Treasurer	437,929,123	449,913,761	460,022,123	493,938,883
Net Other Expenditures	209,510	3,469,277	1,197,191	4,727,116
Fund Total	\$ 1,214,044,172	\$ 1,266,272,991	\$ 1,322,668,691	\$ 1,400,719,317

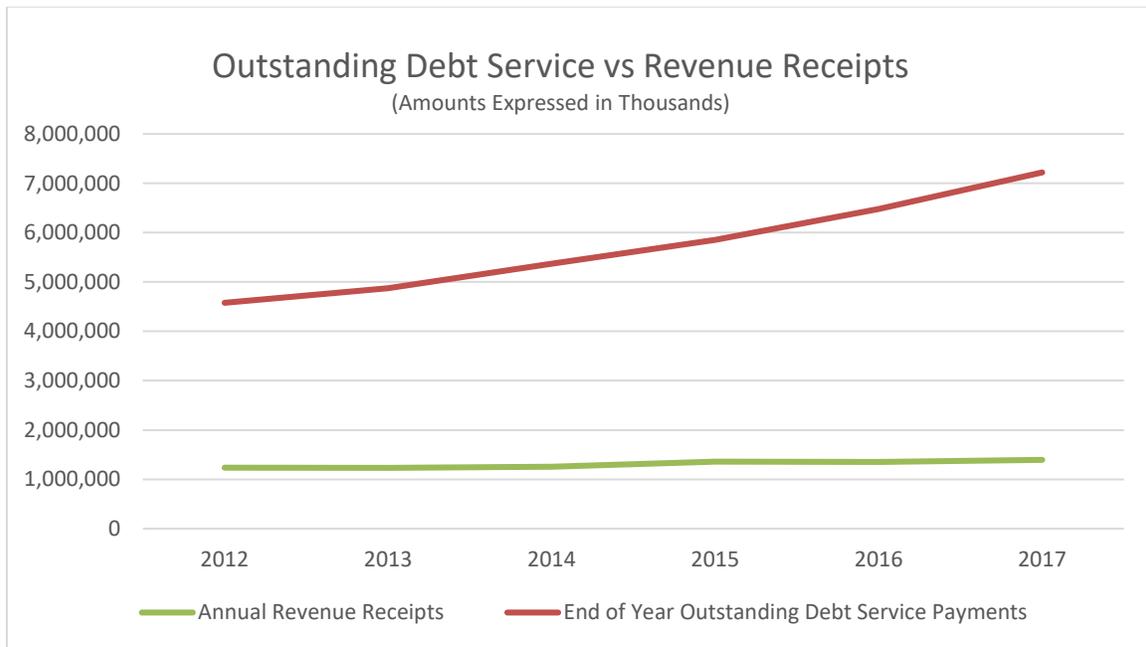
Although more than half of the expenditures charged to the Transportation Fund were recorded under the accounts of other state agencies, most Transportation Fund expenditures pertained to DOT operations. In the above table, amounts associated with the Department of Administrative Services consisted primarily of insurance and workers’ compensation for DOT employees. Similarly, amounts under the Office of the State Comptroller reflect DOT employee fringe benefits. Office of the State Treasurer expenditures involved debt service payments on bonds used to fund the Infrastructure Improvement Fund, which are almost entirely for DOT-administered projects.

Transportation Fund expenditures were similar to the funding provided during the audited period. However, Transportation Fund net assets, as shown in the State Comptroller’s statutory basis reports, totaled \$165,450,646 as of the end of the audited period, and fell to \$128,004,431 as of June 30, 2017. The Transportation Fund does not have significant reserves.

Additionally, the amount of debt issued each year to support expenditures of the Infrastructure Improvement Fund, which is serviced by the Transportation Fund, increased steadily during the audited period and thereafter. Aggregate principal and interest paid on outstanding bonds increased from \$4,578,023,000 as of the beginning of the audited period to \$7,220,842,000 as of June 30, 2017.

New Bonds Issued to Support the Infrastructure Improvement Fund			
Fiscal Year Ended June 30,	Principal	Premium	Total
2013	\$ 502,290,000	\$ 100,561,994	\$ 602,851,994
2014	600,000,000	73,252,613	673,252,613
2015	600,000,000	105,603,926	705,603,926
2016	700,000,000	114,572,807	814,572,807
2017	800,000,000	152,914,080	952,914,080

Increased mandatory debt service payments reduce the amounts available for discretionary spending in future years. Significant additional support will be needed if Transportation Fund expenditures are maintained or increased. The following chart compares the increase in outstanding debt service payments (principal and interest) at the end of each fiscal year with Transportation Fund revenue receipts for the year (amounts expressed in thousands).



The following schedule presents a breakdown of DOT Transportation Fund expenditures for the audited period.

Transportation Fund Expenditures for DOT by Special Identification Code^[A]				
Special Identification Code	2012-2013	2013-2014	2014-2015	2015-2016
Personal Services	\$ 146,219,753	\$ 158,709,484	\$ 171,685,540	\$ 165,034,410
Other Expenses	56,347,478	61,634,289	64,638,344	56,038,739
Equipment	1,876,250	1,873,961	1,342,216	1,614,998
Minor Capital Projects	421,686	580,538	238,514	415,766
Highway & Bridge Renewal Equip.	15,171,863	6,434,181	1,480	-
Highway Planning and Research	3,567,107	2,751,406	2,819,330	3,058,974
Rail Operations	137,917,549	143,267,416	152,040,409	183,563,844
Bus Operations	140,594,871	147,390,226	143,699,279	157,601,445
Highway & Bridge Renewal-2004	4,015,510	4,599,533	-	-
Tweed-New Haven Airport Grant	1,500,000	1,500,000	1,500,000	1,500,000
ADA Para Transit Program	28,820,833	30,852,218	35,088,726	36,228,025
Pay-As-You-Go Transport Projects	16,763,191	14,920,014	15,921,964	21,203,036
CT Airport Authority Related Funds	-	-	3,272,322	3,272,322
Net Other Expenditures	576,361	3,609,913	145,171	695,867
Fund Total	\$ 553,792,452	\$ 578,123,179	\$ 592,393,295	\$ 630,227,426

[A] The special identification code identifies budgeted fund appropriations and the source and use of funding in non-appropriated funds.

The decrease in personal services expenditures in the fiscal year ended June 30, 2016 does not reflect a decrease in such costs for DOT as a whole. The decrease in salary and wage charges to the Transportation Fund was more than offset by an increase in those charges to the Infrastructure Improvement Fund.

The Department of Transportation automatically charges personal services costs for its employees to the Transportation Fund. When employees work directly on projects, DOT allocates corresponding portions of their personal service costs to the various projects. The change in the distribution of personal service costs in the fiscal year ended June 30, 2015 reflects an increase in time working directly on projects.

Based on records provided by the DOT Office of Human Resources, DOT had 3041, 2938, 3043, and 3073 employees as of June 30, 2013, 2014, 2015 and 2016, respectively. The decrease in DOT employees in the fiscal year ended June 30, 2014 was due to the transfer of 145 employees charged to the Bradley International Airport Operations Fund to the Connecticut Airport Authority.

Transportation Grants and Restricted Accounts Fund – Federal Expenditures

Transportation Grants and Restricted Accounts Fund – Federal by Federal Program				
Federal Program	2012-2013	2013-2014	2014-2015	2015-2016
Airport Improvement Program	\$ 14,623,307	\$ 9,368,686	\$ 16,795,330	\$ 9,987,167
Highway Planning and Construction	516,482,546	450,719,747	456,071,005	490,448,440
High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	26,898,088	8,385,172	20,482,516	55,038,313
Federal Transit Capital Investment Grants	102,482,168	42,001,801	105,939,439	92,881,600
Federal Transit Formula Grants	57,663,146	121,779,594	96,269,752	58,102,813
Formula Grants for Rural Areas	3,159,419	2,026,495	2,034,046	2,503,659
Public Transportation Emergency Relief Program	53,073	-	-	14,622,927
Alcohol Open Container Requirements	8,111,845	6,601,374	6,160,595	5,896,383
National Priority Safety Programs	-	929,616	2,753,090	5,316,367
National Infrastructure Investments	-	8,161	1,233,979	27,390,375
Rail and Transit Security Grant Program	4,385,434	2,593,415	3,825,487	127,600
Net Other Expenditures	10,262,627	8,024,497	8,421,278	10,011,184
Fund Total	\$ 744,121,653	\$ 652,438,558	\$ 719,986,517	\$ 772,326,828

Federal expenditures vary based on federal government awards and vary during the project period based on the length and circumstances of each project.

The I-95 New Haven Harbor Crossing Improvement Program, described as the largest and most comprehensive program ever undertaken by DOT, accounted for 26% of the expenditures under the Highway Planning and Construction Program during the audited period. The central component of the 18-year, nearly \$2,000,000,000 program, is the new Pearl Harbor Memorial Bridge, the first extradosed, cable-stayed bridge in the United States. This design allows for a lower overall bridge height, necessary because of Tweed New Haven Regional Airport traffic.

The CTfastrak project accounted for 73% and 26% of the expenditures under the Federal Transit Capital Investment Grants and Federal Transit Formula Grants programs, respectively, during the audited period. CTfastrak is a regional bus rapid transit system that utilizes a dedicated roadway between Hartford and New Britain.

The increase in National Infrastructure Investments Program expenditures in the fiscal year ended June 30, 2016 is primarily due to the transfer of prior year costs from the Highway Planning and Construction Program. DOT recorded expenditures of the first 2 National Infrastructure Investments Program projects under the Highway Planning and Construction Program during the fiscal years ended June 30, 2013, 2014, and 2015. DOT transferred them to the National Infrastructure Investments Program in the fiscal year ended June 20, 2016. If those charges were recorded under the National Infrastructure Investments Program when incurred,

program expenditures would have been \$633,325, \$8,559,862, \$11,329,343 and \$8,109,985 for the fiscal years ended June 30, 2013, 2014, 2015, and 2016, respectively.

The Department of Transportation charges only direct costs to federal funds. Federal funds available to DOT and current Special Transportation Fund revenues are not sufficient to fund ongoing transportation projects. The amount of debt issued each year to fund ongoing transportation projects increased steadily during the audited period and thereafter. If DOT charged state facilities and administrative costs to its federal funds, the state would have to issue additional long-term debt to make up the difference, which would not be fiscally responsible.

Infrastructure Improvement Fund Expenditures

Infrastructure Improvement Fund by Special Identification Code^[A]				
Special Identification Code	2012-2013	2013-2014	2014-2015	2015-2016
Capitol Resurfacing Related Improvements	\$ 68,429,194	\$ 61,501,123	\$80,456,417	\$ 88,719,409
Improve Construction Facilities	11,856,888	13,427,748	10,905,764	27,107,311
Salt Storage & Maintenance Facility Improvements	4,927,160	12,260,005	14,525,664	14,605,940
Bus/Rail Facilities & Improvements	33,534,947	78,149,952	83,278,779	77,644,136
Urban Systems	4,140,665	10,243,581	8,977,093	10,950,001
Improve State Bridge/Railroads	45,009,865	40,160,818	51,238,724	73,894,442
Interstate Highway Projects	(3,676,071)	5,837,002	40,265,654	101,228,526
Intrastate Highway Projects	46,802,235	36,394,980	39,233,406	56,957,248
I-95 Operational Improvements	22,056,274	18,497,085	17,127,457	15,358,379
Transportation System Improvements Off I-95	16,726,734	23,287,710	4,384,479	1,444,910
New Haven Line – Rail Cars	149,409,124	109,900,957	8,883,969	2,548,823
Roadmap for CT Economic Future	79,267,872	125,728,408	99,533,842	114,866,140
Fix It First – Repair State Roads	17,956,954	28,298,439	49,129,841	87,998,769
Fix It First – Repair Bridges	38,644,595	84,544,512	98,084,007	64,359,671
Local Road & Bridge Projects	2,686,239	946,987	5,173,460	2,796,639
Rail Maintenance Facilities	23,802,458	43,093,021	28,903,070	50,838,161
Town Aid Road – STO	30,000,000	60,000,000		
Local Transport Capital Program	-	614,237	8,358,017	18,856,626
Highway & Bridge Renewal	-	-	2,515,974	15,288,580
Let's Go Ct Ramp-Up Program	-	-	-	8,591,958
Net Other Expenditures	6,509,319	5,003,563	11,936,896	10,262,386
Fund Total	\$ 598,084,452	\$ 757,890,128	\$ 662,912,513	\$ 844,318,055

[A] The special identification code identifies budgeted fund appropriations and the source and use of funding in non-appropriated funds.

Expenditures in this fund vary, depending on the number of active construction and other projects. Expenditures under the New Haven Line – Rail Cars consisted primarily of purchases of new M-8 rail cars; annual expenditures varied over the fiscal years due to the timing of payments for the cars based on production milestones. As noted above, starting with the fiscal year ended

June 30, 2015, Town Aid Road grants formerly paid out of the Infrastructure Improvement Fund were paid out of the STEAP – Grants to Local Governments Fund.

PROGRAM REVIEW OF FERRY OPERATIONS

Section 2-90 of the General Statutes authorizes the Auditors of Public Accounts to examine the operations of state agencies to determine their effectiveness in achieving expressed legislative purpose. We conducted such a review of the operations of the Rocky Hill and Chester- Hadlyme ferries.

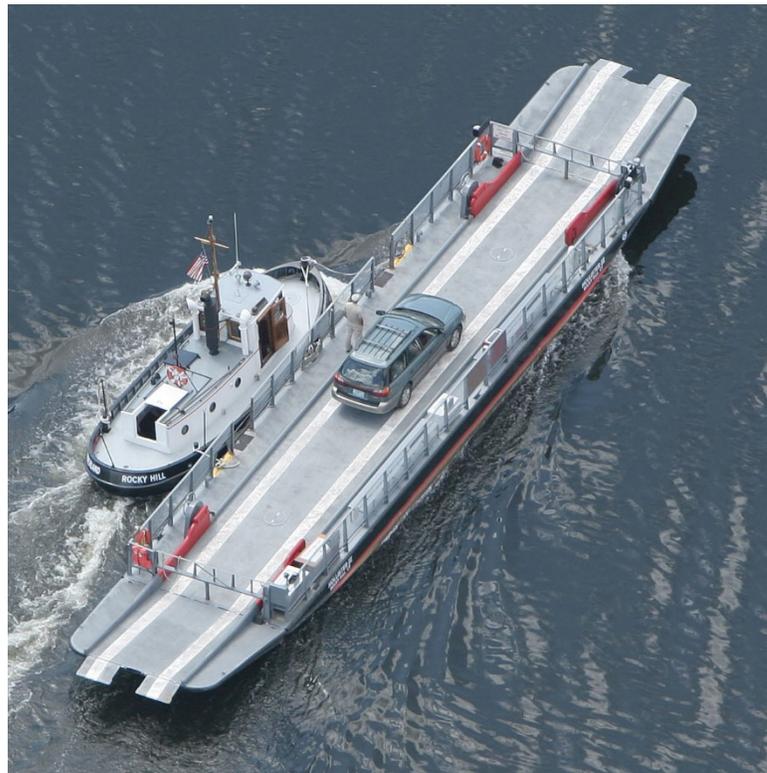
Section 13a-252 of the General Statutes specifies that “The ferries crossing the Connecticut River, known as the Rocky Hill Ferry and the Chester-Hadlyme Ferry, shall be maintained and operated by the Commissioner of Transportation at the expense of the state.” The ferries operate on a seasonal basis, running from April 1st to November 30th, when water levels and weather conditions permit. The ferries normally operate from 7:00 a.m. to 6:45 p.m. on Monday through Friday and 10:30 a.m. to 5:00 p.m. on Saturday and Sunday. However, operations may be impacted by staffing and mechanical issues.

History

The Rocky Hill Ferry, the nation's oldest continuously operating ferry service, crosses the Connecticut River between Rocky Hill and Glastonbury. The original ferry, which dates back to 1655, was a small raft pushed across the river using long poles. Under the state charter, local families operated the ferry service throughout most of its existence.

In the past, the ferry service was such a vital transportation link within the region that crossing would cease only during the most adverse conditions. When river flood levels escalated, the ferry would use alternate landings such as the old coal dock in South Glastonbury, or the ferry operator would skid the craft across flooded meadows to an old dock near Tryon Street. Today the ferry is temporarily closed if the river reaches flood stage.

At one time, a horse on a treadmill in the center of the craft supplied the power to propel the craft across the river. In 1876, the ferry was "modernized" into a steam-driven craft. Today's craft is an open flatboat named the *Hollister III*. The three-car barge is towed back and forth by the *Cumberland*, a diesel powered towboat.



The Chester-Hadlyme Ferry, which began service in 1769, was originally operated by Jonathan Warner who owned the land on both sides of the Connecticut River. Warner's Ferry, as it was called back then, connected King's Highway in the Fort Hill Parish of Chester to Norwich Road in Lyme. The ferry was often used throughout the Revolutionary War to transport needed supplies across the river.

The original ferry was pushed across the river using long poles. A steam-powered barge began to serve the ferry crossing in 1879. The ferry was named the Chester-Hadlyme Ferry in 1882 while it was operated by the Town of Chester.

In 1917, the ferry was turned over to DOT. The present ferry, the *Selden III*, was built in 1949. It is an open, self-propelled craft, 65 feet long and 30 feet wide. It can accommodate 8 to 9 cars and 49 passengers. The *Selden III* provides a convenient, direct link between Chester and Hadlyme at Route 148.



Ferry Operations

The ferries accommodate both vehicles and walk on passengers (pedestrians and bicyclists). Fees for vehicles are \$5 on weekdays and \$6 on weekends. A \$3 commuter rate is available, which requires pre-purchased commuter coupons priced at \$60 for a book of 20. Pedestrians and bicyclists are charged \$2 on all days. A summary of ferry operating statistics for the 2013 to 2016 operating periods follows.

Department of Transportation Ferry Operating Statistics					
Ferry/Operating Period	Crossings	Vehicles	Vehicle Passengers	Pedestrians and Bicyclists	Receipts
Rocky Hill Ferry					
April – November 2013	8,818	13,582	29,043	4,565	\$ 59,822
April – November 2014	9,974	15,991	36,033	5,816	86,717
April – November 2015	10,416	16,500	36,867	5,699	91,677
April – November 2016	<u>11,689</u>	<u>16,363</u>	<u>37,570</u>	<u>5,095</u>	<u>88,468</u>
Total	<u>40,897</u>	<u>62,436</u>	<u>139,513</u>	<u>21,175</u>	<u>\$ 326,684</u>
Daily Average [a]	42	64	143	22	\$ 335
Chester-Hadlyme Ferry					
April – November 2013	20,664	37,616	78,484	5,784	\$ 144,823
April – November 2014	20,699	41,453	84,686	5,572	201,159
April – November 2015	20,202	34,137	74,037	5,986	173,132
April – November 2016	<u>21,046</u>	<u>31,129</u>	<u>64,494</u>	<u>4,423</u>	<u>152,183</u>
Total	<u>82,611</u>	<u>144,335</u>	<u>301,701</u>	<u>21,765</u>	<u>\$ 671,297</u>
Daily Average [a]	85	148	309	22	\$ 688

[a] Based on 244 days of scheduled operation per year for 4 years.

Operating Revenues and Expenditures

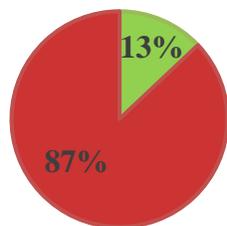
A breakdown of financial activity by fiscal year during the audited period follows. It is not directly comparable with the breakdown by operating period, because the operating periods do not correspond to fiscal years.

Department of Transportation Ferry Operating Costs				
Ferry/Expenditure Classification	2012-2013	2013-2014	2014-2015	2015-2016
Rocky Hill Ferry				
Expenditures				
Wages and Salaries	\$ 240,183	\$ 272,262	\$ 318,275	\$ 360,673
Employee Benefits	161,074	211,151	234,777	287,963
Equipment Rent and Maintenance	169,291	29,098	145,376	56,101
Other	<u>13,186</u>	<u>13,546</u>	<u>30,843</u>	<u>17,446</u>
Total Expenditures	<u>583,734</u>	<u>526,057</u>	<u>729,271</u>	<u>722,183</u>
Revenues	<u>53,996</u>	<u>67,253</u>	<u>99,083</u>	<u>93,648</u>
Operating Subsidy	<u>529,738</u>	<u>458,804</u>	<u>630,188</u>	<u>628,535</u>

Chester-Hadlyme Ferry				
Expenditures				
Wages and Salaries	314,332	323,595	348,806	364,301
Employee Benefits	227,278	264,446	263,432	285,258
Equipment Rent and Maintenance	237,550	33,122	107,451	191,215
Other	<u>44,156</u>	<u>29,555</u>	<u>25,219</u>	<u>15,939</u>
Total Expenditures	<u>823,316</u>	<u>650,718</u>	<u>744,908</u>	<u>856,713</u>
Revenues	<u>115,673</u>	<u>171,394</u>	<u>188,626</u>	<u>174,342</u>
Operating Subsidy	<u>707,643</u>	<u>479,324</u>	<u>556,282</u>	<u>682,371</u>
Total Operating Subsidy	<u>\$ 1,237,381</u>	<u>\$ 938,128</u>	<u>\$ 1,186,470</u>	<u>\$ 1,310,906</u>

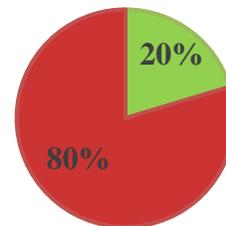
The following chart compares the percentage of operating costs funded by ferry revenue and operating subsidies during the most recent fiscal year of the audited period. The primary source of funding for both ferries is the operating subsidy, with a greater percentage of the Chester-Hadlyme Ferry’s operating costs funded by ferry revenue.

Rocky Hill Ferry 2016



■ Supported by Revenue
■ Operating Subsidy

Chester-Hadlyme Ferry 2016



■ Supported by Revenue
■ Operating Subsidy

Analysis

The cost of operating the ferries, not including overhead, exceeded revenues by more than \$4,600,000 during the 4-year audited period. DOT charged these costs to the Transportation Fund, which has been under significant fiscal pressure.

The ferries do not provide a reliable form of transportation, because they only operate during the daytime from April 1st to November 30th and are at times inoperable due to weather or staffing issues.

Customer volume for the ferries is very low. During 2013 through 2016, the Rocky Hill Ferry transported an average of 64 vehicles with 143 passengers plus 22 pedestrians and bicyclists per day. During the same period, the Chester-Hadlyme ferry transported an average of 148 vehicles, with 309 passengers plus 22 pedestrians and bicyclists per day.

To put this into perspective, based on the department's most recent usage data available, the nearby William H. Putnam Memorial and East Haddam bridges average 53,400 and 11,600 vehicles per day, respectively. The ferries do not transport a significant number of vehicles.

The ferries provide a means for pedestrians and bicyclists to cross the river. However, few make use of this service, as an average of 22 pedestrians and bicyclists used the ferries each day.

Also, the Department of Transportation recently added a pedestrian and bicyclist walkway to the William H. Putnam Memorial Bridge. DOT plans to construct trails to improve access to both sides of the bridge. Similarly, the planned rehabilitation of the East Haddam Bridge includes the addition of a cantilevered sidewalk that would be attached to the south side of the bridge.

It appears that the ferries are valued, in part, due to their historical interest. However, the equipment in use has been modernized. The fact that some type of ferry continues to operate seems the only remaining historical connection.

Conclusion

Although the ferries require operating subsidies exceeding \$1,000,000 per year, they do not serve a practical transportation function. The nearby William H. Putnam Memorial and East Haddam bridges provide readily available alternatives for the relatively few people who use the ferries. Considering that the state's financial condition has forced cuts to vital services, it is difficult to justify the continued subsidization of this activity.

Agency Response

"All public transportation systems in the United States, bus, rail, paratransit, and ferries are subsidized. Connecticut's network of public transportation services, much like the state's subsidized, taxpayer funded highway system, provide benefits to residents and businesses by improving the livability of our communities, spurring economic development, increasing mobility and access to employment opportunities.

Connecticut River ferry services provide a local transportation connection that would otherwise require a substantial detour via roads and bridges. While this detour may seem inconsequential from a motorist's standpoint, the lack of ferry service would make it virtually impossible to cross the river on foot or by bicycle. In fact, there are no other ways to cross the Connecticut River between Hartford and Middletown, a distance of roughly 20 miles. Motorists traveling between parts of southern Glastonbury and Rocky Hill would have to travel an additional 8 miles (one-way) without the ferry.

The Chester/Hadlyme ferry is a convenience for both business and recreation. For tourists, the attractions include Gillette's Castle in Hadlyme and, on the west side of the river, the Essex Steam Train. These attractions cite the ferry in their marketing materials and gain business from the availability of the ferry. More importantly, for motorists traveling east it's a real distance-saver to take the ferry when driving from Chester to Lyme: its 20.3 miles overland via the East Haddam Bridge, but only 8.3 miles via the ferry.

In conclusion, the Department does not disagree with the financial numbers for the two ferry services, but suggests the evaluation of benefits of rail, bus, and in this case, ferry services must be looked at more holistically. All transit services require a subsidy, yet users and policymakers have chosen to fund these services because they improve mobility and the quality of life for residents."

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

The following reportable matters resulted from our review of the records of the Department of Transportation.

Questioned Pricing for Rail Car Purchases

Background: The Department of Transportation entered into an agreement with Metro-North Commuter Railroad Company (Metro-North) to cooperate in the procurement of rail cars from Kawasaki Rail Car, Inc. with Metro-North to be the contracting entity. Metro-North purchases the cars from Kawasaki and DOT reimburses Metro-North for its share of the procurement costs.

The contract between Metro-North and Kawasaki, dated August 21, 2006, provided for an initial order of 210 rail cars, with 3 options to purchase additional blocks of cars, subject to a maximum total of 380 cars, with the first option to consist of a minimum of 90 cars. It set per car base option prices of \$2,147,800 for "A" cars and \$2,108,000 for "B" cars. "A" cars have 110 seats and "B" cars have 101 seats plus toilet facilities and space for wheelchair seating or bicycle storage.

The contract included an escalation clause that provided for the adjustment of base prices to cover increases in construction costs since the date of the contract. The contract specified the calculation methodology of price adjustments.

DOT/Metro-North ordered the 90 rail cars under the first option simultaneously with the initial order of 210 cars at the base price specified in the contract. Several years later, they ordered blocks of 42 and 38 cars under the second and third options at a higher per car price.

Criteria: Section 13b-34 of the General Statutes authorizes the Commissioner of Transportation to contract in the name of the state for equipment used in providing transportation service to, from, or in the state. A valid contract must include explicit consideration, such as a specific purchase price or payment in exchange for specific goods or services.

Condition: The blocks of 42 and 38 rail cars ordered under the second and third options of the August 21, 2006 Metro-North/Kawasaki contract should have been purchased at the base prices set for option purchases adjusted for increases in construction costs, as specified in the contract. We were unable to verify the prices paid to the contract, because DOT did not document the calculation of the per car prices.

Effect: The prices paid for the rail cars may not have been calculated in accordance with the contract provisions.

Cause: Department of Transportation staff felt that Metro-North schedules provided adequate support. However, the schedules specified the prices, but not how they were calculated.

Recommendation: The Department of Transportation should obtain or prepare documentation supporting the calculation of the per car prices paid for the 80 rail cars purchased under the second and third options of the August 21, 2006 contract between Metro-North and Kawasaki. If additional cars are purchased, DOT should obtain or prepare supporting documentation prior to payment. (See Recommendation 1.)

Agency Response: “The Department will prepare documentation supporting the calculation of the per car prices paid for the 80 rail cars purchased under the second and third options as of August 31, 2018.”

Information Technology Disaster Recovery Plan Deficiencies

Criteria: A comprehensive information technology (IT) disaster recovery plan is an essential part of an organization’s plan for the continuity of operations in the event of a disaster or other interruption in IT systems. The disaster recovery plan should include detailed specifications to ensure the recovery of essential hardware and software items, and also should incorporate systematic procedures for carrying out the recovery process that prioritize the tasks to be performed and identify the people that will perform them.

Disaster recovery plans must be tested regularly. Otherwise, they could fail to execute as expected.

Condition: The Department of Transportation’s disaster recovery plan provides only a high-level overview that, for the most part, describes the goals of the process. The plan does not include detailed specifications for essential hardware and software items to be recovered or incorporate procedures for carrying out the recovery process prioritizing the tasks to be performed and identifying the individuals who will perform them.

Effect: The lack of a comprehensive, tested disaster recovery plan will hamper DOT efforts to restore information technology functionality in a timely manner, should a disaster occur.

Cause: The Department of Transportation informed us that it is planning to develop a more detailed disaster recovery plan.

Recommendation: The Department of Transportation should develop and regularly test a comprehensive disaster recovery plan for its information technology function. (See Recommendation 2.)

Agency Response: “Within the next 6 months, the Agency will proceed with the review of the Disaster Recovery Plan (DRP) and will update existing procedures and develop new ones if these are required. In case new technical components are required to support and maintain the DRP, the costs will be identified and a budget request will be developed. The updated DRP will contain the following:

- Detailed description of the systems to be backed up, including data backup procedure and data restore testing procedure. Data backup and data recovery requirements will be identified for each system and this information will be added to the DRP.
- Test of data restore procedure and schedule will be developed and will be included in the DRP document.
- Test of hardware failover procedure and schedule will be developed and will be included in the DRP document.
- Information about the group responsible for ensuring that the data backup process, data restore testing process and hardware failover testing process will be included in the document.”

Inadequate Server Room Access Controls

Criteria: Limiting physical access to the information technology (IT) server room is an important aspect of IT security. Access should be limited to those who need it on a regular basis for legitimate operational purposes. Those who need occasional access can be escorted by an employee with regular access.

Condition: At the time of our review, there were 98 active access cards for the DOT IT server room. The 98 cards included multiple cards issued to DOT property and facilities staff and the cleaning services vendor (which were not assigned to a specific person). It does not appear that there is an operational need for such widespread access to the IT server room. Additionally, DOT informed us that it does not review the listing of active cards on a regular basis. DOT only updates the listing when the human resources office notifies security when employees leave.

Effect: Unnecessary widespread access to the server room compromises DOT efforts to secure its information systems and electronic data.

Cause: The employee responsible for monitoring access to the server room retired and was not replaced.

Recommendation: The Department of Transportation should issue information technology server room access cards only to individuals who need regular access. (See Recommendation 3.)

Agency Response: “All employees with access to the server room will be reviewed to determine work related roles and responsibilities. Access to the server room will then be inactivated for all those employees that do not need access to the server room to perform their respective jobs.”

Infrastructure Capitalization Policies Inconsistent with Accounting Principles

Criteria: Expenditures for new infrastructure assets, as well as additions and improvements to existing infrastructure assets, should be capitalized. Additions or improvements increase the capacity or efficiency of assets rather than maintain the serviceability of the assets.

When a project enhances and maintains an existing asset, the additions and improvements portion of the project should be capitalized and the maintenance portion should be expensed. Any reasonable approach may be used to estimate the capitalizable and noncapitalizable portions of the project. If a project involves the removal of an existing asset, the cost of the asset and its associated accumulated depreciation should be removed.

Costs of feasibility studies undertaken prior to the design and construction phases of a project should be expensed. Capitalization should commence at the point that the current intention, ability and presence of effort to proceed with the project has been demonstrated, generally at the start of the design phase. If an ongoing project is canceled, the accumulated costs should be written off as an impairment loss.

Condition: The Department of Transportation does not begin to capitalize infrastructure project costs until the start of the construction phase. At that point, both current and prior year costs are added to construction in progress. As the prior year costs were expensed when incurred, their capitalization in the current year constitutes a correction of an accounting error in a prior period. This practice results in misstatements in both years. For example, DOT incurred \$96,625,096 of the \$227,356,072 in costs added for “new” projects in the year ended June 30, 2017 during prior years.

Additionally, we noted that infrastructure projects are classified as either entirely capitalizable or entirely noncapitalizable. The Department of Transportation did not attempt to determine whether projects involved a mixture of capitalizable expenditures and maintenance and repairs.

Effect: The DOT existing methodology for infrastructure capitalization does not conform to generally accepted accounting principles.

Cause: The Department of Transportation developed a methodology for valuing infrastructure that it believed was reasonable related to resources devoted to the process and the results achieved.

Recommendation: The Department of Transportation should capitalize infrastructure project costs as they are incurred instead of waiting until the start of the construction phase. (See Recommendation 4.)

Agency Response: “The Department was not fully in agreement with this recommendation; however, based on the Office of the Comptroller including the State auditor’s adjustment for costs previously incurred for PE and ROW in the FY 2018 GASB starting balance, the Department has accepted the recommendation and changed its reporting process effective with the SFY 2018 GASB report. The Department now includes PE and ROW expenditures in the year they occur, rather than waiting to include the costs when the project has entered the Construction phase.

With regard to classifying infrastructure projects as entirely capitalizable or entirely noncapitalizable; effective with the SFY 2019 GASB report, the Department will split project expenditures into capitalizable and noncapitalizable, based on the CORE activity code. Any project expenditure coded to the State Forces (SF) activity will be considered noncapitalizable and will be expensed rather than capitalized. The SF activity code captures all maintenance type work that is completed under a project.”

Delays in Addressing Potential Conflicts of Interest

Criteria: A conflict of interest exists when employees are in a position to derive personal benefit, financial or otherwise, from actions or decisions made in their official capacity. One way DOT addresses potential conflicts of interest is by requiring all employees to disclose situations in which the employment of a family member could conflict with their responsibilities as a DOT employee. All employees must complete, and update as necessary, a form identifying all family members employed by contractors doing business with, or seeking to do business with, DOT.

Condition: During our prior review, we noted that these forms were not on file for some employees. In response, DOT required all employees to submit new forms by November 2015. DOT then submitted the forms that identified potential conflicts of interest to its legal department so they could be reviewed and addressed.

The Department of Transportation did not address potential conflicts of interest in a timely manner. From November 2015 to March 2017, DOT forwarded 131 forms disclosing potential conflicts of interest to its legal department for review. In March 2017, we found that the legal department had only addressed 27 of those potential conflicts.

Additionally, we noted that:

- DOT did not enter the forms in a control log for tracking purposes.
- DOT did not periodically remind employees that they need to update their forms when new conflicts develop. This increases the risk that new conflicts will not be addressed.

Effect: The failure to promptly address potential conflicts of interest could allow employees to derive personal benefit, financial or otherwise, from actions or decisions made in their official capacity.

Cause: Because DOT did not enter reported potential conflicts of interest in a control log for tracking purposes, the extent of the backlog was not readily apparent.

Recommendation: The Department of Transportation should periodically remind employees of their obligation to report potential conflicts of interest. DOT should establish a control log for reported conflicts and address them in a timely manner. (See Recommendation 5.)

Agency Response: “The Department is in the process of rewriting (and renumbering) its Code of Ethics Policy (F&A-10) and its Code of Ethics Policy Supplement (F&A-10A). The revised policies will be issued as Executive Office policies, using an EX.O. policy number, likely within the next month.

As noted above, the revised Code of Ethics Policy Supplement, EX.O.-39 is expected to be issued to all employees within the next month. The revised policy will require all disclosures to first go to the manager for review and analysis of potential conflicts, and have the manager propose any mitigation of the potential conflict. The Bureau Chief of the disclosing employee will have ultimate authority to approve the mitigation plan. Upon approval, the form and any mitigation decision relative to the

employee's working status or restriction will be forwarded to Human Resources to include in the employee's personnel file.

It is expected that the revised policy will be transmitted to staff with a message that only employees with new or amended disclosures will be required to submit a form at that time. After that, it is expected that the Commissioner's Office will annually remind employees about the obligation to review the Department's Code of Ethics policies and to, as necessary, revise their disclosures of outside employment and family members' employment with Department contractors (as defined in the policy).

At this time, there are still some disclosures that have not been resolved under the existing policy. Those will either be resolved under the existing policy or forwarded to the Bureau Chiefs to be handled by the managers under the revised policy. Any decisions previously rendered under the existing policy will be forwarded to the respective Bureau Chief for tracking purposes after the revised Code of Ethics policies are issued."

Timesheets Not Approved by Supervisors

Criteria: Sound internal control requires the preparation of timesheets. Supervisors should promptly approve timesheets to ensure accuracy and certify that employees worked the time recorded.

Condition: When supervisors do not approve timesheets in the state's automated payroll system by processing deadlines, the DOT payroll department approves them so the payment process can go forward. The payroll department forwards listings of these timesheets to the various bureau chiefs for review and validation outside of the system. The bureau chiefs initial each listed employee to document validation and return the completed listings to the payroll department.

However, we found that bureau chiefs did not validate and return some listings to the payroll department. As of April 2018, a total of 8 listings for pay periods ended February 1, 2018 or earlier had not been validated and returned.

Effect: When timesheets are not subjected to supervisory review and approval, there is increased risk that incorrect payments could be made.

Cause: The Department of Transportation does not assign sufficient priority to this task.

Recommendation: The Department of Transportation should ensure that it promptly carries out retroactive validation procedures for all timesheets processed pending supervisory review. (See Recommendation 6.)

Agency Response: “DOT Payroll will continue to provide listings of time approved by payroll that requires supervisory validation. The listings will be submitted to the Bureau Chiefs, with copies to their Assistants. The Bureau Chief’s office will maintain the hard copy with original validated signatures/initials until the payroll involved has been audited and will forward scanned copies of the document to Payroll. If validation has not been received within two pay periods, the notice will be elevated to the Executive Team to ensure compliance.”

Overtime Worked Without Prior Approval

Criteria: Overtime is usually worked in emergency situations or to meet special needs for increased production. Per the DOT Employee Handbook, all non-emergency overtime must receive prior management approval.

This policy is intended to help control labor costs. Paid overtime increases expenditures. The accumulation of compensatory time does not involve an immediate increase in expenditures, but it can create an obligation for future payments and can complicate scheduling.

Condition: The Department of Transportation is not enforcing the requirement for prior management approval of overtime. We reviewed 23 instances where DOT paid overtime or awarded compensatory time when DOT policy called for prior approval. However, employees only obtained prior approval in 7 of the 23 instances.

Effect: The Department of Transportation may have incurred unnecessary costs.

Cause: It is unclear why DOT is not enforcing its established policy requiring prior management approval of non-emergency overtime.

Recommendation: The Department of Transportation should enforce its established policy requiring prior management approval of non-emergency overtime. (See Recommendation 7.)

Agency Response: “The Department will reissue policies relating to the requirement for prior approval of overtime. Management will periodically review the agency OT reports and confirm that prior approvals were obtained for their areas of responsibility and may, if needed, enlist assistance from Internal Audits for recommendations on corrective actions that may be needed.”

Payments for Meals Provided to Employees Not Properly Documented

Criteria: The Department of Transportation pays for meals for employees working in maintenance facilities or supporting maintenance operations under certain circumstances, such as emergency overtime work. The Department of Transportation's Meals Policy for Maintenance Facilities requires restaurants supplying employee meals to submit itemized bills that identify the items purchased, the price of each item, and gratuity. The itemized bills must be annotated to identify the employees who were provided the meals and the employees must sign off or initial their bills to acknowledge receipt.

Restaurants are paid using state purchasing cards (credit cards). DOT employees are responsible for obtaining the required documentation to support the payment.

Condition: Our test of purchasing card transactions included 7 payments for meals totaling \$3,018. The bills submitted for 4 of the 7 meals, totaling \$1,096, identified the total amount charged by the restaurants, but did not list the items purchased or the employees who were provided the meals.

Effect: The Department of Transportation did not effectively implement its established control over the procurement of meals for employees. This increases the risk that improper payments could occur. Furthermore, the lack of enforcement of an established policy can leave employees confused about what is expected of them.

Cause: It is unclear why DOT is not enforcing its meal payment documentation policy.

Recommendation: The Department of Transportation should enforce its established policy for the documentation of payments for meals provided to employees. (See Recommendation 8.)

Agency Response: "The Department agrees with the finding, however, the sample findings predated the reissuance of The Department's "Meals Policy for Maintenance Facilities" (Personnel Memorandum 82-5) which took place on November 30, 2015. The Department will take action to improve enforcement of properly documenting payments for meals. The Department's "Meals Policy for Maintenance Facilities" (Personnel Memorandum 82-5) and existing procedures will be reviewed for opportunities to streamline processes for efficiency. The Bureau of Highway Operations, Office of Staff Maintenance will analyze procedures in all four (4) Districts, and update/train as appropriate to ensure consistency. Staff Maintenance will monitor for compliance with policy by implementing steps in the paperwork review process to verify that the

documentation being submitted is complete. Finance and Administration will also implement steps to verify complete documentation is submitted for its employees. If necessary, Department Management may enlist assistance from Internal Audits for recommendations on corrective actions that may be needed.”

Flaw in Control Intended to Provide Accountability for Ferry Fares

Criteria: The State Accounting Manual, which establishes policies and procedures for all state agencies, requires agencies to establish internal control over cash receipts to minimize the risk of loss. The manual recommends the use of pre-numbered tickets, where appropriate, to facilitate the preparation of accountability reports. However, the effectiveness of this control is reduced when the tickets do not have a fixed value.

Condition: The Department of Transportation operates 2 ferry services on the Connecticut River. The ferries charge per passenger or per vehicle fares. Although pre-numbered tickets incorporating a receipt for issuance to payees are used for cash payments, a single ticket can be used for groups of up to 8 passengers. The employee collecting the fares records the number of fares on the ticket when they are received. The effectiveness of this control is reduced, because the employee can record less than the full number of fares they collected.

Effect: Internal control over the collection of fares is compromised.

Cause: This control was not properly designed. The use of pre-numbered tickets is a standard control, but its effectiveness is reduced when the tickets do not have a fixed value.

Recommendation: The Department of Transportation should use pre-numbered tickets with fixed values to improve accountability over ferry fares. (See Recommendation 9.)

Agency Response: “In any manual process there are inherent risks and exposures. The ferry fare collection process presents various related challenges given the unusual environment and conditions. Although the Department believes that controls in place were appropriate and working as intended it will make revisions to the ticketing program to further strengthen financial controls and revenue accountability. The Department will redesign its ticket stock and revise its fare collection procedures at the next opportunity, but not later than the 2019 season.”

Delays in Addressing Driving Complaints

- Criteria:* Department of Administrative Services (DAS) General Letter No. 115, Policy for Motor Vehicles Used for State Business, requires state agencies to promptly investigate complaints concerning state vehicles, drivers, and passengers forwarded by DAS. Generally, the agency should notify DAS of the outcome of the investigation within 30 days of receiving the complaint.
- Condition:* In October 2017, we reviewed a list of 108 complaints involving DOT vehicles received by DAS between August 12, 2014 and October 25, 2017 and found that DOT investigated and closed only 34 complaints. Thirty-six were automatically closed without resolution, per DAS policy, because more than a year had elapsed without a response from DOT. Furthermore, the remaining 38 complaints included 34 that were outstanding for more than 30 days.
- Effect:* The Department of Transportation’s inaction on these complaints could put DOT employees and the public at risk.
- Cause:* The Department of Transportation has not assigned sufficient priority to performing these investigations.
- Recommendation:* The Department of Transportation should ensure that it promptly investigates all complaints concerning state vehicles, drivers, and passengers and reports them to the Department of Administrative Services. (See Recommendation 10.)
- Agency Response:* “The Department agrees with the recommendation. The Support Services Unit supervisor will be assigned to oversee this task. The possibility of an automated tracking system will be requested through our IT office.”

Mileage Reports Not Approved

- Background:* The Department of Transportation uses a mix of DAS-assigned vehicles and vehicles procured directly by DOT. Under the provisions of General Letter No. 115, Policy for Motor Vehicles Used for State Business, state agencies are required to prepare daily mileage logs for vehicles assigned by DAS and submit usage reports to DAS monthly. The Department of Transportation requires staff to prepare similar reports for DOT-procured vehicles. DOT maintains an automated system for the preparation and approval of mileage reports.
- Criteria:* The preparation of mileage reports and their approval by supervisory personnel are key controls needed to provide accountability over vehicle

usage. Responsibility for carrying out these procedures for DOT-procured vehicles is delegated to the departmental units that operate the vehicles.

Condition: In October 2017, we reviewed the status of 85,707 monthly mileage reports prepared for DOT-procured vehicles, from January 2012 through July 2017. We found that 1,101 of the 85,707 mileage reports were not approved by supervisors.

In some cases, it appears reports were started but never finished. Duplicate reports covering the same month were prepared and approved and the superseded reports were not removed from the system. In other cases, reports appeared complete, but were never submitted for supervisory review.

Additionally, the DOT automated system does not track all vehicles that require mileage reports. It only tracks reports that were initiated in the system. Consequently, there may have been additional instances in which reports were not prepared, although they cannot be readily identified.

During our review of a whistleblower complaint, we found that mileage reports were approved by an employee who reported to the staff member who prepared the reports, rather than the staff member's supervisor. The effectiveness of this key control is greatly reduced when the individual reviewing and approving the reports has no authority over, or is under the authority of, the staff member filing the reports.

Effect: There is reduced accountability over vehicle usage.

Cause: The Department of Transportation's automated mileage report system does not regularly produce reports identifying vehicles for which approved mileage reports are not on file.

Recommendation: The Department of Transportation should periodically verify that employees completed all required mileage reports and supervisors approved them. (See Recommendation 11.)

Agency Response: "The Department agrees with the recommendation. Improvements to the Department's State Tracking Automated Request System (STARS) will be evaluated through our IT office as well as the possibility of other automated systems for the best solution."

Security Division Activity Not Logged

Criteria: Non-routine activities requiring a substantial amount of discretion, such as the security function, should be properly documented to provide accountability and facilitate oversight.

Condition: In our prior report, we recommended that DOT maintain formal records of the security division’s work to reconcile them with time, location, and mileage records. The Department of Transportation responded that the security division had incorporated a daily log to keep track of its activity. However, we followed up on this recommendation in February 2018 and discovered that the security division was not maintaining an adequate daily log.

Effect: Accountability was reduced because the security division did not implement this control.

Cause: The security division assumed that monthly mileage reports provided the necessary information.

Recommendation: The Department of Transportation’s security division should maintain a daily log that provides a brief description of each day’s activity. (See Recommendation 12.)

Agency Response: “The Department of Transportation's Security Office is tasked with a wide array of responsibilities throughout the course of a day. The Office provides, and oversees, security and investigative issues statewide, ranging throughout all Districts, buildings and properties. Sporadic field visits will be performed as resources allow in support of keeping a safe and secure work environment as well as the safekeeping of State equipment and properties, maintaining omnipresence.

When in the field, and conducting security sweeps and checks, and maintaining order, the Security manager as well as any of the Security staff assigned such tasks will be responsible for keeping and maintaining a daily log of their work activities including the type(s) of activities, facilities and districts visited. In this daily log each days mileage traveled will be captured and will include a starting mileage, along with all intermediary stops made on the day the vehicle is used; locations shall be recorded, as well as the closing mileage at the end of the day. As a general practice, activities and mileage will be captured in the log on the day of vehicle use.

Management and staff in the office of Security who have a state vehicle personally assigned to them will enter their monthly mileage use into the appropriate designated system for DOT (which is currently STARS) from

their daily mileage logs in a timely fashion. Every effort should be made to enter a months' activities and mileage within two weeks after the close of that month but no later than the last business day of that month. Mileage records for Pool cars used will be entered into STARS as required by the departments' Motor Pool Unit, Bureau of Finance and Administration.

The office of Internal Audits will periodically review that the above process is being followed as described.”

Statutorily Required Report Not Completed

Background: In February 2014, United Technologies Corporation and the State of Connecticut announced an agreement (The Connecticut Aerospace Reinvestment Act) that, pending legislative approval, would allow the corporation to use earned income tax credits for past research and development activities to offset certain future sales and income tax obligations. In return, the corporation made certain commitments to the state, including investing in capital improvements.

Public Act 14-2, titled An Act Concerning the Connecticut Aerospace Reinvestment Act, provided the necessary legislative approval, effective May 2014. The corporation opened Pratt & Whitney's new engineering and technology building in East Hartford in November 2017.

Criteria: Section 18 of Public Act 14-199 states that, not later than January 1, 2015, the Department of Transportation shall, within available appropriations, submit a report, in connection with the state-certified industrial reinvestment project authorized pursuant to public act 14-2 and in accordance with the provisions of section 11-4a of the general statutes, to the joint standing committee of the General Assembly having cognizance of matters relating to transportation. Such report shall include a study of the challenges to access and egress in and around the stadium facility site, as defined in section 32-651 of the general statutes, recommendations for solutions to such challenges and an estimate of the cost of such solutions.

Condition: The Department of Transportation informed us that, although a good deal of work had been put into the study, it was not complete as of December 2017, 2 years after the deadline specified in Public Act 14-199. Furthermore, DOT did not inform the General Assembly's Transportation Committee that the report was delayed, nor did it request legislative action to extend the submission date.

Effect: The Department of Transportation did not comply with the requirements of Section 18 of Public Act 14-199. The Transportation Committee did not have all relevant information.

Cause: The Department of Transportation attributed the delay to employee turnover.

Recommendation: The Department of Transportation should inform intended recipients and seek timely legislative relief when it cannot complete statutorily mandated reports by specified deadlines. (See Recommendation 13.)

Agency Response: “The Department anticipated the report would be completed within the 2017 calendar year. The Department was making progress on the report, but with retirements and its inability to hire new staff into various roles it's been further delayed. The Department will communicate the circumstances of the delay to the Transportation Committee.”

RECOMMENDATIONS

Our prior audit report on the Department of Transportation contained 32 recommendations for improving operations, 7 of which were repeated or restated with modifications in the current audit report. Our current audit report presents 13 recommendations, including 6 new recommendations.

Status of Prior Audit Recommendations:

- The Department of Transportation should ensure that detailed documentation concerning pricing be incorporated into Department of Administrative Services contracts to ensure the discounts are taken based on the manufacturer's suggested retail price. Vendor invoices and purchase orders should include all necessary information to detail the products purchased along with relevant pricing and discounts applied. **No exceptions were noted during our current review. This recommendation is not being repeated.**
- The Department of Transportation should make adjustments to the Asset Management System to accurately reflect pricing for the dump bodies and related equipment. Purchase orders and invoices should be itemized to indicate items purchased and the actual prices of each item. **The adjustments were made; we did not find similar problems during our current review. This recommendation is not being repeated.**
- The Department of Transportation should take measures to ensure that its asset inventory records are accurate. It should reinforce its policies regarding equipment transfers to ensure that all employees are aware they should immediately notify the Asset Management/Inventory Control Unit whenever any equipment is transferred to another location. DOT should develop a form to show that a vehicle is at a different location because it is being repaired. The Department of Transportation should ensure that inventory designees are performing physical inventories in accordance with DOT's policy and that the supervision of that inventory is validated. **We did not find significant problems during our current review. This recommendation is not being repeated.**
- The Department of Transportation should code expenditures in accordance with the State Comptroller's Manual. **No exceptions were noted during our current review. This recommendation is not being repeated.**
- The Department of Transportation should prepare the inventory comparison report and investigate all large variances as well as a sample of smaller variances to ascertain whether the differences between the inventory comparison report and the Fuelmaster® system are only errors. If differences cannot be explained, the department should report the differences as a loss in accordance with Section 4-33a of the General Statutes. **Monitoring done under the provisions of the Department of Energy and Environmental Protection's underground storage tank regulations addresses these variances. This recommendation is not being repeated.**

- The Department of Transportation should inform all state agencies that use its fuel stations that, before an employee uses a state vehicle, they must confirm that a fuel key is in the vehicle so fuel can be obtained according to standard procedure. The department should enforce its procedures regarding Manual Fuel Transaction Slips, specifically that the forms be completed in full and signed by the attendant as well as the employee receiving the fuel to ensure that these transactions are for official state business. **Controls were improved and no exceptions were noted during our current review. This recommendation is not being repeated.**
- The Department of Transportation should ensure that all miscellaneous fuel keys are reprogrammed to only dispense five gallons of gasoline per transaction. The department should retain and have available for audit, its review of miscellaneous fuel key transactions. **A new review procedure was implemented to mitigate risk in this area. This recommendation is not being repeated.**
- The Department of Transportation should establish a policy instructing individuals on how to properly safeguard their fuel key. The department should ensure that the individual picking up a replacement fuel key signs the Fuel Key Request Form. The Department of Transportation should also request that Fuelmaster® develop a report that can be run by fuel key serial number. **The underlying conditions that prompted this recommendation have been addressed. The recommendation is not being repeated.**
- The Department of Transportation should submit all reports mandated by the General Statutes or legislative acts as required. If the department believes the reports do not need to be prepared, it should request that the statute or legislative act be repealed. Department staff monitoring report due dates should notify the required recipients, on or before the due dates, of any reports that cannot be completed because of a lack of funding. **Compliance with reporting requirements improved significantly. However, we are restating and repeating this recommendation as a statutorily mandated study was never completed and reported on. (See Recommendation 13.)**
- The Department of Transportation should contract with Metro North Commuter Railroad Company on billing requirements for capital projects to facilitate the processing of reimbursements. The department should evaluate its process of reviewing the invoices and attempt to reduce the time between when the department expends state funds and the receipt of federal funds. **Significant improvements were noted. This recommendation is not being repeated.**
- The Department of Transportation should obtain all contract amendments and administrative letters and file them in a centralized location. The department should also consider updating the Amended and Restated Agreement with Metro North Commuter Railroad Company to incorporate all relevant amendment and administrative changes that are still in effect. **No exceptions were noted during our current review. This recommendation is not being repeated.**

- The Department of Transportation should perform closeouts of transit grants on a timely basis. **Closeouts of transit grants are now up-to-date. This recommendation is not being repeated.**
- The Department of Transportation should use pre-numbered tickets for passengers and vehicles to record ferry passage. Signs should be posted at the ferries reminding passengers to ask for a ticket when payment is tendered. **We noted a control weakness in this area during our current review. We are restating and repeating this recommendation. (See Recommendation 9.)**
- The Department of Transportation should ensure that all employees are properly trained in the fact-finding process and that statements and complaints made by employees and the public are thoroughly investigated. The department should comply with requirements of the State Records Retention Schedules with regard to personnel matters for human resources investigations. **The Department of Transportation modified its fact-finding manual in response to our recommendation. This recommendation is not being repeated.**
- The Department of Transportation should ensure that the data it reports on its CO59 report is accurate. The department should work with Core-CT staff to ensure that inter-business unit transfers for supply inventory are reported at the correct price in Core-CT. **The Department of Transportation has developed a methodology for reporting end-of-year supply inventory balances. This recommendation is not being repeated.**
- The Department of Transportation should utilize its Security and Internal Audit division to improve internal controls over supply inventories at those locations at risk for missing items. The department should conduct surprise counts of high-risk items at those locations throughout the year. **The Department of Transportation improved controls over supply inventories. This recommendation is not being repeated.**
- The Department of Transportation should implement policies for the proper documentation of prior written authorizations of compensatory time for managers and non-managers and should ensure that compensatory time earned by managers is significant in time and duration. **We continued to find problems in this area. We are restating and repeating this recommendation. (See Recommendation 7.)**
- The Department of Transportation should adhere to the procedures and guidelines set forth in Department of Administrative Services' General Letter No. 115 as well as those stated in its Fiscal and Administrative Policy 36. **No exceptions were noted during our current review. This recommendation is not being repeated.**
- The Department of Transportation should have formal records of the Security Division's work so it can reconcile them to time, location, and mileage records. Supervisors should be aware of employee time, attendance, and location so they can properly approve mileage reports. **Anticipated controls were not implemented. We are restating and repeating this recommendation. (See Recommendation 12.)**

- The Department of Transportation should develop procedures to review the monthly telephone bill to ensure that only authorized phones and charges are on the bill. The department should certify the accuracy of the telephone bill and ensure employees certify that their cell phone calls are work-related. The department should remind employees of the link to obtain telephone numbers online at no cost to the state. **The Department of Transportation is trying to improve control in this area, but its efforts have been hampered by statewide problems with the state's new billing system. These problems will be addressed during our audit of the Department of Administrative Services. This recommendation is not being repeated.**
- The Department of Transportation should only approve vendor payments with required supporting documentation in accordance with the State Accounting Manual. **The Department of Transportation was unable to implement this recommendation, which was specific to the purchase of certain M-8 passenger rail cars from Kawasaki Rail Car, Inc. through the Metro-North Commuter Railroad Company. The recommendation is being restated and repeated. (See Recommendation 1.)**
- The Department of Transportation should improve internal controls over asset accountability to ensure compliance with Section 4-36 of the General Statutes and the requirements of the State Property Control Manual. **Rail car purchases tested were properly added to the property control records. We did not find problems in this area during our current review. This recommendation is not being repeated.**
- The Department of Transportation should comply with the software inventory requirements of the State Property Control Manual. **The Department of Transportation has a system in place for monitoring software license requirements. This recommendation is not being repeated.**
- The Department of Transportation should develop a tracking mechanism to ensure that the Consultant Selection Office receives all performance evaluations of its consultants. All performance evaluations should be provided to consultant selection panels prior to them making recommendations to the Commissioner of the Department of Transportation for consultant selection. Contractual language should be enforced regarding extra work prior to its performance and the resulting penalties for failure to abide by that language so that consultants will not perform work prior to departmental approval of that work. **No exceptions were noted during our current review. This recommendation is not being repeated.**
- The Department of Transportation should develop procedures for complying with its Policy on Bid Collusion Detection and Investigation. As an additional step, the department should consider requiring all subcontractors to submit a non-collusion statement, similar to the non-collusion statement required of all bidders. The department may also consider requiring bidders to identify their potential subcontractors during the bid process. **The Department of Transportation addressed this recommendation. It is not being repeated.**

- The Department of Transportation should ensure that all required documents for large state contracts are on file for its contractors and their subcontractors prior to the commencement of work. **No exceptions were noted during our current review. This recommendation is not being repeated.**
- The Department of Transportation Construction Manual should provide guidance concerning reasonable timeframes for approving construction extension requests. If an approval cannot be made at the time of the request, then the department should document that the appropriate levels of management have been notified of the extension request. **No exceptions were noted during our current review. This recommendation is not being repeated.**
- The Department of Transportation should take steps to ensure that change orders are documented and approved in accordance with the Construction Manual. **No exceptions were noted during our current review. This recommendation is not being repeated.**
- The Department of Transportation should consult with the Office of the State Comptroller as to the proper reporting of infrastructure so that it does not report the same infrastructure twice. The Department of Transportation should also clarify with that office whether all of its infrastructure should be included in Core-CT. **The Department of Transportation complied with this recommendation. It is not being repeated.**
- The Department of Transportation should develop procedures to document that Department of Transportation Family Member Employer Disclosure Forms have been submitted by all of its employees and signed by a supervisor. **This recommendation is being restated and repeated. (See Recommendation 5.)**
- The Department of Transportation should require that itemized bills be submitted for payment and that employees clearly write their names on meal charge tickets. **Exceptions were noted during our current review. This recommendation is being restated and repeated. (See Recommendation 8.)**
- The Department of Transportation should spend its federal resources in a timely manner. The department should analyze its appropriations for inactivity and take appropriate action to remove receivables if it is determined that federal grants associated with those receivables are no longer active. **The Department of Transportation is reviewing inactive appropriations and taking appropriate action. This recommendation is not being repeated.**

Current Audit Recommendations:

- 1. The Department of Transportation should obtain or prepare documentation supporting the calculation of the per car prices paid for the 80 rail cars purchased under the second and third options of the August 21, 2006 contract between Metro-North and Kawasaki. If additional cars are purchased, DOT should obtain or prepare supporting documentation prior to payment.**

Comment:

The blocks of 42 and 38 rail cars ordered under the second and third options of the August 21, 2006 Metro-North/Kawasaki contract should have been purchased at the base prices set for option purchases adjusted for increases in construction costs, as specified in the contract. We were unable to verify the prices paid to the contract, because DOT did not document the calculation of the per car prices.

- 2. The Department of Transportation should develop and regularly test a comprehensive disaster recovery plan for its information technology function.**

Comment:

The Department of Transportation's disaster recovery plan provides only a high-level overview that, for the most part, describes the goals of the process. It does not include detailed specifications for essential hardware and software items to be recovered or incorporate procedures for carrying out the recovery process prioritizing the tasks to be performed and identifying the individuals that will perform them.

- 3. The Department of Transportation should issue information technology server room access cards only to individuals who need regular access.**

Comment:

At the time of our review, there were 98 active access cards for DOT's server room. We do not believe there is an operational need for such widespread access.

- 4. The Department of Transportation should capitalize infrastructure project costs as they are incurred instead of waiting until the start of the construction phase.**

Comment:

The Department of Transportation does not begin to capitalize infrastructure project costs until the start of the construction phase. At that point, both current and prior year costs are added to construction in progress. As the prior year costs were expensed when incurred, their capitalization in the current year constitutes a correction of an accounting error in a prior period. This practice results in misstatements in both years.

- 5. The Department of Transportation should periodically remind employees of their obligation to report potential conflicts of interest. DOT should establish a control log for reported conflicts and address them in a timely manner.**

Comment:

The Department of Transportation did not address potential conflicts of interest in a timely manner. From November 2015 to March 2017, DOT forwarded 131 forms disclosing potential conflicts of interest to its legal department for review. In March 2017, we found that the legal department had addressed only 27 of those potential conflicts.

- 6. The Department of Transportation should ensure that it promptly carries out retroactive validation procedures for all timesheets processed pending supervisory review.**

Comment:

We found that bureau chiefs did not validate and return some listings to the payroll department. As of April 2018, a total of 8 listings for pay periods ended February 1, 2018, or earlier had not been validated and returned.

- 7. The Department of Transportation should enforce its established policy requiring prior management approval of non-emergency overtime.**

Comment:

The Department of Transportation is not enforcing the requirement for prior management approval of overtime. We reviewed 23 instances in which DOT paid overtime or awarded compensatory time when DOT policy called for prior approval. However, employees only obtained prior approval in 7 of the 23 instances.

- 8. The Department of Transportation should enforce its established policy for the documentation of payments for meals provided to employees.**

Comment:

Our test of purchasing card transactions included 7 payments for meals totaling \$3,018. The bills submitted for 4 of the 7 meals, totaling \$1,096, identified the total amount charged by the restaurants, but did not list the items purchased or the employees who were provided the meals.

- 9. The Department of Transportation should use pre-numbered tickets with fixed values to improve accountability over ferry fares.**

Comment:

The Department of Transportation operates 2 ferry services on the Connecticut River. The ferries charge per passenger or per vehicle fares. Although pre-numbered tickets incorporating a receipt for issuance to payees are used for cash payments, a single ticket can be used for groups of up to 8 passengers. The employee collecting the fares records the number of fares on the ticket when they receive them. The effectiveness of this control is reduced, because the employee can record less than the full number of fares they collected.

- 10. The Department of Transportation should ensure that it promptly investigates all complaints concerning state vehicles, drivers, and passengers and reports them to the Department of Administrative Services.**

Comment:

In October 2017, we reviewed a list of 108 complaints involving DOT vehicles received by DAS between August 12, 2014 and October 25, 2017 and found that DOT investigated and closed only 34 complaints. Per DAS policy, 36 were automatically closed without resolution, because more than a year had elapsed without a response from DOT. Furthermore, the remaining 38 complaints included 34 that were outstanding for more than 30 days.

- 11. The Department of Transportation should periodically verify that employees completed all required mileage reports and supervisors approved them.**

Comment:

In October 2017, we reviewed the status of 85,707 monthly mileage reports prepared for DOT-procured vehicles, from January 2012 through July 2017. We found that 1,101 of the 85,707 mileage reports were not approved by supervisors.

Additionally, the DOT automated system does not track all vehicles that require mileage reports. It only tracks reports that were initiated in the system. Consequently, there may have been additional instances in which reports were not prepared, although they cannot be readily identified.

- 12. The Department of Transportation’s security division should maintain a daily log that provides a brief description of each day’s activity.**

Comment:

Non-routine activities requiring a substantial amount of discretion, such as the security function, need to be properly documented to provide accountability and facilitate oversight. Our review discovered that the security division was not maintaining an adequate daily log.

- 13. The Department of Transportation should inform intended recipients and seek timely legislative relief when it cannot complete statutorily mandated reports by specified deadlines.**

Comment:

The Department of Transportation did not complete a required report as of December 2017, 2 years after the deadline specified in Public Act 14-199. Furthermore, DOT did not inform the General Assembly’s Transportation Committee that the report was delayed, nor did it request legislative action to extend the submission date.

ACKNOWLEDGMENT

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

Mary C. Avery
Marcin Baran
James K. Carroll
Jennifer Courbin
Christopher M. DiDomizio
Vincent Filippa
Logan Johnson
Jacob Rocco
Tatsiana Sidarau
Ramona M. Weingart

CONCLUSION

We wish to express our appreciation to the staff of the Department of Transportation for the cooperation and courtesies extended to our representatives during this examination.



James K. Carroll
Principal Auditor

Approved:



John C. Geragosian
State Auditor



Robert J. Kane
State Auditor