

STATE OF CONNECTICUT



*AUDITORS' REPORT
DEPARTMENT OF TRANSPORTATION
FISCAL YEARS ENDED JUNE 30, 2017 AND 2018*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ CLARK J. CHAPIN

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February 16, 2022

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) for the fiscal years ended June 30, 2017 and 2018. Our audit identified internal control deficiencies; instances of noncompliance with laws, regulations, and policies; and a need for improvement in practices and procedures that warrant the attention of management. The significant findings and recommendations are presented below:

<u>Page 14</u>	DOT's disaster recovery plan for information technology 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. It also does not incorporate procedures for carrying out the recovery process, prioritizing the tasks to be performed, and identifying the individuals who will perform them. DOT should develop and regularly test a comprehensive disaster recovery plan for its information technology functions. (Recommendation 1.)
<u>Page 15</u>	Our previous audit recommended that DOT only issue information technology server room access cards to individuals who need regular access. At that time, there were 98 active access cards, which included multiple cards issued to DOT property and facilities staff and the cleaning services vendor (not assigned to a specific person). However, when we conducted our current review, we found that there were 153 active access cards. DOT should limit information technology server room access to those who require regular access for legitimate operational purposes. (Recommendation 2.)
<u>Page 16</u>	Our review of two DOT 2019 cost-effectiveness evaluations for engineering consultants revealed that DOT did not consider all potential costs, including staff supervision, paid leave, actual salaries, salary increases, and indirect costs. DOT should consider all costs associated with competing alternatives and ensure that its privatization cost-effectiveness evaluations are accurate. (Recommendation 3.)
<u>Page 18</u>	DOT reported a matter to the federal government that involved a contractor making false representations to obtain financial gain. However, DOT did not report this incident to our office and the Comptroller as required by Section 4-33a. DOT should promptly report matters to the Auditors of Public Accounts and State Comptroller as required under Section 4-33a of the General Statutes as soon as the department reasonably suspects that a reportable incident occurred. (Recommendation 4.)
<u>Page 21</u>	DOT's standard incident review procedure does not always address concerns raised in police motor vehicle accident reports. DOT should ensure that any concerns raised in police accident reports are documented and addressed when the department reviews accidents involving state vehicles. (See Recommendation 5.)

<p><u>Page 22</u></p>	<p>We reviewed a sample of 20 employees with potential conflicts of interest and found that DOT did not address 12 conflicts or enter the forms in a control log to track them. In addition, the department did not periodically remind employees to update their forms when necessary. DOT should periodically remind employees of their obligation to report potential conflicts of interest, establish a control log for reported conflicts, and promptly address them. (Recommendation 6.)</p>
<p><u>Page 23</u></p>	<p>DOT operates two 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, a single ticket can be used for up to eight passengers. The employee collecting the fares records the number of passengers on the ticket. The effectiveness of this control is reduced, because the employee can record less than the number of fares they collected. DOT should use pre-numbered tickets with fixed values to improve accountability over ferry fares. (Recommendation 7.)</p>
<p><u>Page 25</u></p>	<p>Our prior audit recommended that DOT periodically verify that required mileage reports were completed and approved. DOT planned to evaluate improvements to its State Tracking Automated Request System (STARS) and explore the use of other automated systems to better accomplish this. However, during our current review, we noted that corrective action was still pending, and DOT did not modify or replace the STARS. DOT should periodically verify that required mileage reports are completed and approved. (Recommendation 8.)</p>
<p><u>Page 26</u></p>	<p>We tested 1,691 hours of paid overtime and noted that DOT did not have the required approvals on file for 69% of the 165 non-emergency overtime hours in our sample. Our test of compensatory time awarded included 315.5 hours of managerial compensatory time. We found that the required advance approvals were not on file for 114 (36%) of those hours. DOT should improve its overtime and compensatory time approval processes. (Recommendation 9.)</p>

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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February 16, 2022

AUDITORS' REPORT DEPARTMENT OF TRANSPORTATION FISCAL YEARS ENDED JUNE 30, 2017 AND 2018

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 fiscal years ended June 30, 2017 and 2018. 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. Our testing was not designed to project to a population unless specifically stated. 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 this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the 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 a reasonable basis for our findings and conclusions based on our audit objectives.

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:

1. Identified deficiencies in internal controls;
2. Identified apparent non-compliance with laws, regulations, contracts and grant agreements, policies, and procedures; and
3. Identified a need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents 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 Chapter 263 until Public Act 15-5 of the June Special Session transferred DOT's responsibilities for oversight of maritime, harbor and port-related laws to the Connecticut Port Authority and the Department of Energy and Environmental Protection as of July 1, 2016. The Department of Transportation is still responsible for operating the two Connecticut River ferries under Chapter 241.

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 five bureaus, each administered by a bureau chief, as follows:

- **Engineering and Construction** – Responsible for the implementation of the capital program for Connecticut's transportation network. In addition to these two fundamental activities, the bureau also has broad responsibilities in areas such as the acquisition and management of rights of way, quality assurance, and bridge inspection.
- **Finance and Administration** – Responsible for DOT's financial activities, the bureau is comprised of the Offices of Human Resources; Finance; Operations and Support; Information Systems; Contracts, Agreements, and Contract Compliance; and External Audits.
- **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, the two Connecticut River ferries, and ridesharing programs.

Governor Dannel P. Malloy appointed James P. Redeker as transportation commissioner on August 25, 2011 and he served in that capacity throughout the audited period. Governor Ned Lamont appointed Joseph Giulietti as transportation commissioner on February 1, 2019, 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 16-3 of the May Special Session (Sections 110 – 111)**, effective July 1, 2016, 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.
- **Public Act 17-192 (Section 1)**, effective October 1, 2017, established an 18-member Transportation Policy Advisory Council to develop and recommend policies for improving transportation planning and selecting transportation projects.
- **Public Act 18-81 (Sections 2, 28, 46, 47, 62 and 63)**, effective July 1, 2018, adjusted Special Transportation Fund appropriations and accelerated the transfer of motor vehicle sales tax revenue to the fund to stabilize it in the short term.
- **Resolution Act 17-1**, approved by voters on November 6, 2018, amended article third to the Constitution of the State of Connecticut by adding Section 19, which prohibits the transfer of funds from the Special Transportation Fund and mandates that all of the fund’s resources be used solely for transportation purposes, including the payment of state debts incurred for transportation purposes. However, though the amendment refers to sources of funding, it has been interpreted as protecting only amounts already credited to the fund. This greatly reduces the effectiveness of the amendment, as the fund does not maintain significant reserves.

- **Public Act 19-117 (Sections 317 and 218)**, effective July 1, 2019, modified the schedule for motor vehicle sales and use tax revenue transfers to the Special Transportation Fund by reducing the percentage from 33% to 17% and 56% to 25% in the fiscal years ended June 30, 2020 and 2021, respectively. Additionally, it reclassified \$30,000,000 of the fund's fiscal year ended June 30, 2020 resources as revenues in the fiscal year ended June 30, 2021.

Boards and Commissions

Connecticut Bicycle and Pedestrian Advisory Board

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

Scenic Road Advisory Committee

The Department of Transportation is required under Section 13b-31c-2 of the Regulations of Connecticut State Agencies to establish a Scenic Road Advisory Committee, which includes representation from DOT, the Department of Energy and Environmental Protection, and the Department of Economic and Community Development. The committee assists in determining whether state highways, or portions thereof, are appropriate for designation as scenic roads and evaluates projects involving scenic roads to determine whether they will affect their scenic characteristics.

Merritt Parkway Advisory Committee

The Merritt Parkway Advisory Committee was created to advise DOT on all matters relative to the Merritt Parkway. The committee is comprised of representatives from the eight towns the parkway traverses, DOT, metropolitan planning organizations, the Federal Highway Administration, the State Police Troop G commander, the Connecticut Chapter of the American Institute of Architects, the Connecticut Chapter of American Society of Landscape Architects, the Connecticut Trust for Historic Preservation, and the Merritt Parkway Conservancy.

RÉSUMÉ OF OPERATIONS

The Department of Transportation is a large state agency with approximately 3,000 employees and expenditures of more than \$2,250,000,000 during each year of the audited period. Most of DOT’s operations were accounted for in three 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. The Transportation Fund, the Transportation Grants and Restricted Accounts Fund, and the Transportation Special Tax Obligation Fund are, in the aggregate, commonly referred to as the Special Transportation Fund.

Revenue Receipts

Department of Transportation revenue for all funds for the audited period and the preceding fiscal year are presented below:

Department of Transportation Revenue by Fund			
Fund	2015-2016	2016-2017	2017-2018
General	\$ 79	\$ 402	\$ 121
Transportation	16,504,302	21,268,740	18,372,162
Public Bus/Rail Operations	38,712,388	40,888,604	40,874,198
Transportation Grants and Restricted Accounts – Federal	775,381,612	783,769,233	743,742,195
Transportation Grants and Restricted Accounts – Non-Federal	6,547,830	4,732,343	14,768,522
Total Receipts	\$ 837,146,211	\$ 850,659,322	\$ 817,757,198

Federal funding fluctuates from year to year, as most is for infrastructure improvements and involves multiyear capital projects.

The increase in Transportation Grants and Restricted Accounts Fund non-federal revenue in the fiscal year ended June 30, 2018 primarily reflects the establishment of the Connecticut Airport and Aviation Account in accordance with Public Act 17-2 of the June Special Session (Section 672). The act directed the Department of Revenue Services to deposit 75.3% of the revenue from the petroleum products gross receipts tax on aviation fuel into the account, effective October 31, 2017. Revenue from this source totaled \$8,214,356 for the fiscal year ended June 30, 2018.

The launch of the U-Pass CT program for the fall 2017 semester was also a significant factor. This program provides public transportation to eligible public college students. Revenue from a \$20 per-semester student fee established to fund this program totaled \$2,997,680 for the fiscal year ended June 30, 2018.

Expenditures

Department of Transportation expenditures for all funds for the audited period and the preceding fiscal year are presented below:

Department of Transportation Expenditures by Fund			
Fund	2015-2016	2016-2017	2017-2018
Transportation	\$ 630,227,426	\$ 604,732,691	\$ 651,050,963
Public Bus/Rail Operations	41,891,047	39,623,298	40,416,071
STEAP – Grants to Local Governments	82,862,098	78,535,038	31,746,914
Transportation Grants and Restricted Accounts – Federal	772,326,829	780,302,687	737,941,154
Transportation Grants and Restricted Accounts – Non-Federal	10,915,927	5,232,026	7,356,075
Infrastructure Improvement	844,318,055	757,419,957	778,712,561
Net Other Funds	359,659	1,109,507	4,099,274
Total Expenditures	\$2,382,901,041	\$2,266,955,204	\$2,251,323,012

During the audited period, the Transportation Fund directly financed 28% of DOT expenditures. The Infrastructure Improvement Fund provided 34% 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 62% of DOT 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 4% from various sources.

These percentages do not include DOT-related expenditures by the Department of Administrative Services (insurance and workers' compensation), Office of the State Comptroller (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.

Small Town Economic Assistance Program (STEAP) Town Aid Road Grants paid out of the STEAP – Grants to Local Governments Fund totaled \$60,000,000 in the fiscal years ended June 30, 2016 and 2017. In the fiscal year ended June 30, 2018, the grants were split between the STEAP – Grants to Local Governments Fund and the Infrastructure Improvement Fund, thereby causing \$30,000,000 expenditure fluctuations at the individual fund level that did not affect total DOT expenditures.

Transportation Grants and Restricted Accounts Fund (federal portion) and Infrastructure Improvement Fund program activity fluctuates from year to year as expenditures are primarily for infrastructure improvements and involve numerous multiyear capital projects. There were 1,558 projects with charges that exceeded \$100,000 to one or both funds for the two-year audited period.

Transportation Fund Revenue Receipts

Transportation Fund revenue from all sources for the audited period and the preceding fiscal year is presented below:

Transportation Fund Revenue by Source			
Source	2015-2016	2016-2017	2017-2018
Motor Fuels Tax	\$ 518,230,007	\$ 498,455,075	\$ 499,832,662
Taxes on Petroleum Companies	249,999,996	238,353,989	312,505,518
Sales and Use Tax	109,001,959	188,379,542	327,458,431
Motor Vehicle Use Tax	87,160,728	84,951,387	85,906,190
Tax Refunds	(17,408,724)	(13,236,362)	(10,049,873)
Motor Vehicle Licenses	251,506,448	242,911,867	253,073,959
Net Other Revenue Receipts	154,321,942	154,587,389	161,344,030
Fund Total	\$1,352,812,356	\$1,394,402,887	\$1,630,070,917

During the audited period, tax revenues and motor vehicle licenses were the primary funding sources for the Transportation Fund, comprising 73% and 16% of the fund's support, respectively.

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. The petroleum products gross receipts tax remained at 8.1% during the three fiscal years presented above. The 31% increase in the 2017-2018 fiscal year was due to price increases.

Sales and use tax revenue increased during the audited period due to legislative changes to the amount of sales tax diverted to the Transportation Fund. Public Act 15-244 (Section 74), as amended by Public Act 15-5 of the June Special Session (Section 132) and Public Act 15-1 of the December Special Session (Section 32), directed 4.7% of sales tax revenue to the Transportation Fund beginning on December 1, 2015. Furthermore, the percentage directed increased to 6.3% beginning on October 1, 2016 and 7.9% beginning on July 1, 2017. Public Act 16-2 of the May Special Session (Section 45) reduced the amounts deposited in the fund each month by \$4,166,667 during the fiscal year ended June 30, 2017.

Transportation Fund Expenditures

Transportation Fund expenditures for all agencies for the audited period and the preceding fiscal year are presented below:

Transportation Fund Expenditures by Agency			
Agency	2015-2016	2016-2017	2017-2018
Department of Transportation	\$ 630,227,426	\$ 604,732,691	\$ 651,050,963
Department of Administrative Services	12,467,010	10,862,271	13,170,483
Department of Energy & Environmental Protection	2,549,733	2,663,333	2,691,973
Department of Motor Vehicles	65,399,651	63,811,936	64,147,923
Department of Social Services	2,177,383	2,370,629	-
Office of the State Treasurer	493,938,883	543,188,610	574,994,975
Office of the State Comptroller	193,959,231	204,219,990	177,655,289
Fund Total	\$ 1,400,719,317	\$ 1,431,849,460	\$ 1,483,711,606

Although over half of the expenditures charged to the Transportation Fund were recorded under other state agencies, most Transportation Fund expenditures pertained to DOT operations. In the table above, 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.

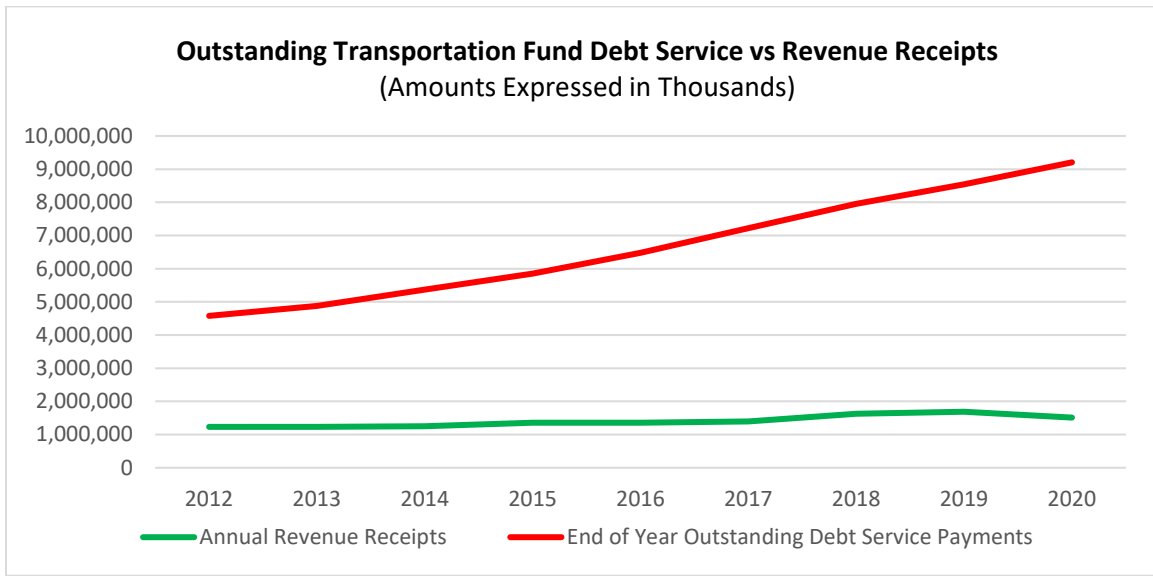
Transportation Fund revenues exceeded expenditures by \$108,912,735 during the audited period due to the diversion of \$515,837,973 in sales and use tax revenue from the General Fund. This \$108,912,735, together with minor miscellaneous adjustments of \$580, increased Transportation Fund net assets, as shown in the State Comptroller's statutory basis reports, from \$165,450,646 at the beginning of the audited period to \$274,363,961 as of June 30, 2018. The Transportation Fund does not have significant reserves. The net asset balance as of June 30, 2018 is only sufficient to fund approximately two months of average expenditures.

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
2018	800,000,000	109,887,037	909,887,037
2019	750,000,000	73,785,536	823,785,536
2020	850,000,000	150,742,426	1,000,742,426

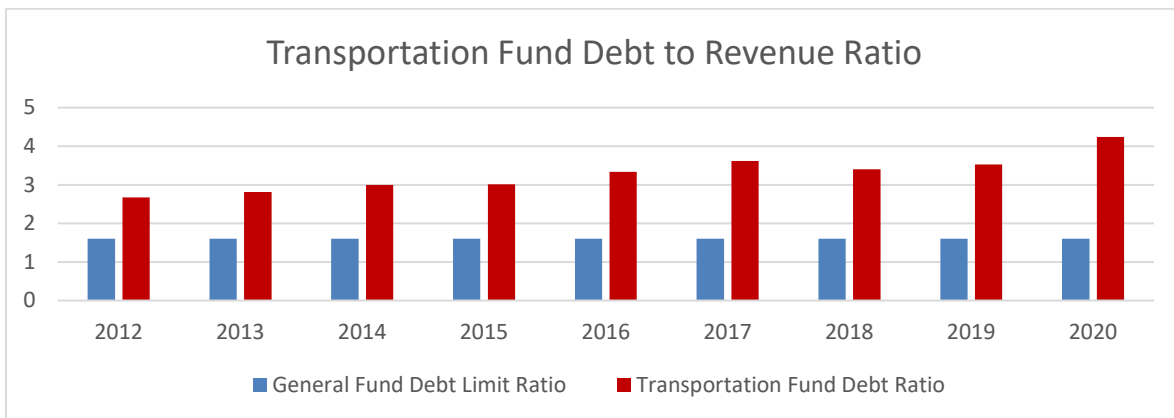
Additionally, the amount of debt issued each year to support expenditures of the Infrastructure Improvement Fund, which is serviced by the Transportation Fund, has increased steadily in recent

years. Aggregate principal and interest to be paid on outstanding bonds increased from \$4,578,023,000 as of June 30, 2012 to \$7,954,549,000 as of June 30, 2018.

Increased mandatory debt service payments reduce the amounts available for discretionary spending in future years. The following chart compares the increase in outstanding Transportation Fund 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).



Section 3-21 of the Connecticut General Statutes provides that no bonds, notes or other indebtedness payable from the General Fund may be issued or outstanding if the total amount of indebtedness exceeds 1.6 times the total estimated General Fund tax receipts for the current fiscal year (the statutory debt limit). The following chart compares the ratio of the outstanding special tax obligation bond principal at the end of each fiscal year with Transportation Fund revenue receipts for the year (amounts expressed in thousands).



Transportation fund debt is not limited by statute. As a result, the ratio of Transportation Fund debt to the fund's revenues has significantly exceeded the maximum permitted for the General Fund. Despite legislative efforts to increase Transportation Fund revenues by diverting increasing

amounts of sales tax receipts to the fund beginning in the fiscal year ended June 30, 2016, the Transportation Fund bond principal outstanding increased to 4.24 times total Transportation Fund annual revenues by the fiscal year ended June 30, 2020.

Transportation infrastructure costs are anticipated to increase in the future. The Transportation Fund's debt load cannot be increased indefinitely. Significant additional revenues will be needed to keep the fund solvent.

Transportation Fund expenditures for DOT for the audited period and the preceding fiscal year are presented below.

Transportation Fund Expenditures for DOT by Special Identification Code*			
Special Identification Code	2015-2016	2016-2017	2017-2018
Personal Services	\$ 165,034,410	\$ 168,465,512	\$ 164,129,284
Other Expenses	56,038,739	51,509,386	53,406,018
Highway Planning and Research	3,058,974	2,582,173	2,244,609
Rail Operations	183,563,844	173,154,738	210,083,476
Bus Operations	157,601,445	152,590,655	166,104,980
ADA Para Transit Program	36,228,025	37,711,446	39,039,427
Pay-As-You-Go Transport Projects	21,203,036	12,349,706	11,240,905
Net Other Expenditures	7,498,953	6,369,075	4,802,264
Fund Total	\$ 630,227,426	\$ 604,732,691	\$ 651,050,963

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

Personal services expenditures were stable during the audited period. Decreases in base salaries were partially offset by increases in overtime costs. DOT had 3,073, 2,990, and 2,897 employees as of June 30, 2016, 2017, and 2018, respectively.

Fluctuations in project activity affect the level of Transportation Fund personal services expenditures. DOT allocates personal services costs to the Transportation Fund unless employees are working directly on projects accounted for in other funds. Therefore, the level of personal services costs charged to the Transportation fund varies inversely with the degree of project activity.

Rail operations expenditures increased in the fiscal year ended June 30, 2018, primarily due to larger operating subsidy payments to Metro-North Commuter Railroad and National Railroad Passenger Company (Amtrak). Metro-North Commuter Railroad operates the New Haven Line for DOT via a bi-state agreement, and Amtrak operates Shore Line East under contract.

Transportation Grants and Restricted Accounts Fund – Federal Expenditures

Transportation Grants and Restricted Accounts Fund federal expenditures for the audited period and the preceding fiscal year are presented below:

Transportation Grants and Restricted Accounts Fund – Federal by Federal Program			
Federal Program	2015-2016	2016-2017	2017-2018
Highway Planning and Construction	\$ 490,448,440	\$ 514,892,184	\$ 505,709,638
Federal Transit Capital Investment Grants	92,881,600	34,916,626	28,708,905
Federal Transit Formula Grants	58,102,813	115,597,335	143,803,035
High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	55,038,314	65,937,376	10,852,881
Public Transportation Emergency Relief Program	14,622,927	15,240,949	15,099,068
National Infrastructure Investments	27,390,375	11,067,170	6,422,131
Net Other Expenditures	33,842,360	22,651,047	27,345,496
Fund Total	\$ 772,326,829	\$ 780,302,687	\$ 737,941,154

Federal expenditures vary based on federal awards and vary during the project period based on the length and circumstances of each project. During the audited period, there were 626 projects that exceeded \$100,000 for the two-year period with charges to the Highway Planning and Construction, Federal Transit Capital Investment Grants, or Federal Transit Formula Grants programs.

The project with the highest level of expenditures during the audited period was project 151-273 for the reconstruction of state and local roads associated with the realignment of I-84 in Waterbury. Expenditures under project 151-273 totaled \$116,351,296 during the audited period. Other projects with high levels of expenditures included:

- Project 400-048 for the replacement of older buses (\$76,316,982)
- Project 171-305 involving funding for the New Britain-Hartford busway (\$50,635,687)
- Project 092-522 for the widening of I-95 in West Haven-New Haven (\$49,405,933)
- Project 920-531 for the reconstruction of the I-95/I-91/Route 34 interchange in New Haven (\$48,327,017)
- Project 431-006 for the construction of a new bus maintenance and storage facility to serve the Waterbury area (\$41,627,075)

The Department of Transportation’s participation in the High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants program ended during the audited period. There were no expenditures under this program in succeeding fiscal years.

The apparent decrease in National Infrastructure Investments Program expenditures in the fiscal year ended June 30, 2017 was primarily due to the inclusion of prior year costs in expenditures in the fiscal year ended June 30, 2016. During that fiscal year, DOT transferred \$19,280,390 in costs incurred for the first two National Infrastructure Investments Program

projects that had been recorded under the Highway Planning and Construction Program during the fiscal years ended June 30, 2013 through 2015.

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.

Infrastructure Improvement Fund Expenditures

Infrastructure Improvement Fund expenditures for DOT for the audited period and the preceding year are presented below:

Infrastructure Improvement Fund by Special Identification Code*			
Special Identification Code	2015-2016	2016-2017	2017-2018
Capitol Resurfacing Related Improvements	\$ 88,719,409	\$ 74,722,787	\$ 67,729,953
Improve Construction Facilities	27,107,311	40,826,168	26,388,662
Salt Storage & Maintenance Facility Improvements	14,605,940	12,638,649	11,015,528
Bus/Rail Facilities & Improvements	77,644,136	100,677,347	134,488,750
Urban Systems	10,950,001	8,428,227	12,261,821
Improve State Bridge/Railroads	73,894,442	50,768,431	46,610,260
Interstate Highway Projects	101,228,526	14,571,230	10,212,483
Intrastate Highway Projects	56,957,248	50,236,857	50,213,530
I-95 Operational Improvements	15,358,379	13,247,369	7,543,161
Roadmap for CT Economic Future	114,866,140	72,463,191	67,288,887
Fix It First – Repair State Roads	87,998,769	43,585,114	52,848,196
Fix It First – Repair Bridges	64,359,671	74,144,253	49,437,087
Rail Maintenance Facilities	50,838,161	36,318,828	16,770,947
Town Aid Road – STO	-	-	30,000,000
Local Transport Capital Program	18,856,626	22,710,038	35,455,032
Highway & Bridge Renewal	15,288,580	16,978,613	6,076,503
Let's Go Ct Ramp-Up Program	8,591,958	87,819,013	129,216,176
Net Other Expenditures	17,052,758	37,283,842	25,155,585
Fund Total	\$ 844,318,055	\$ 757,419,957	\$ 778,712,561

* 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 volume of construction and other activities. Fluctuations during the audited period reflected the net effect of changes in many individual projects. There were 683 projects with charges to the Infrastructure Improvement Fund that exceeded \$100,000 for the two-year period.

The project with the highest level of expenditures during the audited period was project 170-3155 for track and corridor improvements to the New Haven/Hartford/Springfield rail line. Expenditures under project 170-3155 totaled \$73,441,224 during the audited period. Other projects with high levels of expenditures included:

- Project 170-3154 for rail track and corridor improvements in Meriden, Berlin, and Newington (\$38,372,821)
- Project 135-326 for the relocation of the touchdown point for the I-95 northbound Exit 8 off-ramp in Stamford (\$36,177,083)
- Project 301-176 for the replacement of the Walk rail bridge in Norwalk (\$34,248,460)
- Project 301-180 for upgrading the New Haven Line's dockyard property along the Danbury Branch rail line in South Norwalk (\$33,674,224)
- Project 300-200 for the purchase of new M-8 rail cars for the New Haven Line (\$33,399,616)

As noted previously, \$60,000,000 in Town Aid Road grants were paid out of the STEAP – Grants to Local Governments Fund in both the fiscal years ended June 30, 2016 and 2017, and \$30,000,000 was paid out of both the STEAP – Grants to Local Governments Fund and the Infrastructure Improvement Fund in the fiscal year ended June 30, 2018. This activity caused offsetting expenditure fluctuations in these funds.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Department of Transportation disclosed the following nine recommendations, of which six have been repeated from the previous audit:

Information Technology Disaster Recovery Plan Deficiencies

<i>Criteria:</i>	<p>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. It should also incorporate systematic procedures for carrying out the recovery process that prioritize the tasks to be performed and identify the people that will perform them.</p> <p>A disaster recovery plan must be tested regularly. Otherwise, it could fail to execute as expected.</p>
<i>Condition:</i>	<p>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. It also does not incorporate procedures for carrying out the recovery process, prioritizing the tasks to be performed, or identifying the individuals who will perform them.</p>
<i>Context:</i>	<p>The Department of Transportation's IT systems are an essential component of the department's infrastructure.</p>
<i>Effect:</i>	<p>The lack of a comprehensive and tested disaster recovery plan will hamper DOT efforts to restore information technology functionality in a timely manner, should a disaster occur.</p>
<i>Cause:</i>	<p>The Department of Transportation informed us that it is in the process of developing a more detailed disaster recovery plan.</p>
<i>Prior Audit Finding:</i>	<p>This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2013 through 2016.</p>
<i>Recommendation:</i>	<p>The Department of Transportation should develop and regularly test a comprehensive disaster recovery plan for its information technology functions. (See Recommendation 1.)</p>

Agency Response: “IT started the review of the current DR procedure in 2019. The original plan was to complete the review in 2020 and submit for approval a budget request to procure equipment or services that could be identified as necessary to proceed with the full implementation of the new procedure and equipment during FY21–FY22, but due to the pandemic, the plan and the time for implementation changed.

Despite the pandemic situation, progress has been made in the data communication environment. The early evaluation performed in 2019 identified the need for a backup line between the agency and BEST to ensure business continuity; email services, CORE and GIS applications hosted on BEST servers were considered critical tools to the agency and those must be available. The backup line was installed, and the failover configuration implemented in 2020.

The review of the DR process will continue this calendar year 2021 but it must be adjusted to the new way IT is running and offering hosting and network resources. In March 2020, due to the prominence of telework in response to the coronavirus threat, IT started the migration of files and applications from internal servers to the state cloud. Based on that, IT will need to consider a new cloud-based DR and evaluate potential cost and implementation where it is applicable. The state cloud is hosted in a Microsoft Azure environment. Microsoft follows SOC2 type 2 report relevant to data security, confidentiality, and availability.”

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 previous review, there were 98 active access cards for the DOT IT server room, which included multiple cards issued to DOT property and facilities staff and the cleaning services vendor (not assigned to a specific person). We recommended that DOT only issue IT server room access cards to individuals who need regular access. However, during our current review, we found that there were 153 active access cards for the DOT IT server room.

Context: The equipment in the IT server room constitutes the foundation of DOT’s physical network, and it must be properly safeguarded. Additionally, an individual may be able to bypass certain controls by accessing servers directly.

<i>Effect:</i>	Unnecessary widespread access to the server room compromises DOT's efforts to secure its information systems and electronic data.
<i>Cause:</i>	DOT does not regularly review its listing of active server room access cards.
<i>Prior Audit Finding:</i>	This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2013 through 2016.
<i>Recommendation:</i>	The Department of Transportation should limit information technology server room access to those who require regular access for legitimate operational purposes. (See Recommendation 2.)
<i>Agency Response:</i>	“The role and responsibilities of IT employees with access to the server room were reviewed by IT management. An updated IT employees list was provided to DOT Security requesting the removal of those employees that do not need access to the server room to perform their respective jobs. Due to building operation, the following staff has access to the server room: Building maintenance staff, building maintenance contractors and cleaning workers. DOT Security and DOT IT will work on the development of a separate access list that will be exclusively for the server room.”

Cost-Effectiveness Evaluations Should be Refined

<i>Background:</i>	The Department of Transportation utilizes engineering consultants as a pool of temporary employees that can be contracted as needed to respond to fluctuating workloads. They work alongside DOT employees and are similarly supervised. DOT exercises control over engineer consulting charges, places restrictions on how much they can be paid, and requires annual audits to substantiate those charges.
<i>Criteria:</i>	Section 4e-16(p) of the General Statutes requires state agencies to perform a cost-effectiveness evaluation before entering or renewing a privatization contract to determine whether the contract is the most cost-effective method of delivering the service.
<i>Condition:</i>	We reviewed two DOT 2019 cost-effectiveness evaluations for engineering consultants. The evaluations implied that it is considerably more expensive to utilize consultants rather than having DOT employees perform the work. However, we found that DOT's evaluations did not consider all potential costs.

The evaluations included all the costs associated with outsourcing the work but did not take into consideration a significant portion of the cost of DOT performing the work. Specifically, the evaluations assumed:

- DOT incurs substantial costs for contract oversight by DOT employees. However, the DOT evaluations did not provide for equivalent costs of overseeing DOT employees. Furthermore, the DOT estimation method appeared arbitrary, and the calculations reflected a significant mathematical error.
- State employees would be paid for the same number of hours billed by the consultants. The evaluations did not include the effect of paid leave and other potential costs.
- State employees would be paid, on average, near the midpoint of the applicable salary schedule. Our review of current DOT salaries indicated that actual salaries were slightly higher.
- State employee salary levels would conform to pay plans effective July 1, 2015. However, most of the payments on the two evaluated consultant contracts were made after a 3.5% cost of living increase effective July 1, 2019, and they continued after an additional 3.5% cost of living increase effective July 1, 2020.
- DOT would be able to significantly expand its workforce without an associated increase in indirect costs.

Additionally, DOT did not consider that its employees could be idle during slower periods if it increased staffing levels to cope with peak workloads.

Context: Department of Transportation’s Engineer/Architect Services account expenditures totaled \$206,218,897 and \$203,272,921 during the fiscal years ended June 30, 2017 and 2018, respectively.

Effect: Inaccurate cost-effectiveness evaluations can adversely influence decision-makers that rely on them.

Cause: These are complex evaluations that inevitably reflect a degree of subjectivity. It appears that those performing the evaluations used assumptions they felt were reasonable under the circumstances.

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

Recommendation: The Department of Transportation should consider all costs associated with competing alternatives and ensure that its privatization cost-effectiveness evaluations are accurate. (See Recommendation 3.)

Agency Response: “The Department partially agrees with this finding. We concur with the mathematical error related to the calculation of fringe costs applied to

the Department's contract management oversight and will correct the calculation in all future applicable consultant evaluations.

The Department doesn't concur with the assertion that the consultant evaluations are inaccurate or misleading, as they relate to the guidance provided in OPM's CEE Policy and Procedures Manual. The Department has and continues to complete consultant engineering CEEs in compliance with the statute and with the guidance contained in the OPM manual. Additionally, we acknowledge that the cost items raised in the condition statement above, related to in-house staff, represent reasonable costs that could possibly be considered in an evaluation, but they are not accounted for in the OPM manual and therefore have not been included in the Department's evaluations."

Auditors' Concluding Comment:

The Department of Transportation should modify the general guidance contained in the CEE Policy and Procedures Manual and the accompanying template to accurately evaluate DOT's consulting engineering contract. When evaluating privatization contracts, DOT should confer with the Office of Policy and Management (OPM) to consider all costs associated with competing alternatives and ensure that its cost-effectiveness evaluations satisfy OPM requirements.

Failure to Comply with Section 4-33a Reporting Requirements

Background:

The U.S. Department of Transportation's legislatively mandated Disadvantaged Business Enterprise (DBE) program is designed to remedy ongoing discrimination and the continuing effects of past discrimination in federally-assisted highway, transit, airport, and highway safety financial assistance transportation contracting markets nationwide. Under this program, a percentage of a project's work must be performed by a legitimate disadvantaged business enterprise.

Criteria:

Section 4-33a of the General Statutes requires state agencies to promptly notify the Auditors of Public Accounts and the State Comptroller of any known existing or contemplated unauthorized, illegal, irregular, or unsafe handling or expenditure of state agency funds or breakdowns in the safekeeping of any other resources of the state or quasi-public agencies. This reporting requirement encompasses suspected or contemplated acts.

Condition:

The Department of Transportation noted that a DBE subcontractor exhibited characteristics common to shell companies. The subcontractor appeared to utilize the prime contractor's employees and equipment to perform the work. DOT reported its suspicions to the federal government.

The activities that DOT reported to the federal government involved a contractor making false representations to obtain financial gain. DOT did not report its suspicions to our office and the State Comptroller as required by Section 4-33a of the General Statutes. Our office became aware of this matter when the U.S. Department of Justice issued a press release announcing that the prime contractor agreed to pay more than \$3,200,000 and implement internal reforms to resolve a criminal and civil fraud investigation.

Context: Section 4-33a reporting requirements are an important aspect of the state's internal control.

Effect: If state agencies do not report as required by Section 4-33a, this control cannot function effectively.

Cause: The Department of Transportation's interpretation of Section 4-33a was that only unambiguous conclusions of unauthorized, illegal, and irregular actions must be reported. DOT did not feel that this matter met that threshold.

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

Recommendation: The Department of Transportation should promptly report matters to the Auditors of Public Accounts and State Comptroller as required under Section 4-33a of the General Statutes as soon as the department reasonably suspects that a reportable incident occurred. (See Recommendation 4.)

Agency Response: "The APA's finding changes the DOT's understanding of the standard for reporting a claim under CGS 4-33a. As discussed below, the events triggering the finding began eight years ago with the DOT's report to the U.S. DOT Office of Inspector General (US DOT OIG) of a concern about a Disadvantaged Business Enterprise (DBE) contractor. The issue was whether the contractor was performing a "Commercially Useful Function (CUF)," a term of art under the DBE program that pertains to quantifying participation eligible for DBE credit towards a project goal. As the DOT understands this position, the APA would have had the DOT report this incident to the APA simultaneous to when the DOT reported it to the US DOT OIG. The DOT did not understand the reporting requirements under CGS 4-33a to be the same as that under the DBE program. However, going forward, the DOT agrees to use reasonable efforts to notify the APA when a matter falls within the requirements of CGS 4-33a, as the DOT understands the APA interpretation.

The DOT notes that the US DOT OIG, as a law enforcement agency, requests that the DOT refrain from alerting potential bad actors about its investigations prematurely, and so the DOT would ask that the APA extend the same consideration.

The specific matter discussed in the APA finding does not contain time references but seems to begin with the APA reading a U.S Department of Justice press release on January 8, 2021. In 2013, the DOT Manager of the Office of Contract Compliance identified an issue with a contractor that appeared to be inconsistent with the DBE program, and reported it to the U.S. DOT OIG accordingly. The DBE compliance issue had to do with specific requirements in the DBE program, i.e., the failure of the prime contractor to require the DBE subcontractor to perform a CUF, i.e., a technical requirement of the DBE program, as stated above. Importantly, the work that was to be done by the subcontractor was completed, thus the Department did not lose any state funds. Ultimately, the matter was investigated by the OIG, and after several years, including the service of search warrants by the OIG on the contractor, the OIG obtained sufficient evidence to permit the U.S. Department of Justice to obtain the negotiated settlement reflected in the press release. During the almost eight intervening years, the DOT provided documentation to the OIG, as requested, but was not involved nor aware of any determination of wrongdoing. Importantly, the OIG's office informed DOT that the case could not have moved forward without information obtained by means of search warrants executed on the contractor.

When the APA saw the 2021 DOJ press release it inquired as to whether the matter had been reported pursuant to C.G.S 4-33a. The DOT informed the APA of its understanding of its obligations under C.G.S. 4-33a by quoting the statute itself, which requires the DOT to “promptly report...any (1) unauthorized, illegal, irregular or unsafe handling or expenditure of state or quasi-public agency funds, (2) breakdowns in the safekeeping of any other resources of the state or quasi-public agencies, (3) breach of security, as defined in section 36a-701b, or (4) contemplated action to commit one of the acts listed in subdivisions (1) to (3), inclusive, of this section within their knowledge...” The APA audit finding expands beyond the DOT's previous understanding of section 4-33a by requiring the DOT to report “as soon as a reasonable suspicion exists that a reportable incident has occurred.”

Up until this audit finding, the DOT did not know of the APA's “reasonable suspicion” standard, and even if it had, the DOT did not have knowledge of any facts that would warrant reporting the DBE matter to the APA, as the DOT understood C.G.S. 4-33a. Issues are reportable to the U.S. DOT OIG when activities seem inconsistent with

the DBE program, a standard different from what the DOT understood to be the standard under C.G.S. 4-33a. At the time the DOT reported the DBE issue to the US DOT OIG, the DOT did not have a “reasonable suspicion” of activity falling within C.G.S. 4-33a, as the DOT understood that statute.

Looking forward, the DOT will make reasonable efforts to interpret C.G.S. 4-33a through the lens of the APA, as identified herein, and will report such matters to the APA accordingly.”

*Auditors' Concluding
Comment:*

Section 4-33a requires agencies to promptly notify our office and the Comptroller of any unauthorized, illegal, irregular, or unsafe handling or expenditure of state or quasi-public agency funds, breakdowns in the safekeeping of any other resources of the state or quasi-public agencies, or contemplated action to commit one of the acts within their knowledge. The Department of Transportation clearly had reasonable suspicion that the subcontractor engaged in unauthorized, illegal, or irregular activity to report this matter to federal authorities. We believe it should have been reported to our office and the State Comptroller.

Our office also understands the sensitivity of matters under investigation. To that end, we worked with the General Assembly to pass Public Act 18-137. Section 1 of the act allows us to delay broadly reporting matters reported to our office pursuant to section 4-33a to allow for a state agency or outside entity to complete an investigation.

Police Accident Report Concerns Not Addressed

Background:

Simple police accident reports are available online through the LexisNexis BuyCrash portal. BuyCrash is an online accident report management solution designed to help simplify the management and distribution of accident reports. Selected Department of Transportation employees have administrative access to this portal.

Criteria:

When DOT personnel or equipment are involved in a motor vehicle accident, the department prepares an incident report that describes the accident, the cause, and any implemented or recommended corrective action. The incident report should address all pertinent aspects of the accident to properly identify necessary and appropriate corrective action.

Condition:

We reviewed documentation pertaining to an accident that involved a private vehicle and DOT equipment. The DOT incident report identified errors on the part of the operator of the private vehicle and attributed the accident solely to those errors.

However, in the police accident report available through the online BuyCrash portal, the responding state trooper stated that abnormal road conditions related to DOT maintenance work were a contributing factor. The documentation on file at DOT did not address this issue.

- Context:* This is a matter of concern as it affects public safety.
- Effect:* When DOT does not address concerns raised in police reports as part of the department’s incident review process, it forgoes the opportunity to identify necessary and appropriate corrective action.
- Cause:* The Department of Transportation’s standard incident review procedure does not always address concerns raised in police accident reports.
- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* The Department of Transportation should ensure that any concerns raised in police accident reports are documented and addressed when the department reviews accidents involving state vehicles. (See Recommendation 5.)
- Agency Response:* “We agree with this finding. Police accident reports involving CTDOT employees are reviewed as a part of the incident review process when they are received. It is agreed that additional emphasis should be placed on observations that investigating officers make during the course of their investigation that are related to any potential contributing factors. In the future, when such observations are indicated in a police report, they will be noted and addressed as appropriate in the case file. In those instances when the investigating officer makes a recommendation for a potential change or improvement in a CTDOT operation, the recommendation will be carefully reviewed by the appropriate office and consideration will be given to a modification to the operation. There is a wide spectrum of variables that may impact on the Department’s ability to modify their operations, but each recommendation will be carefully considered for viability.”

Delays in Addressing Potential Conflicts of Interest

- Criteria:* Employees have a potential conflict of interest, as defined in the Code of Ethics for Public Officials, when they or their close family members are able to derive a financial or other benefit from actions or decisions made in the employee’s official capacity. If a potential conflict of interest exists, an employee must provide a written statement describing the conflict to their immediate supervisor, who will assign the matter to another employee.

One of the ways the Department of Transportation 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 DOT did not promptly address identified potential conflicts of interest.

During our current audit, we reviewed a sample of 20 employees with potential conflicts of interest and found that DOT did not address 12 conflicts or enter the forms into a control log to track them. In addition, the department did not periodically remind employees to update their forms when necessary.

Context: Managing conflicts of interest is a key concern for governmental organizations, as they must ensure that the public's interest is paramount.

Effect: The failure to promptly address potential conflicts of interest could allow employees or their close family members to derive financial or other benefit from actions or decisions made in the employee's official capacity.

Cause: DOT has not conducted its planned update of governing policies due to personnel turnover and the state's centralization of its human resources function.

Prior Audit Finding: This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2013 through 2016.

Recommendation: The Department of Transportation should periodically remind employees of their obligation to report potential conflicts of interest, establish a control log for reported conflicts, and promptly address them. (See Recommendation 6.)

Agency Response: "The Department has established a control log, and attempts to address those conflicts posing the greatest risk first. The Department will work with DAS/HR to make the disclosure form part of promotional interviews (it is already part of the process of hiring new staff)."

Flaw in Control Intended to Provide Accountability for Ferry Fares

Criteria: The State Accounting Manual establishes policies and procedures for all state agencies and requires them to create 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 two 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, a single ticket can be used for up to eight passengers. The employee collecting the fares records the number of passengers on the ticket. The effectiveness of this control is reduced, because the employee can record less than the number of fares they collected.

Customers do not always make cash payments. They have the option to purchase discount coupon books and use the coupons to pay their fares.

Context: Revenues from ferry operations totaled \$218,152 and \$222,373 during the fiscal years ended June 30, 2017 and 2018, respectively.

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.

Prior Audit Finding: This finding has been previously reported in the last two audit reports covering the fiscal years ended June 30, 2011 through 2016.

Recommendation: The Department of Transportation should use pre-numbered tickets with fixed values to improve accountability over ferry fares. (See Recommendation 7.)

Agency Response: “The Department does not dispute the audit finds concerning fare collection and collection controls. The Department also recognizes and agrees that the fare collection process is in need of restructuring. To properly mitigate the inherent risk associated with manual fare collection as well as enhance the overall customer experience, the Department is vigorously pursuing the implementation of automated fare collection technologies. It is the Department’s belief that introducing an off-board fare collection technology is the best practical way to reduce the risk of theft or loss during the fare collection process. All other proposed process improvements carry a similar level of risk as the current collection procedure or require a financial increase to the annual operating budget. At present the Department has completed an evaluation of fare technology feasibility and is engaged with several

different technology providers to determine implementation cost and functionality.”

Mileage Reports Not Approved

- Background:* The Department of Transportation uses a mix of Department of Administrative Services (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 monthly usage reports to DAS. DOT requires its employees to prepare similar reports for DOT-owned vehicles. DOT maintains an automated system for the preparation and approval of mileage reports.
- Criteria:* The preparation of mileage reports and their supervisory approval are key controls necessary to provide accountability over vehicle usage. Each DOT unit that operates DOT-owned vehicles is responsible for carrying out these procedures.
- Condition:* During our prior review in October 2017, we reviewed the status of 85,707 monthly mileage reports prepared for DOT-owned vehicles, from January 2012 through July 2017. We found that 1,101 of the 85,707 mileage reports were not approved by supervisors.
- We recommended that DOT periodically verify that employees completed all required mileage reports and supervisors approved them. DOT planned to evaluate improvements to its State Tracking Automated Request System (STARS) and explore other automated systems to determine the best way of accomplishing this. However, during our current review, we noted that corrective action was still pending, and DOT did not modify or replace the STARS application.
- Context:* On average, over 1,300 mileage reports were filed monthly for DOT-procured vehicles during the 67-month period from January 2012 through July 2017.
- 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 without approved mileage reports on file.
- Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended June 30, 2013 through 2016.

Recommendation: The Department of Transportation should periodically verify that required mileage reports are completed and approved. (See Recommendation 8.)

Agency Response: “We agree with this finding. The Office of Finance will work with the Division of Technology Services to determine the required reports to be developed in order to identify “unapproved” mileage reports that were submitted into the system. Additionally, another report will be created to show the status of all requests which haven’t been approved which had never been submitted for approval. The Office of Finance will also work with the Division of Technology Services to develop a plan to have these reports sent to the appropriate staff for action.”

Noncompliance with Overtime Approval Policies

Background: Overtime is time worked beyond an employee’s normally scheduled hours, usually in emergency situations or to meet special increased production needs. Some employees receive overtime pay for extra work while others accrue compensatory time in lieu of additional pay.

Criteria: The Department of Transportation’s Policy Statement F&A-11 requires prior management approval of all requests for non-emergency overtime. The policy defines emergency situations as occurrences of a serious nature that develop unexpectedly and demand immediate action or storm response. DOT Personnel Memorandum 78-3B requires the time approver to maintain proof of advance written authorization.

DOT Policy Statement F&A-33 requires managerial compensatory time to be approved in advance or, in the case of work performed in emergency situations, within 24 hours of the start of the emergency. Proof of advance authorization must be retained for audit purposes.

These policies are intended to help control labor costs. Increases in paid overtime result in additional expenditures. Although the accumulation of compensatory time does not involve an immediate increase in expenditures, it can create an obligation for future payments and also complicate scheduling.

Condition: We tested 1,691 hours of paid overtime and noted the following:

- DOT does not have a standard method to document that overtime was worked due to emergencies
- Based on the documentation provided, it appeared that 165 of 1,691 hours tested did not involve emergencies

- Of the 165 hours identified as non-emergency overtime, there was no proof of advance authorization on file for 113.5 (69%) of the hours

Our test of compensatory time awarded included 315.5 hours of managerial compensatory time. We found that the required advance approvals were not on file for 114 hours (36%).

Context: Overtime totaled \$22,922,641 and \$23,511,055 during the fiscal years ended June 30, 2017 and 2018, respectively.

Accrued compensatory time hours totaled 8,292 and 18,429 during the fiscal years ended June 30, 2017 and 2018, respectively.

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

Cause: The lack of advance written authorization for non-emergency overtime appears attributable primarily to time approvers misunderstanding the preapproval requirement.

The Department of Transportation's practice is to have individual managers store compensatory time approval records in their e-mail accounts. Most exceptions involved retired managers whose e-mail accounts are no longer accessible.

Prior Audit Finding: This finding has been previously reported in the last two audit reports covering the fiscal years ended June 30, 2011 through 2016.

Recommendation: The Department of Transportation should improve its overtime and compensatory time approval processes. (See Recommendation 9.)

Agency Response: "We agree with this finding. The Bureau of Finance and Administration will review, and update where necessary, the F&A-11, F&A-33 Policy Statements, as well as the DOT Personnel Memorandum-78-03, and reissue them to all staff highlighting responsibilities of staff and approvers. As the authorization for overtime and compensatory time rests with individual managers and bureau chiefs, and they are required to maintain the information relating to the approvals, the reissuance of these relevant policies will stress the importance of complying with these directives."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on the Department of Transportation contained 13 recommendations. Seven have been implemented or otherwise resolved, and six have been repeated or restated with modifications during the current audit.

- 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. **This recommendation has been resolved.**
- The Department of Transportation should develop and regularly test a comprehensive disaster recovery plan for its information technology function. **This recommendation is being repeated. (See Recommendation 1.)**
- The Department of Transportation should issue information technology server room access cards only to individuals who need regular access. **This recommendation is being repeated. (See Recommendation 2.)**
- The Department of Transportation should capitalize infrastructure project costs as they are incurred instead of waiting until the start of the construction phase. **This recommendation has been resolved.**
- 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. **This recommendation is being repeated. (See Recommendation 6.)**
- The Department of Transportation should ensure that it promptly carries out retroactive validation procedures for all timesheets processed, pending supervisory review. **This recommendation has been resolved.**
- The Department of Transportation should enforce its established policy requiring prior management approval of non-emergency overtime. **This recommendation is being restated and repeated. (See Recommendation 9.)**
- The Department of Transportation should enforce its established policy for the documentation of payments for meals provided to employees. **This recommendation has been resolved.**
- The Department of Transportation should use pre-numbered tickets with fixed values to improve accountability over ferry fares. **This recommendation is being repeated. (See Recommendation 7.)**

- 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. **This recommendation has been resolved.**
- The Department of Transportation should periodically verify that employees completed all required mileage reports and supervisors approved them. **This recommendation is being repeated. (See Recommendation 8.)**
- The Department of Transportation's security division should maintain a daily log that provides a brief description of each day's activity. **This recommendation has been resolved.**
- The Department of Transportation should inform intended recipients and seek timely legislative relief when it cannot complete statutorily mandated reports by specified deadlines. **This recommendation has been resolved.**

Current Audit Recommendations:

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

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. The plan does not include detailed specifications for essential hardware and software. It also does not incorporate procedures for carrying out the recovery process, prioritizing the tasks to be performed, or identifying the individuals who will perform them.

- 2. The Department of Transportation should limit information technology server room access to those who require regular access for legitimate operational purposes.**

Comment:

Our previous audit recommended that DOT only issue information technology server room access cards to individuals who need regular access. At that time, there were 98 active access cards which included multiple cards issued to DOT property and facilities staff and the cleaning services vendor (not assigned to a specific person). However, when we conducted our current review, we found that there were 153 active access cards.

- 3. The Department of Transportation should consider all costs associated with competing alternatives and ensure that its privatization cost-effectiveness evaluations are accurate.**

Comment:

Our review of two DOT 2019 cost-effectiveness evaluations for engineering consultants revealed that DOT did not consider all potential costs, including staff supervision, paid leave, actual salaries, salary increases, and indirect costs.

- 4. The Department of Transportation should promptly report matters to the Auditors of Public Accounts and State Comptroller as required under Section 4-33a of the General Statutes as soon as the department reasonably suspects that a reportable incident occurred.**

Comment:

The Department of Transportation reported a matter to the federal government that involved a contractor making false representations to obtain financial gain. However, DOT did not report the incident to our office or the Comptroller as required by Section 4-33a.

- 5. The Department of Transportation should ensure that any concerns raised in police accident reports are documented and addressed when the department reviews accidents involving state vehicles.**

Comment:

The Department of Transportation's standard incident review procedure does not always address concerns raised in police motor vehicle accident reports.

- 6. The Department of Transportation should periodically remind employees of their obligation to report potential conflicts of interest, establish a control log for reported conflicts, and promptly address them.**

Comment:

We reviewed a sample of 20 employees with potential conflicts of interest and found that DOT did not address 12 conflicts or enter the forms in a control log to track them. In addition, the department did not periodically remind employees to update their forms when necessary.

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

Comment:

The Department of Transportation operates two 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, a single ticket can be used for up to eight passengers. The employee collecting the fares records the number of passengers on the ticket. The effectiveness of this control is reduced, because the employee can record less than the number of fares they collected.

- 8. The Department of Transportation should periodically verify that required mileage reports are completed and approved.**

Comment:

Our prior audit recommended that DOT periodically verify that required mileage reports were completed and approved. DOT planned to evaluate improvements to its State Tracking Automated Request System (STARS) and explore the use of other automated systems to better accomplish this. However, during our current review, we noted that corrective action was still pending, and DOT did not modify or replace STARS.

9. The Department of Transportation should improve its overtime and compensatory time approval processes.

Comment:

We tested 1,691 hours of paid overtime and noted that DOT did not have the required approvals on file for 69% of the 165 non-emergency overtime hours in our sample. Our test of compensatory time awarded included 315.5 hours of managerial compensatory time. We found that the required advance approvals were not on file for 114 (36%) of those hours.

ACKNOWLEDGMENTS

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Department of Transportation during the course of our examination.

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

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James Carroll
Peter Lyon
Jacob Rocco
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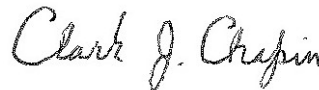


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Approved:



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