STATE OF CONNECTICUT

AUDITORS' REPORT
STATE TREASURER - DEPARTMENTAL OPERATIONS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2012

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

Table of Contents

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS
State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT M. WARD

January 13, 2014

AUDITORS' REPORT
STATE TREASURER - DEPARTMENTAL OPERATIONS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2012

We have made an examination of the financial records of the Office of the State Treasurer (State Treasurer or Treasury) as they pertain to the Treasury's departmental operations for the fiscal years ended June 30, 2011 and 2012. This report on that examination consists of the Comments, Condition of Records, Recommendations and Certification that follow. We also issued separate audit reports covering the State Treasurer - State Financial Operations for the fiscal years ended June 30, 2011 and 2012.

This audit has been limited to assessing the State Treasurer's compliance with certain provisions of financial-related laws, regulations and contracts, and evaluating the internal control policies and procedures established to ensure such compliance. Financial statement presentation and auditing are done on a Statewide Single Audit basis to include all state agencies, including the State Treasurer.

COMMENTS

FOREWORD:

The State Treasurer operates primarily under the provisions of Article Fourth of the State Constitution and Title 3, Chapter 32 of the General Statutes. The Treasury is organized into several divisions and performs a number of functions. This report is concerned with the departmental operations of the Treasury and includes our review of the Business Office, Personnel, Informational Services, and the Unclaimed Property Division. Our review of financial operations of the Treasury that have statewide impact has been issued under separate cover to include the Pension Funds Management Division, the Debt Management Division, the Cash Management Division, the Connecticut Higher Education Trust, and the Second Injury Fund. A listing of officers and officials and a description of the major functions of the divisions covered in this report follows.

Officers and Officials:

The officers and officials of the State Treasury as of June 30, 2012, were as follows:

Denise L. Nappier, State Treasurer
Christine Shaw, Deputy Treasurer
Maria M. Greenslade, Asst. Deputy Treasurer, Second Injury Fund and Unclaimed Property
Lee Ann Palladino, Chief Investment Officer
Lawrence Wilson, Assistant Treasurer, Cash Management
Donald Kirshbaum, Acting Assistant Treasurer, Policy
Sarah Sanders, Assistant Treasurer, Debt Management

New Legislation:

There was no significant legislation affecting the departmental operations of the State Treasury during the fiscal years ended June 30, 2011 and 2012. Legislation affecting the financial operations is disclosed in our reports on financial operations for the fiscal years ended June 30, 2011 and 2012.

RÉSUMÉ OF OPERATIONS:

Department Revenues:

Departmental revenues were mainly from the Second Injury and Compensation Assurance Fund (SIF), Workers' Compensation Administration Fund (WCAF), Grants and Restricted Accounts Fund and the General Fund. The Second Injury Fund's revenues consisted mainly of assessments levied against self-insured employers and companies writing workers' compensation or employers' liability insurance that totaled $31,670,117 and $32,919,405 for the fiscal years ended June 30, 2011 and 2012, respectively. WCAF assessment receipts totaled $14,482,687 and $24,842,617, for the fiscal years ended June 20, 2011 and 2012, respectively. More detailed information concerning the SIF and the WCAF is included in our reports on the State Treasurer – State Financial Operations. Revenues consisted of restricted account and special revenue fund transfer receipts to cover charges from the Combined Investment Fund, Second Injury Fund and Unclaimed Property Division. Unclaimed property receipts decreased substantially during the fiscal year ended June 30, 2011, as the 2010 amount was higher than normal due to the Treasury liquidating stocks and mutual funds. All other receipts increased due to funds received from the Build America Bonds interest subsidy credits, which was part of the American Recovery and Reinvestment Act. The changes in the Other Restricted Account represents deposit of funds associated with the operating expenses of the Pension Funds Management Division, Second Injury Fund, Unclaimed Property Division, Short-Term Investment Fund and the Debt Management Division. These amounts will fluctuate from year to year based on activity.

	Fiscal Year Ended June 30,		
	2010	**2011**	**2012**
Other Restricted Account	$200,682,313	$144,802,150	$220,453,646
General Fund - All Other Receipts	8,241,590	26,372,252	32,185,171
General Fund – Unclaimed Property	198,554,454	99,979,005	80,920,662
Total Revenues	**$407,478,357**	**$271,153,407**	**$333,559,479**

Public Act 07-01, Section 96 of the June 2007 Special Session, effective June 26, 2007, amended Section 3-69a subsection (a)(2) of the General Statutes by allocating $17,300,000 of escheat revenues for the fiscal year ended June 30, 2008 to the Citizens' Election Fund instead of having the amount determined by the change in the consumer price index. Thereafter, transfer amounts were adjusted using the amount allocated in the prior year adjusted by the changes in the consumer price index. The transfers to the Citizens' Election Fund totaled $18,373,174 for the fiscal year ended June 30, 2011. Public Act 11-6, Section 120 set the amount to be deposited into the Citizens' Election Fund for fiscal year ending June 30, 2012, at $10,600,000. Since its inception, transfers to the Citizens' Election Fund totaled $115,404,535. The State Elections Enforcement Commission administers this fund, which is used to publicly finance campaigns of participating candidates running for state elective offices. Funds were previously deposited into the General Fund. The amounts for the Citizens' Election Fund as well as administrative expenses for the Unclaimed Property program were deducted from the General Fund – Unclaimed Property amounts noted above. The Treasury also receives non-cash unclaimed property, including shares of stocks and mutual funds. The noncash property is not reflected in the General Fund's cash receipts until it is sold. As of June 30, 2011 and 2012, the Treasury estimated the market value of unclaimed securities to be $1,932,505 and $1,110,823, respectively.

Department Expenditures:

The operations of the Treasury for the fiscal years ended June 30, 2010, 2011 and 2012, excluding expenditures classified as debt service paid and workers' compensation awards that are included in the separate audit report on state financial operations, are summarized below:

	Fiscal Year Ended June 30,		
Net Expenditures by Fund:	**2010**	**2011**	**2012**
Special Revenue Fund	$ 91,926,945	$ 103,482,355	$ 104,133,663
General Fund-Non-Functional	33,413,851	51,947,092	83,545,564
General Fund-Budgeted	3,365,574	3,259,476	3,345,318
Net Expenditures	**$128,706,370**	**$158,688,923**	**$191,024,545**

The Special Revenue Fund was the major funding source for the Treasurer's Pension Funds Management Division, Second Injury Fund, Bond Issue Costs, and a Bank Compensation Account. Operating expenditures of the Unclaimed Property Division and a Special Assessment account are also paid from the Special Revenue Fund. General Fund – Non-Functional expenditures were for reimbursements of unclaimed property. A comparison of departmental expenditures categorized by account code is as follows:

Net Expenditures by Major Object:	2010	2011	2012
	Fiscal Year Ended June 30,		
Purchased & Contractual Services	$ 76,784,776	$ 87,993,528	$ 88,315,140
Unclaimed Property Returned to Owners	33,413,851	51,947,092	83,545,564
Personal Services & Employee Benefits	18,185,011	18,361,708	18,797,853
Information Technology	82,031	122,334	85,158
Premises & Property Expenses	76,936	62,916	86,007
Employee Expenses, Allowances & Fees	68,980	56,821	42,613
Purchased Commodities	53,164	92,988	84,150
Motor Vehicle Costs	41,621	39,685	42,917
Capital Outlays – Equipment	-0-	11,851	25,144
Net Expenditures	**$128,706,370**	**$158,688,923**	**$191,024,546**

Contractual and personal services are the major expenditures of the Treasury other than debt service cost, which has been excluded from our summary as it is reviewed in our Auditors' Report of Financial Operations. The most significant item included in contractual services is the payments of the investment advisor fees by the Pension Funds Management Division. Payment processing procedures made pursuant to these contracts were reviewed as part of the financial statement audit. Returns of unclaimed property increased during the fiscal years ended June 30, 2011 and 2012. One reason for the significant increase is due to the sale of securities, resulting in cash being returned to owners instead of shares. Personal services expenditures were paid from the following sources:

General Fund:	2010	2011	2012
	Fiscal Year Ended June 30,		
Budgeted Accounts	$ 3,210,135	$3,072,415	$3,194,412
Grants and Restricted Accounts Funds			
Second Injury Fund	5,375,204	5,617,332	5,882,880
Pension Funds Management Division	5,589,165	5,657,670	5,810,955
Unclaimed Property	3,113,293	3,105,488	2,953,003
Short-Term Investment Fund	897,214	908,803	956,603
Totals	**$18,185,011**	**$18,361,708**	**$18,797,853**

Total personal services expenditures increased 1 percent and 2.4 percent in the fiscal years ended June 30, 2011 and 2012, respectively. Wages remained somewhat constant and positions filled during the period were steady. Employment statistics for the Treasury for full-time permanent positions are as follows:

	June 30,		
General Fund:	2010	2011	2012
Budgeted Accounts	40	39	39
Other Restricted Accounts Funds:			
Second Injury Fund	40	42	39
Unclaimed Property	26	25	24
Pension Funds Management Division	21	22	25
Short-Term Investment Fund	6	6	6
Other Funds	4	4	4
Total Positions	**137**	**138**	**137**

Unclaimed Property Division:

The administration and disposition of property held by banking and other organizations for the benefit of owners who cannot be located is provided for in Sections 3-56a to 3-74a of the General Statutes. The statutes provide for all escheat cash receipts to be deposited into the General Fund with the exception of periodic transfers to the Citizens' Election Fund and a restricted unclaimed property account within the General Fund. Transfers to the Citizens' Election Fund totaled $18,191,261, $18,373,174 and $10,600,000 for the fiscal years ended June 30, 2010, 2011 and 2012, respectively. The restricted account funds are used to pay the Unclaimed Property Division's administrative costs. These administrative costs totaled $6,677,639 and $4,466,551 for the fiscal years ended June 30, 2011 and 2012, respectively. The receipts presented below show revenues prior to the reallocation to adjust for these transfers.

Unclaimed property includes unclaimed bank accounts and insurance policies as well as uncashed checks, customer overpayments held by businesses, and various court deposits. A comparison of unclaimed property receipts, as presented in the Treasurer's Annual Report for the fiscal years ended June 30, 2010, 2011 and 2012, follows:

	Fiscal Year Ended June 30,		
Unclaimed Property Receipts:	2010	2011	2012
Corporations	$34,870,582	$32,920,767	$31,576,954
Financial Institutions	17,155,456	18,824,884	23,432,956
Insurance Companies	12,643,672	12,061,409	13,363,515
Governmental and Public Agencies	3,752,850	2,409,017	2,893,710
Dividends on Securities Held	1,031,952	179,927	61,650
Reciprocal Exchange with Other States	850,758	1,526,640	1,411,061
Miscellaneous	171,172	23,058	116,789
Securities Tendered	464,770	130,463	82,316
Securities Liquidated	151,166,311	56,953,029	23,047,163
Totals	**$222,107,523**	**$125,029,194**	**$95,986,114**

The fiscal year ended June 30, 2010, included proceeds from the sales of securities in the amount of $151,166,505 that were previously held by the Unclaimed Property Division. The division receives abandoned stocks, bonds and mutual funds and, during the fiscal year ended June 30, 2010, formulated a policy to sell the property received during a given month in the subsequent month and forward the cash to the General Fund. Due to these monthly sales, the inventory value was greatly reduced in subsequent years. According to the State Treasurer's Annual Report, the estimated market values of the securities held at the end of each fiscal year were as follows:

	As of June 30,		
	2010	**2011**	**2012**
Securities Inventory	$22,097,989	$1,932,505	$1,110,823

The Unclaimed Property Division's claim payments made in cash, transfers to the Citizens' Election Fund to support the State Elections Enforcement Commission, and administrative expenses as reported in the State Treasurer's Annual Report are as follows:

	Fiscal Year Ended June 30,		
	2010	**2011**	**2012**
Claim Payments	$33,408,124	$51,946,468	$83,544,465
Transfers to Citizens Election Fund	18,191,261	18,373,174	10,600,000
Salaries and Fringe Benefits	3,771,592	3,743,050	3,601,391
Data Processing and Hardware	2,514,603	2,427,212	1,488,672
All Other	431,564	157,153	376,488
Totals	**$58,317,144**	**$76,647,057**	**$99,611,016**

Due to the policy change discussed above regarding the selling of securities, the amount of cash claims paid in the fiscal year ended June 30, 2011 was significantly higher as reflected above. For fiscal year ended June 30, 2012, claims paid increased once again primarily due to a significant claim that totaled $32.8 million. Transfers to Citizens' Election Fund remained consistent from the fiscal year ended June 30, 2010 through June 30, 2011; however, for fiscal year ended June 30, 2012, Public Act 11-6 reduced the amount required to be transferred into the fund.

Second Injury and Compensation Assurance Fund:

The operations of this fund are provided for by various statutes of the Workers' Compensation Act, Chapter 568 of the General Statutes (notably Sections 31-310 and 31-349 through 31-355b). This act provides protection for employees suffering occupational injuries or diseases and establishes criteria determining whether benefits due employees are to be paid by the employers or their carriers out of the Second Injury Fund (SIF). The State Treasurer is the custodian of the SIF. In accordance with the provisions of Section 31-349e of the General Statutes, there is an advisory board to advise the custodian of the SIF on matters concerning administration, operation, claim handling and finances of the fund. Comments regarding the financial operations of this fund are included under separate cover in our reports on the State Treasurer – State Financial Operations for the fiscal years ended June 30, 2011 and June 30, 2012.

CONDITION OF RECORDS

The following recommendations resulted from our current review of the Office of the State Treasurer's departmental operations.

Banking Service Agreements:

Criteria: Good businesses practices include a periodic rebidding of contracts. Section 4-216(a) of the General Statutes indicates that each personal service agreement in excess of $50,000 shall be based on a competitive negotiation, requiring approval from the Office of Policy and Management (OPM). Section 4-252 of the General Statutes require a contract with a total cost of more than $500,000 to be subject to certain gift affidavit and ethics certification requirements.

Condition: During our review, we found that four banking service contracts have not been rebid since their inception, between 16 and 20 years ago. Certain requirements, such as OPM approval, gift affidavits, and ethics certifications were not available, as the contract dates preceded those requirements.

Cause: Management of the Cash Management Division did not rebid its contracts.

Effect: The banking needs of the Cash Management Division may not be met in an efficient and effective manner under these service contracts.

Recommendation: The Treasury's Cash Management Division should rebid its banking service contracts periodically. (See Recommendation 1.)

Agency Response: "The Cash Management Division has rebid several banking service contracts and has made substantial progress in responding to this recommendation. Through three requests for proposals (RFP) and related negotiations with banks, the division has generated over $5 million in annual administrative and bank fee savings and higher earnings credits.

One of the contracts in question was rebid in 2003, and new pricing was subsequently negotiated with the existing vendor for an annual savings in excess of $200,000 since 2006. A new contract, however, did not need to be executed. In addition, a contract for the Department of Labor was rebid in 2009 resulting in over $4 million in annual savings of administrative costs and bank fees (depending on unemployment caseload). A contract for the Department of Revenue Services was rebid in 2011 and resulted in $290,000 in annual banking and administrative savings. Furthermore, we used a proposal submitted in response to the RFP process to renegotiate fees with our largest banking relationship, resulting in approximately $400,000 in savings in annual banking service fees, and a potential increase of

$350,000 in earnings credits. Going forward, the division expects to issue in CY14 an RFP that will cover the state's payroll, retirement, vendor and potentially other large disbursement accounts. Several lockbox contracts will also be rebid during 2014."

Property Control:

Criteria: Section 4-36 of the General Statutes requires each state agency to keep property inventory records in the manner prescribed by the State Comptroller. The State Property Control Manual provides further guidance, establishing agency responsibilities for accounting and reporting of state assets, including maintaining a software control system.

Condition: We found that the total property reported to the Comptroller for fiscal years ended June 30, 2011 and June 30, 2012, was overstated by $15,565 and $18,897, respectively. The Treasury's software inventory does not contain the minimum required information as prescribed by the State Comptroller.

Cause: Software inventory included items that should not have been included.

Effect: The property amount reported to the State Comptroller did not accurately reflect the capitalized property as of June 30, 2011 and June 30, 2012. Inadequate software inventory record keeping could lead to inaccurate reporting to the State Comptroller.

Recommendation: The Treasury should accurately report property amounts and be sure its property control records conform to the requirements set forth by the State Comptroller. (See Recommendation 2.)

Agency Response: "We concur with the Auditors' recommendation. The overstatement resulted from the Treasury recording the cumulative costs of some software license fees, whereas the Comptroller's property manual only requires each individual software license fee to be recorded. As such, the individual license fee cost is below the dollar threshold required for inventory tracking by the Comptroller's property manual. The Treasury now tracks software inventory with cost information required by the State Comptroller's property manual and has corrected the overstatement of the software inventory in Core-CT."

Contract Administration:

Criteria: The indenture for Special Tax Obligation Bonds requires the Special Transportation Fund to be audited annually and an audit report to be delivered to the state within 120 days after the close of each fiscal year. The bond continuing disclosure agreement requires the state's annual information statement, including audited CAFR statements, to be delivered by February 28th of each fiscal year.

Condition: The Special Transportation Fund audit for fiscal year 2012 was not begun until October 2012. The final audit was delivered on February 27, 2013.

Cause: Contract negotiations with the independent public accounting firm chosen to perform the audit were delayed, resulting in the contract being executed by the auditing firm vendor on October 12, 2012.

Effect: The final audit was delivered four months later than required.

Recommendation: The Office of the State Treasurer should seek to meet prescribed timeframes for financial reporting detailed in its bond indentures. (See Recommendation 3.)

Agency Response: "The Treasury always seeks to meet the timeframes for financial reporting set forth in bond indentures. In this instance, the delay in delivering the audit for the Special Transportation Fund was caused by protracted and unanticipated difficulties in negotiating a contract, including the state's standard terms and conditions, with a firm that acquired the longstanding auditor of the Fund.

It bears noting that the Treasury, in accordance and in compliance with the terms of the bond indenture governing such situations, took steps to ensure that "curative or corrective action [was] instituted… and diligently pursued until the failure of performance [was] cured or corrected." Consequently, while the audit was not delivered within the bond indenture's prescribed timeframe, it was completed and submitted ahead of the deadline set forth in the bond continuing disclosure agreement.

By way of background, in December of 2011, Grant Thornton LLP acquired the assets of Carlin, Charron & Rosen LLP, including the audit team assigned to the Special Transportation Fund for the past seven years. The contract amendment was sent to Grant Thornton on May 8, 2012, and following extensive negotiations was executed on October 12, 2012.

During the pendency of negotiations with Grant Thornton, the Treasury put in place a contingency plan to have another audit firm, already under contract with the Treasury, complete the audit should negotiations with Grant Thornton prove unsuccessful.

The final audit for the Special Transportation Fund was delivered on February 27, 2013, ahead of the state's continuing disclosure deadlines, and was included in the state's Comprehensive Annual Financial Report (CAFR). Going forward, for fiscal year 2013, a contract with a new audit firm is in place and the audit for the Special Transportation Fund is expected to be completed on time."

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit examination resulted in three recommendations, of which one is being repeated in our current audit report. The following is a summary of those recommendations and the action taken by the Office of the State Treasurer.

- The Treasury should not have appointees under Section 3-13a of the General Statues working in unrelated divisions and employee errors should be prevented or detected by internal controls. We noted no exceptions in this area. This recommendation will not be repeated.

- The Cash Management Division should rebid its banking service contracts periodically. There has been limited action taken on this matter; therefore, this recommendation will be repeated as Recommendation 1.

- The State Treasurer should update its Regulations of State Agencies. We found the Treasurer was making strides to implement this recommendation and we will not repeat this recommendation.

Current Audit Recommendations:

The following recommendations resulted from our current review.

1. **The Treasury's Cash Management Division should rebid its banking service contracts periodically.**

   Comments:

   Banking service contracts are outdated.

2. **The Treasury should accurately report property amounts and be sure its property control records conform to the requirements set forth by the State Comptroller.**

   Comments:

   Software inventory records did not comply with State Comptroller requirements, which contributed to inaccurate reporting of property amounts.

3. **The Office of the State Treasurer should observe bond indenture requirements and ensure that audits are delivered within prescribed guidelines.**

   Comments:

   The Special Transportation Fund audit for Fiscal Year 2012 was delivered four months later than required by the indenture.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the Office of the State Treasurer for the fiscal years ended June 30, 2011 and 2012. This audit was primarily limited to performing tests of the Treasury's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the Treasury's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the Treasury are complied with, (2) the financial transactions of the Treasury are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the Treasury are safeguarded against loss or unauthorized use. The financial statement information related to the Departmental Operations of the Office of the State Treasurer for the fiscal years ended June 30, 2011 and 2012, is included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

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

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

In planning and performing our audit, we considered the Office of the State Treasurer's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Treasury's financial operations, safeguarding of assets and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of expressing an opinion on the effectiveness of the Treasury's internal control over those control objectives. Accordingly, we do not express an opinion on the effectiveness of the Office of the State Treasurer's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function to prevent, or detect and correct on a timely basis, misstatements, unauthorized, illegal or irregular transactions, or the breakdown in the safekeeping of any assets or resource. A *material weakness* is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that significant misstatements, unauthorized, illegal, irregular or unsafe transactions and/or material noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that would be material in relation to the Treasury's financial operations will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the Treasury's financial operations, safeguarding of assets, or compliance with requirements that we consider to be material weaknesses, as defined above. However, we consider the following deficiency, described in detail in the accompanying Condition of Records and Recommendations sections of this report to be a significant deficiency: Recommendation one, which states that banking contracts should be rebid. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Office of the State Treasurer complied with laws, regulations, contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Treasury's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain matters which we reported to Treasury management in the accompanying Condition of Records and Recommendations sections of this report.

The Office of the State Treasurer's responses to the findings identified in our audit are described in the accompanying Condition of Records section of this report. We did not audit the Treasury's response and, accordingly, we express no opinion on it.

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

CONCLUSION

In conclusion, we wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Office of the State Treasurer during the course of our examination.

David Tarallo
Principal Auditor

Approved:

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts