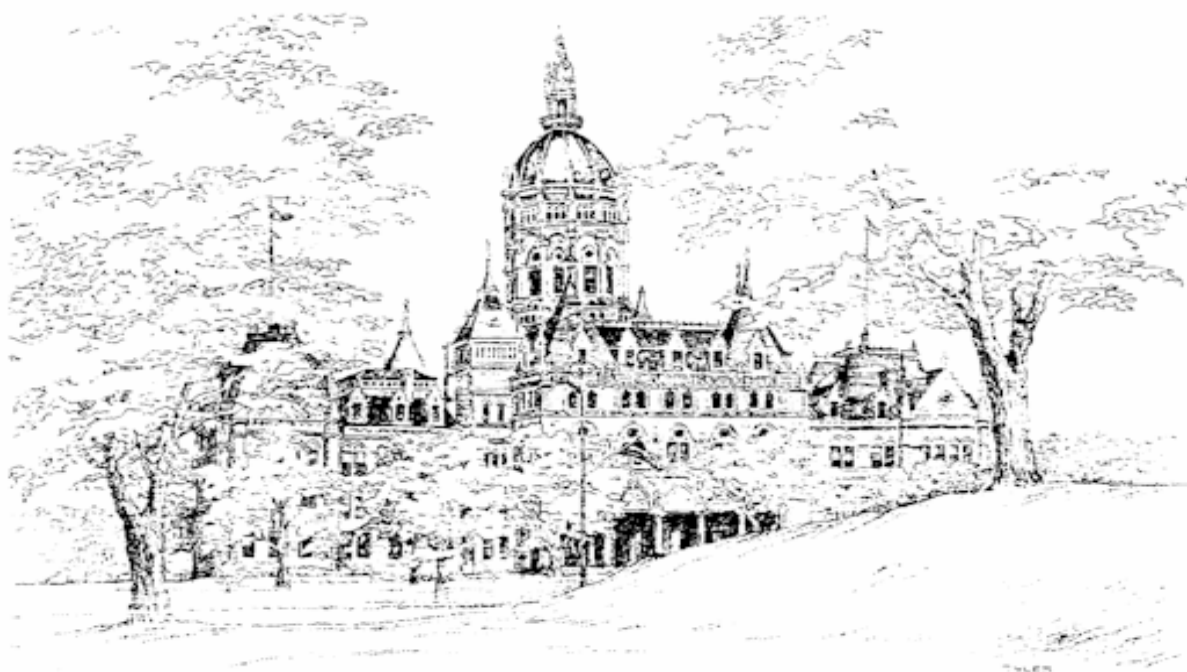


2005 ANNUAL REPORT  
to the  
Connecticut General Assembly



AUDITORS OF PUBLIC ACCOUNTS  
KEVIN P. JOHNSTON ❖ ROBERT G. JAEKLE

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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**January 31, 2006**

Members of the General Assembly:

In accordance with Section 2-92 of the Connecticut General Statutes, we are hereby submitting our annual report on the operations of the Office of Auditors of Public Accounts.

The 2005 calendar year was another busy and challenging year for our Office. In addition to managing the challenges posed by the State's on-going implementation of a new set of centralized financial and human resource management computer applications, collectively referred to as "Core-CT", our Office continued to receive a near record number of whistleblower complaints during this period. A significant amount of staff resources were devoted to both of these areas, requiring our Office to constantly reschedule audit work and reallocate staff resources.

These challenges are more fully described in Section I of this report under the caption "Recent Developments". General information on the operations of our Office can also be found in Section I. Pursuant to the provisions of Section 2-92 of the General Statutes, several recommendations for your consideration during the upcoming legislative session have been included in Section II of this report.

It should be noted that additional information on the operations of our Office can be found on our agency's website, which is located at [www.state.ct.us/apa](http://www.state.ct.us/apa). A key feature of this website is that it provides for the electronic distribution of our reports. Accordingly, members of the public and other interested parties may download, for viewing and/or printing, copies of reports issued by our Office. It should be noted that a new feature on our website allows interested parties to sign-up for and receive an e-mail notification whenever a new report is issued by our Office. The procedure to subscribe to this mailing list can be found at [www.state.ct.us/apa/list.htm](http://www.state.ct.us/apa/list.htm).

According to law, we maintain copies of reports and working papers for all audits we conduct of State agencies, State quasi-public bodies and State supported institutions. All of these documents, except those classified by statute as confidential, are available for review by members of the General Assembly and the public. Copies of our reports can be picked up in our offices at rooms 114 or 116 in the State Capitol, may be available on our website, or you can call us directly for information at 240-8651 or 240-8653.

In transmitting this annual report, we stand ready to be of service to you, the members of the Connecticut General Assembly.

Respectfully submitted,

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts

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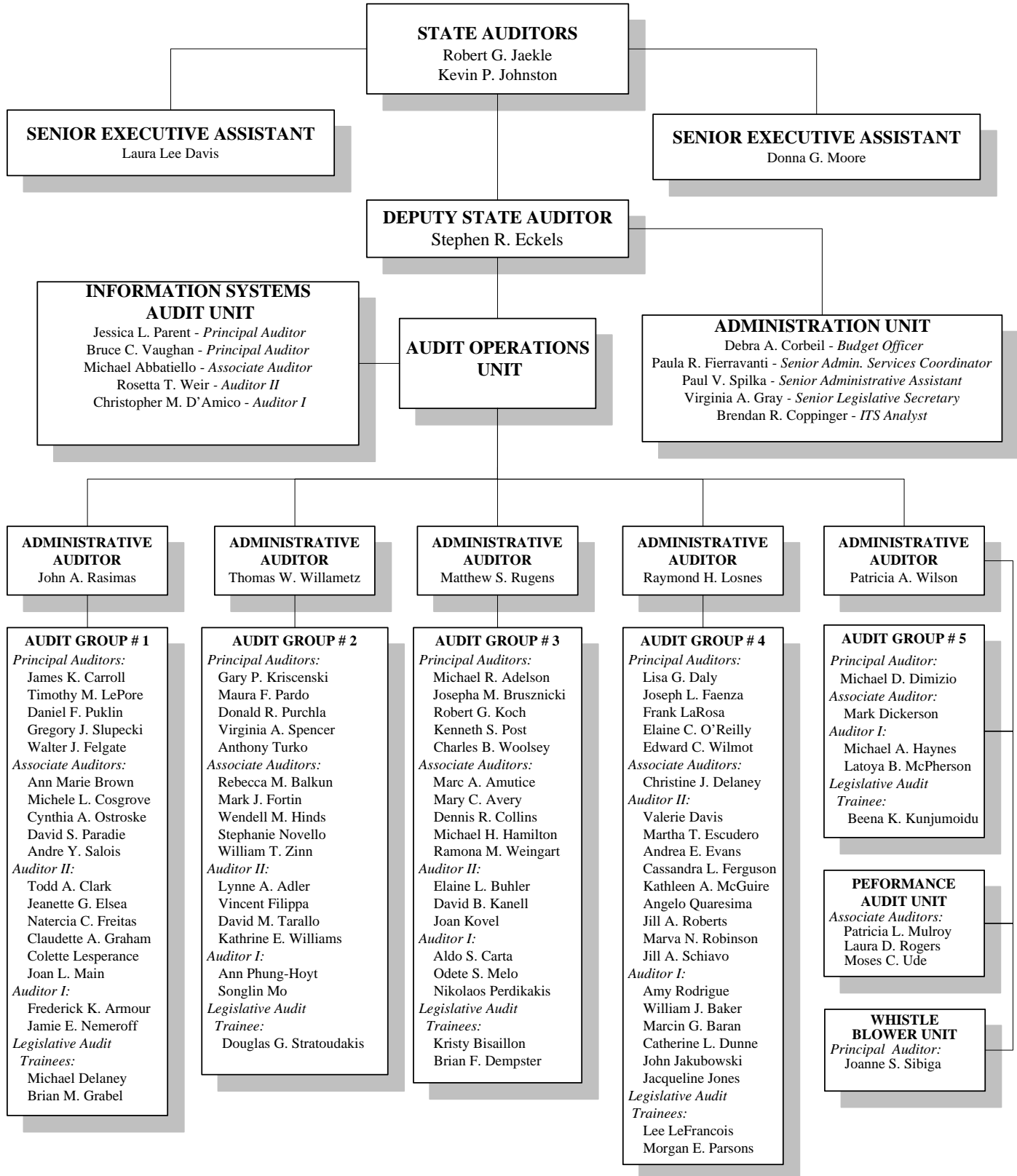
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# AUDITORS OF PUBLIC ACCOUNTS ORGANIZATIONAL STRUCTURE



SECTION I

**REPORT ON THE OPERATIONS OF OUR OFFICE**

**Organization and Staff:**

The Office of the Auditors of Public Accounts can trace its origin to a charter granted in 1662 to the Colony of Connecticut, by King Charles the Second of England. The State Statutes of 1750 refer to the auditing of “the Colony’s account with the Treasurer of the Colony.” In 1786 when the Office of the Comptroller was created, the Auditors of Public Accounts was placed under its supervision and remained so until 1937 when legislation established the independent status of the Office. Its organization with two Auditors of Public Accounts, not of the same political party, makes Connecticut unique among State auditing agencies. From its colonial origin, Connecticut's audit function has been performed by more than a single auditor.

The Office of the Auditors of Public Accounts presently consists of 107 employees, including the two positions of State Auditor. We are assisted in the management of the Office by a Deputy State Auditor. The audit operations staff is composed of 97 auditors organized into five audit groups with each group under the general direction of an Administrative Auditor, and a Performance Audit Unit and a Whistle Blower Unit under the general direction of one of the Administrative Auditors. There is also an Information Systems Audit Unit presently consisting of five auditors. The Administration Unit has five employees providing administrative assistance to the Office, support services to the field audit teams and report processing services.

The professional auditing staff of the Office has been and will continue to be hired through a competitive selection process. Advancement within the Office is made through a process which included examinations conducted for us by the Department of Administrative Services. The staff is encouraged to continue studies for advanced degrees and/or professional certification and several of our staff members are completing requirements for such. About 45 members of our staff have relevant professional certifications and a total of 22 members have advanced degrees.

**Auditing State Agencies:**

During the 2005 calendar year, members of our field audit staff completed 34 audits of State agencies. A total of 268 audit recommendations were made in those reports. Agencies are asked to file with us corrective action plans related to those recommendations. Based on past experience agencies have implemented approximately 47 percent of our recommendations.

Our audit approach entails, among other procedures, an examination and verification of financial statements, accounting records and supporting documents, a determination of the agency's compliance with statutory and budgetary requirements, an evaluation of the agency's internal control structure, verification of the collection and proper handling of State revenue, and an examination of expenditures charged to State appropriations. Reports on these audits consist of findings and recommendations and, where appropriate, certified financial statements setting forth the condition and operations of the State funds involved.

In accordance with Section 2-90 of the General Statutes, we report any unauthorized, illegal, irregular or unsafe handling or expenditure of State funds to the Governor, the State Comptroller, the Clerk of each House, the Legislative Program Review and Investigations Committee and the Attorney General. Such matters are reported by formal letter, while numerous less serious matters such as minor losses and acts of vandalism are reported collectively by memoranda. State agency reports, filed with this Office and the State Comptroller in accordance with Section 4-33a of the General Statutes, disclosed approximately 9,700 losses, primarily through theft, vandalism and inventory shortages in the 2005 calendar year, involving an aggregate loss of some \$19,924,000.

It should be noted that this aggregate total is some \$18,000,000 greater than the cumulative amount of property losses reported during the 2004 calendar year. This is primarily due to a comprehensive set of physical inventory procedures which State agencies undertook during the 2005 calendar year as a requirement for cleaning up their equipment inventory records prior to the conversion of these records to a new centralized Asset Management system that the State implemented during July 2005. Inventory items which could not be physically accounted for (e.g. loss, theft, previously surplused equipment that was never deleted from inventory records) were reported as property losses in accordance with procedures issued by the State Comptroller's Office.

In December 2005, this Office issued its annual Statewide Single Audit Report for the State of Connecticut. That report covered the audit of the financial statements as presented in the State's comprehensive annual financial report for the fiscal year ended June 30, 2004, and the schedule of Federal financial assistance received by the State during that year. This audit is done under the requirements of the Federal Single Audit Act and is a condition of the State's receiving nearly \$5,600,000,000 of Federal financial assistance.

In addition to this Statewide audit approach, we are also continuing to audit each State department on a cyclical basis and under a limited scope audit which focuses on the department's compliance with financial-related laws and regulations and its internal control structure. This auditing approach complements that being done annually under the Statewide



Single Audit and avoids duplicating audit effort.

Under existing disclosure requirements for the offering and sale of State bonds or notes, the Treasurer must prepare an Official Statement for each offering. Included with such Official Statements, and those of Quasi-Public Agencies which include State disclosures, are selected State financial statements which require an audit opinion. With each issuance of an Official Statement, we are required to examine such statements and prepare an audit opinion for inclusion in the Official Statement. We also provide separate audit opinions in connection with the bonding programs of the Connecticut Health and Educational Facilities Authority, the Connecticut Housing Finance Authority, the Capital City Economic Development Authority, and the UConn 2000 Program. During the 2005 calendar year we were required to give nine such audit opinions in connection with the sale of bonds or notes of the State or Quasi-Public Agencies and in connection with the separate bonding programs noted above.

Although financial-compliance auditing is the principal responsibility of this Office, Section 2-90 of the General Statutes authorizes examinations of performance in order to determine the effectiveness of the audited agency in achieving expressed legislative purposes. To that end, 6 of the 30 departmental reports issued during the year included a section outlining our review of some aspect of the agencies' performance. In addition, one performance survey report was devoted specifically to evaluating State employee satisfaction with the new Core-CT computer system, which was implemented by the State during the 2003-2004 fiscal year in order to replace certain of the State's legacy accounting and administrative computer systems.

Although the findings of an audit are usually made known to agency officials during the conduct of the audit, draft copies of the audit reports are delivered to agency officials for their comments. Such comments are then incorporated into the report in response to findings presented. When this is completed, the supervising auditor submits the report and its working papers for review. An Administrative Auditor conducting that review verifies that the audit met generally accepted auditing standards and that the findings of the report were supported by the evidence collected in the course of the audit. The report is also reviewed by the Deputy State Auditor and both State Auditors to assure compliance with policies and procedures of this Office. Draft copies of the approved audit report are delivered to agency officials and, when requested, an exit conference is held with such officials before final release and distribution of the report. Distribution of final reports is then made to agency heads, the Leaders of the General Assembly, the Appropriations Committee, the Legislative Program Review and Investigations Committee, the Governor, the Comptroller, the Treasurer, the Attorney General, the Secretary of the Office of Policy and Management, the State Library, designated Federal agencies, news media and, when appropriate, to members of boards and commissions and others. Copies are also retained in our files and on our website ([www.state.ct.us/apa](http://www.state.ct.us/apa)) for use by our staff, members of the General Assembly and other interested persons.

A listing of the audit reports issued during 2005 and the number of recommendations included in each report follows:

<u>Reports</u>	<u>Date of Issue</u>	<u>Recommendations</u>		
		<u>Current Report</u>	<u>Prior Report</u>	<u>Implemented</u>
<b>DEPARTMENTAL AUDITS:</b>				
<b>Legislative:</b>				
Joint Committee on Legislative Management	09/14/05	3	9	5
<b>Elected Officials:</b>				
Office of the Governor	01/03/05	0	3	3
Office of the Attorney General	09/09/05	5	4	2
<b>General Government:</b>				
Department of Information Technology	02/08/05	17	11	6
Department of Public Works	11/09/05	24	23	6
State Insurance and Risk Management Board	11/30/05	4	1	1
<b>Regulation and Protection of Persons and Property:</b>				
Department of Insurance	01/19/05	2	2	1
Department of Banking	06/08/05	3	2	2
Commission on Fire Prevention and Control	09/12/05	6	7	4
Labor Department	10/28/05	3	8	5
Office of Protection and Advocacy of Persons with Disabilities	11/16/05	4	2	1
Board of Firearms Permit Examiners	11/21/05	5	2	0
<b>Conservation and Development:</b>				
Department of Environmental Protection	02/02/05	15	19	5
<b>Human Services:</b>				
Department of Social Services	03/23/05	20	21	7
<b>Higher Education:</b>				
Eastern Connecticut State University	02/03/05	10	8	2
University of Connecticut	02/16/05	13	9	7
SCSU - Intercollegiate Athletics Program	02/18/05	0	0	0
Board of Trustees of Community-Technical Colleges	04/22/05	5	6	3
State Board for Academic Awards	07/01/05	3	3	2
Housatonic Community College	07/29/05	4	6	3
Northwestern Connecticut Community College	12/06/05	4	1	0
Gateway Community College	12/13/05	6	6	1
<b>Correction:</b>				
Department of Correction	01/13/05	6	8	3

<u>Reports</u>	<u>Date of Issue</u>	<u>Recommendations</u>		
		<u>Current Report</u>	<u>Prior Report</u>	<u>Implemented</u>
<b>Judicial:</b>				
Public Defender Services Commission	04/13/05	1	4	3
Judicial Department	10/20/05	6	5	2
<b>Quasi-Public Agencies and Other:</b>				
Connecticut Student Loan Foundation	02/14/05	0	1	1
Capital City Economic Development Authority	06/14/05	1	5	5
Connecticut Development Authority	07/20/05	4	5	4
Interstate Environmental Commission	10/19/05	0	0	0
Connecticut Higher Education Supplemental Loan Authority	12/07/05	<u>2</u>	<u>0</u>	<u>0</u>
Total Recommendations - Departmental Audits		<u>176</u>	<u>181</u>	<u>84</u>
<b>STATEWIDE AUDITS:</b>				
State of Connecticut – Federal Single Audit Report	12/30/05	<u>72</u>	<u>66</u>	<u>32</u>
<b>OTHER AUDITS:</b>				
<b>PERFORMANCE AUDIT SURVEY:</b>				
Core-CT Survey	04/01/05	0	N/A	N/A
<b>SPECIAL AUDITS:</b>				
Department of Motor Vehicles – Review of Internal Controls over Drivers’ Licenses	05/05/05	14	N/A	N/A
Department of Children and Families – Special Review of the Adolescent Services Unit	10/06/05	<u>6</u>	<u>N/A</u>	<u>N/A</u>
Total Recommendations - Other Audits		<u>20</u>	<u>0</u>	<u>0</u>
Total Recommendations - All Audits		<u>268</u>	<u>247</u>	<u>116</u>
Percentage of Recommendations Implemented or Resolved Within One Audit Cycle				<u>47%</u>

The departmental audit reports issued by our Office generally contain recommendations calling for various improvements in an agency’s internal control structure, as well as recommendations calling for compliance with certain laws, regulations, contracts and grants when instances of non-compliance are found. A summary analysis of the recommendations appearing in our audit reports is presented on the following page:

	<b><u>Number of Recommendations</u></b>
<b>Internal Control Recommendations:</b>	
Billings, receivables and control accounts	6
Cash management and cash handling and depositing	8
Equipment/supplies inventories	24
Establishment of written procedures, policies or guidelines	11
Financial reporting and accounting	11
General accounting and business office functions	6
Miscellaneous State programs - administrative controls	17
Payroll and personnel control	11
Purchasing of goods and/or services	14
Welfare, activity and other State funds	5
All others	<u>24</u>
Total Internal Control Recommendations	<u>137</u>
<b>Compliance Recommendations:</b>	
Ethics and public meeting laws	5
Payroll and personnel laws and regulations	4
Purchasing laws, regulations and contractual agreements	5
Reporting laws and regulations	8
All other laws and regulations	<u>9</u>
Total Compliance Recommendations	<u>31</u>
<b>Miscellaneous Recommendations:</b>	
Amendment or clarification of laws or regulations	3
Improve or automate administrative practices	4
Request Attorney General opinion	<u>1</u>
Total Miscellaneous Recommendations	<u>8</u>
Total Departmental Audit Recommendations	<u>176</u>

In addition to the departmental audit recommendations mentioned above, our Office issued a Statewide Single Audit Report, which contained 72 audit recommendations calling for various improvements in controls over State-administered Federal programs and compliance with related laws and regulations. In addition, our Office issued several special audit reports during the 2005 calendar year. These reports contained 20 audit recommendations calling for improvements in the operations of State programs.

**Whistle Blower Matters:**

Under the provisions of Section 4-61dd of the General Statutes, known as the Whistle Blower Act, we receive complaints from anyone having knowledge of any matter involving corruption, unethical practices, violations of State laws or regulations, mismanagement, gross waste of funds, abuse of authority or danger to the public safety occurring in any State department or agency or quasi public agency. Section 4-61dd also applies to large State contracts. We investigate such matters and report our findings and recommendations to the Attorney General. At the request of the Attorney General or on our own initiative, we assist in any continuing investigation. During the fiscal year ended June 30, 2005, we received 159 complaints covering such matters as misuse of grant money, harassment, conflicts of interest and various fee collection problems.

As required by the aforementioned Section 4-61dd, an annual report on such matters was prepared as of September 1, 2005, and filed with the clerks of the House and Senate. By law, the identity of the complainant cannot be disclosed, but the general nature of each complaint is available in our Office.

In addition to the confidentiality of the complainant, the records of any investigation of whistle blower matters are considered exempt records and do not require disclosure under the Freedom of Information statutes. This exemption aids our investigation of complaints and permits the extension of anonymity to others providing information on the matter.

The following is a summary of those complaints received during the 2004-2005 fiscal year and the action taken thereon, updated to December 31, 2005.

<u>Whistle Blower Matters Received</u>	<u>Date</u>	<u>Date Reported To Attorney General</u>
<u>Agency/Subject</u>	<u>Date</u>	<u>General</u>
<b>Administrative Services:</b>		
Alleged Wrongful Awarding of Contract	07/28/04	05/25/05
Master Insurance Program	08/31/04	02/04/05
Alleged Contract Irregularities	09/01/04	*
Possible Improper Bid	10/21/04	05/27/05
Vendor Contract	11/12/04	08/05/05
Eligibility Requirements for Exam	12/01/04	*
Vendor Contract	12/16/04	*
Violation of State Contract	12/23/04	07/20/05
Possible Illegal Activity State Contracts	02/02/05	*
ADT Security	03/21/05	*
Use of State Vehicle	06/14/05	*

<b><u>Whistle Blower Matters Received</u></b>	<b><u>Date</u></b>	<b><u>Date Reported To Attorney General</u></b>
<b><u>Agency/Subject</u></b>	<b><u>Date</u></b>	<b><u>General</u></b>
<b>Agriculture:</b>		
Interference with Enforcement Action	10/19/04	05/04/05
Favoritism	01/11/05	05/04/05
<b>Attorney General:</b>		
Attendance/Work Hour Issues	07/01/04	04/20/05
Altering of Court Order	08/31/04	09/20/04
<b>Auditors of Public Accounts:</b>		
Attendance Issues	12/21/04	12/22/04
<b>Banking:</b>		
Attendance Issues	01/26/05	*
Travel Expense	01/19/05	*
Interest on Deposits with Landlord	11/30/04	*
Alleged Violation of State Statutes	05/27/05	*
<b>Board of Education and Services for the Blind:</b>		
Inappropriate Conduct	05/03/04	08/11/04
Building Conditions	08/03/04	09/02/05
Favoritism	06/10/05	11/21/05
<b>Central Connecticut State University:</b>		
Athletics	03/14/05	09/07/05
Housing Issue	06/06/05	08/01/05
<b>Children and Families:</b>		
Independent Living Program/Waterbury Youth Services	07/07/04	*
Misuse of Funds	08/05/04	*
Complaint About Management	10/07/04	*
Mold at the Connecticut Juvenile Training School	10/07/04	*
The Children's Center Community Programs Inc.	01/03/05	*
Possible Improper Interference	02/15/05	*
Children's Center of Hamden	03/16/05	10/17/05
Lake Grove Durham	03/10/05	09/01/05
Stonington Institute (E)	03/28/05	*
Mandated Reporter Confidentiality	05/17/05	*

<b><u>Whistle Blower Matters Received</u></b>	<b><u>Date</u></b>	<b><u>Date</u></b>
<b><u>Agency/Subject</u></b>	<b><u>Date</u></b>	<b><u>Reported</u></b>
		<b><u>To Attorney</u></b>
		<b><u>General</u></b>
<b>Comptroller:</b>		
Retirement Issue	10/15/04	01/10/05
<b>Connecticut Innovations:</b>		
Clean Energy Fund	07/19/04	07/27/05
<b>Connecticut Resources Recovery Authority:</b>		
Transfer Stations Contract	12/16/04	*
<b>Connecticut State University Systems:</b>		
No Bid Contract	08/03/04	08/06/04
<b>Consumer Counsel:</b>		
Alleged Ethics Violations (D)	03/11/05	*
<b>Corrections:</b>		
Alleged Gift Taking	07/28/04	03/29/05
Retaliation Against Employee	08/31/04	10/17/05
MacDougall Food Service Operation	09/29/04	*
Early Dismissals	10/13/04	09/13/05
Retaliation Against Employee	10/25/04	*
Hazardous Duty Status of Position	12/15/04	03/16/05
Assault of Inmate	01/31/05	*
Provider Issues (G)	06/09/05	*
Workers' Compensation Claim	06/09/05	*
<b>Culture and Tourism:</b>		
Grants	07/12/04	02/14/05
Payments Without Contract	09/15/04	08/12/05
<b>Eastern Connecticut State University:</b>		
Attendance Matters	11/01/04	09/19/05
Questionable Practices in Athletic Department	12/21/04	09/13/05
Employee Retaliation	01/26/05	09/19/05

<b><u>Whistle Blower Matters Received</u></b>	<b><u>Date</u></b>	<b><u>Date Reported To Attorney General</u></b>
<b><u>Agency/Subject</u></b>	<b><u>Date</u></b>	<b><u>General</u></b>
<b>Economic and Community Development:</b>		
New Haven Manufacturing LLC Loan (A)	08/17/04	09/15/04
State Grant (Goodspeed Opera Management - Windham Mills)	08/31/04	02/28/05
	12/16/04	*
<b>Education:</b>		
School Construction Grants	08/12/04	*
Conflict of Interest Issue	09/07/04	01/10/05
Handling of Complaint (C)	09/02/04	*
21st Century Grant: Lighthouse Program in Bridgeport	10/15/04	04/07/05
Misuse of Tax Dollars	11/24/04	11/14/05
Vocational Agriculture Construction Grant	11/10/04	*
Lack of Investigation of Complaint	12/15/04	*
Kaynor Technical High School- Misuse of Sick Leave	03/04/05	*
Technical High School System -Retaliation	03/04/05	*
E.C.Goodwin Technical High School System -Retaliation	03/11/05	*
J.W. Wright Technical High School System -Retaliation and Failure to Remove Teacher	03/08/05	*
<b>Employment Security Review Board:</b>		
Attendance and Other Issues	12/21/04	*
<b>Environmental Protection:</b>		
New Haven Manufacturing LLC Loan (A)	08/17/04	09/15/04
Handling of Complaint	09/09/04	05/05/05
Ignored Complaints	04/08/05	*
Possible Misuse of State Vehicle	04/13/05	*
Alleged Discrimination by Employees	06/21/05	11/14/05
<b>Ethics Commission:</b>		
Various Issues	08/12/04	09/17/04
<b>Freedom of Information Commission:</b>		
Handling of Complaint (C)	09/02/04	*
<b>Information and Technology:</b>		
Misuse of Bond Funds	09/10/04	09/07/05



<b><u>Whistle Blower Matters Received</u></b>	<b><u>Date</u></b>	<b><u>Date Reported To Attorney General</u></b>
<b><u>Agency/Subject</u></b>	<b><u>Date</u></b>	<b><u>General</u></b>
<b>Insurance:</b>		
Bail Bond System	09/14/04	12/08/04
Failure to Respond to Complaint	04/29/05	*
Hiring of Consultant	04/29/05	12/12/05
<b>Judicial/Statewide Grievance Committee:</b>		
Lack of Due Process	07/21/04	*
Alleged Misconduct	07/16/04	*
Possible Bid Irregularities	02/09/05	10/07/05
Hiring Practices	02/23/05	10/26/05
Inadequate Investigation	03/21/05	*
<b>Labor:</b>		
Class Act Cleaning	12/15/04	11/21/05
Training Contract	02/04/05	04/15/05
Various Issues	05/27/05	09/08/05
<b>Large State Contractor:</b>		
Unsafe Conditions	04/22/05	*
<b>Legislative Management:</b>		
Mileage Reimbursement	04/08/05	*
<b>Lieutenant Governor's Office:</b>		
Mailing Issue	12/29/04	05/27/05
<b>Marshal Commission:</b>		
Bank Execution	09/10/04	08/12/05
<b>Mental Health and Addiction Services:</b>		
Attendance Issues	07/21/04	09/13/05
Grant Money Improperly Used	11/30/04	*
Stonington Institute (E)	03/28/05	*
Promotion Issues and Possible Retaliation	02/23/05	*
Employee Retaliation	04/18/05	*

<b><u>Whistle Blower Matters Received</u></b>	<b><u>Date</u></b>	<b><u>Date Reported To Attorney General</u></b>
<b><u>Agency/Subject</u></b>	<b><u>Date</u></b>	<b><u>General</u></b>
<b>Mental Retardation:</b>		
Community Training Home Providers	08/05/04	04/14/05
Case Manager-Required Duties	09/07/04	03/29/05
Handling of Complaint	02/15/05	*
Possible Misappropriation of Funds	02/22/05	*
<b>Military:</b>		
1st Company Governor's Horse Guard	01/21/05	*
<b>Motor Vehicles:</b>		
ADA Accommodation	06/10/05	*
<b>Norwalk Community College:</b>		
Falsifying Bids	11/08/04	*
Possible Free Rent	03/31/05	*
<b>Office of Policy and Management:</b>		
Contract Issues at Rentschler Field	11/17/04	11/21/05
<b>Probate Court Administrator:</b>		
Alleged Wrongdoings	11/30/04	03/09/05
Various Allegations	06/10/05	*
<b>Public Defender Services:</b>		
Abuse of Time and Mismanagement	10/01/04	09/19/05
<b>Public Health:</b>		
Failure to Investigate Complaint	02/23/05	*
Facility Inspections	05/11/05	*
<b>Public Official:</b>		
Consulting Contracts	04/11/05	04/18/05
<b>Public Safety:</b>		
Governor's Security Detail	07/19/04	*
Questionable Demotion	08/10/04	08/18/04
Allegations Against State Trooper	01/05/05	07/20/05

<b><u>Whistle Blower Matters Received</u></b>	<b><u>Date</u></b>	<b><u>Date Reported To Attorney General</u></b>
<b><u>Agency/Subject</u></b>	<b><u>Date</u></b>	<b><u>General</u></b>
<b>Public Safety (continued):</b>		
Various Issues	03/08/05	11/21/05
<b>Public Utility Control:</b>		
Alleged Ethics Violations (D)	03/11/05	*
<b>Public Works:</b>		
Possible Ethics, Work Rule and Criminal Violations	02/23/05	04/15/05
Failure to Respond	02/23/05	*
Architectural Contract	03/14/05	*
<b>Siting Council:</b>		
Alleged Ethics Violations (D)	03/11/05	*
<b>Social Services:</b>		
Grantee's Personal Use of State Money	07/07/04	*
State Contractor-Medical Transportation	07/23/04	08/05/05
Large State Contractor	07/21/04	08/15/05
Community Action Agency	08/04/04	*
Handling of Fraud Case	08/04/04	05/11/05
Alleged Misuse of State Funds (B)	09/14/04	*
Non Collection of Overpayments	12/01/04	04/14/05
Alleged Wrongful Investigation	02/08/05	*
Contract Issues	03/18/05	08/31/05
Pine Manor, Inc.	03/29/05	04/22/05
<b>Southern Connecticut State University:</b>		
Construction Problems (F)	04/13/05	07/20/05
Out of State Travel	04/21/05	*
<b>Special Revenue:</b>		
Breach of Confidentiality	07/29/04	03/07/05
Promotional Issues	01/20/05	08/30/05
<b>Transportation:</b>		
Gift from Contractor	07/06/04	03/03/05
State Contractor Work for Employee	07/15/04	09/07/04

<u>Whistle Blower Matters Received</u>	<u>Date</u>	<u>Date Reported To Attorney General</u>
<u>Agency/Subject</u>	<u>Date</u>	<u>General</u>
<b>Transportation (continued):</b>		
Personal Business on State Time	08/09/04	*
Retaliation and Other Matters	07/22/04	03/09/05
Alleged Misuse of State Funds (B)	09/14/04	*
Law Enforcement Liaison-Office of Highway Safety	11/30/04	07/01/05
Employee Accepting Gifts	01/20/05	05/05/05
Bradley Airport Starters	02/14/05	*
Bradley Airport Parking and Shuttle Bus Service	03/04/05	*
Possible No Bid Contract	06/08/05	*
Possible Illegal Bidding Practices	06/09/05	*
<b>UCONN:</b>		
Attendance and Deposit Issues	03/11/05	11/14/05
UCONN 2000 Projects	03/04/05	04/15/05
Land Sale	04/18/05	09/19/05
Alleged Fraudulent Payment	06/01/05	*
Stem Cell Research	06/09/05	*
<b>UCONN Health Center:</b>		
Attendance and Pay Issues	07/19/04	*
College Degrees on State Time	08/05/04	08/18/04
Alleged Harassment	10/21/04	*
Management of Animal Research Unit	11/23/04	*
Employee Retaliation	12/15/04	07/20/05
Contract Issues and Stipulated Agreement	12/27/04	*
Construction Problems (F)	04/13/05	07/20/05
Retaliation	04/19/05	05/27/05
Provider Issues (G)	06/09/05	*
<b>Various Agencies:</b>		
Rushford Center, Inc. Grants	06/14/05	*
<b>Veterans' Affairs:</b>		
Misconduct	07/16/04	04/22/05
Possible Improper Expenditure	07/28/04	03/31/05
Various Issues	12/12/04	07/13/05

<u>Whistle Blower Matters Received</u>	<u>Date</u>	<u>Date Reported To Attorney General</u>
<u>Agency/Subject</u>	<u>Date</u>	<u>General</u>
<b>Western Connecticut State University:</b>		
Investigation of Employee Misconduct	08/25/04	12/06/04
Hiring of Dean	06/03/05	*
<b>Workers' Compensation Commission:</b>		
Improper Handling of Claim	09/08/04	04/29/05

- \* Matters Currently Under Review
- (A) Department of Economic & Community Development and Department of Environmental Protection
  - (B) Department of Social Services and Department of Transportation
  - (C) Department of Education and Freedom of Information Commission
  - (D) Connecticut Siting Counsel, Office of Consumer Counsel and Public Utility Control
  - (E) Department of Children & Families and Department of Mental Health & Addiction Services
  - (F) UConn Health Center and Southern Connecticut State University
  - (G) UConn Health Center and Department of Corrections

**Generally Accepted Government Auditing Standards (GAGAS):**

An audit consists of a review and examination of records, documents and financial statements and the collection of information needed to certify to the fairness of presentations in financial reports and compliance with statutory requirements and regulations and to evaluate management's efficiency and effectiveness in carrying out responsibilities. Standards have been set by national organizations for the conduct of audits and for the preparation and issuance of audit reports. Generally Accepted Government Auditing Standards (GAGAS) are auditing standards established by the United States General Accountability Office (GAO) that are codified into a publication entitled "Government Auditing Standards," which is more commonly referred to as "the Yellow Book."

Although the standards prepared by the GAO are only required in connection with entities supported by or receiving Federal assistance, they are so comprehensive that their application to all governmental audits is generally encouraged. Because the Auditors of Public Accounts in the State of Connecticut function in many respects as the GAO does in the Federal Government, we

have chosen to accept and follow “Government Auditing Standards” in the performance of virtually all of our audit work.

Following GAGAS has had a significant impact on our operations. Continuing education for our professional staff, periodic external quality control review assessments (peer reviews) and compliance with recent Statements on Auditing Standards (SAS) issued by the American Institute of Certified Public Accountants (AICPA) require constant attention, updating of policies and procedures, and monitoring.

**Continuing Education:**

With respect to continuing education, auditors responsible for planning, directing, conducting, or reporting on government audits must complete, every two years, at least 80 hours of appropriate continuing education and training, with at least 24 of the 80 hours in subjects directly related to the government environment and government auditing. Accordingly, we have adopted and follow a training policy statement which provides for reasonable assistance in the form of expanded training and seminars on State time and at State expense, together with tuition reimbursement programs for staff taking appropriate courses on their own time. As a matter of economy and convenience, during 2005 the training program included in-house presentations and contracted seminars.

**Peer Review:**

With respect to an external quality control review assessment, GAGAS mandates that audit agencies have such reviews at least once every three years. In order to comply with this requirement our Office hired a CPA firm to review our Office’s quality control procedures in order to determine whether such procedures were sufficient to ensure that all audits performed by our Office during the review period were conducted in accordance with professional auditing standards. Our last review, commonly referred to as a “peer review,” was completed in the Spring of 2003 and covered the 2002 calendar year. The final report on this review resulted in a very favorable unqualified opinion for our Office. An organization such as ours is also expected to monitor its operations between peer reviews to ensure continuing effectiveness of the quality control system. To that end, we require an annual inspection be conducted to assure us that the control system is working as intended. Such a review for the 2003 calendar year was completed by our staff during January 2005. This inspection found that the quality control system of our Office was operating effectively, in all material respects, during the period under review. Currently, two members of our staff are finishing work on the inspection covering the 2004 calendar year. Finally, during December 2005 our Office sought requests for proposals from CPA firms to conduct a peer review of our Office for the 2005 calendar year. This review is scheduled to be performed during the Spring of 2006.

**Recent Developments:**

Back during February 2000, the Governor and the State Comptroller jointly announced the undertaking of a major project to replace the State’s aging core financial and administrative systems with a more modern enterprise resource planning software package. This new system,

which is based on a customized version of PeopleSoft's enterprise resource planning software, is known as the Core-CT System. During the 2003 calendar year, after more than three years of evaluation and systems development work, the Core-CT System was finally placed into production by the State in two separate phases. The financial applications of the Core-CT System were placed into production on July 8, 2003, while the human resources applications were placed into production on October 27, 2003.

Due to the complexity and state-of-the-art technology employed by the Core-CT applications, learning how to process State financial and human resource transactions under the Core-CT System has been a challenging process for all State agencies involved in the implementation of this new computer system. Our own business office staff had to attend numerous training classes and had to spend many extra hours preparing our agency's data for conversion to the new Core-CT System. Overall, the first phase implementation and operation of this new computer system required a significant amount of extra work by our administrative staff.

During the 2005 calendar year our administrative staff completed work on the second implementation phase of the Core-CT Project. This second phase called for the deployment of the Core-CT Billing module during February 2005, and the Core-CT Asset Management module during July 2005. As expected, work on the second implementation phase placed much fewer demands on our administrative staff.

Unlike most State agencies, in addition to getting our business office staff trained on how to use this new computer system, we also had to provide training for our professional audit staff. In order for our audit staff to be able to conduct audits under the new Core-CT System, they had to learn how transactions were processed under this new system, as well as how to retrieve transaction data for audit purposes. In addition to training our professional audit staff, many of our standard audit procedures had to be revised in order to accommodate transaction processing under the new Core-CT System.

It should be noted that our professional audit staff recently completed its first annual audit of the State's financial statements involving transactions which had been processed under the Core-CT System. In conjunction with our audit of the State's financial statements our staff has also recently completed work on its first "Single Audit" of Federal grant expenditures processed under the Core-CT System. As noted earlier in this report, this latter audit is a requirement of the Federal Single Audit Act.

While revisions to our standard audit procedures have allowed our staff to audit individual transactions processed under the Core-CT System, difficulties encountered by the State Comptroller's Office in trying to finalize and close the general ledger within the Core-CT System contributed to significant delays in the preparation of the State's financial statements for the fiscal year ended June 30, 2004.

In order to enable the State to meet all of its statutory and regulatory reporting requirements, our Office would normally have completed its audit of the State's 2003-2004 financial statements by December, 31, 2004. Because the State Comptroller's Office did not give our

Office a final set of these financial statements until December 21, 2005, we were not able to complete our audit of these financial statements until December 31, 2005. This delay in finalizing the State's financial statements also delayed the completion of our "Single Audit" of the State's Federal grant expenditures for the fiscal year ended June 30, 2004. Normally, our Office would have completed this audit and issued our report by the Federally mandated deadline of March 31, 2004. However, due to the aforementioned delays by the Comptroller's Office in finalizing the State's financial statements, our Single Audit Report was not issued until December 31, 2005.

During the 2005 calendar year, in addition to facing the challenges posed by the State's on-going implementation and development of the Core-CT System, our Office had to deal with a number of special requests for assistance as follows:

- On March 28, 2005, the President Pro Tempore of the Senate requested that our Office conduct a special review of how construction contracts were awarded by the University of Connecticut. This request arose from media reports that the discovery of safety and fire code violations at new buildings on the University of Connecticut's main campus had led to a State Police investigation into certain construction companies and how they were chosen for these construction jobs.
- During April 2005, the Chairman of the Finance Revenue and Bonding Committee requested that we participate in an informational forum that the Committee was planning to hold on April 13, 2005. The topic of the forum was UConn 2000 construction issues. Our participation in this forum included a detailed discussion of the various audit findings our staff had developed over the years as part of their reviews of the construction program administered by the University of Connecticut.
- During May 2005, the Chairman of the Governor's Commission on UConn Review and Accountability requested that we appear before the Commission on June 1, 2005, to discuss our Office's concerns regarding the administration of construction projects by the University of Connecticut. Again our discussions focused on various audit findings our staff had developed over the years concerning the construction program administered by the University of Connecticut. We continued to attend and monitor the deliberations of the Commission until its final report of recommendations was issued on September 1, 2005.
- On October 14, 2005, the Department of Children and Families requested that our Office conduct a special review of the expenditures of the Office of the Court Monitor, which was created by a Federal judge to oversee the Federally mandated activities of the Department. This request arose after allegations of excessive salary payments to the Court Monitor surfaced in the media.
- On December 16, 2005, the Commissioner of Motor Vehicles requested that our Office conduct a special review of the "Per Se" program. This request arose, in part, from media reports that more than 5,000 drunken driving cases over a four-year period escaped enforcement action by the Department of Motor Vehicles.



It should be noted that the increase in the number of requests for special audit reviews received by our Office seems to be the result of an increased sensitivity by State managers towards detecting potential corruption within the State government. This increased sensitivity towards the detection of corruption within State government can also be found within the public-at-large, as the number of whistleblower complaints received by our Office during the 2005 calendar year totaled 134 complaints, a slight decrease over the record 137 whistleblower complaints our Office received during the 2004 calendar year. Due to the record number of complaints we have been receiving over the last couple of years, our Office has been forced to reallocate staff resources to help address not only the increase in the number of whistleblower complaints received by our Office, but the increase in the inherent complexity of these complaints, as well.

On a more routine note, in accordance with the provisions of Governor Rell's Executive Order No. 3, dated December 14, 2004, the Department of Administrative Services created a State contracting portal on its website, which allows State agencies to electronically post bid information related to any publicly bid contract. During the 2005 calendar year our staff was trained on the use of this portal and our Office now uses it in conjunction with its use of newspaper solicitations to seek requests for proposals from interested vendors.

Finally, development work was initiated during the 2005 calendar year on an Intranet site that is being designed for the exclusive use of our staff. While this work will not be completed until the early part of the 2006 calendar year, once this site is operational, our Office plans to use it as a vehicle to electronically distribute a variety of information to our staff that is currently being provided to them in paper form. Just through the electronic distribution of our Office's policy manuals and applicable revisions, our Office should realize some significant processing efficiencies.

SECTION II

**RECOMMENDATIONS**

Many recommendations of a financial or recordkeeping nature are presented in the written audit reports prepared in this Office. Most of these are addressed to department heads and stress the need for compliance with legislative policies or sound accounting and business principles. Areas encountered in which statutory revisions or additional legislative actions appear desirable are presented to the General Assembly throughout the year and in the following recommendations.

- 1. The General Assembly should consider adopting legislation which would specifically prohibit any employee of Connecticut Innovations Incorporated (CI) from benefiting from employment with any CI startup company beyond the benefits which would have been obtained as a CI employee.**

Comment:

Connecticut Innovations Incorporated is classified as a quasi-public agency and was established to stimulate and encourage the research and development of new technologies and new products, the development and operation of science parks and incubator facilities and, to promote science, engineering, mathematics and other disciplines essential to the development of technology. It provides financial assistance to Connecticut businesses for the development and marketing of high-technology products, services, and processes.

Although there are Ethics statutes concerning employment after leaving State service that apply to CI employees, our most recent audit disclosed a situation in which a former CI employee, who participated substantially in creating a CI startup company, also benefited significantly from subsequent employment with the company as its Chief Executive Officer. It should be noted that this employment arrangement resulted in the increase of this individual's base annual salary from \$105,000 to \$200,000. CI, as well as the former CI employee, consulted with the former Ethics Commission on the matter and it was determined that the arrangement was permissible under the State Ethics statutes.

2. **The General Assembly should improve accountability over the operations of the Renewable Energy Investment Fund (i.e. Clean Energy Fund) by recodifying the statutory provisions regarding the operation and administration of this Fund from Chapter 283 of the General Statutes to Chapter 581 of the General Statutes.**

Comment:

Subsection (c) of Section 16-245n established a Renewable Energy Investment Fund (i.e. Clean Energy Fund) which is to be administered by Connecticut Innovations Incorporated. It should be noted, however, that Section 16-245n is codified in the governing statutes of the Department of Public Utility Control (i.e. Chapter 283 of the General Statutes). As a result, Connecticut Innovations Incorporated has taken the position that because there is no reference to the Renewable Energy Investment Fund (Clean Energy Fund) in Chapter 581 of the General Statutes, which is the Chapter devoted to Connecticut Innovations matters, this Fund is not a State program that it is responsible for. In order to clarify which public entity is accountable for this State program the statutorily assigned administrative responsibilities for this program should be realigned to fall within the intended oversight entity's governing statutes. Connecticut Innovations Incorporated has indicated its desire to seek such a change and we would like to offer our support to its efforts.

3. **The General Assembly should consider adopting the same submission dates for the State Treasurer's Annual Report, which is produced in accordance with Section 3-37 of the General Statutes, and the State Comptroller's Annual Report, which is submitted in accordance with Section 3-115 of the General Statutes.**

Comment:

The State Treasurer is required to submit annually, on or before October fifteenth, a final audited report to the Governor and the Investment Advisory Council for the immediately preceding fiscal year ended June thirtieth. The report shall include information concerning the State's cash receipts and disbursements processed by the Cash Management Division within the Treasurer's Office, among other information. The annual report of the State Comptroller shall be published and made available on or before December thirty-first. The Treasury uses information provided by the Comptroller's Office to reconcile accounting, or "book" balances to the actual cash, or "bank" balances. There have been instances during recent fiscal years in which accounting information regarding book balances has not been finalized and available as of October fifteenth causing delays in submission of the State Treasurer's Annual Report. In years when the book balance information has been available as of October fifteenth there have been subsequent minor adjustments to the accounting information. Such problems could be avoided by adopting a December thirty-first submission date for both annual reports. The State Treasurer's Office has indicated its desire to seek such a change and we would like to offer our support to its efforts.

4. **The General Assembly should consider an amendment to Section 5-164a, subsection (c), of the General Statutes to discontinue the practice of allowing employees of State-aided institutions to retire and return to full-time positions at State-aided institutions while continuing to receive full retirement benefits from the State Employees' Retirement System.**

Comment:

The American School for the Deaf, the Connecticut Children's Medical Center and the Connecticut Institute for the Blind are all State-aided institutions as defined in Section 5-175, subsection (a), of the General Statutes. Prior to Public Act 92-226, which was codified as Section 5-192nn of the General Statutes, employees of State-aided institutions, who were hired before January 1, 1993, were allowed to participate in the State Employees' Retirement System (SERS). Pursuant to Section 5-164a, subsection (c), of the General Statutes, the reemployment of retired State employees is restricted in order to limit the payment of full retirement benefits and full salary to the same individual to no more than 120 days in any given calendar year. No such restriction exists, however, for certain employees of State-aided institutions.

As a result, retired employees of State-aided institutions who are members of SERS may be rehired by the institution enabling such individuals to collect their full pension benefits from SERS and their full salaries from the State-aided institution, without having to adhere to the 120 day limitation that is placed on other rehired SERS retirees.

It should be noted that legislation to amend Section 5-164a, subsection (c), of the General Statutes to restrict reemployment of SERS member employees of State-aided institutions was included in Section 222 of Public Act 03-185 (i.e. "An Act Concerning Expenditures and Revenue for the Biennium Ending June 30, 2005). This legislation was vetoed on June 13, 2003.

5. **The General Assembly should consider limiting the conditions that may be used to justify a waiver from competitive bidding, when services are contracted for under a personal service agreement. Limiting such conditions to those that are specifically presented within Section 4-215, subsection (a), of the General Statutes would accomplish that objective.**

Comment:

State agencies that are proposing to enter into personal service agreements with a cost of more than \$20,000 are to competitively bid for the services unless a waiver is obtained from the Office of Policy and Management (OPM). Section 4-215, subsection (a), of the General Statutes provides OPM with authority to adopt guidelines for determining the types of services that may qualify for such waivers. The Statute presents specific conditions that would justify a granted waiver, but also gives OPM discretion in establishing such, in that it is not limited to the specific conditions presented. OPM has added two additional conditions to those presented in the Statute. One often-used condition is that a waiver may be obtained if such services are “provided by a contractor who has special capability or experience.” This is an overly broad condition that could conceivably be argued to exist for any agreement that is entered into with a contractor somewhat experienced in a given field and thus its use may limit competition.

6. **The General Assembly should enact legislation to address the practice of reemploying retirees, for the same or similar position the retired employee originally held, at a higher hourly rate. It should also address the practice of reemploying retirees for critical management positions including agency heads on a part time basis for considerable lengths of time.**

Comment:

Our performance audit report, issued on January 30, 2001, dealt with former State employees that have been granted reemployment contracts. We noted that the collective bargaining agreement that governs the pension benefits of State employees allows retired State employees to be reemployed for a maximum of 120 working days in any one calendar year without loss of retirement benefits, if that reemployment is not on a permanent basis. We found it is a common practice for State agencies to rehire retirees as consultants or for special projects, or for retired employees to refill their original assignment until replacement staff is recruited. However, there have been contracts granted with hourly rates greatly in excess of what a full time State employee in a comparable position would receive.

In addition, we have noted cases in which senior managerial level employees were reemployed in their previous positions on a part time basis after retirement for an extended period. While we recognize that it may be advantageous to hire a former employee on an interim basis, managers in critical positions, particularly those assigned to agencies involved with the safety of the public and the safety of clients under the State's care, should be held directly responsible for administering those agencies on a full time basis.

7. **The General Assembly should repeal or revise Section 32-4a of the General Statutes, entitled “Assistance to Connecticut Economic Resource Center, Incorporated,” to preclude State funds from being spent without adequate safeguards and accountability.**

Comment:

Section 32-4a specifies that “The State, acting through the Department of Economic and Community Development or any other State agency, governmental entity or the private sector, may, within available appropriations, provide financial assistance, lend staff or provide other in-kind contributions to the Connecticut Economic Resource Center, Incorporated (CERC).” Other than this statutory provision for providing assistance to CERC, we can find no other reference in the Statutes to CERC or to what the State can expect to receive in return for the assistance it provides to CERC.

We have concluded that Section 32-4a may serve to encourage the uneconomical expenditure of State resources in that it permits State agencies to provide State funds to the Connecticut Economic Resource Center, Incorporated, without utilizing such normal safeguards as competitive bidding. Further, under Section 32-4a, a State agency could provide resources to CERC without obtaining any service or product in return for that support. We recognize that it is possible that CERC may provide valuable services and that State agencies may be able to exert some degree of control through contractual or other provisions. However, given Section 32-4a, there is currently no statutory way to guarantee that the State receives value for the support it provides because nothing is required of CERC in return for the State resources it receives.

We thus recommend that the General Assembly repeal Section 32-4a. Repealing this section would not prevent State agencies from doing business with CERC if CERC proves it can economically provide services in competitive bidding situations. If, however, the General Assembly believes that CERC has certain unique capabilities that other organizations do not possess and which are necessary to further the well being of the State, we would recommend that the General Assembly enact new legislation that would incorporate CERC as a Quasi-Public agency such as the Connecticut Innovations, Incorporated. In this way, the General Assembly could ensure that the purposes that it envisions for CERC would be defined and that an annual audit would be accomplished to ensure accountability.



8. **The General Assembly should enact legislation to require the probate courts to submit all forms PC-200 (Application for Administration or Probate of Will) to the Department of Administrative Services for that agency's research and, if warranted, action to recover prior assistance payments to the decedent and/or his or her heirs.**

Comment:

In addition to its billing and collection services, the Department of Administrative Services is responsible for recovering the cost of various types of public assistance in certain circumstances. One way the Department effects collection is through a claim on the estate of a decedent when the decedent or his or her heirs has ever received care or aid from the State of Connecticut or the Department of Veterans' Affairs. The probate courts are required to submit forms PC-200 (Application for Administration or Probate of Will) when the applicant indicates that the decedent or the spouse or children of the decedent did receive such assistance.

The Department of Administrative Services and the Probate Court Administration have undertaken a voluntary cooperative effort whereby all the probate courts are requested to notify DAS of all probate cases that are opened in the State, not just those where prior assistance has been indicated with an "x" in the appropriate box on the form. DAS can then research these cases and, if warranted, try to recover the cost of public assistance provided to a decedent and/or his or her heirs.

The Probate Court Administration issued TR 00-506 in July 2000. This document requests that the probate court judges and personnel cooperate with DAS by forwarding copies of all forms PC-200 to the Department of Administrative Services. For calendar year 2001, compliance with this request was 68.3 percent overall, and ranged from 0.00 percent to 100 percent among the 133 probate courts in the State.

Collection results were remarkable, with a 93.7 percent increase in collections from April 2001 through March 2002 over the same time frame in the previous year. April 2001 marked the beginning of increased collections attributable to the increased PC-200 reporting. Recoveries totaled \$11,226,687 for this 12-month period compared to \$5,795,819 for the previous 12-month period. The \$7,073,449 collected from April 1, 2002, through September 30, 2002, represents a 38.3 percent increase over the same six-month period in the prior year.

With an increase in the number of probate applications submitted to DAS for its review and action, revenues are expected to increase even more. A statutory requirement, supplanting the current voluntary arrangement, would ensure that DAS is promptly notified of the opening of all probate cases in the State.

9. **The General Assembly should enact legislation within Title 11, Chapter 188, of the General Statutes to provide enforcement powers to the Public Records Administrator with regard to the records management program. The legislation should include penalties to those employees who destroy records without prior approval of the Public Records Administrator. Legislation should also be enacted for the Public Records Administrator to provide an annual report to the General Assembly indicating those departments that are not in compliance with and/or have violated Record Retention laws.**

Comment:

The State Librarian has been given the responsibility for a records management program and has appointed an assistant to be the Public Records Administrator in accordance with Section 11-8 of the General Statutes. However, the General Statutes do not provide for penalties to State agencies or employees who do not comply with records retention rules or who destroy records without prior approval of the Public Records Administrator.

Section 1-240 of the General Statutes, under the Freedom of Information Act, provides penalties for persons who destroy records. Section 53-153 of the General Statutes, within Chapter 942 of the General Statutes, Offenses Against Public Justice, also provides penalties for the unlawful removal or alteration of records. However, neither of these Statutes is referenced as penalties that the Public Records Administrator can enforce when the Administrator determines that an employee has destroyed State records.

An audit of the Department of Environmental Protection conducted during a prior Commissioner's term revealed that a former Director had instructed his employees to dispose of land records without the approval of the Public Records Administrator. Each State agency is required to have a designated Record Management Liaison Officer. The Department's designated Liaison Officer became aware of the disposing of records situation after some records were already sent to the recycling center. Upon inspection of the Department of Environmental Protection premises at a later date, the Liaison Officer found more bins of records that were about to be disposed of and saved these records. The Liaison Officer had the Public Records Administrator and State Archivist determine if these saved records should have been disposed of without prior authorization. The Public Records Administrator and State Archivist stated in a letter to this former Director at the Department of Environmental Protection, dated January 30, 2002, that "original State Land Acquisition records were disposed of without prior authorization from the State Library." It should also be noted that for some time the State Records Administrator had been informing this former Director that his land records were permanent and vital to the operations of the State and that he was required to submit a records retention schedule for these land records. As of December 30, 2005, a formal records retention schedule still has not been filed by the Department for approval by the State Records Administrator. It should be noted that there were no penalties to the former employee or the Department for the destruction of records and the failure to comply with developing a records retention schedule for the land records.

- 10. The General Assembly should grant the Connecticut Siting Council the authority to impose late fees, where appropriate, on administrative assessments which have been billed by the Council to applicable energy, telecommunications and hazardous waste industries, pursuant to the provisions of Section 16-50v of the General Statutes.**

Comment:

During a recent audit of the Connecticut Siting Council, we found that over sixty percent of the administrative assessments imposed by the Council under Section 16-50v of the General Statutes, totaling approximately \$978,000, were paid from one month to 18 months late. Currently the Council does not have the authority to impose interest penalties for the late payment of administrative assessments.

**Technical Corrections and Other Matters:**

- a. Section 12-19a of the General Statutes should be reviewed and clarified, if needed, to ensure proper payment of grants in lieu of taxes on State property. Section 12-19a requires a grant to municipalities equal to 100 percent of property taxes lost due to the tax exemption on property used for correctional facilities. The grant is payable based on an annual August 1 certification by the Commissioner of Correction of such facilities in use during the preceding fiscal year. Although it would seem that the phrase “preceding fiscal year” means the fiscal year immediately before the certification, in practice it has been interpreted to be the year before the municipalities’ assessment date. This postpones by a year the 100 percent calculation and requires only a 20 percent calculation as is used for other types of State property for one extra year.
- b. Newington Children’s Hospital changed its name to Connecticut Children’s Medical Center and entered into a relationship agreement with Hartford Hospital. Since the former Hospital and its operation are referred to in a number of sections of the General Statutes, revisions are needed to reflect the name change and, possibly, to recognize the expanded mission of the former Hospital and its relationship with Hartford Hospital.
- c. Sections 19a-87b of the General Statutes provides for the inspection of at least one-third of the family day care homes each year but does not require that each facility be inspected within any fixed time period. By regulation the Department of Public Health must inspect each licensed child day center or group day care home at least every two years. Section 19a-87b should be amended to require each family day care home to be inspected at least every two or three years.
- d. Section 10a-25g of the General Statutes provides that the Department of Economic and Community Development is to administer two of three programs collectively known as the Yankee Ingenuity Initiative Program. However, beginning in the 1992-1993 fiscal year the Legislature passed various special acts, which appear to have transferred the administration of the Program to Connecticut Innovations, Inc., which in fact administers it. Section 10a-25g should be amended to recognize this situation.
- e. Section 4-9 of the General Statutes provides that the Governor appoint Executive Directors of all boards and commissions with few exceptions. However, Section 7-294d, subsection (a), (14), authorizes the Police Officer Standards and Training Council to employ an Executive Director. This apparent conflict in statutes should be resolved.
- f. Public Act 98-68 resulted in the creation of Section 4-37j of the General Statutes. This Section adds whistle blower protection to foundation employees and requires the development of policies for the investigation of corruption and various abuses. Section 4-37f, (8) delineates audit requirements for the foundations and specifies reporting on conformance with Sections 4-37e to 4-37i. Reference to Section 4-37j is not included in the reporting requirement. Section 4-37g, subsection (b), grants access by our Office to books of the foundations and workpapers of auditors that report violations of Section 4-

- 37e through 4-37i inclusive “and any other provision of the general statutes.” Given the nature of Section 4-37j, it would appear reasonable to expect auditors to report on the failure of foundations to comply with that Section as well as any other statute. While Section 4-37g could certainly be construed to include Section 4-37j, specifying that Section in the law would appear more appropriate.
- g. Section 10-304 of the General Statutes requires the establishment of a sales and services account for the Board of Education and Services for the Blind for the purpose of aiding the blind by providing sales and service opportunities. With the closing of the Board’s Industries Program and workshops in January 2003, this statute is no longer being enforced. The Agency does not believe the Industries Program will be reopened. If the General Assembly agrees that this program is not necessary, it should repeal Section 10-304 of the General Statutes.
  - h. Chapter 445a of the General Statutes defines and established the Connecticut Hazardous Waste Management Service. Section (j) of Section 22a-134bb of Chapter 445a states that the service shall continue until its existence is terminated by law. We inquired of the status of the Connecticut Hazardous Waste Management Service and were informed that it no longer exists. We found that State funding for this quasi-public agency ceased on June 30, 2001, and its staff was eliminated at that time. If the General Assembly agrees that this quasi-public agency is no longer necessary, it should repeal Chapter 445a of the General Statutes or take whatever other action it deems necessary to legally terminate this entity. If Chapter 445a is repealed, the reference in Section 22a-163u of the General Statutes, which requires the Low Level Radioactive Waste Advisory Committee to advise the Connecticut Hazardous Waste Management Service on the suitability of sites for the management of low-level radioactive waste should be modified or eliminated.
  - i. Section 4-37j of the General Statutes provides protection from retaliation to employees of higher education foundations that file whistleblower complaints. However, similar statutory protection from retaliation is not provided to volunteers of such foundations that file whistleblower complaints. As the vast majority of the higher education foundations in the Connecticut Community College System are staffed by volunteers, Section 4-37j of the General Statutes should be amended to give recognition to this situation.
  - j. Section 1-123, subdivision (4), of the General Statutes provides that the annual reports of quasi-public agencies include “a balance sheet showing all revenues and expenditures”. A balance sheet, however, is only intended to reflect assets and liabilities of an entity at the time they are produced. Operating statements normally reflect an entity’s revenues and expenditures over a period of time. Amending this Section to refer to a balance sheet and an operating statement would help to resolve this inconsistency.

- k. Section 1-120 of the General Statutes identifies the quasi-public agencies that are subject to the various reporting, auditing, and other requirements of Chapter 12 of the General Statutes. Included on the list of quasi-public agencies are the Connecticut Hazardous Waste Management Service and the Connecticut Housing Authority. In response to our inquiry, our Office was informed that the Connecticut Hazardous Waste Management Service no longer exists as an active entity. We found that State funding for this quasi-public agency ceased on June 30, 2001, and its staff was eliminated at this time. In addition, as provided for in Sections 4 and 5 of Public Act 95-250, all functions, powers and duties of the Connecticut Housing Authority were transferred to the State Housing Authority, which was established as a subsidiary of the Connecticut Housing Finance Authority, effective October 1, 1995. The inclusion of a reference to the Connecticut Hazardous Waste Management Service and the Connecticut Housing Authority in Section 1-120 of the General Statutes no longer appears necessary.