

# Auditors of Public Accounts

## *At a Glance*

**JOHN C. GERAGOSIAN and ROBERT M. WARD, State Auditors**

**Stephen R. Eckels, Deputy State Auditor**

***Established - 1662***

***Statutory authority - Title 2, Chapter 23, CGS***

***Central office - State Capitol, 210 Capitol Avenue,  
Hartford, CT 06106***

***Average number of full-time employees - 114***

***Recurring operating expenses - \$10,685,000***

***Organizational structure - Audit Operations and Administration Unit***

## **Mission**

***The mission of the Auditors of Public Accounts is to:***

- ***Determine whether state agencies and quasi-public agencies complied with applicable state and federal legal requirements***
- ***Determine whether state resources are properly and prudently safeguarded and used***
- ***Attest to the fairness of the state's financial statements and provide a certification thereto***
- ***Perform the annual statewide single audit required by the federal government***
- ***Evaluate the state agencies' economy, efficiency and effectiveness in using available resources***
- ***Evaluate program results considering costs and benefits***
- ***Ensure that all audit results are properly disclosed to management and the public***
- ***Investigate whistleblower matters***

## **Statutory Responsibility**

The Auditors of Public Accounts (Auditors) operate under provisions contained in Sections 2-89 through 2-92 of the General Statutes. As provided for in Section 2-90 of the General Statutes, our office is charged with the responsibility of auditing the books and accounts of each officer, department, commission, board, and court, of the state government, as well as all state-aided institutions and certain quasi-public agencies created by act of the General Assembly. In addition, under Section 4-61dd of the General Statutes, our office is responsible for reviewing all whistleblower complaints and reporting the results of these reviews to the Attorney General.

Finally, Section 1-122 of the General Statutes requires our office to conduct compliance audits of certain quasi-public agencies and Section 2-90a of the General Statutes authorizes our office to audit the trust accounts maintained by state marshals.

### **Public Service**

In accordance with our office's statutory authority, it is the goal of the Auditors of Public Accounts to serve the public interest regarding fiscal and compliance matters related to the State of Connecticut. To accomplish this goal, the Auditors provide independent, unbiased and objective opinions and recommendations on the operation of the state government and the state's effectiveness in safeguarding resources. The Auditors strive to assist state agencies in achieving effective fiscal management. Further, the Auditors report on the integrity of the state's financial statements and whether federal funds provided to the state are used in compliance with applicable laws, rules and regulations. All reports have a wide distribution, which includes state officials, federal and state organizations, the media and the interested public thru our website. As previously noted, the Auditors also review whistleblower complaints in conjunction with the Office of the Attorney General.

In addition, our office maintains its own website (<http://www.cga.ct.gov/apa>). A key feature of this website is that it provides for the electronic distribution of our office's audit reports. Accordingly, members of the public and other interested parties may download copies of all audit reports issued by our office. General information about the operations of our office can also be found on this website.

### **Improvements/Achievements 2011-12**

Generally accepted government auditing standards require that audit agencies undergo external quality control review assessment at least once every three years. In order to comply with this requirement, our office hired a CPA firm to review our 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 during 2010 and covered the 2009 calendar year. The final report on this review found that, except for the manner in which our office tracks and credits continuing professional education credits for our professional audit staff members, the system of quality controls employed by our office has been suitably designed and complied with to assure that all audit work conducted by our office conforms to professional auditing standards.

Our office's higher education audit group continues to provide audit certification to the financial statements of the University of Connecticut and the University of Connecticut Health Center. Such audits are in lieu of the university contracting out for such services. In addition, our office has continued to offer its services for special audits required under NCAA rules and foundation audits, upon request, as permitted by Section 4-37f, subsection (8), of the General Statutes.

Section 3-37, subsection (a), of the General Statutes requires the State Treasurer to submit a final audited report to the Governor and the Investment Advisory Council on or before October 15th of each year. Our office continues to provide an audit certification for the Treasurer's

Annual Report on this very short timetable. In addition, in connection with the audits of the Offices of the State Comptroller and State Treasurer, our office continues to provide special audit services in connection with the Comprehensive Annual Financial Report, the Combined Investment Funds and the Short-Term Investment Fund. Other requests for audit services continue to be met in a professional and timely manner without the need for outside professional assistance.

In our 2010 Annual Report to the General Assembly, our office recommended that the General Assembly enact legislation to improve Connecticut's whistleblower law to better protect whistleblower complainants from retaliation and to provide the Auditors of Public Accounts with some measure of flexibility to determine the most cost-effective and efficient manner in which to proceed for each whistleblower complaint it receives. This recommendation was effectively implemented with the passage of Public Act 11-48. Section 17 of this act, effective October 1, 2011, revised Section 4-61dd of the General Statutes to give our office flexibility in addressing complaints made under the whistleblower law. Our office had requested these changes in response to a 2009 Program Review and Investigations report that suggested various changes to the whistleblower law and process. The new law enables our office to reject a whistleblower complaint if it is trivial or not made in good faith, is not timely, can be handled during the course of a regular audit, can be duly investigated by another agency, or there are other available remedies the complainant can pursue. These changes will enable our office to focus our limited resources on critical complaints and reduce the significant backlog of whistleblower cases. Because of this new law and a focus on addressing the backlog, our office reduced the backlog of whistleblower cases by 29% in the past year and hope to further alleviate the backlog in the next few years.

One of the primary goals of the Auditors was to modernize our operations using current available technology. To this end, a concerted effort was made to utilize information technology whenever possible to automate the work of our office.

In early 2011, the Auditors made a decision to institute the use of electronic-based audit work papers in our office in order to replace the paper-based audit process currently in use. To this end, with assistance from the Office of Legislative Management, our office issued a request for proposal in June for an audit software package and related product training. After an extensive evaluation and testing process, an audit software vendor was selected and the contract was finalized on December 28, 2011.

During January of 2012, the necessary computer hardware and software was purchased, and the first round of scheduled training commenced. The audit software and related training was rolled out to each of our audit teams on a phased basis, with the full roll-out being completed by June 30, 2012. Our office anticipates that the use of the new software will significantly improve productivity and reduce the need for costly storage of paper documents during the coming years.

Other efficiency initiatives completed during the 2011-2012 fiscal year included the following:

- Our office instituted the electronic distribution of all issued audit reports to various state officials and members of the media to reduce the number of hard copy reports produced for distribution. This change has reduced the number of printed audit

reports by approximately 80%.

- Our office began the electronic distribution of appointment letters for all state boards, commissions and task forces to eliminate the handling of paper within our agency and facilitate communication.
- Our office instituted an electronic job application submission process to eliminate the handling of paper within our agency and facilitate the hiring process.
- Our office initiated a comprehensive review of our personnel policy manual, and a major update was made to our agency's audit travel policy. Our office expects to complete its review and enact appropriate revisions to our personnel policy manual by the end of 2012.

As a governmental audit organization, a concerted effort has been made during the past year to increase our office's participation in various professional organizations that are involved in governmental auditing. On the national level, the Auditors have reconnected with the National Association of State Auditors, Comptrollers and Treasurers (NASACT) and the National State Auditors Association (NSAA). Regionally, the Auditors have renewed our ties with the New England Intergovernmental Audit Forum (NEIAF). These affiliations enable our office to receive information affecting our profession, provide educational opportunities for our employees, and provide valuable information-sharing.

In September 2011, the Auditors decided to re-examine how our peer reviews are conducted. Traditionally, when it came time for our office to be reviewed, our office would contract with a CPA firm to conduct such a review. After researching all of the factors, the Auditors decided that we would transition to participating in the NSAA's Peer Review Program. Under this program, our office commits to providing volunteers from our staff to assist NSAA for a week or two each year with peer reviews in other states. In return, NSAA will arrange for a team of volunteers from other state audit organizations to conduct a peer review of our office's system of quality control. Our participation in this program would not only result in realized cost savings to our agency, but also give us an opportunity to learn of the best practices employed by other state audit organizations in carrying out their audit missions.

Our office has also offered its support and encouragement to employees who have expressed an interest in serving professional audit organizations in various capacities. For example, during the 2011-2012 fiscal year, a member of our management team served on the Governmental Accounting and Auditing Committee of the Connecticut Society of Certified Public Accountants (CSCPA). Among other things, the CSCPA serves as a primary provider of continuing professional education to all professional accountants and auditors working in this state, including the staff of our office.

### **Information Reported as Required by State Statute**

Sections 2-90, 2-92, and 4-61dd contain the various reporting requirements applicable to the Auditors of Public Accounts. A description of the reports issued by our office pursuant to these provisions is described below:

All audit reports issued by our office are issued pursuant to our audit authority as set forth in Section 2-90 of the General Statutes. During the 2011-2012 fiscal year, our office issued 47 audit reports and special reports. These included 45 financial-compliance audits of various state and quasi-public agencies, our annual report to the General Assembly, and the statewide single audit report for the State of Connecticut for the fiscal year ended June 30, 2011. It should be noted that this latter audit was required as a condition of the state receiving approximately \$10,284,000,000 in federal financial assistance.

A total of 282 recommendations were included in the 45 financial-compliance audit reports issued during the year. These reports also included a review of the implementation of recommendations made during the prior audit. Implementation follow-up procedures, in addition to agency responses to the Auditors' audit findings and recommendations, include reviews by the Comptroller's Office, the Office of Policy and Management and the Legislative Program Review and Investigations Committee. For reports issued during the 2011-2012 fiscal year, agencies implemented or otherwise resolved 56 percent of all prior audit recommendations.

As provided for in Section 2-90a of the General Statutes, our office is authorized to audit the trust accounts maintained by state marshals. Pursuant to this authority, our office conducted 12 audits of state marshal trust accounts during the 2011-2012 fiscal year. As a result of these audits, 67 separate instances of non-compliance were reported to the State Marshal Commission.

Pursuant to the provisions of Section 2-92 of the General Statutes, our office annually presents a report on its operations to the General Assembly by February 1<sup>st</sup> of each year. Included in this report are recommendations concerning areas where it appears that statutory revisions or additional legislative actions are desirable. In our latest annual report, seven such recommendations were presented to the General Assembly for its consideration.

During the 2011-2012 fiscal year, our office received 37 whistleblower complaints. Pursuant to the provisions of Section 4-61dd, subsection (d) of the General Statutes, a report on the status of these complaints was forwarded to the clerk of each house of the General Assembly by the September 1<sup>st</sup> reporting deadline.