

Auditors of Public Accounts



At a Glance

JOHN C. GERAGOSIAN and ROBERT J. Kane, State Auditors

John A. Rasimas, CPA, Deputy State Auditor

Established - 1662

Statutory authority - Title 2, Chapter 23, Connecticut General Statutes

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

Average number of full-time employees - 104

Recurring operating expenses - \$10,035,520

Organizational structure - Audit Operations (Compliance, Performance, Information Technology and Whistleblower) and Administration Unit

Mission

The mission of the Auditors of Public Accounts is to:

- *Determine whether state agencies and quasi-public agencies comply 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 through performance audits*
- *Ensure that all audit results are properly disclosed to management and the public*
- *Investigate whistleblower matters*

Statutory Responsibility

The Auditors of Public Accounts (Auditors) operates under provisions contained in Conn. Gen. Statutes Sec. 2-89 through 2-92. As provided for in Conn. Gen. Statutes Sec. 2-90, the office of the Auditors of Public Accounts is charged with the responsibility of auditing the books and accounts of each officer, department, commission, board, and court of state government as well as all state-aided institutions. In addition, under Conn. Gen. Statutes Sec. 4-61dd, our office is responsible for reviewing all whistleblower complaints and reporting the results of these reviews to the Attorney General. Conn. Gen. Statutes Sec. 1-122 requires our office to conduct compliance audits of certain quasi-public agencies and Conn. Gen. Statutes Sec. 2-90a authorizes our office to audit the trust accounts maintained by state marshals. Finally, Conn. Gen. Statutes Sec. 2-90 (i) and 10-91g through 10-91i require the Auditors to conduct audits of all private providers of special education that receive any state or local funds as a result of providing special education services to students with an individualized education program or for whom an individual service plan has been completed by the local or regional board of education responsible for educating the student.

During the 2017 legislative session, Public Act 17-226 (An Act Concerning Evaluation of Business Incentive Programs) requires our office to evaluate the state's business assistance and incentive programs administered by the Department of Economic and Community Development (DECD). Each time our office audits DECD, we must evaluate the accuracy of the DECD annual reports related to business incentive programs completed since the last audit of the agency. The evaluation aids in determining whether there is evidence to support the accuracy of the report's data, evaluate whether the tax incentive programs are being managed and operated so as to facilitate taxpayer compliance with the requirements, recommend how the agencies can improve their programs' administrative efficiency and effectiveness, and evaluate whether the reports provide all the information the statute requires. Our office must submit a report on each performance audit and annual report evaluation to the governor, OPM secretary, and review committees. The act requires the Appropriations, Finance, Revenue and Bonding and Commerce committees to hold at least one separate or joint hearing on these reports.

Also in the 2017 session, Public Act 17-136, An Act Concerning Probate Court Operations, adds probate court employees to the state's whistleblower law. Currently, employees of the Probate Court Administration are covered under the state's whistleblower protections. This law extends those protections to all probate court employees.

Public Service

The Auditors of Public Accounts functions as an independent watchdog of all state and quasi-public agencies for the General Assembly, the public, and the news media. As the only legislative branch agency embedded in many executive branch agencies, our office provides independent, unbiased and objective opinions and recommendations on the operation of state government and the state's effectiveness in safeguarding resources. Our office strives to assist state agencies in achieving effective fiscal management. Furthermore, we report on the integrity of the state's financial statements and whether state and federal funds are used in compliance with applicable laws, rules, and regulations.

Our office determines whether these agencies are following laws, regulations, internal policies, and prudent business practices. Through our work on the Statewide Single Audit, our office determines whether state agencies are following federal requirements on major federal programs. We determine whether state programs and systems are operating efficiently and effectively by way of our performance audits and program reviews. Finally, our office receives and reviews whistleblower complaints from state employees and the public in order to detect waste, fraud, and abuse and to prevent future occurrences of such.

In addition, our website (<http://www.cga.ct.gov/apa>) contains all relevant information about our office. It also provides all of our reports for members of the public and other interested parties to view or download. We are in the process of updating our website to better serve our stakeholders (decisions makers, the public, and media).

Improvements/Achievements 2016-2017

In 2016, the General Assembly eliminated the Office of Program Review and Investigations (PRI), resulting in the transfer of the five most senior PRI employees to our office in January of 2017. This transfer reconstituted the performance audit function in our office. The new performance auditors underwent comprehensive training to ensure that any performance audit our office issues is completed in accordance with Generally Accepted Government Auditing Standards (GAGAS).

Performance audits are an examination of a program, function, operation, or the management systems and procedures of a governmental or non-profit entity to assess whether the entity is achieving economy, efficiency, and effectiveness in the employment of available resources. Performance audits can be a valuable tool for the state by measuring the extent to which a program is achieving its goals and objectives; determining whether alternative approaches would yield better program performance; determining ways to save state resources; and determining the extent to which programs duplicate, overlap, or conflict with other programs. As the state endeavors to find ways to operate more efficiently, performance audits could serve as a useful tool to preserve state resources and improve state services.

In the past, our office had a dedicated performance audit unit; however, due to limited resources and other demands on our office several years ago, members of the unit were reassigned to other audit priorities. The reformation of the performance audit unit in our office is going quite well. We expect to issue our newest performance audits in late 2017 or early 2018.

In February of 2017, we issued an Interim Report on Private Special Education Provider Audits to apprise the General Assembly of our special education audit planning, implementation, and interim results. We also sought changes to the special education audit statutes, which were achieved with the passage of Public Act 17-173. These legislative changes allow our office to utilize a risk-based approach when conducting these audits, and require boards of education and private special education providers to give our auditors the information they need to conduct these audits. We will issue our first special education audit in the fall of 2017.

Conn. Gen. Statutes Sec. 3-37, subsection (a) requires the State Treasurer to submit a final audited report to the Governor and the Investment Advisory Council on or before December 31st annually. Our office continues to provide an audit certification for the Treasurer's Annual Report on this 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.

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. Our office conducts this work rather than the university contracting with outside accounting firms. In addition, our office has continued to offer services for special audits required under NCAA rules and foundation audits, upon request, as permitted by Conn. Gen. Statutes Sec. 4-37f subsection (8). During the past year, such reviews included an audit of the Charter Oak State College Foundation, the Connecticut Heritage Foundation, and National Collegiate Athletic Association (NCAA) audits at Central Connecticut State University and Southern Connecticut State University.

Generally accepted government auditing standards require that audit agencies undergo an external quality control review assessment at least once every three years. To comply with this requirement, our office participates in a peer review program sponsored by the National State Auditors Association. Under this program, a team of auditors from other state government audit organizations comes to our office and conducts a review of our quality control procedures to determine whether such procedures are sufficient to ensure that all audits performed by our office during the review period are conducted in accordance with professional auditing standards.

Our peer review under this program, covering the 2015-2016 fiscal year, was successfully completed during August of 2016. Audit organizations may receive a rating of Pass, Pass with Deficiencies, or Fail. Our office received the highest rating of Pass. Our participation in this program has not only resulted in realized cost savings to our agency, but also has given us an opportunity to learn about the best practices employed by other state audit organizations in carrying out their audit missions.

As a governmental audit organization, we participate in various professional organizations involved in governmental auditing. On the national level, we are active with the National Association of State Auditors, Comptrollers and Treasurers (NASACT) and the National State Auditors Association (NSAA). We currently serve on the NASACT Audit Committee and, as a result, provided a senior level auditor who is a CPA to assist on the audit team conducting the annual NASACT financial statement audit for the fiscal years ended June 30, 2015, 2016, and 2017. Our office also hosted the NSAA 2015 Information Technology (IT) Conference in Hartford, which brought over 100 IT auditors from across the country to Connecticut and was a very successful event. Regionally, we are active with the New England Intergovernmental Audit Forum (NEIAF). These affiliations enable our office to stay informed about developments in the auditing profession in addition to providing educational and valuable information-sharing

opportunities for our employees.

Our office also has offered support and encouragement to employees who have expressed an interest in serving professional audit organizations in various capacities. During 2016-2017, a member of our management team served on the Governmental Accounting and Auditing Committee of the Connecticut Society of Certified Public Accountants (CTCPA) as well as the Institute of Internal Auditors advisory board to the American Center for Government Auditing. In addition, a number of our staff served on National State Auditors Association committees during the year, while one of our audit supervisors participated on a team conducting a peer review of the state auditor's office in Utah.

Future Goals

In the future, our goals are to expand our services in two major areas: more effective use and evaluation of information technology in our audit work and enhancing external communications.

Technology has become more integral to state operations. State agencies use technology in all facets of government, including accounting, inventory, payroll, purchasing, storage, and the delivery of front line services. In order to react to these changes, our office must improve how it evaluates and uses technology.

We must enhance how we evaluate the state's information technology structure for its effectiveness and determine whether state systems adequately maintain the integrity of data, protect against breaches of privacy, and ensure there are proper safeguards to protect against fraud. We must increase our ability to analyze the state's information technology systems, particularly in the areas of procurement, operability, and security. To achieve this goal, we intend to expand our commitment and focus in this area.

The other area of technology we are developing is the use of data analytics in our auditing. Using data analytics will greatly improve our efforts to detect waste, fraud, and abuse. Traditional auditing utilizes sampling to determine auditing issues. As an example, auditors might look at a sample of certain transactions. The use of data analytics enables auditors to look at the entire universe of those transactions, which allows them to better focus on riskier areas and detect anomalies that will better assist us in identifying waste, fraud, or abuse.

We will develop a plan to enhance our oversight of technology and increase our ability to use data analytics in our audit work and present this plan to the General Assembly for its consideration.

The second goal for our office is to modernize our communications. Our auditors do fantastic work, but our means of informing our stakeholders (decisions makers, the public, and media) requires updating. We are working to improve the way we convey the important recommendations in our reports and make it easier for those looking for information on our website to find it.

To that end, we are making progress in modernizing our website to better inform the public and simplifying the process of reporting waste, fraud, and abuse.

We intend to streamline our reports in style, format, and content and will be adding source documentation and considerably more graphics. To better convey our findings, we are developing shorter (and to the point) supporting documents to our reports, including executive summaries and one-page fact sheets. We also intend to develop summary audit reports of repeat or cross-agency findings to better inform the policymakers as they manage state agencies.

Finally, we are modifying the way in which we distribute our reports and intend to use social media and other platforms to inform the public and other stakeholders of our important work.

Information Reported as Required by State Statute

Conn. Gen. Statutes Sec. 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 Conn. Gen. Statutes Sec. 2-90. During the 2016-2017 fiscal year, our office issued 39 audit reports and special reports. These included 37 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, 2016. It should be noted that this latter audit was required as a condition of the state receiving approximately \$9,380,000,000 in federal financial assistance.

A total of 312 recommendations were included in the 37 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 and the Office of Policy and Management. For reports issued during the 2016-2017 fiscal year, agencies implemented or otherwise resolved 41 percent of all prior audit recommendations.

Pursuant to the provisions of Conn. Gen. Statutes Sec.2-92, our office annually presents a report on its operations to the General Assembly by February 1st of each year. Included in this report are recommendations concerning areas in which it appears that statutory revisions or additional legislative actions are desirable. In our latest annual report, 17 such recommendations were presented to the General Assembly for consideration.

During the 2016-2017 fiscal year, our office received 46 whistleblower complaints. Pursuant to the provisions of Conn. Gen. Statutes Sec. 4-61dd, subsection (d), a report on the status of these complaints will be forwarded to the clerk of each house of the General Assembly by the September 1st reporting deadline.