



STATE of CONNECTICUT
Office of Governmental Accountability
State Contracting Standards Board

Audit Data Analysis Work Group

Thursday, December 5, 2024, at 3:00 P.M.

Location: 165 Capitol Avenue, Hartford, CT
Conference Room G009F and *Virtual*

In attendance:

Rochelle Palache, Chair of the SCSB
Al Bertoline, Chair of the Audit-Data Analysis Work Group
Jean Morningstar
Lauren Gauthier
Donna Karnes

MINUTES

1. Call to Order: Mr. Bertoline called the meeting to order at 3:03 p.m.
 - a. Roll Call of Board Members
2. Approval of Minutes
 - a. Approval of the minutes from the Audit Data Analysis Work Group on August 13, 2024.

A motion to approve the minutes was made by: Jean Morningstar
The motion was seconded by: Al Bertoline
The motion was passed with one abstention from Lauren Gauthier

Mr. Bertoline initiated the meeting with a history of the Audit-Data Analysis Work Group.

- The first staff auditor that was hired started a list of all the compliance requirements for the State and quickly recognized that there was no overall place that you to confirm that you had all the information that was required to be complied with. Mr. Bertoline was not sure how far he got before he left our employment.
- We were fortunate to hire Accounts Examiner Maritza Lopez into that position in January 2023.
- Since Jon (referring to Chief Procurement Officer Jonathan Longman) went out on leave, Maritza (referring to Accounts Examiner Lopez) has gone through the steps on all the agency audits, but it was too big of a job to finish all the audits during the prescribed period.
- We have completed seven of the eleven that we set out to complete (in FY'24).

- We have come out with a great program that identifies all that we need to look for. We have created a process that has grown along the way. We have gone from asking the Agencies where to find information to designing a program in which we provide direction to the agencies for them to submit the information. This process is effective and has reduced the work required.
- Seven of the agency audits were completed in the first year. The remaining four that were scheduled have been moved into the current year.
- Two of the audits are scheduled to be moved forward at the upcoming Board meeting.

3. Triennial Audit Report – Year One

- We have created an Annual Audit Report that tells the story that we are required to go into each of the agencies every three years to examine their contracts for compliance requirements. We came out finding that there is compliance in most areas and identified some areas requiring increased training. This information is being to not only focus over future training and enhance management oversight but additionally ensure future compliance.
- We have summarized the findings and reported on cumulative issues.. That is important because it is being used by Carmen (referring to Carmen Hufcut, Training Specialist) to develop updated training materials.
- We will give this report to the Legislature and State Library. Additionally, it will be shared with Agency Heads in order for them to pass those reports to their procurement personnel to ensure that their agencies focus on areas of concern.
- This is the first three-year cycle; we hope that the next time we audit the agencies, we will see considerable improvements.

4. Audits: We have only one accounts examiner assigned to the task of auditing \$8.8 billion in procurement. It is greater than one accounts examiner can handle. We are fortunate to have Maritza on staff. She is doing great things, but he is not sure we can sustain this level of audit requirements for three years. As they go through today's meeting, he would like to discuss ideas on how to move through these audits faster and still do work that is complete and accurate. Audits: This Work Group would like to send the following audits to the Board for approval at the Regular Board meeting on December 13, 2024:

a. Department of Insurance: No findings Discussion:

- Ms. Gauthier requested clarity about the second contract audited that refers to no cost to the state. Mr. Bertoline explained that the State chose a qualified vendor and referred the permit applications to them; the service beneficiaries would then pay the vendor a fee when they utilized their services. He admitted that this was an unusual contract. After more discussion, it was decided that additional information would be shared with the Work Group before this audit would be moved forward.
- Ms. Gauthier also asked if the agency was solicited for comment on the report. Accounts Examiner Lopez shared that there were no findings, and

the agency had no response. Accounts Examiner Lopez will add that information to the report.

b. Department of Energy and Environmental Protection

Accounts Examiner Lopez has shared the audit findings with the agency, and they have submitted a response.

Accounts Examiner Lopez explained the findings:

Contract 1:

- 1) They did not submit three bids for a competitive competition. When she reached out to them, they provided her with the third; therefore, the finding was eliminated from the report.
- 2) Their staff did not have the staff sign ethics agreements.

Contract 2:

- 1) The contract had ended, but they did not provide an evaluation for the contractor.
- 2) Their staff did not sign the ethics agreements.

The last finding, the APA did an audit of their procurement two years ago. Some of their findings were the same as those we found. Mr. Bertoline shared his quote:

The Board reviewed the audit report on the State of Connecticut, Auditors of Public Accounts the years end of June 30, 2021 and 2022 for Department of Environmental Protection. Finding 4 “controls over procurement”. Of that report indicated the following:

In two instances, DEEP did not provide support for the written quotations.

In three instances, purchase orders referred to DEEP contracts, however, the department did not provide these contracts. Further, DEEP did not provide the required ethics affidavits and certificates for the \$769,000 contract.

Mr. Bertoline noted that not providing certificates is the same finding by our auditor two years later. In the audit report, he suggested including the following language:

The audit conducted by the Auditors of Public Accounts two years ago had similar findings to those we noted in our current report. This condition is unacceptable for the expenditure of state taxpayer funds. and must be addressed by DEEP management as a priority.

He explained that there is some differing opinions on including this language, but he believes that as a Board we should express that ignoring compliance issues is

unacceptable. Rather than just making the point again, he believes the agency management is not exercising proper oversight, and we should make the point.

Ms. Gauthier stated that she is in favor of the stronger language. The point needs to be made. They are very large dollar contracts and management needs to be more involved if they are having significant findings year over year from multiple agencies.

Ms. Morningstar stated that she likes it too.

Chair Palache stated that she made no objections.

Ms. Karnes asked if there was any consequence to which Mr. Bertoline responded that we do have strong powers in the law but need an interpretation of how we can present that. He suggested requiring the agency to send us a letter in 60 days detailing how they have mitigated or corrected this. Also notify them that within the next two years, we reserve the right to select additional contracts to see if this issue continues. If so, we could call them in for a hearing during which they would have to tell us why they should continue to have the authority to use state funds for purchasing.

Ms. Gauthier agreed and noted that, in addition to being able to cancel a single contract due to violation, the Board has the power to revoke the State Agency's ability to do their own procurements. Also, she stated that the Board has the power, through SCSB's certification of agency CPOs, to deem that the agency does not have a certified chief procurement officer. Further, Ms. Gauthier noted that the Board has not gotten around to formalizing that process and issuing certifications to agencies. She emphasized that Board does have immense power to try to hold these agencies and repeat offenders to account and believes that should all be cited in the report.

Ms. Morningstar asked if we had information that the Commissioner saw it (referring to the audit report). Accounts Examiner Lopez explained that the errors occurred during the pandemic time. DEEP staff had planned to finalize the audit upon receipt; however, they now have concern about the language of the APA audit being added and will be bringing it to the Commissioner. She is now awaiting their reply.

In response to his inquiry, Attorney Felman offered to share the write up he completed regarding the power of the Board over cancelling or denying contracts or suspending or terminating the authority of an agency to do their own contracting. He emphasized that each contract has its own unique considerations and should be considered on a case-by-case basis before recommending it to the Board. Further, there are a lot of financial considerations as well. Assuming there is no fault on the part of the contractor, if the contractor is asked to step away from a contract, there are financial implications to that.

Mr. Bertoline clarified that they are not threatening to cancel the contract. We are concerned with oversight of the purchasing and want them to fix it. The agencies and contracts that we have audited to date are not the big complex contracting agencies that we will be auditing in coming years, therefore we have to get the attention of the leadership through this reporting if it is going to be meaningful.

Chair Palache confirmed that no one is saying to let it go and believes that his approach makes sense. The report will reflect how unacceptable this is and the consequences. There is a follow-up that needs to happen with the DEEP Commissioner, and then we can merit follow up with a 60-day period to remedy the situation. Since Maritza is in communication with them, she is open to letting this play out a bit, but believes his approach makes sense in terms of being clear and coming down strongly in what we put in writing to the Commissioner.

Mr. Bertoline agreed and said that the Work Group would not present this to the Board until comment is received back from the agency.

5. Upcoming audits:

Mr. Bertoline believes that the majority of the work is yet to come. There is \$8.8 billion in purchasing done by open contracts. We have Accounts Examiner Lopez, a volunteer Board, and the oversight of Executive Director Daniels; however, the bigger and more complex agencies are in our future.

In an effort to streamline the audit process in the coming year, Training Specialist Carmen Hufcut has designed a new comprehensive audit questionnaire that will be sent along with an engagement letter. This document is much more in-depth and should eliminate a lot of the back-and-forth with agencies.

At the request of Mr. Bertoline, Training Specialist Hufcut shared the document and provided a detailed explanation. She has created an interactive document, complete with drop down screens, detailed instructions, and the capability to attach source documents to each section. Additionally, labeling instructions have been created to assist the agency with pointing us to the information requested. This new document will put all the information for each agency into one document to expedite retrieval and minimize the amount of paperwork that Maritza will be receiving with each audit. This will minimize the amount of time required to read through large documents in search of specific items. By virtue of this document, all the audits will be formatted consistently to assist with organization and consistency. There is also an area where the auditor can acknowledge if that section has passed, failed, or requires further documentation or scrutiny. This new process will be rolled out to the next agencies audited in the coming year.

Executive Director Daniels explained that Mr. Bertoline has discussed the possibility of utilizing A.I. This option has been explored; however, we do not have funding for that. We are, however, regularly meeting with BITS to discuss the options that may be

available to us at no cost and coordinating to developing cloud-based systems with their assistance. We need to take baby steps because of the limited resources available to us.

Ms. Gauthier asked if it was anticipated that, with this engagement document, we still need additional help with the audits. She referenced an email thread that went around showing there was significant support for trying to get a temporary worker and referred to David (meaning former retired Executive Director David Guay) if he was interested. She thinks that we really do need to do something to make sure the work is still flowing and moving, and again, said there is quite a bit of Board member support for the temporary worker idea. She does not know if we have the budget for it or how long it would take to do that, but there was significant board support in the email thread.

Mr. Bertoline said that she was bringing up an excellent point and explained that we also talked about reaching out to the Auditors of Public Accounts (APA). Executive Director Daniels shared that he met with the APA. They were very clear that it, given their role, it would be a conflict of interest for them to loan us the assistance of their auditors. They were, however, willing to collaborate with us on our training efforts in terms of both utilizing our training opportunities for their staff and for sharing with the agencies that they audit.

Executive Director Daniels shared that, in reference to hiring a Temporary Worker Retirees (TWR), the Department of Administrative Services Human Resources Department (DAS/HR) maintains a list of recent retirees for all positions. These people are available and waiting to return to work on a temporary basis. These are all former state workers who are familiar with our systems. Many have auditing experience that we can directly make use of. He would be happy to pursue that avenue; however, there is not currently a budget allocation, so navigating that would need to be considered.

At this time, Ms. Morningstar interjected her opinion that this was not an appropriate conversation for a subcommittee and recommended that the conversation be brought to the Board.

Chair Palache agreed and said that she would speak to Mr. Bertoline and Executive Director Daniels regarding the support needed so that we can have a larger discussion with the full Board. Mr. Bertoline agreed and said that more manpower would be an advantage.

Mr. Bertoline further recommended that the Board consider setting priorities. Executive Director Daniels explained that the staff are juggling a lot and changes from month to month according to the circumstances. Getting a better sense of the Board's priorities in terms of auditing, education, contested cases, would be beneficial. Mr. Bertoline recommended that this discussion be brought to the Board for consideration of reallocating our current resources for the next six months.

In closing, Mr. Bertoline shared that we have come a long way in one year. He is very grateful for Maritza and for Carmen's contributions as well.

Ms. Gauthier acknowledged that we had utilized the time allocation for this meeting and stated that she had comments on the draft Annual Audit report that she would like to send to Mr. Bertoline. He asked that she send them to him. Ms. Gauthier asked for the Work Group to see it again before it goes to the Board because she does not believe it is ready for the Board to vote on in December.

6. Adjournment: Having no further business to discuss, the meeting was adjourned at 4:05 p.m.

Respectfully submitted,

Aleshia M. Hall
Administrative Assistant

DRAFT