

## Finance, Audit and Department Matters Committee Meeting

Wednesday, September 10, 2008  
Room 321, State Office Building  
165 Capitol Avenue, Hartford

### Draft Minutes Subject to Revision

Members Present: Mrs. Patricia B. Luke, Chair  
Mr. Allan B. Taylor  
Mr. Donald J. Coolican

Others Present: Mr. Raymond Inzero, Sr., Chief, Office of Internal Audit  
Mr. Brian Mahoney, Chief Financial Officer  
Ms. Pamela V. Bergin, Assistant to the Commissioner and State Board of Education

Members Absent: Dr. Alice L. Carolan

The meeting was called to order at 11:40 a.m.

#### I. Approval of Minutes – June 4, 2008

A motion was made by Mr. Coolican, seconded by Mr. Taylor, and unanimously adopted to approve the minutes of the Finance, Audit and Department Matters Committee meeting on June 4, 2008.

Vote: Yes: Mrs. Luke, Mr. Taylor, Mr. Coolican  
No: 0  
Abstained: 0  
Absent: Dr. Carolan

#### II. Finance (Mr. Brian Mahoney)

##### a) Update on Biennial Budget

Mr. Mahoney summarized the updated 2009-2011 biennial budget request timeline: The current services budget request was transmitted to the Office of Policy and Management (OPM) and will be submitted to the State Board for approval on October 2. Mr. Mahoney and other Department staff are currently working on the capital budget request and the Department's expansion and 10 percent reduction options.

Budget instructions from OPM Secretary Robert Genuario were discussed. Each agency must submit 10 percent reduction options before expansions may be submitted. This year the expansion options are directly tied into the agency's reduction options. At this point, it appears that the agency's expansion requests are very modest with the exception of restoring the Early Reading Success grant.

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Mr. Mahoney distributed a report highlighting the 2009-2011 current services budget request. He noted that even though there will be no new charter schools next year, the reasons for the increase in costs include an infusion of many more seats and the increase in the reimbursement rate. He also noted that magnet schools are extremely costly to build and operate. Mr. Taylor asked about Sheff. Mr. Mahoney stated that four new Sheff schools opened this year. The agency requested \$4 million of new funds in 2009-10 and \$14 million in 2010-11 due to our commitment to reach certain targets under the Sheff agreement.

Mrs. Luke asked if CREC charges a management fee. Mr. Mahoney answered that CREC manages and operates schools. They do not receive management fees, but, if needed, supplemental grants are awarded to address shortfalls.

Mrs. Luke asked about the CTHSS budget and why there was never a line item for trade supplies. Mr. Coolican said that supplies were always donated. However, the CTHSS will request \$500,000 in each year of the biennium.

III. Office of Internal Audit (Mr. Raymond Inzero)

a) Migrant Education Program Status

Mr. Inzero updated the committee on the status of this program. The agency is working with UCONN on the sampling process and progressing with the evaluation of data. Total costs are about \$150,000. The federal response is due by the end of September; however, the Office of the Attorney General will be contacted to request a one-month extension. New federal legislation has been proposed regarding the interviewing process for the Migrant program. Mrs. Luke asked about other states, and Mr. Inzero replied that Puerto Rico and the District of Columbia are in the same situation.

b) Highville Mustard Seed Charter School – Potential Litigation

The Commissioner has met with staff from the Office of the Attorney General. It has been decided that a civil suit will be filed against the Pitters and the former board chair, Fatima Ennis who is currently a state employee. If the State collects, it is the Department's intent that some monies will go back to Highville. A press release is forthcoming from the Attorney General's Office.

c) New Haven Title I, Part A Summer School Audit

An audit of New Haven's summer school program was completed by the Federal OIG office, and \$3.7 million in adjustments were cited. New Haven appealed, and the Office of Internal Audit completed another audit with findings totaling \$23,115. New Haven agrees with our audit. It was sent to OIG, but Mr. Inzero has not yet received a response. Furthermore, Mr. Inzero noted that the statute of limitations has now passed.

d) Amer-I-Can Grant

Mr. Inzero received a request to review this grant program totaling \$250,000. He indicated that this review may be addressed through the normal state single audit process. Rather than waiting until December 31, Mr. Taylor asked if the audit process could be accelerated. Mr. Inzero stated that he spoke with Amer-I-Can's office and

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instructed them how to comply. He also indicated that a program audit may be completed rather than an audit of the entire corporation. At this time, Mr. Inzero and Mr. Mahoney agreed that there is no reason to withhold current grant payments.

e) Equipment Inventory Committee

This Committee is being set up by Mr. Robert Lombardi, CTHSS Assistant Superintendent, and includes Mr. Inzero and staff from Mr. Mahoney's division. This committee will reevaluate the process and procedures for physical inventory, reporting and the responsibilities of CTHSS and central office employees. Mr. Inzero explained that the agency is still recording significant inventory losses. It was discussed that Principals should be more involved and held accountable for their school's equipment.

f) CTHSS – PFO (Parent Faculty Organization) Issue

The Office of Internal Audit reviews business operations in schools, and most have student activity funds. However, there is no such fund or activity noted at Emmett O'Brien. Rather, all activity goes through the Parent Faculty Organization where the President and Treasurer are school faculty members. Mr. Inzero expressed his concern over some of the fundraising activities that go through the PFO rather than student activity funds. Mr. Inzero was told by the PFO that because it is an independent organization, it does not need to account to the Department even though the officers are Department employees. Mr. Inzero further went on to say that these officers should not be representing or appearing to represent the Department in this capacity (as President/Treasurer of PFO). Mr. Inzero notified Superintendent Abigail Hughes, and he is currently waiting for a response.

g) Staffing Update

Mr. Inzero noted that the hiring freeze remains in place. He stated that staff from other offices, as well as his entire staff, have been very helpful and assisted when needed. Mr. Inzero has requested that a support staff member (preferably the same person) assist him and his staff for two or three days a week until the hiring freeze is lifted.

IV. Other Matters

Mr. Mahoney mentioned that the school lunch account at CTHSS is nearly \$900,000 in deficit. One reason is that the cafeteria employees' contracts are costly. Mr. Mahoney asked if this topic should be added to a future agenda. Committee members answered in the affirmative.

The meeting was adjourned at 12:50 p.m.

Recorded by Karen Kowalski, Office Supervisor, Division of Finance and Internal Operations