



The Honorable Carlo Leone  
Co-Chairman Senator  
Legislative Office Building  
Room 3500  
Hartford, CT 06106-1591

The Honorable Roland Lemar  
State Representative  
Legislative Office Building  
Room 2103  
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The Honorable Henri Martin  
State Senator  
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Room 3400  
Hartford, CT 06106-1591

The Honorable Laura Devlin  
State Representative  
Legislative Office Building  
Room 4200  
Hartford, CT 06106-1591

October 18, 2019

Dear Co-Chairs and Ranking Members of the Transportation Committee,

As you will all recall, prior to your public hearing on August 20, 2019, the Governor took swift and decisive action in late July to intervene in the Connecticut Port Authority (CPA) to 'right the ship.' The Governor appointed me as Acting Chair of the Board, installed Retired Captain Paul Whitescarver to ensure the leadership was in place to run day-to-day operations, and directed his Office of Policy and Management (OPM) to bring additional financial oversight to ensure proper stewardship of public funds. I am confident that you will recognize from this update that this approach is working; and the resources mobilized by the Governor are having a significant and speedy impact on the efficacy of the CPA.

I am certain that you will agree that the Board and staff have worked diligently and without rest to put in place controls that will substantially mitigate the future risk of issue and rebuild public confidence in this important authority so that it can continue its mission to revitalize the state's working waterfront.

Grouped in categories below that largely parallel my testimony to you in late August, you will find the actions completed and initiated - measured against the conditions we inherited this past summer:

#### **Finance and Audit**

- Memorandum of Understanding (MOU) with the State Office of Policy and Management (OPM). The financial staff at CPA was limited and the accounting practices did not meet appropriate standards. At its September meeting, the CPA Board approved an MOU with OPM that provided for OPM to engage such consultants and resources as needed to

oversee and evaluate the CPA's fiscal, organizational and administrative practices and activities and to recommend and assist in the implementation of needed improvements in the CPA's organizational and business practices.

- Accounting Systems and Software. There was no software being utilized to monitor financial status. As part of its MOU with the Port Authority, OPM has contracted with a former municipal finance director who is working with staff to make improvements with the CPA's accounting systems and software. Assisting in this effort is a CPA from a local accounting firm who has expertise and certification as a trainer in QuickBooks, CPA's financial management software. CPA continues to use CORE-CT to manage all state appropriated funds and state bond funds.
- Annual Independent Audit. The CPA had not initiated its FY2019 audit. The CPA has now entered into an engagement letter for its outside independent auditor to audit the CPA's FY2019 financial statements. As part of this effort, the Acting Chair has identified for them areas of concern or risk for closer evaluation and auditing ensuring that they delve deeper into issues not typically assessed.
- Auditors of Public Accounts (APA) Draft Audit Report. Prior audits by the APA identified several necessary corrective actions. CPA staff have been responding in a timely manner to all requests from the APA as they complete their audit in response to a whistle-blower complaint. On October 15, 2019, CPA received the APA's draft audit report and request for responses to audit findings and CPA will meet its deadline of October 23, 2019 to complete its response.
- Debit/Credit Card. Utilization of the debit/credit card was a source of spending outside of the appropriate parameters for a government entity. The Acting Chair has discontinued the use of the CPA's debit/credit card.
- Travel and Entertainment Expenses. Travel and entertainment expenses were not monitored and occurred outside of the appropriate parameters for a government entity. The Acting Chair of the Board issued a directive that no travel or entertainment expenses are to be incurred without his prior approval and that such approvals would generally be limited to those expenses critical to the mission and purpose of the CPA. Further, any such expenses shall be reasonable, with limits similar to those applying to State employees. A directive was also issued establishing the terms for payment of mileage for the use of personal vehicles for official CPA business which did not previously exist.
- Review of Contracts. Several contracts existed for services that were not critical to the mission and purpose of the CPA. Contracts are being reviewed to determine if they meet critical needs and are cost effective. Terminations or reductions have occurred in certain contracts to limit recurring expenses.
- Management of Legal Expenses. Legal expenses were excessive due to an over-reliance on legal support for activities that should have been conducted by staff. The Acting Chair of the Board issued a directive regarding the use of outside legal counsel and the process to be followed in order to better manage these costs. The CPA Board's Finance Committee is examining the best method of obtaining these services going forward.
- Comptroller's Open Checkbook. The information provided to the Comptroller's office to publicly share CPA transactions was incomplete. CPA is working with the Comptroller's office to update the publicly available information with a complete accounting of authority expenditures.

## **Board and Governance**

- Code of Ethics Training. Ethics training had not occurred since 2016. At the September 2019 board meeting, the CPA Board and staff received training regarding the State Code of Ethics from the State Ethics Office. Training of Board and staff will occur annually.
- Freedom of Information ACT (FOIA) Training. FOIA training had not occurred previously. At the September 2019 board meeting, the CPA Board and staff received training with respect to FOIA requirements. Training of Board and staff will occur annually.
- Finance Committee. The Finance Committee of the Board did not have a full complement of members. At its September meeting, the CPA Board reconstituted its Finance Committee with new members including ex-officio representation by both OPM and the Treasurer's Office.

## **Personnel and Operations**

- Executive Director Position. The Executive Director had been placed on leave by the Board Chair on July 12, 2019. The former Executive Director resigned as of October 1, 2019. At its October meeting, the CPA Board established an ad hoc personnel committee to develop an approach to refill this position that will be presented to the Board at its next meeting.
- Code of Ethics Policy and Appointment of Ethics Compliance Officer. The CPA did not have an Ethics Policy and its Ethics Compliance Officer was separated from the authority on July 9, 2019. At its September meeting, the CPA Board approved a Code of Ethics Policy and appointed an ethics compliance officer.
- OPM's Independent Assessment of Policies and Procedures. The Board was behind in the finalization and adoption of the full complement of policies and procedures necessary to govern CPA actions. The consultant engaged by OPM to evaluate the sufficiency of CPA's business and organizational practices and structures is scheduled to complete its report of findings and recommendations in early December. Revised policies and procedures resulting from the consultant's report and other efforts underway at CPA will be brought forward for CPA Board consideration beginning at its December Board meeting.
- Procurement of Goods and Services. There existed ambiguity and gaps in the CPA's procurement policy. The Acting Chair of the Board issued a memorandum providing guidance with respect to the CPA procurement policy. The memo involves emphasizing the use of competitive processes, even for smaller procurements, while identifying limitations on and processes related to use of sole source purchases.
- Technical Support and Capacity. CPA lacked the necessary capacity to execute and implement the Harbor Development Agreement with Eversource/Ørsted. Through its MOU with the CPA, OPM legal have substantially vetted the proposed Harbor Development Agreement and negotiations to strengthen the agreement are ongoing. At its October meeting, the CPA Board authorized an MOU with DAS to mobilize project management support to ensure efficient and effective project delivery.

## Transparency and Freedom of Information

- Documents to Transportation Committee. There was concern that the reporting and information sharing requirements of the CPA were not being met and necessary information was not getting to the legislature and the public. CPA has provided the Transportation Committee (via Philip Mainiero) with copies of:
  - CPA's quarterly financial reports from January 2018 through June 2019.
  - Annual Report [CGS § 15-31a(k)] 2016
  - Annual Report [CGS § 15-31a(k)] 2017
  - Annual Report [CGS § 15-31a(k)] 2018
  - Annual Report [CGS § 1-123(a)] FY July 1, 2017 - June 30, 2018
  - Annual Report [CGS § 15-31a(o)] Calendar Year 2019
  - Timeline of State Pier care, custody and control transition from CTDOT to CPA
  - Final CPA-Gateway New London LLC Concession Agreement
  - Final CPA-New London Impact Fee Agreement
  - State Pier Terminal Operator Request for Proposals (RFP) Responses
    - Gateway Terminal RFP response
    - Logistec RFP response
    - Worldwide Terminals RFP response
    - Infralinx RFP response
    - Converge/SIA RFP response
    - Red Hook Terminals RFP response
- FOIA Response. There was a significant backlog of FOIA requests. Since August 20, 2019 CPA staff has reduced the backlog of unanswered FOIA requests to two despite having received an additional 15 requests since mid-July.
- Public Information Meeting on State Pier. No public meeting had been held on the proposal for State Pier facility. On September 17, 2019 at the Holiday Inn in New London, CPA and its private partners hosted a public information meeting concerning the proposed redevelopment of the State Pier facility. With over 250 people in attendance, there was robust opportunity for information sharing and input. The project enjoyed a largely positive response and all comments received are currently being taken into consideration.

Thank you for the opportunity to provide this update and do not hesitate to reach out for any clarifications or additional information.

Sincerely,



David Kooris

Acting Chair