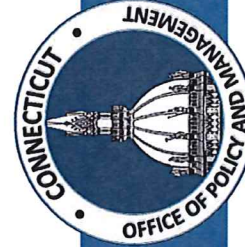
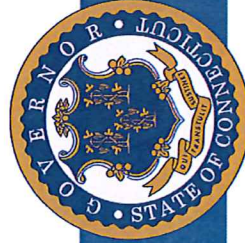


Connecticut Port Authority – Establishing Financial and Operational Integrity



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Governor Lamont's Directive

As part of Governor Lamont's decisive action this past summer to address issues at the Connecticut Port Authority (CPA), the Governor directed the Office of Policy and Management (OPM) to take a direct and active role in the financial decisions and direction of the CPA.



OPM-CPA Memorandum of Understanding

In response to the Governor's directive, OPM entered into a MOU with the CPA to:

- Oversee all CPA financial decisions
- Hire and work with an independent firm to evaluate the CPA's organizational structure and financial and management capabilities and practices (Whittlesey Advisors)
- Identify opportunities to achieve highest standards of transparency, governance, accountability and fiscal best practices
- Review statutory authority and make recommendations for improvement
- Review internal controls and make recommendations for improvement
- Review, draft or modify policies and procedures
- Address accounting system deficiencies and ensure consistent financial reporting



Immediate and Structural Solutions

OPM's activities have been aimed at targeting both immediate issues at the CPA while also pursuing longer term structural improvements



Immediate/Interim Actions and Activities

OPM, working in conjunction with Acting Chairman David Kooris, took the following actions:

1.) Fiscal Monitoring.

- Reviewing all payments and key contracts.
- Ensuring expenses properly documented and expenditure decisions cost-effective.
- Improvements to internal controls.
- A number of contracts have been either reduced or terminated, including PR/Communications contracts

2.) Interim Policies and Actions.

- Establishment of interim policies in the areas of procurement, travel, entertainment and mileage, and use of legal services
- In regard to legal costs, drafted RFP issued for a new and more cost-effective approach to outside legal services

3.) Transparency.

- Identified and notified the Office of State Comptroller (OSC) in September 2019 about the problems and issues with CPA's FY18 submittal to OSC's Open Checkpoint website. Worked with CPA staff and OSC to correct these problems.

4.) Audit Corrective Action Plan. With respect to the recently completed APA audit:

- Developed corrective action plan related to the audit's many findings
- Initiated the CPA's FY19 independent audit, including identifying areas of risk for enhanced review



Actions: APA Audit Findings/Other Deficiencies

FINDING/ISSUES	OPM/CPA ACTION & RESPONSE
- Lack of Policies & Procedures Required by Legislature - Ethics Policy and Training - Surplus Funds Policy - SHIP Grant - Affirmative Action/EEO Procedures	- Ethics policy adopted and training provided to Board and CPA employees in September 2019 - Surplus Funds Policy to be presented to Board at December 2019 meeting - SHIP being converted to reimbursement grant under new policies and procedures - Acting Chair Kooris issuing AA/EEO procedures in December 2019
- Accounting System Deficiencies - Problems with use of accounting software - Inconsistent reporting - Duplicate and delayed transaction entries	- OPM contracted with a former municipal finance director to work with CPA staff - QuickBooks cleanup by end of December 2019 - New chart of accounts implemented; New fund structures - Accounting & Finance Manual: Draft December 2019
- Personnel Policy Deficiencies - Accrual amounts missing in Employee Handbook - Leave time recorded incorrectly - Vacation pay different from manual at termination - Performance Evaluations not done - No policy on mileage-personal vehicles	- Interim mileage reimbursement policy issued - Survey of leave policies of seven quasi-public agencies completed - Revised Employee Handbook to be presented to Board at December 2019 meeting
- Poor Records Management - Missing receipts for many payments - No central file for contract documents	- OPM overseeing payments and related documentation - QuickBooks scanning capabilities for records retention being pursued - Proposed Accounting/Finance Manual and Procurement Policy have records retention provisions



Actions: APA Audit Findings/Other Deficiencies

FINDING/ISSUES	OPM/CPA ACTION & RESPONSE
Lack of Policies and Poor Documentation Over Travel, Meals and Entertainment Expenses • Lack of receipts or justification for many expenses • Need for or reasonableness of certain expenses	• Directive issued restricting these types of expenses • Proposed Travel, Meals and Entertainment Policy to be presented to Board at December 2019 meeting • These expenses and others have been identified for enhanced review in FY19 independent audit of CPA
Excessive Legal Costs • Outside legal services used for administrative issues • Lack of detail on invoices	• Interim policy on use of outside legal services issued • Proposed Use of Legal Service Guidelines to be presented to Board at December • RFP issued for Legal Counsel on a fixed fee, retainer basis for general legal matters
Selection of Consultants • No bid for consultant over \$50k • Higher cost furniture option selected with no basis	• OPM overseeing payments and related documentation • A number of contracts eliminated or reduced, including PR/Communications contracts • An interim procurement policy was issued • Proposed procurement policy to be presented to Board at January 2020 meeting
Ethics Policy / Conflict of Interest • Purchase of photographs from Finance Chair's daughter (member recused herself, Board Chair approved)	• Photographs and payment returned • Ethics Code adopted and training provided at September 2019 Board meeting • Conflict of Interests provision to be revised in Employee Handbook and changes to Bylaws



Actions: APA Audit Findings/Other Deficiencies

FINDING/ISSUES	OPM/CPA ACTION & RESPONSE
Lack of Policies for Credit Card Use	- Credit and debit cards in use have been canceled - No additional cards will be issued until policies adopted by board
Employees Misclassified as Consultants	Issue addressed in Proposed Procurement Policy
Noncompliance with Reporting Requirements	CPA developing a tracking tool and calendar for reporting requirements



Structural Changes-Anticipated Whittlesey Report

Independent Evaluation of CPA by Whittlesey. Based on discussions with Whittlesey, their report will include findings and recommendations in the following areas:

- Governance
- Organization
- Policies, procedures and practices
- Technology
- Management of outside legal services
- Management of procurement
- Grant management



Status of Actions Related to Whittlesey Draft

GOVERNANCE. OPM has benchmarked bylaws, statutory and other governance matters of a number of Connecticut quasi-public agencies and has begun drafting amended CPA bylaws and potential statutory changes, as well as those related to the ethics policy.

ORGANIZATION. OPM has supplemented CPA staff during this interim period to address some of staffing issues cited, including with the former municipal finance director.

POLICIES, PROCEDURES AND PRACTICES. The broad-ranging policies and procedures being presented to the CPA Board this month and next month will address a number of the findings of the upcoming report. Additional policy revisions or additions will be developed as needed in response to report. The fix to QuickBooks has and will be of great assistance in regard many of these issues.



Status of Actions Related to Whittlesey Draft

TECHNOLOGY. While great progress has been made regarding the agency's use of its accounting software, additional work will be needed to address security and other matters cited in the report. Additional resources will need to be identified for this task.

MANAGEMENT OF OUTSIDE LEGAL SERVICES. A draft of the Use of Outside Legal Counsel Guidelines will be presented at the CPA Board at its December 6th meeting. A new RFP seeking a law firm to serve the CPA's Legal Counsel on a retainer basis has been issued.

MANAGEMENT OF PROCUREMENT. An interim Procurement Policy was issued in September, while a fully revised policy will be presented to the CPA Board in January that will address findings/recommendations in report.

GRANT MANAGEMENT. No new SHIPP grant agreements until it becomes a reimbursement program with related reporting required for payment.



Moving Forward

- The actions taken to date have begun to establish a framework for governance and accountability.
- The Authority must assess its organizational capacity in terms of the skills and knowledge base required for the Authority's mission in both the near and long term.
- The Authority must determine the most efficient and responsible approach for operations going forward and implement a strategy consistent with that approach.
- It is imperative going forward that the Authority restores public confidence in its ability to carry out its mission.



Summary

Following the Governor's directive to intervene in the day-to-day activities and to make the structural improvements to ensure transparency, accountability and best fiscal and administrative practices at the CPA, OPM, in conjunction with Acting Chair Kooris, have stepped in to bring oversight and stability in the short-term and to begin the implementation of longer-term structural improvements. This work is well underway, with a plan and a firm commitment from all involved to see it through.



