

Office of the State Comptroller

At a Glance

KEVIN LEMBO, State Comptroller

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Established - 1786

Statutory authority - State Constitution

Central office - 55 Elm Street, Hartford, CT 06106-1775

Average number of full-time employees – 259

Recurring operating expenses – \$26,908,409

Mission

To provide accounting and financial services, to administer employee and retiree benefits, to develop accounting policy and exercise accounting oversight, and to prepare financial reports for state, federal and municipal governments and the public.

Statutory Responsibility

The responsibilities of the Office of the State Comptroller (OSC) were first charged in the State Constitution in 1786, and have been expanded over the years in the Connecticut General Statutes. According to Article Fourth, Section 24 of the State Constitution, the State Comptroller "shall adjust and settle all public accounts and demands, except grants and orders of the general assembly. He shall prescribe the mode of keeping and rendering all public accounts."

In addition, state law charges the office to adjust and/or settle all demands against the state not first adjusted and settled by the General Assembly; to prepare all accounting statements relating to the financial condition of the state; to provide for the budgetary and financial reporting needs of the executive branch through the Core-CT computerized system; to pay all wages and salaries of state employees; and to administer miscellaneous appropriations including the procurement of medical, dental and pharmacy benefits.

The bulk of the Comptroller's statutory requirements are detailed in Conn. General Statutes Secs. 3-111 through 3-123.

Public Service

Accounts Payable Division

The Accounts Payable Division within the Office of the State Comptroller manages the centralized accounts payable function for the state, maintains the 158,000-plus record vendor profile database that properly identifies vendors providing goods and services to the state, initiates and monitors the pay cycle process for the generation of payments in settlement of the state's obligations, issues IRS forms 1099-MISC, 1099-S, and 1099-G in accordance with federal regulations, conducts post transactional examinations of encumbrances and expenditures for compliance, conducts pre-audits of procurement requests for \$1 million or more, and performs a variety of necessary processing activities to satisfy federal or state requirements and Freedom of Information requests.

The division also processes special payments such as tax-exempt bond funds, debt service, state legal settlements, land condemnations, human resource benefits, federal pass-through and state grants through various methods such as checks, Automated Clearing House (ACH, also known as electronic funds transfer or EFT), wire transfers, and interagency transfers.

The division enforces the statutory, regulatory and accounting provisions mandated by state and federal law; facilitates the execution of statutory grant programs for payment to municipalities and/or not-for-profit organizations; generates summary and detailed reports of payments to municipalities and provides assistance to the municipalities' independent auditors in the reconciliation of such payments; monitors financial system security to maintain segregation of duties; and maintains financial records, including garnishments/offsets through the vendor file database within the state's Core-CT administrative and financial system; assists agencies in processing transactions and troubleshooting problems with such transactions in Core-CT; offers vendors online access to their financial information, and develops manuals and provides training to the agencies' business office staff.

Budget and Financial Analysis Division

The Budget and Financial Analysis Division performs the statewide accounting and financial reporting functions. The division posts, analyzes and reports state expenses and revenues by fund, department and account category inclusive of federal and other funding sources. The division also reports on the state's assets and liabilities.

At the Comptroller's direction, the division prepares a monthly analysis of the state's budget condition that contains the financial statements for the latest month and projects the budget position to year's end.

The division performs all statewide cost accounting functions. It computes and reports direct and indirect costs associated with major state programs in order to obtain

reimbursement of those costs from federal and other sources. The division manages the requirements of the federal Cash Management Improvement Act.

The division publishes two of the Comptroller's annual financial reports – a Generally Accepted Accounting Principle (GAAP) budgetary base report that details and analyzes state expenditures, receipts, and capital budget activities for the fiscal year on a GAAP budgetary basis; and a Comprehensive Annual Financial Report (CAFR) prepared in accordance with GAAP financial reporting standards that analyzes the state's overall fiscal position and provides audited financial statements for state and state-supported fiscal activities.

The division operates the state accounting components of the Core-CT financial system and is responsible for implementing financial modules and system upgrades. The division is also responsible for system configuration changes required to adapt to evolving state agency business requirements.

Healthcare Policy & Benefit Services Division

The Healthcare Policy & Benefit Services Division administers benefits programs for all state employees, retirees, and their dependents. The largest programs are the medical, pharmacy, and dental benefit programs covering over 210,000 lives. The division is responsible for the contract procurement, administration, and evaluation of these programs.

The division provides administrative support to the Health Care Cost Containment Committee (HCCCC). It provides leadership for statewide value-based payment initiatives such as patient-centered medical homes and accountable care organizations.

The division implemented and manages a statewide Health Enhancement Program (HEP) that covers more than 130,000 lives of state employees, new retirees and their dependents. HEP is designed to encourage preventive care and better maintain chronic conditions – with the ultimate goal of reducing more costly emergency care. The program has contributed to reduced health-care cost trends for the State Employee and Retiree Health Plan.

HEP was one of only a few health care innovations chosen to be the subject of a national study by the University of Michigan's Value-Based Insurance Design Center, funded by the Robert Wood Johnson Foundation, one of the nation's most esteemed health-care foundations.

The division provides substantial support to the State Innovation Model initiative, a national effort supported by the Center for Medicare and Medicaid Innovation. The goal of the initiative is to transform health-care delivery in the state.

The Healthcare Policy & Benefit Services Division also manages the CT Partnership Plan, a program that opens the State of Connecticut Employee Health Benefits Plan to non-state public employers.

The division is also responsible for administering the State of Connecticut Defined Contribution Plans with over 40,000 participants, including oversight of investments which are approximately \$4.4 billion.

Group life insurance, unemployment insurance and supplemental benefits are also included in the responsibilities of the division.

Information Technology Division

The Information Technology Division is an inter-agency team that maintains Core-CT, the statewide financial, human resource, and payroll system. Core-CT performs the state's accounting, accounts payable, accounts receivable, purchasing, billing, project management, human resource, time and attendance, payroll and benefits administration functions and is used by over 40,000 state employees. In total there are approximately 60 employees of the Office of the State Comptroller who work full time on supporting the system's operation.

The division is responsible for the maintenance and upgrade of Core-CT, and provides analysis for the Comptroller regarding strategic information technology issues impacting the state.

A major system enhancement project was started in December 2014. The pension project is a 36-month project that will migrate all of the Office of the State Comptroller's pension administration functions into Core-CT. Upon the project's completion, Core-CT will handle the complete employment lifecycle from hire through retirement.

The division's Technology Support Unit develops and maintains the Comptroller's technical infrastructure and is responsible for web development and maintenance for the Comptroller's Intranet and Internet web sites.

Administrative Services Division

The Administrative Services Division provides policy and program direction for administrative functions of the Office of the State Comptroller, including developing and implementing the agency budget and statewide miscellaneous and fringe benefit accounts, monitoring legislative initiatives affecting the agency's budget and interpreting constitutional and statutory provisions affecting state financial expenditures and revenues.

The division's services are delivered by five units: Business Services, Support Services, Human Resources, Statewide Tuition, Travel and Training Reimbursement and Fiscal Policy Programs.

The Business Services Unit administers the agency accounting, accounts payable, accounts receivable, purchasing, budgeting, financial reporting and analysis and contract administration functions. It reconciles and posts the bi-weekly state employee payroll to the appropriate miscellaneous accounts to allow payments of the fringe benefits, and accounts for the proper application and reporting of state monies to various state and federal agencies on multiple statewide accounts and programs. It oversees the agency's day-to-day operation and activities with Building Facilities and administers the records retention program.

The Support Services Unit administers and coordinates the operational functions related to mail services, asset management and printing and distribution of statewide checks and deposit advices for state employees and retirees, including checks for statewide vendors.

The Human Resources Unit administers comprehensive personnel management programs, including recruitment, selection, employee counseling, benefits, performance management, FMLA administration, labor relations, workforce and organizational planning, classification and compensation, training, payroll, staff development and workers' compensation administration.

The Statewide Tuition, Travel and Training Reimbursement Unit processes reimbursement payments to all collectively bargained state employees for approved tuition, travel, training and conference costs, as well as union-sponsored training and conferences.

The Statewide Fiscal Policy Programs Unit develops and implements complex accounting systems and procedures for state agencies to maximize accountability, standardization and cost. It is responsible for the management of the state's real and personal property for insurance accounting purposes, as well as maintaining casualty loss records. The unit administers the statewide purchasing card and fuel programs, including auditing and compliance reviews of the daily transactions of each of the 1,365 cardholders. Staff members are available to provide assistance to state agencies in the implementation of and interpretation of accounting procedures.

Payroll Services Division

The Payroll Services Division pays all state employees, coordinates all payroll deductions, maintains records on payroll taxes and deposits federal and state income tax withholding and social security contributions. It pre-audits and issues state employee and deduction checks on a bi-weekly basis; submits deduction reports; maintains wage execution records, and administers direct deposit programs.

The payroll system accommodates unique state payroll requirements including interfaces with central agencies, mass salary changes, collective bargaining information, complex accounting transactions and extensive management reporting.

The division staff also produces information requests for state employees, state agencies, outside organizations, and the general public, including the media.

Retirement Services Division

The Retirement Services Division administers state pension plans serving more than 97,236 active and retired members, providing a comprehensive package of services including retirement counseling and administrative support to the Connecticut State Employees Retirement Commission.

The division manages computer, accounting, investigatory, payroll, training, record-keeping, and compliance activities related to the state's complex retirement programs.

The Retirement Services Division analyzes and implements statutory, collectively bargained, and federally mandated revisions to the pension plans within its jurisdiction. It plans, researches and develops new products based on retirement conditions and trends.

The division is in the design stage of implementing a new pension module within Core-CT which will provide updated technology and self-service benefits for the members of all of the retirement systems within the purview of the office.

Improvements/Achievements 2014-2015

- **OpenConnecticut:** This office continued to build on its financial transparency website, OpenConnecticut. The site was expanded in April to include a new feature called "OpenCheckbook" (accessible directly at opencheckbook.ct.gov). This new application allows the public to search real-time information about who received payments from the State of Connecticut for goods and services, when they received it and how much they received. Before OpenCheckbook was launched, state payment information available online was only updated once annually – and therefore became outdated shortly after becoming available. OpenCheckbook is updated nightly, reflecting all payments made through the state's centralized accounting system up to 24 to 48 hours prior to view.
- **Budget Reserve Fund:** This office, following more than a year of research, presented a detailed white paper – and ultimately proposed legislation – on a plan

to reform the state's Budget Reserve Fund to stabilize future state budgets, manage revenue volatility and reduce unfunded liabilities. The measure was adopted and is scheduled for implementation in 2019.

- **Compound Drugs:** In response to an immediate threat affecting the health and safety of state health plan members, this office implemented a prior authorization requirement in May 2015 for all compound medications containing non-FDA (Food and Drug Administration) approved ingredients. The practice is expected to curb the increasingly widespread practice of prescribing costly, multiple-ingredient topical creams of untested safety and effectiveness.
- **New medical benefits plan contracts:** Following a competitive bidding process, in partnership between labor and management, this office selected Anthem BlueCross and BlueShield and UnitedHealth Group to continue to administer the state's self-insured medical benefits plan for state employees, retirees and their dependents up to five years. The carriers have committed to work with the state to continue to develop more value-based health care features, with better contracting for mental health services and integration of those services with primary care; and stronger chronic disease management by physicians.
- **Facility Fees Investigation:** This office conducted a public hearing as part of a review into the consolidations of hospitals and other health-care providers and their impact on the state health plan – particularly the increasing use of “facility fees.” Facility fees are charges submitted by a medical facility that some providers claim cover the overhead costs and materials associated with providing care – however, they are often charged in addition to “professional fees” that are supposed to cover the cost of the professional services provided. Following the public hearing, the legislature adopted a measure (SB 811) that prohibits facility fees associated with routine physician visits outside of a hospital campus, with an exception for free-standing emergency rooms.
- **The Connecticut Retirement Security Board (CRSB),** a limited duration board housed in the Office of the State Comptroller, and co-chaired by Comptroller Kevin Lembo and Treasurer Denise L. Nappier, commenced work on its study of a public retirement program for private-sector employees without access to an employer-sponsored plan. The board held a public hearing to solicit comment and, in the spring of 2015, hired Boston College's Center for Retirement Research to conduct a market analysis, and Mercer and Oliver Wyman to design a retirement program, conduct a financial feasibility study and provide general consulting services. During the fiscal year, it received a \$250,000 donation from

the Laura and John Arnold Foundation, among other donations, to help fund the study. The board is required to report its findings by January 1, 2016 and to submit a comprehensive proposal for creation of such a program to the Governor and General Assembly by April 1, 2016.

- **Enhanced use of ACH (Automated Clearing House or electronic payments):** FY 15 saw many improvements to the ACH process for vendors that increased their willingness to participate. Some of those enhancements included the development of custom remittance advices to meet specific customer needs; expanding the use of multiple bank accounts for towns and vendors that require their payments to be made to different accounts; and utilizing technology to streamline internal processes. The percentage of eligible vendor payments made by ACH this fiscal year was 49 percent, an increase of 4 percent. The percentage of eligible town payments made by ACH this fiscal year was 68%, an increase of 7%. The postage savings for FY15 were \$125,467.10, an increase of \$14,169.70 over the previous year.
- **Fraud detection and protection:** Implemented enhanced internal controls to strengthen fraud detection and protection in the payment method processes. Developed training materials for agencies to assist them in detecting fraudulent attempts to change vendor information, and presented this information in various training presentations.
- **Improving accuracy and reliability of accounts payable data:** Developed and implemented an improved automated process to query the accounts payable data for anomalies. This data is used to ensure the highest level of accuracy and compliance with business rules of OSC accounts payable and vendor data. Also implemented a procedure to monitor payments requested for return to agencies to ensure compliance with proper internal controls.
- With the Department of Transportation, developed a procedure to process Rights of Way payments to lien holders.
- Developed an on line tutorial and training class for state agencies for vendor file matters, adding and maintaining vendor information.
- Assisted the Office of Policy and Management in the planning, data validation and implementation of STARS reporting system.

- With the Department of Rehabilitation Services developed enhancement to interface process to improve the accuracy of federal withholding reporting.
- Provided technical support for Military Department family assistance program to upgrade their XML modules and bring their Access Database up to 2010 compatibility for voucher interface to Core-CT.
- **CORE-CT:** Moved Core-CT's computing infrastructure to the state's new Groton Datacenter. Implemented an engineered systems hardware platform for a new business intelligence reporting application.
- **Disability retirement processing:** The amount of time before a disability retirement application goes before the Medical Examining Board (MEB) has been reduced significantly from six months to one month within receipt of the application.
- A re-employment eligibility survey was mailed to 5,996 Municipal Employee Retirement System (MERS) members to certify their re-employment status.
- Approximately 54,000 State Employee Benefit Statements were mailed to members of the State Employee Retirement System (SERS).