

STATE OF CONNECTICUT



***AUDITORS' REPORT
DEPARTMENT OF CHILDREN AND FAMILIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 and 2006***

AUDITORS OF PUBLIC ACCOUNTS
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Table of Contents

INTRODUCTION	1
COMMENTS	1
Foreword.....	1
Consent Decree.....	3
Hotline.....	3
Census Statistics.....	3
Per Capita Costs.....	4
State and Area Advisory Councils.....	4
Résumé of Operations.....	5
General Fund.....	5
Revenues and Receipts.....	5
Expenditures.....	5
Special Revenue Funds.....	6
Revenues and Receipts.....	6
Expenditures.....	7
Capital Projects Funds.....	7
Fiduciary Funds.....	7
CONDITION OF RECORDS	9
Board and Care Disbursements.....	9
Care and Maintenance Payments.....	9
Subsidized Guardianship - Improper Payments.....	10
Discretionary/Flexible Funds.....	11
Core-CT System Disbursements.....	13
Cell Phones.....	14
Motor Vehicle Fuel.....	16
Payroll/Personnel.....	17
Overtime Costs.....	17
Medical Certificates.....	18
Property Control: Equipment Inventory and Reporting.....	19
Petty Cash Funds.....	21
Fiduciary Funds.....	23
Agency Administered Projects.....	25
Licensing.....	26
Supervisory Approval of Relicensing Forms.....	26
Untimely Licensure of Relative Placement Foster Homes.....	27
RECOMMENDATIONS	29
INDEPENDENT AUDITORS' CERTIFICATION	37
CONCLUSION	39

November 8, 2007

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We have examined the financial records maintained by the Department of Children and Families for the fiscal years ended June 30, 2005 and 2006. This included the records maintained for the Central Office, the local area offices and the facilities operated by the Department.

The financial statement presentation and auditing of the books and accounts of the State are done on a Statewide Single Audit basis to include all State agencies. This audit examination has been limited to assessing compliance with certain provisions of financial related laws, regulations, contracts, and grants and to evaluating internal control policies and procedures established to ensure such compliance. This report on our examination consists of the Comments, Recommendations, and Certification, which follow:

COMMENTS

FOREWORD:

The Department of Children and Families (DCF) operates primarily under the provisions of Title 17a, Chapter 319, Sections 17a-1 through 17a-83 of the Connecticut General Statutes. In addition, under Sections 17a-90 through 17a-185 of Title 17a, Chapter 319a, and Section 17b-23 of Title 17b, Chapter 319o of the Connecticut General Statutes, the Commissioner and the Department are charged with specific responsibilities in regard to overseeing the welfare of children.

The Department operates as a comprehensive, consolidated agency serving children (under age 18) and families. Its mandates include child protective and family services, juvenile justice services, mental health services, substance abuse related services, prevention and educational services (acting in the capacity of a school district for the children in their care). Its programs and services are administered through a network of offices and sites located throughout the State consisting of a Central Office, 14 local area offices, four facilities and the Wilderness School.

The Department's Central Office provides business support services for the area offices and the Wilderness School. Business operations of the Department's four facilities are administered by Department personnel located at each of the respective facilities.

The Department's four facilities are High Meadows, Riverview Hospital for Children, Connecticut Children's Place (CCP) and the Connecticut Juvenile Training School (CJTS). High Meadows, located in Hamden, is a 42-bed residential treatment facility for severely emotionally disturbed adolescents (ages 12 to 17) who require intensive and comprehensive services, but do not require the most restrictive environment available. High Meadows residential treatment program is for those whose behavioral and emotional disturbances are such that treatment can only be effected in a setting that protects the youth and/or community in a structured program 24-hours a day.

CCP, located in East Windsor, is a 54-bed residential diagnostic center for children and youth ages 10 to 18 in need of protection due to abuse, neglect, abandonment, unmanageable behavior or sudden disruption in their current placement or residence. An emergency component responds to those in need of immediate removal from their current setting and for whom there are no interim placement resources. CCP's bed count includes 12 beds for adjudicated girls committed to the Department by the juvenile justice system.

Riverview Hospital for Children and Youth, located in Middletown, is the only State supported psychiatric hospital for children and adolescents ages 5 through 17 in Connecticut. Patients are admitted to Riverview when their emotional disturbances, mental illness and/or personality disorder is so severe that they are at high risk or a danger to themselves or others, and intensive 24-hour care and treatment is necessary in a protected environment. Riverview has 98 beds.

CJTS, located in Middletown, is a 240 bed facility for male adjudicated delinquents committed to the Department by the Superior Court. The facility includes an assessment unit, parole revocation unit, special needs unit, general population buildings and extensive space for education, vocational and recreational programming. All youth receive a comprehensive assessment when they arrive at CJTS including medical, mental health, substance abuse and educational assessments. Reintegration planning and activities occur throughout the youth's stay at the facility. All youth, upon return to the community, participate in the Aftercare program providing ongoing supervision and continuation of services in keeping with each youth's risk and needs assessment.

The Wilderness School, located in East Hartland, provides therapeutic wilderness challenge programs for male and female adolescents who exhibit unacceptable behavior or have family difficulties. The program is designed to teach self reliance and responsibility as well as improve self-esteem. The Wilderness School serves Connecticut adolescents between the ages of 13 and 16 referred by Department social workers, school systems, youth service bureaus, counseling agencies, residential programs and other youth-servicing agencies. The adolescent must choose to attend.

Section 17a-50(b) of the Connecticut General Statutes established a Children's Trust Fund Council (CTFC), which is within the Department of Children and Families for administrative purposes only. Operations of the CTFC are audited by us and reported upon in a separate audit

report.

Consent Decree:

In January of 1991, the Department entered into a consent decree to avoid litigation in response to a lawsuit filed in Federal Court by clients of the Department and others. The decree mandated specific changes to Department management, policies, practices, operations and funding. A court appointed monitor is responsible for overseeing implementation of mandates in the decree. In December of 2003, the Federal Court approved an Exit Plan which established 22 outcomes for the State to achieve in order to improve services for children and families and to end the Court's jurisdiction. A revised Exit Plan was approved in July of 2004 requiring periodic reporting be performed by both the Department and the Court Monitor on the Department's performance and progress toward achieving the outcome measures.

The Department must be in compliance with all of the outcome measures, and in sustained compliance with all of the outcome measures for at least two quarters (six months) prior to asserting compliance and shall maintain compliance through any decision to terminate Court jurisdiction. The most recent quarterly report filed with the Federal Court for the quarter ended June 30, 2007, reported that the Department achieved compliance with a total of 17 measures and maintained compliance for at least two consecutive quarters with 16 of the measures.

Darlene Dunbar served as Commissioner of the Department until March of 2007. Brian Mattiello served as acting Commissioner from March of 2007 through May of 2007. Susan Hamilton was appointed Commissioner in June of 2007, and currently serves as Commissioner.

Hotline:

Hotline is a unit located in the Department's Central Office. Hotline receives all telephone calls or written information alleging that a child has been abused, neglected, or is in danger of being abused, and other types of calls related to services for children. Based on information received, appropriate action is initiated.

Hotline received more than 182,000 calls during the audited period. These included 86,760 reports of suspected abuse or neglect, of which 66,364 were accepted for investigation. Hotline is open 24 hours/7 days a week.

Census Statistics:

A summary of client census statistics, as of June 30, 2006, by placement type were as follows:

<u>Placement Category:</u>	
Adoption	4,589
Foster Care	3,311
Subsidized Guardianship	1,523
Relative Care	1,210
Residential Care	880
Group Homes	350

Auditors of Public Accounts

DCF Facilities	257
Safe Home	170
Independent Living Program	139
Shelter	116
Medical	<u>15</u>
Total	<u>12,560</u>

Per Capita Costs:

Under the provisions of Section 17b-222 and Section 17b-223 of the General Statutes, the State Comptroller is required to determine annually the per capita costs per diem for the care of all persons in treatment facilities for children and adolescents administered by the Department. The average per capita in-patient costs per diem for the 2003-2004, 2004-2005 and 2005-2006 fiscal years are summarized below:

	<u>Fiscal Year</u> <u>2003-2004</u>	<u>Fiscal Year</u> <u>2004-2005</u>	<u>Fiscal Year</u> <u>2005-2006</u>
Connecticut Juvenile Training School*	\$ 774	\$ 1,123	\$ 2,532
Connecticut Children's Place	843	881	1,118
High Meadows Residential Treatment Center	1,382	919	1,029
Riverview Hospital for Children and Youth	1,466	1,256	1,604

* The high per diem increase is largely the result of a significant reduction in the facility's population during the year.

State and Area Advisory Councils:

Section 17a-4 of the General Statutes provides that the Governor shall appoint a State Advisory Council on Children and Families consisting of 17 members. The duties of the Council include: recommending programs, legislation or other matters which will improve services for children and youth; reviewing and advising on the Commissioner's annual budget; interpreting to the community at large the policies, duties and programs of the Department; and, issuing reports it deems necessary to the Governor and Commissioner. The membership of the Council is to include at least five persons who are child care professionals, one child psychiatrist, and at least one attorney. The balance of the advisory council shall be representative of young persons, parents, and others interested in the delivery of services to children and youth. Members serve without compensation except for the reimbursement of necessary expenses. The Commissioner serves as an ex-officio member of the Council without a vote.

Public Act 05-246, Section 7, effective July 8, 2005, repealed Section 17a-30 of the General Statutes, replacing regional advisory councils with area advisory councils. The Act provides that the Commissioner create distinct service areas and create in such area, an area advisory council to advise the Commissioner and the area director on the development and delivery of services in the area and to facilitate the coordination of services in the area. Each council is to consist of no more than 21 members appointed by the Commissioner, or the Commissioner's designee, for terms ranging from one to three years.

RÉSUMÉ OF OPERATIONS:

During the fiscal years under review, funding for the general operations of the Department was provided by budgeted appropriations from the State General Fund and restricted contributions in the form of Federal grants and other restricted contributions.

A significant amount of the Department's operating expenditures are reimbursed by the Federal government under the Foster Care-Title IV-E and Adoption Assistance programs. The Foster Care Title IV-E program provides assistance on behalf of eligible children who are placed away from their families in foster care under the administration of the State. The Adoption Assistance program provides assistance on behalf of eligible children who are adopted through the State. These programs reimburse the State for a portion of board and care costs, adoption subsidies, and administrative costs incurred by the Department on behalf of eligible children.

General Fund:

Revenue and Receipts

General Fund revenues and receipts for the past three fiscal years are summarized below:

	<u>Fiscal Year</u> <u>2003-2004</u>	<u>Fiscal Year</u> <u>2004-2005</u>	<u>Fiscal Year</u> <u>2005-2006</u>
Revenues and Receipts	<u>\$ 86,554,889</u>	<u>\$ 107,319,802</u>	<u>\$ 110,584,534</u>

Total General Fund revenue and receipts increased by \$24,029,645 for the two-year period ended June 30, 2006, compared to the fiscal year ended June 30, 2004. The increase in revenue was primarily attributable to increases in reimbursements from the Federal Title IV-E program.

Expenditures

General Fund expenditures for the past three fiscal years are summarized below:

	<u>Fiscal Year</u> <u>2003-2004</u>	<u>Fiscal Year</u> <u>2004-2005</u>	<u>Fiscal Year</u> <u>2005-2006</u>
Personal services	\$ 210,207,306	\$ 231,422,671	\$ 246,743,133
Workers compensation payments	8,650,050	8,725,575	9,523,275
Contractual services and commodities	38,398,349	35,388,090	41,549,720
Purchase of service payments/grants	113,663,805	126,565,008	137,690,233
Board and Care payments	235,642,863	250,744,988	298,758,960
Capital outlay	<u>27,804</u>	<u>13,510</u>	<u>6,473</u>
Total Expenditures	<u>\$ 606,590,177</u>	<u>\$ 652,859,842</u>	<u>\$ 734,271,794</u>

Total General Fund expenditures increased by \$46,269,665 and \$81,411,952 during the fiscal years ended June 30, 2005 and 2006, respectively. The increases were mostly attributable to

increases in personal services expenditures, purchase of service/State grants and board and care payments made on behalf of foster care and adopted children.

Personal services expenditures increased by \$36,535,827 from the fiscal year ended June 30, 2004. The increases were mainly attributable to the hiring of additional staff, collective bargaining increases and increased overtime costs.

Purchase of service/grant expenditures increased by \$24,026,428 from the fiscal year ended June 30, 2004. The increase was mostly attributable to increased expenditures paid to purchase of service providers including cost of living adjustments paid to most of the providers in each of the fiscal years.

Board and care payments increased by \$63,116,097 from the fiscal year ended June 30, 2004. These expenditures primarily consisted of payments made to foster homes, adoptive homes, and other private providers on behalf of DCF placed children. These expenditures were disbursed through a checking account maintained by the Department. The increase in expenditures was mainly attributable to a change in the way the Department paid for therapeutic foster care services and increased discretionary/flexible spending. Commencing in the fiscal year ended June 30, 2006, therapeutic foster care payments (approximately \$19,400,000) were paid to providers from the board and care checking account. These payments were formerly included in purchase of service payments processed through the State's Core CT accounting system.

Discretionary/flexible funds provide immediate help to children and families on a very individualized and specialized needs basis that would not be covered under traditional contracted services. The Department's use of these funds grew from approximately \$6,400,000 in the fiscal year ended June 30, 2004, to \$25,100,000 in the fiscal year ended June 30, 2006.

Special Revenue Funds:

Grants and Restricted Accounts Fund:

Revenue and Receipts

Grants and Restricted Accounts Fund revenues and receipts during the audited period are summarized below:

	<u>Fiscal Year 2003-2004</u>	<u>Fiscal Year 2004-2005</u>	<u>Fiscal Year 2005-2006</u>
Revenues and Receipts	<u>\$ 24,669,885</u>	<u>\$ 27,757,280</u>	<u>\$ 23,164,617</u>

Restricted revenues and receipts increased by \$3,087,395 in the fiscal year ended June 30, 2005, compared to the fiscal year ended June 30, 2004. The increase in receipts was primarily attributable to a net collective increase in receipts from several Federal programs from the earlier year. Revenue and receipts decreased \$4,592,663 in the fiscal year ended June 30, 2006, compared to the fiscal year ended June 30, 2005. The decrease in receipts was primarily due to a net collective decrease in receipts from several Federal programs from the earlier year.

Expenditures

The Department made expenditures from the Grants and Restricted Accounts, Capital Equipment Purchase, Grants Tax Exempt Bond Proceeds and Grants to Local Governments and Others Special Revenue Funds during the audited period. Special Revenue Fund expenditures are summarized for the past three fiscal years below:

	Fiscal Year <u>2003-2004</u>	Fiscal Year <u>2004-2005</u>	Fiscal Year <u>2005-2006</u>
Personal services/fringe benefits	\$ 2,510,788	\$ 2,739,945	\$ 2,804,757
Contractual services and commodities	6,640,678	7,229,562	7,519,293
Grants/Transfers	22,527,310	21,651,451	14,619,658
Capital outlay	<u>118,818</u>	<u>83,803</u>	<u>1,482,056</u>
Total Expenditures	<u>\$ 31,797,594</u>	<u>\$ 31,704,761</u>	<u>\$ 26,425,764</u>

Total Special Revenue Fund expenditures decreased by \$5,371,830 in the fiscal year ended June 30, 2006, compared to the fiscal year ended June 30, 2004. The decrease was mostly attributable to a decrease in grant expenditures made from the Grants to Local Governments and Others Fund offset, in part, by collective increases in personal services, contractual services and commodities and capital outlays from all of the other funds.

Capital Projects Funds:

Expenditures from various Capital Projects Funds totaled \$1,544,228 and \$812,582 during the fiscal years ended June 30, 2005 and 2006, respectively. Capital project expenditures were primarily for minor construction and renovation and repair of Department facilities, EDP contractual services and grants.

Fiduciary Funds:

The Department administered a number of funds/accounts in a fiduciary capacity during the audited period. A brief description of the funds/accounts and their purpose follows:

Children's Trust Accounts:

Under the provisions of Section 46b-129 of the General Statutes, the Commissioner of Children and Families may be appointed guardian of any uncared for, neglected or dependent child committed to the Commissioner by the Superior Court. Further, Section 46b-129(1) provides that the Commissioner may bill to, and collect from, the person in charge of the estate of any child or youth aided by the Commissioner, including his decedent estate, or the payee of such child's or youth's income, the total amount expended for care of such child or youth or such portion thereof as any such estate or payee is able to reimburse.

A child's income is derived primarily from Social Security benefits, survivor benefits, and other contributions received on behalf of some children placed in the Department's care. The Department establishes individual trust accounts for children receiving benefits. These accounts are used to account for the child's income and the cost of care provided by the Department. The

Department makes periodic disbursements from these accounts to the Department of Administrative Services (DAS) for the cost of the child's care. Cash receipts and disbursements from these accounts totaled \$5,944,953 and \$6,280,184 for the two-year period ending June 30, 2006.

Welfare Funds and Activity Funds:

These funds were established to account for private gifts, donations, and revenue derived from operations that pertain to activities of the children. Funds are used for the welfare and activities of children under the care of the Department. Individual welfare fund accounts are maintained at the Connecticut Juvenile Training School, Connecticut Children's Place and the Central Office. Individual activity fund accounts are maintained at the Connecticut Juvenile Training School, Riverview Hospital and High Meadows.

Donation Fund – Connecticut Juvenile Training School:

The Donation Fund was originally established from unexpended public donations and legacies at the time the State acquired the institution from private interests. The purpose of the Fund is to provide recreational, educational and other advantages for the residents at the Connecticut Juvenile Training School.

Assets of the Fund consist of cash, investments and equipment. Total assets of the Fund as of June 30, 2005 and 2006, were \$618,923 and \$542,152, respectively.

Residents' Cash Fund (Connecticut Juvenile Training School)/Children's Allowance Fund (Connecticut Children's Place):

These funds are maintained to control the custodial accounts of individuals residing at these facilities. Assets belonging to the residents, such as monies in their possession at admission, monetary gifts, and wages earned through the work pay programs, comprise the major source of receipts for these funds. High Meadows and Riverview Hospital administer similar accounts through their petty cash and activity funds.

CONDITION OF RECORDS

Our examination of the records of the Department of Children and Families identified several areas requiring improvement or further attention as discussed below:

Board and Care Disbursements: Care and Maintenance Payments

Background: Section 17a-17 of the Connecticut General Statutes permits the Commissioner of Children and Families to make direct payments for reasonable expenses necessary for the care and maintenance of children in the Commissioner's custody. The Department has established a Board and Care Checking Account to disburse payments to foster care and adoptive families and private providers. Payments are processed through the Department's Statewide Automated Child Welfare Information System (LINK). Much of the authority and control over the payments, including entering them into the system, is vested in the local area offices.

Criteria: Section 17a-114 of the Connecticut General Statutes provides that no child in the custody of the Commissioner of Children and Families shall be placed with any person, unless the Department licenses such person for that purpose. Applicants for licensure must submit to state and national criminal records checks prior to the Department issuing a license to such applicant to accept placement of a child.

Condition: The Department made payments totaling \$250,744,988 and \$298,758,960 from its Board and Care checking account in the fiscal years ended June 30, 2005 and 2006, respectively. These payments represented monthly board and care payments made to foster homes and private providers, payments for miscellaneous expenses not covered by the monthly foster care payment, and monthly adoption subsidy payments made to adoptive parents.

We selected 197 transactions from the payments noted above totaling \$211,530 to test internal controls and compliance with State laws and regulations. The results of our review identified 10 exceptions, as summarized below:

- We were unable to determine whether the Department performed criminal record checks for five transactions because the Department could not locate the adoptive parent's files.
- Criminal record checks were not documented in the provider's case file for five transactions.

Effect: The Department has lessened assurance that board and care payments were made in accordance with State laws and regulations.

Cause: Administrative and internal controls relative to obtaining and maintaining documentation were inadequate.

Recommendation: The Department should ensure that criminal records documentation is obtained and on file prior to making board and care payments. The Department should also improve its administrative controls relative to the custody and control of Department case records. (See Recommendation 1.)

Agency Response: “The Department agrees with this finding.”

Subsidized Guardianship – Improper Payments

Background: The subsidized guardianship program is intended to provide a permanent plan for children in the care and custody of the Department who are placed by the Department with their licensed relative caregivers and who cannot return home due to the death of a parent or the parent(s) inability to provide a home within the foreseeable future. The program provides the relative caretaker with a monthly board and care payment equal to the prevailing foster care rate plus medical coverage in the State’s Medicaid HMO program.

Criteria: It is management’s responsibility to design and implement internal controls to prevent, deter and detect fraud. (Statement on Auditing Standards No. 99)

Condition: We noted two subsidized guardianship cases involving three children whereby the Department made payments to the guardians on behalf of children who were no longer living with the guardian. The details of the cases are summarized below.

Case 1

The guardian submitted a sworn statement to the Department in March of 2005 certifying that the children continued to receive financial support from the guardian. In January of 2006, the Department received information from a Department investigator that both children were living with their biological mother and that they had been out of the guardian’s home since October of 2004. The guardian received and redeemed 13 payments covering the service period of November 1, 2004, through December 31, 2005.

Case 2

The guardian died on January 1, 2006. On January 12, 2006, the Department opened a probate voluntary services case because the child’s subsidized guardian had died. The child already existed in the Department’s case management system as a subsidized guardianship case. However, computer searches of the case management system

were apparently not performed to determine whether the child appeared in another case.

Subsidy payments continued to be made to the guardian. The son of the deceased guardian, with the help of his girlfriend, forged the deceased guardian's name on the checks and cashed the checks. In August of 2006, the Department received information from a local area office that the child was living with an uncle and that the son of the guardian was cashing the checks. Eight subsidy checks were made to the guardian and fraudulently cashed for the service period covering December 1, 2005 through July 31, 2006.

- Effect:* Improper payments totaling \$28,395 were made to the guardians.
- Cause:* The Department did not adequately assess the subsidized guardianship program's risk of fraud when designing internal controls.
- Recommendation:* The Department should establish appropriate internal controls over the subsidized guardianship program to prevent, deter and detect fraud. (See Recommendation 2.)
- Agency Response:* "The Department agrees with this finding."

Discretionary/Flexible Funds

Background: The Department uses discretionary/flexible funds to provide children and their families services not covered under traditional contracted services or services offered by another state agency. These funds provide the Department the flexibility to offer individualized and specialized services to their clients in an expeditious manner.

Criteria: Reasonable internal control objectives of a discretionary/flexible expenditure transaction cycle contemplate the following objectives:

- Services and their costs are properly authorized prior to commencing services,
- Payments are made for authorized services at authorized amounts,
- Services are actually received as documented by written receiving reports evidencing receipt of services,
- Services are invoiced correctly and correctly paid,
- Payments are supported.

Condition: Our review of 68 payments totaling \$110,335 made on behalf of 35 Hartford and Manchester area office clients to two providers servicing both offices disclosed the following:

- Three service authorizations were approved after the beginning date of the services,
- Payments for six service authorizations exceeded the authorized amounts,
- Services were not documented as received for all 68 payments,
- Twenty one duplicate payments were made to the providers,
- Twenty five invoices in support of payments were not provided to us because they could not be located by the local area offices.

Effect: Management has lessened assurance that flexible/discretionary funds are being economically and efficiently expended and utilized. Improper payments made to providers totaled \$28,620.

Cause: The area offices had insufficient internal controls in place over the administration of flexible/discretionary funds.

Recommendation: The Department should improve its internal controls over the administration of flexible/discretionary funds. The Department should also recover duplicate payments made to providers. (See Recommendation 3.)

Agency Response: “The Department agrees with this finding.

The Department has recovered all of the duplicate payments except for \$4,500 which will be recovered by the end of July, 2007. The delay in recovery of this payment is a result of a provider name change.

Effective October 1, 2007, the Department is implementing a credentialing process that will impact the majority of payments made from discretionary/flexible fund payments. The Department has developed definitions for 6 service types, identified minimum requirements, a rate schedule and a provider agreement between DCF and the provider. The Department has also established LINK service codes to coincide with the services which are being credentialed. This will assist area office staff in being consistent in how payments are coded and LINK’s edit feature will be able to identify many of these duplicate payments.

The Child Welfare Accounting Unit will also be making site visits to each area office during the fiscal year. Included in each visit will be a

review of a sample of flexible fund payments to ensure that invoices are maintained on file and authorizations were appropriate.”

Core CT System Disbursements:

Criteria: Section 4-98 of the Connecticut General Statutes requires budgeted State agencies to obligate future expenditures against an appropriation by issuance of a purchase order prior to obtaining goods or services.

Each State agency issuing any purchase order of \$1,000,000 or more must forward the purchase order and all supporting documentation to the Office of the State Comptroller for audit. (State Comptroller Memorandum 2004-06)

Section 3-117(a) of the General Statutes requires State agencies to pay for goods and services to the extent that such goods or services have been received or performed or, if not received or performed, are covered by contracts properly drawn and executed. Section 3-117(a) further requires State agencies to retain supporting documentation in support of such payments.

Section 4-251 of the General Statutes requires State agencies executing large State contracts prepare certifications from State agency personnel responsible for executing the contract stating that the contract was not the result of collusion, gift giving, compensation, fraud or inappropriate influence from any person.

Goods or services costing less than \$50,000 may be made without prior approval of the Department of Administrative Services (DAS) provided that a DAS contract does not exist for the goods or services being acquired. (Department of Administrative Services General Letter 71)

Condition: We tested 68 expenditure transactions, other than payroll transactions, totaling \$11,832,412 that were expended in the fiscal years ending June 30, 2005 and 2006. The results of our testing noted the following:

- Twenty four (24) transactions were not supported with valid commitment authorizations. Purchase orders were prepared after goods or services were received for 23 of the transactions. One (1) contractual payment was made to a provider without a fully executed contract in place.
- Nine (9) purchase orders in excess of \$1,000,000 were not forwarded to the State Comptroller for audit.

- Five (5) transactions were not adequately documented evidencing receipt of goods and/or services. These transactions were not supported by receiving reports and/or equivalent documentation that reasonably ensured that the goods and services were actually received.
- An agency certification for one (1) transaction was not prepared.
- A vendor on state contract was not used for one (1) transaction.

Effect: The Department has lessened assurance that expenditure transactions are being processed in accordance with State laws and procedures.

Cause: Internal controls were inadequate.

Recommendation: The Department should improve its internal controls over the processing of expenditure transactions. (See Recommendation 4.)

Agency Response: “The Department agrees with this finding.”

Cell Phones

Background: The Department expends approximately \$725,000 annually on cell phone service. Over 2,400 cell phones are assigned to its employees.

Criteria: The Department of Information Technology’s (DOIT) *Telecommunications Equipment Policy* prescribes statewide policy applicable to the acquisition and use of cellular phones issued to state agencies. Each agency is responsible for determining whether the acquisition and use of cellular phones is appropriate for its employees. State agencies are responsible for maintaining adequate documentation supporting all use and should periodically audit their records to ensure that equipment is used by authorized users for official state business only.

Good business practice contemplates that cell phone service plan minute pools be based on the business needs of its users.

Condition: We reviewed cell phone activity for the three-month period ended March 31, 2007. The purpose of our review was to determine whether the Department’s internal controls over the monitoring of cell phone usage were adequate and whether the Department was using its cell phones economically and efficiently. Our review noted the following:

- The Department’s service plan minute pool was 404,600 minutes per month as of May 2007. The pool amount calculates out to 199 minutes per phone per month. The minute pool includes a 20

percent buffer in the event of an emergency. Our analysis determined that the median usage by employees was 141.5 minutes per user per month. Using the same 20 percent buffer applied by the Department increases the minutes to 169.80 per phone per month for a total minute pool of 345,203.

- We noted that 258 cell phones were not used at all during the three month period.
- We noted 275 instances in which employees used 1,000 minutes or more during one month between July of 2006 and March of 2007. We reviewed six instances and determined that, of the 15,224 minutes that were used, 50 percent of the minutes were used on days the employees were not at work.
- We initially selected eight instances of 1,000 minute users to test but learned that for two of the instances the phone had been reported missing or stolen during the month we selected to review. Further review of these instances disclosed that the phones were not deactivated in a timely manner resulting in unauthorized use of the phones.
- The Department identifies cell phone users using 1,000 or more minutes each month as potential cell phone abusers and emails the information to supervisory personnel located at the employee's work location for review and follow up. Our analysis indicated that approximately 92 percent of cell phone plans were used less than 500 minutes each month.

Effect:

The Department is overpaying for cell phone service. We estimate that the Department could achieve a cost savings of approximately \$87,000 annually if it calculated its minutes pool based on actual business minutes used by its employees. We calculated our cost savings using the service plans currently in effect at the Department and applying the actual median usage. Our calculation does not factor in the number of minutes in the actual median usage that were used for non business calls.

The Department is paying \$34,320 annually for cell phones that are not being used. Our calculation is based on 200 cell phones unused each month at a cost of \$14.30 per month.

Unauthorized minutes or minutes used for non-business purposes increases the service plan minute pool thus increasing the cost of the overall service plan.

The vast majority of users are not monitored for possible abuse.

Cause: The Department did not have adequate internal controls in place to monitor cell phone usage.

Recommendation: The Department should implement internal controls that reasonably ensure that cell phones are being appropriately used by its employees. In addition, the Department should amend its procedures for determining its service plan minutes pool keeping in mind that an undetermined number of minutes used are for non-business purposes. The Department should also eliminate, or alternatively share, cell phones that are not being used by its employees. (See Recommendation 5.)

Agency Response: “The Department agrees with this finding.”

Motor Vehicle Fuel

Criteria: State vehicle drivers must obtain fuel at State-owned stations located throughout the State. In an emergency, or when vehicles are operating outside of normal work hours, out-of-state, or on weekends, sufficient gasoline may be purchased from a commercial station. State agencies are responsible for ensuring the efficient use of State vehicles. (Department of Administrative Services General Letter 115)

Condition: We reviewed motor vehicle fuel purchased by the Department’s Central and local area offices at commercial stations throughout the State from May of 2005 through February of 2007 to determine whether the Department was purchasing fuel at the most economical price. We also reviewed the use of State-owned stations by the Meriden and New Haven local area offices to determine whether the Department was utilizing State-owned stations when available. Our review disclosed the following:

- Approximately 10 percent of the motor vehicle fuel purchased (18,053 gallons) from commercial stations between May of 2005 through February of 2007 was for gasoline grades above regular unleaded. (unleaded plus or premium)
- Approximately 49 percent of fuel purchases made by the Meriden and New Haven offices were made at commercial stations despite the availability of State-owned stations within five miles of the offices.

Effect: We estimate that the Department needlessly expended \$2,244 for higher grades of unleaded fuel that were not necessary to operate the vehicles based on a price differential of .08¢ to .22¢ between regular unleaded, unleaded plus and premium unleaded during the period reviewed.

We estimate that approximately \$16,520 could have been saved by all offices had all the offices used State-owned stations when available by applying our analysis of the Meriden and New Haven offices to all of the offices at an average price per gallon savings of .38¢ between State-owned and commercial stations.

Cause: The Department's internal controls for ensuring that motor vehicle fuel is purchased at the most economical price are inadequate.

Recommendation: The Department should improve its internal controls over the purchase of motor vehicle fuel by ensuring that State-owned gas stations are used when available and using the appropriate octane gasoline recommended by the vehicle's manufacturer. (See Recommendation 6.)

Agency Response: "The Department agrees with this finding.

The Department plans to issue policy during the first quarter of the fiscal year stipulating appropriate procedures for the purchase of commercial fuel and the use of the appropriate grade of fuel for its State-owned vehicles."

**Payroll/Personnel:
Overtime Costs**

Background: The Department's overtime costs continued to increase during the audited period and through the fiscal year ended June 30, 2007. The Department incurred overtime costs of \$17,155,806, \$21,581,856 and \$23,029,111 for the three-year period ended June 30, 2007.

Criteria: The existence of a good forecasting program is a vital element in controlling overtime costs. A good forecasting program requires involvement of top management, unit heads, middle managers and supervisors who authorize overtime to effectively plan, monitor and control such costs. Unit heads and supervisors should be assigned the responsibility for submitting forecasts of estimated overtime costs for each budget period. Forecasts of overtime costs should be supported with the anticipated reasons for such overtime. Forecasts of overtime should be reviewed and approved by top management. As actual overtime costs are compiled, reports to management should be prepared comparing actual overtime costs to the forecasted overtime costs. The effectiveness of this process depends largely upon the extent that management involves itself in this process from approving the forecast on the front end to comparing such forecasts to actual overtime costs and taking action upon variances identified between the forecasts and actual costs.

Condition: Our review of the Department's procedures to control overtime costs disclosed that the Department does not use sufficient forecasting techniques to control such costs.

Effect: Management has lessened assurance that overtime costs are being economically and efficiently expended and utilized.

Cause: The Department has insufficient internal controls in place to successfully manage and control overtime costs.

Recommendation: The Department should establish internal controls over overtime costs by implementing a forecasting program that management can effectively use to monitor and contain such costs. (See Recommendation 7.)

Agency Response: "The Department disagrees with this finding.

The Department establishes overtime budgets for each area office and facility. Each month a comparison of actual expenditures to the budget, as well as a report identifying the 25 individuals with the highest overtime earnings are distributed to senior management, area directors, and facility superintendents. In addition, beginning in fiscal year 2008, area directors PARS (performance assessment recognition system) objectives include a provision that ties their bonus to compliance with overtime budgets."

Auditors' Concluding

Comments: The overtime budgets established by the Department are not indicative of a true forecasting program. The overtime budgets are based upon how much money is available to the Department in a fiscal year for overtime. In the fiscal year ended June 30, 2007, the Department projected that they would have \$18,000,000 available for overtime and used this amount to budget overtime. The actual amount expended for overtime in the fiscal year ended June 30, 2007 exceeded \$23,000,000, 28 percent over the Department's budgeted amount.

Medical Certificates

Criteria: State regulations and several collective bargaining contracts require the submission of an acceptable medical certificate from a licensed physician to substantiate the use of sick leave for a period of more than five consecutive working days. (State Regulation 5-247-11)

Condition: Our review of 10 employee personnel records disclosed that two did not have a medical certificate on file substantiating a medical absence of more than five consecutive work days.

- Effect:* Employees could be abusing their sick leave benefits.
- Cause:* Administrative controls are insufficient.
- Recommendation:* The Department should improve administrative controls that ensure that required medical certificates are obtained. (See Recommendation 8.)
- Agency Response:* “The Department agrees with this finding.

Human Resources will investigate if there is a report available through Core-CT which will provide information on employees who have five or more consecutive sick days. This would enable the Human Resources Associates to monitor sick leave usage for their respective assignments. If not, we will continue to remind supervisors and employees of their responsibility.”

Property Control: Equipment Inventory and Reporting

Background: The Department’s Central Office and four facilities maintain their own inventory records and prepare separate annual Fixed Assets/Property Inventory Report/GAAP Reporting Forms (CO-59). Central Office inventory records include inventory located at each of the Department’s local area offices. The facilities submit their reports to the Central Office. The Central Office then prepares a consolidated Fixed Asset/Property Inventory Report and submits the report to the State Comptroller.

Criteria: The State Comptroller’s *Property Control Manual* provides policies and procedures to State agencies to account for and report upon the value of all property owned by or in the custody of each State agency. Specific policies and procedures delineated in the manual include the following:

- Each State agency’s property system should include a control account for each reportable category on the CO-59 form and a detailed subsidiary record for each individual item in the category.
- Each fixed asset owned by the State must be tagged with a unique identification number.
- Movement of an asset by virtue of a change in location should not be transferred without formal written documentation.
- A software inventory must be established to track and control all agency software media, licenses or end user license agreements,

certificates of authenticity, documentation and related items.

Condition: Our review of Fixed Assets/Property Inventory Reports prepared by the Central Office and facilities and physical inspections of inventory items performed by us disclosed the following:

- Amounts reported on Fixed Assets/Property Inventory reports for several reportable categories could not be traced to underlying subsidiary records maintained by the Central Office, High Meadow and Riverview.
- Inventory listings provided by the Central Office, Connecticut Juvenile Training School (CJTS), Connecticut Children's Place (CCP) and Riverview were incomplete.
- During our physical inspection of inventory items, we identified several items that were incorrectly tagged or not tagged at all at the Central Office, CCP and High Meadow.
- Several inventory items physically inspected were not located in the location indicated on inventory listings at High Meadow and Riverview.
- Five inventory items selected for physical inspection at Riverview and CJTS could not be located.
- The Department's software inventory was incomplete.

Effect: The above conditions adversely affect the Department's ability to record, process, summarize and report property inventory data consistent with the assertions of the State of Connecticut in its financial statements. In addition, the opportunity for fraud and/or abuse is increased.

Cause: Internal controls over fixed assets and personal property were inadequate.

Recommendation: The Department should improve its internal controls over the custody and reporting of its property inventory. (See Recommendation 9.)

Agency Response: "The Department agrees with this finding.

In June 2007, the Department contracted with a private vendor, Asset Resource Management, Inc., to perform a physical inventory of all capital equipment and controllable items. The vendor made site visits to all DCF offices and placed new tags on all equipment and controllable inventory items. All of the information from the count will be uploaded into the Core-CT system. All appropriate staff has

been trained in the use and maintenance of the Core-CT Asset Management module and will maintain these files according to the Property Control Manual issued by the Office of the State Comptroller. The Department will be submitting a compliant CO-59 for the period ended June 30, 2007.”

Petty Cash Funds

Background: The Department’s authorized petty cash was \$54,800 as of June 30, 2006. The Department’s Central Office allocates portions of the amount to its various local area offices, units and facilities. Each location receiving funds is responsible for administering the funds and is accountable for the allocated amount.

Criteria: The State Accounting Manual (SAM) provides policies and procedures State agencies should use for administering petty cash funds. Internal control procedures identified in SAM include the following:

- Cash on hand, cash in bank, advances and unreplenished vouchers should be in balance with the total amount authorized (allocated).
- A petty cash journal or register must be maintained in which all fund receipts and expenditures are recorded.
- Checking account bank statements should be reconciled monthly by a person other than the custodian and/or one who has the authority to sign checks.
- Payments for goods and services should be substantiated by invoices or receipts.

Condition: Our review of the various petty cash accounts administered by the Department noted the following:

- Our count of petty cash at the Central, New Haven, Bridgeport and Stamford offices and the Connecticut Juvenile Training School (CJTS) noted that the petty cash amounts did not reconcile with the allocated amounts distributed to those offices.

CJTS’ account was \$7,694 over its allocated amount. The overage included \$4,886 in resident funds that were not deposited into the Residents Cash Fund. The petty cash fund is used to cash checks received from the General Fund for resident wages which are then transferred to the Residents Cash Fund for distribution to the residents.

The Stamford office could not account for \$443 of its allocated petty cash.

- A petty cash journal or register was not maintained by the Stamford office and CJTS.
- The petty cash checking account bank statements for the Central Office and CJTS were reconciled by individuals who had authority to sign checks.
- One transaction was not documented at CJTS.
- One petty cash transaction was reimbursed twice at CJTS.

Effect: The Department has lessened assurance that funds are being properly used and transacted in accordance with State accounting policies and procedures.

Cause: Internal controls over these funds were inadequate.

Recommendation: The Department should improve its internal controls over petty cash funds. (See Recommendation 10.)

Agency Response: “The Department agrees with this finding.

The Department has implemented several procedures to ensure that these issues do not reoccur:

- Petty cash journals for all CJTS petty cash and activity funds. As of June 30, 2007, these journals were up to date.
- Bank account statements are being reconciled by an individual who is not authorized to sign checks.
- Staff from the Child Welfare Accounting unit will be visiting each area office at least once during the fiscal year and reviewing the petty cash ledger and performing a cash count. In addition, each month the Petty Cash Report for each area office will be compared to the authorized amount to ensure that funds are accounted for.
- In addition, the Department has worked with the Stamford office to provide training in petty cash procedures and to assist them in reconciling their petty cash account. As a result, we were able to account for \$373 of the \$443, leaving \$70 unaccounted for. A loss report was filed for this amount.”

Fiduciary Funds

Background: The Department administers a multitude of accounts and/or funds at its various locations in a fiduciary capacity.

Criteria: The State Comptroller's *Accounting Procedures Manual for Activity and Welfare Funds* includes procedures for maintaining all activity and welfare funds operated by State agencies. Internal control procedures identified either explicitly or implicitly in the manual include the following:

- Payments for goods and services should be substantiated by invoices or receipts.
- Monies received by the State should be accounted for and deposited within 24 hours when receipts total \$500 or more. Receipts of lesser amounts may be held until they equal \$500, but for not more than 7 calendar days.
- Funds should only be used for intended purposes.
- Activity/Welfare funds should not be used as a depository to process the collection and payment of funds that do not benefit all clients and/or employees.
- Checking account bank statements should be reconciled monthly by a person other than the custodian and/or one who has the authority to sign checks.
- Ledgers/journals must be maintained that record all cash receipts and disbursements of the fund.
- Financial statements must be prepared at the close of each fiscal year.
- Financial statement information should be prepared from financial records maintained by the agency.
- Cash balances in activity funds not needed for the maintenance and continuance of its activities may be transferred to the welfare fund.
- If after six months checks are still outstanding, a reverse entry should be made in the checking account, and the funds accounted for under "unclaimed funds" for a period of three years. Funds that remain unclaimed after three years should be reversed back into the original account.

Condition:

Our review of the various funds administered by the Department noted the following:

- Ten (10) transactions were not documented or insufficiently documented in the Our Kids accounts, High Meadow's, Riverview's and the Connecticut Juvenile Training School's (CJTS) activity funds, CJTS' Donation Fund and Connecticut Children's Place (CCP) general welfare fund.
- We could not determine the receipt date of several cash receipts transacted through the Department's various fiduciary funds. For three receipts totaling \$835, the receipts were deposited late.
- Lifebook supplies (\$162) were purchased with Our Kids funds. The purchase should have been made with general fund appropriations.

CJTS' General Welfare funds (\$3,836) were used to pay for resident wages. Resident wages are reimbursed by the general fund.

- Gift certificates (\$85) were purchased by High Meadow's activity fund for employee of the quarter awards. The gift certificates were funded with State employee monies collected from can and bottle deposits.
- The checking account bank statements for the Our Kids account, CJTS's activity, welfare and donation funds and Riverview's activity fund were reconciled by individuals who had authority to sign checks.

CCP did not reconcile its General Welfare checking account throughout the audited period. A variance of \$4,911 between the bank balance (\$7,345) and CCP's ledger (\$2,434) existed as of February 28, 2007.

- Journals/ledgers were not maintained for CJTS' activity, welfare, donation and resident's cash funds.
- Amounts reported on financial statements for CJTS' activity, welfare, donation and resident's cash funds and Riverview's activity fund were not supported by ledgers.
- CCP did not prepare a balance sheet for the Allowance Fund for the fiscal years ended June 30, 2005 and 2006.
- CCP's allowance account balance exceeded its authorized amount

by \$1,189, as of March 31, 2007. Several duplicate replenishments were processed and never corrected.

- A bank account for High Meadow’s work program has been inactive since November of 2003. The balance in the account totaled \$2,552.
- Riverview’s activity fund had 69 outstanding checks totaling \$276, as of June 30, 2006. The checks were outstanding between 36 and 53 months.

Effect: The Department has lessened assurance that funds are being properly used and transacted in accordance with State accounting policies and procedures.

Cause: Internal controls and supervisory/managerial oversight of these accounts/funds were inadequate.

Recommendation: The Department should improve its internal controls over fiduciary funds. In addition, the Department should discontinue the practice of administering State employee gift/award activities through such funds. (See Recommendation 11.)

Agency Response: “The Department agrees with the finding.

The Department has implemented several procedures to ensure that the remaining findings do not reoccur:

As of June 30, 2007, each facility is maintaining ledgers to support their activity, welfare, donation and resident accounts. Each of these accounts has been reconciled through June 30, 2007. In addition, bank account statements are currently being reconciled by an individual who is not authorized to sign checks.

The account for the Work Program at High Meadow's will be rolled into the Activity Fund and the account closed.”

Agency Administered Projects

Criteria: A certificate of compliance form must be prepared at the completion of a project and submitted to the Department of Public Works and the State Building Inspector. (Department of Public Work’s “Guidelines and Procedures Manual for Agency Administered Projects”)

Condition: The Department did not submit a certificate of compliance form to the Department of Public Works or the State Building Inspector upon

completion of renovations made to an administrative building at Connecticut Children's Place.

Effect: The State has lessened assurance that the completed project was in substantial compliance with the approved plans and specifications of the project and the requirements of the State's building code and other applicable codes.

Cause: Department internal controls over agency administered projects were inadequate.

Recommendation: The Department should improve its internal controls over agency administered projects to ensure that certificate of compliance forms are prepared and submitted to the appropriate State oversight offices. (See Recommendation 12.)

Agency Response: "The Department agrees with this finding."

Licensing:

Supervisory Approval of Relicensing Forms

Background: The Department's licensing responsibilities include the licensing and re-licensing of child care facilities, including foster and adoptive families, relative homes who will care for children under the custody of the Department, in-state child placing agencies, permanent family residences, and extended day treatment programs. The Department also approves out-of-state child placing agencies which place children with Connecticut families.

The primary purposes of licensing are to: protect children in out-of-home care from abuse and neglect; assure parents and the community that the person, facility or agency meets specific requirements; improve the quality of child care through regulation and consultation and; ensure that all service providers meet established standards of quality.

Criteria: The Department uses a comprehensive standard relicensing form that documents the information and review process. This form, "Recommendation for License Renewals" is submitted and signed by the assigned social worker. The supervisor of the social worker, as well as the program supervisor responsible for the licensing at each respective office, must then approve it.

Condition: Our testing of four licenses renewed during the 2007 fiscal year disclosed that three of the licenses were approved by supervisors after the effective date of the licenses.

Effect: The Department has lessened assurance that responsible program staff is reviewing relicensing information in a timely manner.

Cause: The cause was not determined.

Recommendation: Relicensing forms should be approved/signed by all responsible staff prior to the effective date of the license. (See Recommendation 13.)

Agency Response: “The Department agrees with this finding.

FASU (Foster and Adoptive Services Unit) staff will schedule regular and consistent meetings to provide updates to child protection staff on the status of child specific licensing. A schedule of cases to be presented will be disseminated ahead of time. FASU will require CPS (Child Protective Services) staff attendance in order to clearly outline the progress toward licensing.”

Untimely Licensure of Relative Placement Foster Homes

Criteria: With the completion of a “basic assessment”, foster care homes with relative children in placement could generally remain unlicensed for a period up to 90 days. This is allowed, as specified in Section 17a-114(b) of the Connecticut General Statutes. Within that time period, a more detailed and thorough assessment to affect licensure must be completed.

Condition: Our review of five relative foster homes that were licensed in the first calendar quarter of 2007 disclosed that, for four of the licenses tested, the number of days between the initial placement of the child and the license effective date exceeded 90 days. The number of days to complete licensing for the licenses that exceeded 90 days were 111, 115, 154 and 234 days.

Effect: Children placed by the Department with relatives were allowed to remain in unlicensed homes longer than what is statutorily allowed.

Cause: The cause was not determined.

Recommendation: The licensing units throughout the local area offices need to obtain information concerning new foster parent placements in a more timely manner and complete the process of assessing relative foster homes within the timeframes required by Section 17a-114 of the General Statutes. (See Recommendation 14.)

Agency Response: “The Department agrees with this finding.

FASU staff will schedule regular and consistent meetings to provide

updates to child protection staff on the status of child specific licensing. A schedule of cases to be presented will be disseminated ahead of time. FASU will require CPS staff attendance in order to clearly outline the progress toward licensing.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The Department should ensure that required documentation is obtained and on file prior to making board and care payments. The Department should also review its administrative controls relative to the custody and control of Department records. – Our current audit identified instances of a lack of documentation evidencing the performance of criminal record checks and missing case records. Thus, this recommendation is being repeated, as amended. (Recommendation 1)
- The Department should review its policy on initial clothing allowances to determine whether the policy continues to meet its objectives. If the Department determines that no changes are in order, it should clarify to its staff how such policy should be administered and applied. Supervisory controls should be developed and implemented that provide reasonable assurance that Department policy is being administered in accordance with management’s objectives. – The clothing needs policy for children was revised in July of 2007. Thus, the recommendation has been addressed.
- The Department should discontinue the practice of overriding its LINK computer system to make board and care payments at the end of a fiscal year. – The Department has disagreed with this finding in the past and continues to make payments at year end. Because this practice does not violate any specific laws, regulations or policy that clearly prohibits this practice and the Department’s reluctance to cease the practice, the finding will not be repeated and thus is withdrawn.
- The Department should improve its internal controls over the processing of expenditure transactions. – Our current audit continued to disclose expenditures that were not made in accordance with State laws, regulations and accounting policies and procedures. Thus, this recommendation is being repeated, as amended. (Recommendation 4)
- The Department should implement internal controls that reasonably ensure that cellular phone equipment is being appropriately used by its employees. – Our current audit disclosed several instances of minutes used by employees during periods employees were not at work, noted an excessive cell phone service plan minute pool and identified a significant number of phones that were not being used at all. Thus, this recommendation is being repeated, as amended. (Recommendation 5)
- The Department should improve its internal controls over gas credit card purchases by ensuring that credit card purchases are made only by authorized users and that employees utilize State-owned gas stations whenever possible. – Our current audit noted employees did not always use state-owned gas stations when available and periodically purchased higher grades of gas that were not necessary to operate the vehicle. Thus, this recommendation is being repeated, as amended. (Recommendation 6)
- The Department should question, or if appropriate, report to responsible oversight State agencies, aspects of procurement transactions that appear unusual or appear inconsistent with State procurement practices. – Our current audit did not identify any unusual or

questionable procurement transactions. Thus, the recommendation has been resolved.

- The Department should improve its internal controls over agency administered projects that reasonably ensure that construction projects are administered in accordance with State laws and DPW guidelines. – Our current audit noted that the Department did not submit a certificate of compliance form to the Department of Public Works or the State Building Inspector upon completion of a project. Thus, this recommendation is being repeated, as amended. (Recommendation 12)
- The Department should establish internal controls over overtime costs by implementing a forecasting program that management can effectively use to monitor and contain such costs. – Our current audit noted that the Department did not implement a forecasting program to monitor and contain overtime costs. Thus, the recommendation is repeated, as amended. (Recommendation 7)
- The Department should ensure that required medical certificates and Workers' Compensation elections for the use of accrued benefits are obtained. – Our current audit did not identify any missing Workers' Compensation elections for the use of accrued benefits. Our audit did, however, disclose that the Department did not obtain medical certificates in two instances. Thus, the recommendation has been restated to include current audit exceptions relative to medical certificates. (Recommendation 8)
- The Department should conduct exit interviews with employees separating from State service making them aware of post-State employment rules. – The Department added a separation letter to other written information given to departing employees regarding their post-employment ethical obligations. The separation letter instructs each departing employee to call the Ethics Liaison Officer for an exit interview to reinforce the written post-employment obligations. Thus, the recommendation has been resolved.
- The Department should develop and implement internal control procedures over its GAAP closing preparation that reasonably ensures that reported amounts contain accurate and complete information. – Our review of the GAAP closing package prepared by the Department for the fiscal year ended June 30, 2006 did not identify any exceptions. Thus, the recommendation has been resolved.
- The Department should improve its internal controls over the custody and reporting of its property inventory. – Our current audit continued to disclose deficiencies related to property inventory control and reporting. Thus, this recommendation is being repeated, as amended. (Recommendation 9)
- The Department should deposit all Federal Foster Care program revenues in the State's General Fund. All expenditures of the program should be made from State budgeted appropriations authorized for the program. – Effective July 1, 2007, the Department began depositing all Federal Foster Care program revenue into the State's General Fund. The Department's General Fund appropriation was increased to include funds to support contractual services made to the vendor. Thus, the recommendation has been resolved.

- The Department should discontinue calculating interest liability on transactions that are processed in accordance with funding techniques approved in the Treasury-State agreement. If the Department believes that the terms of the agreement are unfavorable to the State, it should arrange with the State Comptroller to negotiate specific interest liability terms with the Federal Treasury Department that are equitable to both parties. – The Department and the State Comptroller negotiated changes to the interest liability provisions in the Treasury-State agreement covering the fiscal year ended June 30, 2008. Thus, the recommendation has been resolved.
- The Department should amend their procedures for the recovery of cost of care expenses to include prior accrued expenses incurred on behalf of a child and retroactive benefit payments. In addition, representative payee reports should be maintained until audited. – The Department amended its procedures for the recovery of cost of care expenses to include prior accrued expenses and established record retention schedules for representative payee reports. Thus, the recommendation has been resolved.
- The Department’s supervisory/managerial staff should take a more active role in the monitoring of Fiduciary/Petty Cash accounts/funds to ensure that these accounts/funds are being administered in accordance with State accounting policies and procedures. In addition, the Department should administer its Central Office administrative petty cash and “Our Kids” accounts using one checking account for each and reconcile its authorized petty cash advanced from the State Comptroller. – Our current audit continued to disclose deficiencies related to the Department’s Activity, Welfare, and Petty Cash Funds. Thus, the recommendation is being repeated as two recommendations, as amended. (Recommendations 10 and 11)
- The Department should more effectively utilize its internal audit unit by focusing the unit’s resources on the review and appraisal of the Department’s various accounting and administrative controls. – Four of the five individuals that formerly comprised the unit transferred to other Department units or State agencies. The lone remaining individual is not organizationally independent from the units and functions that he would presumably be auditing. Thus, the recommendation is no longer practical and is removed.
- The Department should publish its voluntary placement policy in its Policy Manual. – The Department’s voluntary placement policy now clearly articulates documentation needed for Foster Care IV-E purposes. Thus, the recommendation has been resolved.
- Relicensing forms should be approved/signed by all responsible staff prior to the effective date of the license. – Our current audit noted that licenses continued to be issued prior to supervisory approval. Thus, the recommendation is repeated, as amended. (Recommendation 13)
- The licensing units throughout the local area offices need to obtain information concerning new foster parent placements in a more timely manner and complete the process of assessing relative foster homes within the timeframes required by Section 17a-114 of the General Statutes. – Our current audit noted that the processing time of relative licenses continued to exceed the timeframes provided for in the statute. Thus, the

recommendation is repeated, as amended. (Recommendation 14)

- The Department should not process accounting adjustments for the sole purpose of avoiding the lapsing of State funds. – Our current audit did not identify accounting adjustments to avoid the lapsing of State funds. Thus, the recommendation has been resolved.

Current Audit Recommendations:

- 1. The Department should ensure that criminal records documentation is obtained and on file prior to making board and care payments. The Department should also improve its administrative controls relative to the custody and control of Department case records.**

Comment:

Criminal record checks were not documented in five provider files. An additional five provider case files were not provided for our review because the Department could not locate them.

- 2. The Department should establish appropriate internal controls over the subsidized guardianship program to prevent, deter and detect fraud.**

Comment:

Improper payments totaling \$28,395 were made to guardians on behalf of children who were no longer living with the guardian.

- 3. The Department should improve its internal controls over the administration of flexible/discretionary funds. The Department should also recover duplicate payments made to providers.**

Comment:

We noted several instances of inadequate documentation in support of payments, service authorizations exceeding authorized amounts and 21 duplicate payments made to providers.

- 4. The Department should improve its internal controls over the processing of expenditure transactions.**

Comment:

Our review of expenditure transactions identified several instances of noncompliance with State laws, regulations and accounting policies and procedures relative to the processing of expenditure transactions.

- 5. The Department should implement internal controls that reasonably ensure that cell phones are being appropriately used by its employees. In addition, the Department should amend its procedures for determining its service plan minutes pool keeping in mind that an undetermined number of minutes used are for non-business**

purposes. The Department should also eliminate, or alternatively share, cell phones that are not being used by its employees.

Comment:

Our review of cell phone usage disclosed several instances of minutes used by employees during periods employees were not at work. We also estimated that the Department could achieve an annual cost savings of approximately \$121,000 by reducing its service plan minute pool and eliminating or sharing unused cell phones.

- 6. The Department should improve its internal controls over the purchase of motor vehicle fuel by ensuring that State-owned gas stations are used when available and using the appropriate octane gasoline recommended by the vehicle's manufacturer.**

Comment:

Our analysis of motor vehicle fuel purchased by the Department estimated that the Department could have saved approximately \$18,768 in motor vehicle fuel costs by purchasing lower octane unleaded gas for all fill ups and better utilizing State-owned gas stations when available.

- 7. The Department should establish internal controls over overtime costs by implementing a forecasting program that management can effectively use to monitor and contain such costs.**

Comment:

We noted that the Department continued to incur significant overtime costs during the audited period and through the fiscal year ended June 30, 2007. We also determined that the Department did not have a true forecasting program in place to control and monitor such costs.

- 8. The Department should improve administrative controls that ensure that required medical certificates are obtained.**

Comment:

We noted that medical certificates were not obtained in two of 10 situations tested.

- 9. The Department should improve its internal controls over the custody and reporting of its property inventory.**

Comment:

We noted that reported amounts were not adequately supported. Physical inspections performed by us identified several assets or equipment that could not be located, did not contain tag numbers, were missing tag numbers, contained tag numbers not identified on property records and/or were located in locations different from those identified on property records.

10. The Department should improve its internal controls over petty cash funds.

Comment:

We noted several petty cash accounts did not reconcile with allotted amounts, instances of inadequate segregation of duties and inadequate record keeping practices.

11. The Department should improve its internal controls over fiduciary funds. In addition, the Department should discontinue the practice of administering State employee gift/award activities through such funds.

Comment:

We noted several instances of inadequate documentation in support of transactions, intermingling of funds, inadequate segregation of duties, non recording and late depositing of receipts, improper transactions and financial statements that were not prepared and/or were not supported with underlying accounting records.

12. The Department should improve its internal controls over agency administered projects to ensure that certificate of compliance forms are prepared and submitted to the appropriate State oversight offices.

Comment:

We noted that the Department did not submit a certificate of compliance form to the Department of Public Works or the State Building Inspector upon completion of a Department administered capital project.

13. Relicensing forms should be approved/signed by all responsible staff prior to the effective date of the license.

Comment:

Our testing of four licenses renewed during the 2007 fiscal year disclosed that three of the licenses were approved by supervisors after the effective date of the licenses.

- 14. The licensing units throughout the local area offices need to obtain information concerning new foster parent placements in a more timely manner and complete the process of assessing relative foster homes within the timeframes required by Section 17a-114 of the General Statutes.**

Comment:

Our review of five relative foster homes that were licensed in the first calendar quarter of 2007 disclosed that, for four of the licenses tested, the number of days between the initial placement of the child and the license effective date exceeded 90 days.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the Department of Children and Families for the fiscal years ended June 30, 2005 and 2006. This audit was primarily limited to performing tests of the Department's compliance with certain provisions of laws, regulations, contracts and grants and to understanding and evaluating the effectiveness of the Department's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the Department are complied with, (2) the financial transactions of the Department are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Department are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Children and Families for the fiscal years ended June 30, 2005 and 2006, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Department of Children and Families complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grants and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Compliance:

Compliance with the requirements of laws, regulations, contracts and grants applicable to the Department of Children and Families is the responsibility of the Department of Children and Families management.

As part of obtaining reasonable assurance about whether the Department complied with laws, regulations, contracts and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Department's financial operations for the fiscal years ended June 30, 2005, and 2006, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial or less than significant instances of noncompliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

Internal Controls over Financial Operations, Safeguarding of Assets and Compliance:

The management of the Department of Children and Families is responsible for establishing and maintaining effective internal controls over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants applicable to the

Department. In planning and performing our audit, we considered the Department's internal controls over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Department's financial operations in order to determine our auditing procedures for the purpose of evaluating the Department of Children and Families financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal controls over those control objectives.

However, we noted certain matters involving the internal controls over the Department's financial operations, safeguarding of assets, and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal controls over the Department's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the Department's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grants. We believe the following findings represent reportable conditions: missing client/provider case files and/or the absence of required documentation/information in files; deficiencies in the design of internal controls in the subsidized guardianship program; inadequate internal controls over the administration of discretionary/flexible funds; inadequate internal controls over the processing of expenditure transactions and; inadequate controls over the safeguarding and reporting of property inventory.

A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants or the requirements to safeguard assets that would be material in relation to the Department's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions by the Department being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal controls over the Department's financial operations and over compliance would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. However, of the reportable conditions described above, we believe the condition of inadequate controls over the safeguarding and reporting of property inventory to be a material or significant weakness.

We also noted other matters involving the internal controls over the Department's financial operations and over compliance which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

CONCLUSION

In conclusion, we wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Department of Children and Families during the course of our examination.

Joseph Faenza
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts