

STATE OF CONNECTICUT

**AUDITORS' REPORT
THE CONNECTICUT INSTITUTE FOR THE BLIND
FOR THE FISCAL YEARS ENDED JUNE 30, 1999 AND 2000**

**AUDITORS OF PUBLIC ACCOUNTS
KEVIN P. JOHNSTON ♦ ROBERT G. JAEKLE**

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April 6, 2001

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We have reviewed certain records of and reports on the Connecticut Institute for the Blind (Institute) for the fiscal years ended June 30, 1999 and 2000. This report consists of the following Comments on our review.

An Independent Public Accountant prepares the audited financial statements pertaining to the operation of the Institute. This review is limited to reviewing the work performed by the Independent Public Accountant and assessing the Institute's compliance with certain provisions of financial related laws, regulations and contracts and the internal control structure established to ensure such compliance.

COMMENTS

Foreword:

The Connecticut Institute for the Blind is a not-for-profit organization that provides educational, residential and day services to its clients in communities throughout the State of Connecticut. While the name of the Institute indicates that it operates to serve "blind" clients, it should be noted that it also serves "non-blind" clients with physical and/or mental disabilities. The majority of clients are placed with the Institute by State agencies, in particular the Department of Mental Retardation, Department of Social Services and Department of Children and Families. The largest component of the organization involves the operation of 75 group homes and 11 supported living arrangements for handicapped and/or visually impaired people of all ages. The primary purpose of the Institute is to provide handicapped and/or visually impaired people with a place to live and to provide continuing education and personal development opportunities. Emphasis is placed on client involvement within their communities. Twenty-four hour care is provided at each group home by a staff of nurses, instructors and a manager.

Most group homes support from three to six clients depending on the size of the home and the type of clients served. The Institute's census of group home clients was 361 and 365 at June 30, 1999 and 2000, respectively.

Lars Guldager, Ph.D., served as Executive Director of the Institute throughout the audited period.

Payments by State Agencies:

Approximately 85 percent of the Institute's operating revenue was earned by providing services to clients placed by State agencies. According to data provided by the Institute, it received payments from the State that totaled \$40,462,882 and \$43,268,023 during the fiscal years ended June 30, 1999 and 2000, respectively. Other sources of operating revenue include payments received from clients' families, payments from out-of-state social service agencies, and tuition payments from local education authorities. The Institute also receives non-operating revenues that include investment income, trust income, gifts and bequests.

The majority of the payments received from the State were for residential and day program services for mentally-disabled clients of the Department of Mental Retardation. A schedule of the payments made by State agencies during the last three fiscal years is presented below:

| | <u>Fiscal Year Ended June 30,</u> | | |
|--|-----------------------------------|---------------------|---------------------|
| | <u>1998</u> | <u>1999</u> | <u>2000</u> |
| Department of Mental Retardation | \$24,146,949 | \$27,197,017 | \$28,807,619 |
| Department of Social Services | 10,986,015 | 11,733,717 | 12,001,178 |
| Department of Children and Families | 885,449 | 1,254,744 | 2,157,575 |
| Board of Education and Services for the Blind | 240,213 | 237,313 | 262,288 |
| Department of Education | 39,521 | 34,598 | 32,189 |
| Other | 9,879 | 5,493 | 7,174 |
| Total State Payments | <u>\$36,308,026</u> | <u>\$40,462,882</u> | <u>\$43,268,023</u> |

The increases in total State payments reflect rate adjustments and increases in the number of Intermediate Care Facilities (ICF) utilized by the Department of Social Services (DSS), and an increase in the number of Community Living Arrangements utilized by the Department of Mental Retardation (DMR). The increase in payments from the Department of Children and Families (DCF) is directly attributable to a significant increase in the number of DCF clients placed with the Institute.

Payments made on behalf of DMR and DSS clients were generally made to reimburse the Institute for residential services. A contractual relationship exists between the Institute and DMR based on a negotiated per-client annual fee. DSS and DCF pay on a calculated "per diem" basis.

Payments for Blind Students:

Section 10-295, subsection (b), of the General Statutes provides that the State may expend up to \$11,000 per fiscal year per child for the purpose of sending children who are blind or visually impaired and have other handicaps to specialized education facilities.

Section 10-295, subsection (d), of the General Statutes provides that the State may expend up to \$10,000 per fiscal year per person twenty-one years of age or over, who is both blind or visually impaired and deaf, for the purpose of sending such person to a specialized public or private facility.

During the period covered by this Auditors' report, the Institute continued to provide such facilities for clients of the State Board of Education and the Board of Education and Services for the Blind (BESB) at a rate within these caps.

State Capital Projects:

During the audited period, there were no expenditures from capital projects funds made on behalf of the Connecticut Institute for the Blind by the State Department of Public Works.

Liens Held by State of Connecticut:

When the Institute moved to the Oak Hill Campus in 1910, the State provided a grant of \$50,000 to the Institute for the purchase of land and the erection of buildings. As a condition of this grant, the State holds a lien which would be foreclosed if the property were to be used for purposes not in keeping with the mission of the Institute. In subsequent years, the State has provided three other capital project grants with similar liens that encumbered the Institute's property.

At June 30, 1999 and 2000, the total amount of liens held by the State of Connecticut on the land and buildings of the Institute remained at \$647,000.

Contributions to the State Employees' Retirement Fund:

Section 5-175 of the General Statutes extended the benefits of the State Employees' Retirement System to employees of the Institute. Section 5-192nn of the General Statutes provides for continued membership in the System to employees who were members of the System on December 31, 1992, but excluded employees hired after that date or former employees rehired after that date. Payments of employees' contributions were as follows:

| <u>Fiscal Year Ended June 30,</u> | <u>Payroll Contributions</u> |
|-----------------------------------|------------------------------|
| 1999 | \$73,459 |
| 2000 | \$75,441 |

RÉSUMÉ OF OPERATIONS:

Auditors of Public Accounts

An independent public accounting firm has audited the financial statements of the Connecticut Institute for the Blind for the fiscal years ended June 30, 1999 and 2000. In order not to duplicate its efforts we have accepted the financial statements as audited, after satisfying ourselves as to the professional reputation, qualifications and independence of the other auditors and verifying that generally accepted accounting principles and auditing standards were employed.

A summary of the Institute's operations for the last three years, derived from information presented in the audited financial statements, is presented below:

| | <u>Fiscal Year Ended June 30,</u> | | |
|--|--|----------------------------|-----------------------------|
| | <u>1998</u> | <u>1999</u> | <u>2000</u> |
| Revenues | \$43,263,124 | \$47,661,015 | \$50,639,552 |
| Expenditures | 46,216,719 | 51,598,404 | 55,223,090 |
| Excess of Revenues over Expenditures | <u>(2,953,595)</u> | <u>(3,937,389)</u> | <u>(4,583,538)</u> |
| Net Investment income | 2,369,195 | 1,973,028 | 2,172,404 |
| Income/Gains - third party trusts | 5,531,860 | 3,961,807 | 1,678,908 |
| Gifts, grants and bequests | 1,309,092 | 2,533,147 | 724,573 |
| Realized net gains on investments | 7,579,732 | 9,023,374 | 2,232,851 |
| Unrealized net losses on investments | <u>(1,504,804)</u> | <u>(1,568,940)</u> | <u>(6,798,336)</u> |
| Net Increase (Decrease) in Net Assets | <u>\$12,331,480</u> | <u>\$11,985,027</u> | <u>(\$4,573,138)</u> |

As presented above, the Institute continued to experience operating losses. Such losses were more than offset by non-operating revenues and gains prior to the fiscal year ended June 30, 2000. This pattern reversed itself in the 1999-2000 fiscal year due to large unrealized net losses on investments.

Group home operations accounted for approximately 81 percent of operating revenues during the audited period. Salaries and employee fringe benefits accounted for approximately 73 percent of operating expenses.

CONDITION OF RECORDS

Our examination of the records of the Connecticut Institute for the Blind did not reveal any matters requiring disclosure.

The reviews performed by the Institute's independent public accountant resulted in two immaterial findings for the fiscal year ended June 30 1999. These findings were found to be resolved during the subsequent year's review.

RECOMMENDATIONS

We are not presenting any recommendations as a result of our current review. Our prior audit report of the Institute also did not present any recommendations.

CONCLUSION

In conclusion, we wish to express our appreciation for the cooperation and courtesy extended to our representatives by the personnel of the Connecticut Institute for the Blind during the course of our review.

Michael H. Hamilton
Associate Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

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