

STATE OF CONNECTICUT

**AUDITORS' REPORT
COMMISSION ON THE DEAF AND HEARING IMPAIRED
FOR THE FISCAL YEARS ENDED JUNE 30, 1999 AND 2000**

AUDITORS OF PUBLIC ACCOUNTS
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Table of Contents

INTRODUCTION	1
COMMENTS	1
Foreword	1
Membership of Commission.....	2
Résumé of Operations	3
PROGRAM EVALUATION	4
Duplicates in the Customer Master File	4
CONDITION OF RECORDS	6
Inefficient Equipment Inventory System	6
RECOMMENDATIONS	7
CERTIFICATION	9
CONCLUSION	11

November 8, 2001

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

We have made an examination of the records of the Commission on the Deaf and Hearing Impaired for the fiscal years ended June 30, 1999 and 2000.

This report thereon consists of the Comments, Recommendations and Certification which follow.

Financial statements pertaining to the operations and activities of the Commission on the Deaf and Hearing Impaired are presented on a Statewide Single Audit basis to include all State agencies. This audit has been limited to assessing the Commission's compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating the Commission's internal control structure policies and procedures established to ensure such compliance.

COMMENTS

FOREWORD:

The Commission on the Deaf and Hearing Impaired (CDHI) operates under the provisions of Title 46a, Chapter 814a, Sections 46a-27 through 46a-33b of the General Statutes.

The duty of the Commission is to act as a Statewide coordinating agency and to advocate, strengthen and implement State policies affecting deaf and hearing impaired individuals and their relationship to the public, industry, health care, and educational opportunity.

The Commission is authorized to receive monies from any source, including gifts, grants, bequests and reimbursements, which monies may be expended for the purpose designated by the

donor or to accomplish the goals of the Commission.

The Commission on the Deaf and Hearing Impaired is within the Department of Social Services for administrative purposes only.

Stacie J. Mawson has been serving as Executive Director throughout the audit period.

Membership of Commission:

The Commission consists of 21 members. As set forth in Section 4-9a of the General Statutes, the terms of the Commission members are coterminous with that of the Governor or until a successor is chosen, whichever is later. The members of the Commission as of June 30, 2000, were:

Ex officio members:

Consultant for Hearing Impaired Programs - John Purdy
President of the Connecticut Council
of Organizations Serving the Deaf - James Pedersen
Executive Director, American School
for the Deaf - Winfield McChord

Voting Members:

Department of Public Health (Meryl Tom - designee)
Department of Social Services (Gilbert Cortez - designee)
Department of Mental Health and Addiction Services (James Donagher - designee)
Department of Labor (Edward Turner, Jr. - designee)
Department of Education (Carolyn Isakson - designee)
Department of Mental Retardation (Marcia Noll - designee)
Department of Children and Families (Mary Ann D'Addario – designee)

Appointed by the Governor:

Luisa J. Gasco-Soboleski - (Chairperson/Parent of child enrolled at the
American School for the Deaf)
Raymond DeRosa - (Parent of student in oral education program)
Mary M. Silvestri - (Parent of Deaf pupil in public school program)
Gloria W. White
John D. Garvin
Six (6) vacancies

RÉSUMÉ OF OPERATIONS:

General Fund receipts totaled \$825,503 and \$923,307 for the fiscal years ended June 30, 1999 and 2000, respectively. A comparison of the total General Fund receipts for the fiscal years ended June 30, 1998, 1999 and 2000, is presented below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>1998</u>	<u>1999</u>	<u>2000</u>
Other	\$	\$ 1095	\$
Private contributions	185	4,856	25
Federal contributions	251,109	245,427	301,315
Refunds of expenditures	<u>762,085</u>	<u>574,124</u>	<u>621,967</u>
Total Receipts	<u>\$ 1,013,379</u>	<u>\$ 825,503</u>	<u>\$923,307</u>

Amounts shown for Federal contributions represent interagency transfers of Social Services Block Grant (#93.667) funding from the Connecticut Department of Social Services. Refunds of expenditures represent charges for interpreter services, as authorized by subsection (b) of Section 46a-31 of the General Statutes; these refunds are credited to the part-time Interpreter appropriation (SID 011).

General Fund expenditures totaled \$1,060,821 and \$1,286,611 during the fiscal years ended June 30, 1999 and 2000, respectively. A comparison of total General Fund expenditures for the fiscal years ended June 30, 1998, 1999 and 2000, is presented below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>1998</u>	<u>1999</u>	<u>2000</u>
Budgeted Accounts:			
Personal services	\$ 649,484	\$ 643,888	\$ 814,165
Contractual services	131,571	133,697	144,205
Commodities	9,430	13,101	19,830
Refunds	205	(302)	54
Sundry charges	2,055	1,350	3,783
Equipment			<u>9,638</u>
Total Budgeted Accounts	<u>792,745</u>	<u>791,734</u>	<u>991,676</u>
Restricted Accounts	<u>260,503</u>	<u>269,087</u>	<u>294,935</u>
Total Expenditures	<u>\$1,053,248</u>	<u>\$1,060,821</u>	<u>\$1,286,611</u>

The increase in the budgeted accounts was primarily due to one additional pay period for personal services. In addition there were increases in employee mileage (in-state travel), contractual services and the purchase of non-capitalized (costs less than \$1,000) items in commodities. Expenditures for the Social Services Block Grant (#93.667) comprised the bulk of the restricted account expenditures.

PROGRAM EVALUATION:

Section 2-90 of the General Statutes authorizes the Auditors of Public Accounts to perform audits of programs and activities. We reviewed the recently implemented computerized Billings/Receivable/Revenue system to determine whether the system is being used effectively.

We reviewed the users' manual, the customer master file and the accounts receivable balances for the periods under review. An off-the-shelf software program was used to track receivables, prepare invoices and track receipts. The program was also used to generate accounts receivable aging and other management reports. We noted that the customer master file contains 1,790 records of which 239 (13.4 percent) appeared to be duplicates. We also noted that total accounts receivable balances increased from \$10,687 as of June 30, 1998 to \$35,095 as of June 30, 2000. The receivable balances over 60 days increased from \$9,413 to \$31,734 for the same period. This was a 237 percent increase for the over 60 days balances. As of March 31, 2001 the total receivable balance increased to \$93,740 and the over 60 days balances increased to \$76,117.

Duplicates in the Customer Master File:

- Criteria:* A Billings/Receivable/Revenue system should generate accurate information for financial and other management reports. A similar finding was presented in our prior audit report.
- Condition:* The customer master file has 1,790 records of which 239 (13.4 percent) appeared to be duplicates. Therefore some receipts were not applied to the applicable open customer invoices
- Effect:* The total accounts receivable balance appeared to be overstated because some balances may not be actually due.
- Cause:* The staff was inexperienced with the software program. In addition there appeared to be a design flaw with the software program that only credited the customer accounts if the master file and the transaction file matched exactly.
- Recommendation:* We recommend that the customer files be reviewed and corrected. In addition, we recommend that the contractor from whom the software program was purchased be contacted to modify the program as needed and to provide more on sight training to use this program. (See Recommendation 1.)
- Agency Response:* "The Agency agrees this is a problem. A contract will be submitted to reestablish contact with the software programmer who originally designed and installed the program to overcome the flaw. The Commission will schedule routine assessment and correction sessions with the software designer."

CONDITION OF RECORDS

We noted the following area that is in need of attention and corrective action.

Inefficient Equipment Inventory System:

- Criteria:* Automating the equipment inventory system can save both time and effort.
- Condition:* The equipment inventory is maintained both manually and in a “Word” program. At the end of the year, the costs from the manual equipment inventory are combined with the inventory from the “Word” program. The balances are then reported to the State Comptroller.
- Effect:* The computerized file that is maintained in the “Word” program must be manually added to provide the information needed for the annual Fixed Assets/Property Inventory Report – Form CO-59. This requires additional unnecessary time.
- Cause:* There is a small number of employees in the business office who do not have the adequate computer knowledge to successfully address the technical needs of CDHI.
- Recommendation:* Business office personnel should improve their computer skills by taking applicable computer training offered by the Department of Administrative Services and other local educational institutions. (See Recommendation 2.)
- Agency Response:* “The Agency will seek recommendations for inventory automation from the [Department of Information Technology]. The business personnel will continue to further improve their computer skills.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report contained two recommendations. The following is a summary of those recommendations and a description of the action taken by the Agency.

- The Agency should review and correct the customer files in the Billings and Accounts Receivable System. We noted 239 (13.4 percent) duplicate customer files in the Billings and Accounts Receivable System. This recommendation is being restated as Recommendation 1 below.
- The Agency should continue its efforts to solicit the necessary help to adequately address the different pay rates in the Payroll and the Automated Personnel System. We noted that the pay rates in the Payroll System were different from the pay rates in the Automated Personnel System for 21 of the 40 (53 percent) employee records we examined. The differences were due to the differentials in the Payroll system for interpreters based on the certificates obtained. This is authorized by the P-2 bargaining contract. The pay rates in the Automated Personnel System reflects the pay plans for each group without the differentials for the certificates obtained. We will not repeat this recommendation in this report.

Current Audit Recommendations:

The following two recommendations include one which has been restated from our prior report and one which resulted from our current review:

- 1. The customer files should be reviewed and corrected. In addition, the contractor from whom the software program was purchased should be contacted to modify the software program as needed and to provide more on sight training to use this program.**

Comments:

The customer master file appears to have 239 duplicate records.

- 2. Business office personnel should improve their computer skills by taking applicable computer training courses offered by the Department of Administrative Services and other local educational institutions.**

Comments:

The equipment inventory is being maintained both manually and in a “Word” program.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Commission on the Deaf and Hearing Impaired for the fiscal years ended June 30, 1999 and 2000. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Commission on the Deaf and Hearing Impaired for the fiscal years ended June 30, 1999 and 2000, 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 generally accepted auditing standards and the standards applicable to financial-related 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 Commission on the Deaf and Hearing Impaired 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 control 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 Commission on the Deaf and Hearing Impaired is the responsibility of the Commission on the Deaf and Hearing Impaired's management.

As part of obtaining reasonable assurance about whether the Agency 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 Agency's financial operations for the fiscal years ended June 30, 1999 and 2000, 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*.

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

The management of the Commission on the Deaf and Hearing Impaired is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants applicable to the Agency. In planning and performing our audit, we considered the Agency's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Agency's financial operations in order to determine our auditing procedures for the purpose of evaluating the Commission on the Deaf and Hearing Impaired's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives.

However, we noted certain matters involving the internal control over the Agency'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 control over the Agency's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the Agency'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: Duplicates in the Customer Master File and Inefficient Equipment Inventory System.

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 Agency's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Agency 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 control over the Agency's financial operations and over compliance would not necessarily disclose all matters in the internal control 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, we believe that none of the reportable conditions described above is a material or significant weakness.

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

We wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Commission on the Deaf and Hearing Impaired during the course of our examination.

Wendell M. Hinds
Auditor II

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

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