

STATE OF CONNECTICUT

**AUDITORS' REPORT
COMMISSION ON THE DEAF AND HEARING IMPAIRED
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2002**

AUDITORS OF PUBLIC ACCOUNTS
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Table of Contents

INTRODUCTION	1
COMMENTS	1
Foreword	1
Membership of Commission.....	2
Résumé of Operations	2
CONDITION OF RECORDS	4
Controls Over the Automated Billings and Receivable System	4
Late Deposit.....	5
Payroll and Personnel	6
Equipment Inventory and Reporting.....	7
RECOMMENDATIONS	8
CERTIFICATION	10
CONCLUSION	13

May 4, 2004

**AUDITORS' REPORT
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FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2002**

We have examined the records of the Commission on the Deaf and Hearing Impaired for the fiscal years ended June 30, 2001 and 2002. This report on our examination consists of the Comments, Recommendations and Certification which follow.

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 including the Commission on the Deaf and Hearing Impaired. 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 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 to advocate, strengthen and implement State policies affecting deaf and hearing impaired individuals and to improve and enhance their relationship with 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.

Throughout the audited period, Stacie J. Mawson continued to serve as Executive Director. The Commission on the Deaf and Hearing Impaired is within the Department of Social Services for administrative purposes only.

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, 2002, 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 - Dr. Harvey J. Corson

Voting Members:

- Department of Public Health (Donna Maselli - 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 vacancies

The Agency has submitted the names of potential candidates to fill membership vacancies, however, the Governor's Office has not made any appointments.

RÉSUMÉ OF OPERATIONS:

General Fund receipts totaled \$890,506 and \$843,320 for the fiscal years ended June 30, 2001 and 2002, respectively. A comparison of General Fund receipts for the fiscal years ended June 30, 2000, 2001 and 2002, is presented below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2000</u>	<u>2001</u>	<u>2002</u>
Private contributions	\$ 25	\$ 210	\$ 360
Federal contributions	301,315	250,217	230,166
Refunds of expenditures	<u>621,967</u>	<u>640,079</u>	<u>612,794</u>
Total Receipts	<u>\$ 923,307</u>	<u>\$ 890,506</u>	<u>\$ 843,320</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 primarily represent reimbursements from clients for interpreter services, as authorized by Section 46a-33b of the General Statutes, that are credited to the appropriation account used to pay for part-time interpreter services (SID 011).

General Fund expenditures totaled \$1,234,344 and \$1,289,562 during the fiscal years ended June 30, 2001 and 2002, respectively. A comparison of General Fund expenditures for the fiscal years ended June 30, 2000, 2001 and 2002, is presented below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2000</u>	<u>2001</u>	<u>2002</u>
Budgeted Accounts:			
Personal services	\$ 814,166	\$ 814,019	\$ 887,101
Contractual services	144,205	144,984	160,446
Commodities	19,830	11,114	9,454
Refunds	54		64
Sundry charges	3,783	6,930	3,241
Equipment	<u>9,638</u>	<u>1,000</u>	<u> </u>
Total Budgeted Accounts	991,676	978,047	1,060,306
Restricted Accounts	<u>294,935</u>	<u>256,297</u>	<u>229,256</u>
Total Expenditures	<u>\$1,286,611</u>	<u>\$1,234,344</u>	<u>\$1,289,562</u>

Expenditures during the audited period were relatively stable with only nominal increases and decreases. Increases in personal services were primarily due to salary increases under collective bargaining agreements. Increases in contractual services were due to increases in postage costs. Decreases in commodities were due to decreases in the purchase of non-capitalized (costs less than \$1,000) items. Expenditures for the Social Services Block Grant (#93.667) comprised the bulk of the restricted account activities.

CONDITION OF RECORDS

Areas of Agency operations warranting comments are presented below:

Controls Over the Automated Billings and Receivable System:

Background: The automated Billings and Receivable System for interpreting services is used to track receivables, receipts, prepare invoices, accounts receivable aging and other management reports. Our prior audit noted a number of weaknesses in the automated Billings and Receivable System. During the audited period, there was a further deterioration of operations as discussed below.

Criteria: An automated Billings and Receivable System should generate accurate financial information. Good internal control provides for the segregation of duties over receipting, collecting, and billing.

Conditions:

A. Automated system weakness:
The Agency has about 3,000 customer master files. During the audited period, billings were done on a current basis for the service provided. Effective October 2003, new bills were sent out that provided customers with a complete history of transactions and balances due as of September 30, 2003. This change resulted in a number of customers disputing amounts owed. We reviewed one transaction by making a comparison of a customer's records with Agency's records. Our review disclosed that the Agency's billings were \$2,701 greater and that Agency collections were \$2,132 less than the customer records. As a result, the Agency records had a \$4,833 receivable balance due while the customer showed a zero balance. We examined these differences and found that posting errors and a duplicate customer account contributed to these differences.

B. Collection activity weaknesses:
Accounts receivable balances increased from \$35,095 at June 30, 2000, to \$133,904 at June 30, 2002. Subsequent to the audited period, the accounts receivable balance further increased to \$449,569 at June 30, 2003. During this time, uncollected receivable balances over 60 days old increased from \$31,734 at June 30, 2000, to \$392,574 at June 30, 2003, an increase of over 1,000 percent.

C. Internal Control weakness:
For the period of July 2002 to November 2002, one employee opened mail, recorded receipts, reviewed postings, scheduled customer services, and prepared delinquent collection letters. These duties were performed by one employee due to another employee being out on maternity leave. Segregation of duties was

resumed when the employee returned to work.

Effect: The accounts receivables operations are not working effectively and segregation of duties was lacking from July 2002 to November 2002. These weaknesses increase the risk that accounts receivables will not be collected and deposited. Similar weaknesses were presented in our two prior audit reports.

Cause: The staff inexperience with the automated system and an employee being out on maternity leave contributed to operating weaknesses.

Recommendation: Appropriate action should be taken to correct accounts receivable records and improve controls over the automated Billings and Receivable System to ensure that records are accurate and timely collections are made. (See Recommendation 1.)

Agency Response: “The Agency agrees with the problem. A system flaw existed where duplicate billings occurred thus contributing to inaccurate customer records. There have been changes made to the program to ensure that this will not happen again. Also, monthly statements are being generated and sent to our customers with outstanding accounts receivable balances to help improve the collection process. Customers have the opportunity to confirm or disagree with their outstanding balances. All disputed statements are being reviewed and this is very time consuming. With only two business office staff members and factors such as, employees being out on leave, new employees being provided to us on loan from other agencies, and an enormous amount of time being spent on CORE-CT training and implementation, has made it very difficult to maintain follow-up activities on accounts thus creating large receivable balances. Nevertheless, we are seeking additional staffing and a possible upgrading of our current business software program to continue to improve our billings and receivables operations and to improve the segregation of duties.”

Late Deposit:

Criteria: Section 4-32 of the General Statutes requires that each State department account for and deposit within 24 hours, any receipts totaling \$500 or more.

Condition: We noted a \$3,273 workers’ compensation check, payable to the *State of Connecticut*, that was received on July 29, 2002, but was not deposited until December 13, 2002, a delay of over four months.

Effect: The Agency did not comply with Section 4-32 of the General Statutes.

- Cause:* The Fiscal Administrative Supervisor held onto the check until it was determined what accounts to credit.
- Recommendation:* The Commission on the Deaf and Hearing Impaired should deposit receipts promptly as provided by Section 4-32 of the General Statutes. (See Recommendation 2.)
- Agency Response:* “The fiscal administrative supervisor was in error to not deposit this check within the statutory guidelines. This employee has been disciplined for this action. The fiscal administrative supervisor is now aware that questionable receipts will be deposited into the pending receipts fund until it is determined to what account to credit.”

Payroll and Personnel:

- Criteria:* Certificate differential pay is an additional \$1.30 per hour paid to interpreters with a level 5 Comprehensive Skills Certificate. The Social and Human Services (P-2) Bargaining Union contract provides for union members to receive a \$1.30 per hour certificate differential pay. The Department of Administrative Services’ instructional memorandum Q-item #183-Q further extends certificate differential pay to management and confidential interpreters.
- Condition:* The Executive Director, an appointed official who has a level 5 Comprehensive Skills Certificate, was receiving an additional \$1.30 per hour in certificate differential pay. There is no specific authorization in place for appointed officials to receive certificate differential pay.
- Effect:* The Executive Director was paid certificate differential pay without specific authority granting such payment.
- Cause:* The Executive Director was unaware that only interpreters with a level 5 Comprehensive Skills Certificate qualified for the additional certificate differential pay.
- Recommendation:* The Commission on the Deaf and Hearing Impaired should review and take appropriate action to resolve certificate differential pay made to the Executive Director. (See Recommendation 3.)
- Agency Response:* “An agreement has been made that the business manager made a liberal interpretation as to who was eligible for certificate differential pay for employees who interpret and hold professional interpreting certificates. Since the auditors brought this matter to the Agency’s attention, the Executive Director’s certificate differential pay was

immediately discontinued on August 21, 2003. Also, this issue will be followed up on and resolved.”

Equipment Inventory and Reporting:

Criteria: The State of Connecticut’s *Property Control Manual* and good business practice require that equipment items be properly recorded and tagged; that deletions and other adjustments be properly authorized; and that agencies submit an annual inventory report by October 1st.

Condition: Our test of property records for 25 equipment items disclosed errors such as missing equipment, items not tagged, items found in different locations than posted to inventory, and equipment listed on inventory with no cost value that had been previously scrapped and disposed of.

In addition, the annual inventory reports (CO-59) for the audited fiscal years were filed after the October 1st due date.

Effect: Insufficient controls can lead to increased risk of loss and accountability.

Cause: Staff shortages appear to have contributed to the inventory weaknesses.

Recommendation: The Commission on the Deaf and Hearing Impaired should comply with the State of Connecticut’s *Property Control Manual* by maintaining accurate equipment inventory records and submitting timely annual inventory reports. (See Recommendation 4.)

Agency Response: “The Agency agrees with the previous problems. However, inventory control has improved. Each employee has a list of both capital and controllable property items on their share drive. All staff members were instructed to record all property transfers that take place in the office. Also, the filing of the annual inventory report for June 30, 2003 was in compliance with the State of Connecticut’s *Property Control Manual*.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report of the Commission on the Deaf and Hearing Impaired contained two recommendations. A summary of those recommendations and the action taken follows:

- *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-site training to use this program. This area is still deficient; therefore, the recommendation is being repeated in modified form. (See Recommendation 1.)*
- *Business office personnel should improve their computer skills by taking applicable computer courses offered by the Department of Administrative Services and other local educational institutions. Business office personnel have taken computer courses to improve their computer skills. As a result, this recommendation is not being repeated.*

Three recommendations from the current examination together with one from the prior report, repeated as recommendation 1, are presented below.

Current Audit Recommendations:

- 1. Appropriate action should be taken to correct accounts receivable records and improve controls over the automated Billings and Receivable System to ensure that records are accurate and timely collections are made.**

Comments:

Our examination noted a number of weaknesses over accounts receivables including posting errors, duplicate records and lack of collections.

- 2. The Commission on the Deaf and Hearing Impaired should deposit receipts promptly as provided by Section 4-32 of the General Statutes.**

Comments:

We noted one deposit, consisting of a \$3,273 workers' compensation check, was made beyond the statutory time permitted.

- 3. The Commission on the Deaf and Hearing Impaired should review and take appropriate action to resolve certificate differential pay made to the Executive Director.**

Comments:

The Executive Director, an appointed official who has a level 5 Comprehensive Skills Certificate, was paid certificate differential pay without specific authority permitting appointed officials to receive such payments.

- 4. The Commission on the Deaf and Hearing Impaired should comply with the State of Connecticut's *Property Control Manual* by maintaining accurate equipment inventory records and submitting timely annual inventory reports.**

Comments:

Some equipment was found to be missing, not tagged or in different locations per the inventory register. Also, the annual inventory reports for the audited years were filed late.

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, 2001 and 2002. 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, 2001 and 2002, 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-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, 2001 and 2002, 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 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:

- weaknesses in monitoring billings, accounts receivable and collections and inadequate segregation of duties for the period of July 2002 to November 2002
- property control weaknesses

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 the following reportable conditions to be material or significant weaknesses:

- weaknesses in monitoring billings, accounts receivable and collections and inadequate segregation of duties for the period of July 2002 to November 2002
- property control weaknesses

We also noted other matters involving internal control over the Agency'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

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.

William T. Zinn
Associate Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

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