

# STATE OF CONNECTICUT



***AUDITORS' REPORT  
COMMISSION ON THE DEAF AND HEARING IMPAIRED  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2004***

**AUDITORS OF PUBLIC ACCOUNTS**

KEVIN P. JOHNSTON ❖ ROBERT G. JAEKLE

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July 18, 2008

**AUDITORS' REPORT  
COMMISSION ON THE DEAF AND HEARING IMPAIRED  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2004**

We have examined the records of the Commission on the Deaf and Hearing Impaired for the fiscal years ended June 30, 2003 and 2004. 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 State-wide 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, 2004, 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 (Mary Ann Duvall - designee)
- Department of Children and Families (Mary Ann D'Addario - designee)

Appointed by the Governor:

- Luisa J. Soboleski - (Chairperson/Parent of child enrolled at the American School for the Deaf)
- Raymond M. 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                      Mary Quirk
- Maria Fabrizi                              Lori Lazetera
- Three vacancies

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

**RÉSUMÉ OF OPERATIONS:**

General Fund receipts totaled \$897,810 and \$1,186,961 for the fiscal years ended June 30, 2003 and 2004, respectively. A comparison of General Fund receipts for the fiscal years ended June 30, 2002, 2003 and 2004, is presented below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Private contributions	\$ 360	\$ 1,875	\$ 0
Federal contributions	230,166	207,234	84,243
Refunds of expenditures	612,794	688,701	1,102,718
<b>Total Receipts</b>	<b><u>\$ 843,320</u></b>	<b><u>\$ 897,810</u></b>	<b><u>\$ 1,186,961</u></b>

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. Receipt fluctuations were primarily due to decreases in Federal grant funding levels and increases in reimbursements for interpreting services.

General Fund expenditures totaled \$1,168,161 and \$1,156,176 during the fiscal years ended June 30, 2003 and 2004, respectively. A comparison of General Fund expenditures for the fiscal years ended June 30, 2002, 2003 and 2004, is presented below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Budgeted Accounts:			
Personal services	\$ 887,101	\$ 828,448	\$ 862,276
Contractual services	160,446	120,411	133,167
Commodities	9,454	6,087	5,954
Refunds	64		
Sundry charges	3,241	3,231	430
Equipment			
Total Budgeted Accounts	<u>1,060,306</u>	<u>958,177</u>	<u>1,001,827</u>
Restricted Accounts	<u>229,256</u>	<u>209,984</u>	<u>154,349</u>
<b>Total Expenditures</b>	<b><u>\$1,289,562</u></b>	<b><u>\$1,168,161</u></b>	<b><u>\$1,156,176</u></b>

Expenditures during the audited period were relatively stable with only nominal increases and decreases. Decreases in personal services during the audited period were partially due to budgetary constraints and measures that included a hiring freeze, layoffs, and a 2002-2003 fiscal year early retirement incentive which was partially offset by salary increases under collective bargaining agreements. Decreases in contractual services were due to decreases in postage costs and mileage reimbursements. Expenditures for the Social Services Block Grant (#93.667) comprised the majority of the restricted account activities.

## CONDITION OF RECORDS

Our review of the Commission on the Deaf and Hearing Impaired's records revealed the following areas that require improvement.

### **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 business practices and internal controls provide for documentation of transactions, accounts reconciliation, timely collection efforts, write-off of uncollectible accounts, and reliable and accurate reports.

*Conditions:* A. Automated system weakness:  
The Commission 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. Many of the differences were posting errors and duplicate customer accounts.

Our review showed that the Commission stopped sending out statements with a complete history of transactions and balances, and once again, billings were done on a current basis for service provided.

B. Collection activity weaknesses:  
Accounts receivable balances increased from \$134,000 at June 30, 2002, to \$513,000 at June 30, 2004. Subsequent to the audited period, the accounts receivable balance further increased to \$577,000 at June 30, 2005, and all uncollected receivable balances were over 60 days old.

C. Internal Control weakness:  
The Commission does not prepare daily or monthly accountability reports, nor maintains a control account for accounts receivable.

- Effect:* The accounts receivables operations are not working effectively and continued weaknesses have increased the risk that accounts receivables will not be collected and deposited. Similar weaknesses were presented in our three prior audit reports.
- Cause:* The staff inexperience with the automated system contributed to operating weaknesses and collection activities for receivable balances over 60 days old were lacking.
- 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 Commission has had difficulty with the ‘Yes I Can Run My Business’ accounts receivable software referred to in the above findings. The business office has transitioned the billing system to People Soft, Core-CT. This transition has enabled the agency to send out statements and follow up with Dunning letters. There has been a decrease in delinquent accounts receivables.”

**Late Deposits:**

- Criteria:* Section 4-32 of the General Statutes requires that each State Agency account for and deposit within 24 hours, any receipts totaling \$500 or more.
- Condition:* In our review for the timeliness of deposits, we examined 44 receipt records, totaling some \$15,000, that were deposited one to four days late.
- Effect:* The Commission did not comply with Section 4-32 of the General Statutes.
- Cause:* Staff shortages appear to have contributed to the late deposit weaknesses.
- 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:* “Performance issues by a former employee contributed to late deposits. The employee is no longer employed at CDHI.”

**Equipment Inventory and Reporting:**

- Criteria:* The State of Connecticut’s *Property Control Manual* and good business practice require that equipment items be properly recorded.
- Condition:* Our review of property control records showed that some equipment items lacked identifying elements such as manufacturer, model, and serial number. Additionally, equipment items that were previously scrapped and disposed of were still listed on the inventory register.
- 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. (See Recommendation 3.)
- Agency Response:* “Since inventory control records have been transferred to the DAS fiscal office which includes the bar code tracking system, this issue has been resolved at CDHI.”

**Receipts Journal:**

- Criteria:* The State Comptroller’s *State Accounting Manual* requires agencies to maintain a receipts journal, consisting of the following information: date of receipt, name of payer, revenue classification, total receipts, amount and date deposited, and deposit slip number. Additional columns may be added as needed.
- Condition:* We noted that the receipts record does not include all information as required by the *State Accounting Manual*.
- Effect:* Incomplete information posted to the receipts record potentially lessens accountability for receipts collected.
- Cause:* Staff being unfamiliar with the requirements of maintaining a receipts journal appears to be the cause.
- Recommendation:* The Commission on the Deaf and Hearing Impaired should maintain a receipts journal in accordance with the State Comptroller’s *State Accounting Manual*. (See Recommendation 4.)

*Agency Response:* “Because of the separation of duties, the Executive Secretary maintains the list of deposits on an Excel spread sheet which captures date of receipt, name of payer. A copy is also maintained in the Assistant Accountant’s office who has documentation of the deposit slip number. ...copies of the deposits with the documented deposit numbers were also provided.”

**Payroll and Personnel:**

*Criteria:* The Commission’s policies and procedures require that supervisors sign timesheets for approval and posting to attendance and leave records to reflect actual hours worked.

*Condition:* In our review of employee time records for 12 employees, we noted that 8 of 22 timesheets (36 percent) lacked supervisory approval. Additionally, the *Interpreter Service Report* for part-time interpreters to account for hours worked and other expenses does not provide for supervisory approval or business office review.

In our review of attendance and leave records for part-time interpreters, we noted numerous instances, since October 2003 with the beginning of Core-CT operations, where employees were reported as working 20 hours or more in one day.

*Effect:* Without proper oversight of time and attendance reporting, the Commission lessens the assurance that employees are properly paid for time worked and that accurate attendance records are maintained.

*Cause:* Inadequate management oversight in obtaining supervisory signatures for the processing of timesheets occurred.

To reduce posting effort, the fiscal administrative supervisor practiced allocating total weekly hours worked to only one day contributing to inaccurate attendance and leave records for part-time interpreters.

*Recommendation:* The Commission on the Deaf and Hearing Impaired should improve controls over payroll by requiring supervisors to sign timesheets and ensuring attendance and leave records reflect actual hours worked. (See Recommendation 5.)

*Agency Response:* “The Executive Director was out on medical leave when the time sheets were not signed. Regular protocol for the CDHI requires timesheets to be signed by a supervisor.

The employee who processed the part-time interpreters' payroll is no longer employed at CDHI. It is now the procedure that all interpreter tally sheets are signed by a supervisor before payroll worksheets are sent to DAS to be processed by the SMART team."

**Regulations for Rate-Setting:**

- Criteria:* Section 46a-33b of the General Statutes requires that the Commission adopt regulations establishing the manner of rate-setting for persons or entities receiving interpreting services from the Commission.
- Condition:* In our review of policy and procedures, we noted that a cost formula for billing of interpreting services was used; however, required regulations for interpreting rates were not developed.
- Effect:* The Commission did not comply with Section 46a-33b of the General Statutes.
- Cause:* Management has been in the process of establishing regulations for interpreting services rates, but due to oversight, has not officially done so.
- Recommendation:* The Commission on the Deaf and Hearing Impaired should adopt regulations establishing the manner of rate-setting for interpreting services as provided by Section 46a-33b of the General Statutes. (See Recommendation 6.)
- Agency Response:* "CDHI is in the process of developing official regulations for the rate-setting of interpreting services."

## RECOMMENDATIONS

### *Status of Prior Audit Recommendations:*

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

- *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. This area is still deficient; therefore, the recommendation is being repeated. (See Recommendation 1.)*
- *The Commission on the Deaf and Hearing Impaired should deposit receipts promptly as provided by Section 4-32 of the General Statutes. This area is still deficient; therefore, the recommendation is being repeated. (See Recommendation 2.)*
- *The Commission on the Deaf and Hearing Impaired should review and take appropriate action to resolve certificate differential pay made to the Executive Director. The certificate differential pay matter was resolved and restitution made. As a result, this recommendation is not being repeated.*
- *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. The responsibility of submitting timely annual inventory reports was transferred to the Department of Administrative Services, however, deficiencies still exist with inventory records; therefore, the recommendation is being repeated in modified form. (See Recommendation 3.)*

Three recommendations from the current examination together with three from the prior report, repeated as recommendations 1, 2, and 3, 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 deposits, totaling some \$15,000, were made beyond the statutory time permitted.

- 3. 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.**

Comments:

Some equipment inventory records lacked identifying elements such as manufacturer, model, and serial number. Additionally, equipment items previously scrapped and disposed of were still listed on the inventory register.

- 4. The Commission on the Deaf and Hearing Impaired should maintain a receipts journal in accordance with the State Comptroller's *State Accounting Manual*.**

Comments:

The receipts record did not include all information as required by the *State Accounting Manual*.

- 5. The Commission on the Deaf and Hearing Impaired should improve controls over payroll by requiring supervisors to sign timesheets and ensuring attendance and leave records reflect actual hours worked.**

Comments:

We noted that some timesheets lacked supervisory approval and attendance and leave records for part-time interpreters were inaccurate.

- 6. The Commission on the Deaf and Hearing Impaired should adopt regulations establishing the manner of rate-setting for interpreting services as provided by Section 46a-33b of the General Statutes.**

Comments:

Even though a cost formula was used for billing of interpreting services, official regulations are lacking.

## 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, 2003 and 2004. 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, 2003 and 2004, are included as 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 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, 2003 and 2004, 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 that 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: (1) weaknesses in monitoring billings, accounts receivable and collections, (2) property control weaknesses, and (3) Inadequate payroll controls.

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 condition to be a material or significant weakness:

- weaknesses in monitoring billings, accounts receivable and collections.

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