

STATE OF CONNECTICUT



*AUDITORS' REPORT
COMMISSION ON THE DEAF AND HEARING IMPAIRED
FOR THE FISCAL YEARS ENDED JUNE 30, 2005, 2006 AND 2007*

AUDITORS OF PUBLIC ACCOUNTS

KEVIN P. JOHNSTON ❖ ROBERT G. JAEKLE

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December 2, 2009

**AUDITORS' REPORT
COMMISSION ON THE DEAF AND HEARING IMPAIRED
FOR THE FISCAL YEARS ENDED JUNE 30, 2005, 2006 AND 2007**

We have examined the records of the Commission on the Deaf and Hearing Impaired for the fiscal years ended June 30, 2005, 2006 and 2007. 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.

Legislative Changes:

Legislative action taken during the audited period that has impacted the CDHI is summarized below.

Public Act 05-251, Section 60, subsection (c), allows the Commissioner of Administrative Services, in consultation with the Secretary of the Office of Policy and Management, to develop a plan whereby the Department of Administrative Services (DAS) would merge and consolidate personnel, payroll, affirmative action and business office functions of selected executive branch State agencies within DAS. The effective date of the Public Act was July 1, 2005. The Commission on the Deaf and Hearing Impaired was selected as one such agency. Most business office functions were transferred to DAS by November 2005. The Commission did retain its business functions relating to receipts and deposits.

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, 2007, 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 – Edward Peltier

Voting Members:

- Department of Public Health (Donna Maselli - designee)
- Department of Social Services (Daniel A. Milton - designee)
- Department of Mental Health and Addiction Services (James Donagher - designee)
- Department of Labor (Bridget Kemmling - designee)
- Department of Education (vacancy - designee)
- Department of Developmental Services (Mary Ann Duvall - designee)
- Department of Children and Families (Mary Ann D'Addario - designee)
- (Patricia Staszko-Kozik became Department of Education designee in November 2007)

Appointed by the Governor:

- Luisa J. Soboleski - (Chairperson)
- Matt Renelli - (Parent of student in oral education program)
- Raymond M. DeRosa - (Parent of deaf student in public school program)
- Gloria W. White John D. Garvin Jeffrey S. Bravin
- Mary M. Silvestri Mary Q. Lynch
- Three vacancies

The Commission notified the Governor's Office of membership vacancies; however, the Governor's Office had not made any appointments.

RÉSUMÉ OF OPERATIONS:

Public Act 04-02 of the May Special Session of the 2004 General Assembly authorized the establishment of a new special revenue fund for grant and restricted accounts activity. During the 2003-2004 fiscal year as a result of the implementation of the new Core-CT State accounting system and Public Act 04-02, the Comptroller established a new special revenue fund entitled “Grants and Restricted Accounts Fund” to account for Federal and other revenues that are restricted from general use and were previously recorded in the General Fund as restricted contributions and accounts.

General Fund:

General Fund receipts totaled \$24,934, \$(9,717) and \$8,764 for the fiscal years ended June 30, 2005, 2006 and 2007, respectively. These receipts consisted primarily of refunds from prior years expenditures for personal services. The negative revenue balance reported for the 2005-2006 fiscal year was due to the manner in which a prior period adjustment was processed. In addition, the Commission collects fees from clients for interpreting 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. These reimbursement collections are coded directly as reductions to current expenditures and amounted to \$431,106, \$622,699 and \$600,124 during the respective audited years.

A comparative summary of General Fund expenditures applicable to Commission operations for the audited period and the previous fiscal year is presented below:

	<u>Fiscal Year Ended June 30,</u>			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Budgeted Accounts:	\$	\$	\$	\$
Personal services	862,276	702,579	698,923	615,132
Contractual services	133,167	181,966	217,296	192,088
Commodities	5,954	8,733	9,827	5,991
Sundry charges	430	618	521	191
Equipment	<u>0</u>	<u>749</u>	<u>1,000</u>	<u>1,000</u>
Total General Fund Expenditures	<u>\$1,001,827</u>	<u>\$ 894,645</u>	<u>\$ 927,567</u>	<u>\$ 814,402</u>

Expenditures from budgeted accounts decreased 19 percent over the audited period with personal and contractual services accounting for the majority of budgeted expenditures. Decreases in personal services during the audited period were primarily due to filling five vacant full-time positions with three part-time positions after the 2002-2003 fiscal year early retirement program and the transfer of three business office positions to DAS as previously explained. The decreases in personal services were partially offset by salary increases under collective bargaining agreements. Increases in contractual services were due to increases in lease payments and mileage reimbursements. Increases in commodities were primarily for non-capitalized equipment purchases made as part of the Commission’s move to a new location.

Special Revenue Fund – Federal and Other Restricted Accounts:

As previously explained, restricted accounts that had previously been reported in the General Fund are now recorded by the Comptroller in a newly established special revenue fund.

The Commission's Federal and Other Restricted Accounts receipts totaled \$179,581, \$224,868 and \$186,528 for the fiscal years ended June 30, 2005, 2006 and 2007, respectively. For comparative purposes, Federal and other restricted receipts for the fiscal year ended June 30, 2004, totaled \$84,243. These receipts consisted of Federal contributions from interagency transfers of Social Services Block Grant (#93.667) funding from the Connecticut Department of Social Services.

Expenditures in the Federal and Other Restricted Accounts totaled \$171,581, \$182,482 and \$192,620 for the fiscal years ended June 30, 2005, 2006 and 2007, respectively. For comparative purposes, Federal and other restricted expenditures for the fiscal year ended June 30, 2004, totaled \$154,349. Expenditures for the Social Services Block Grant (#93.667) comprised the majority of the restricted account activity. These expenditures primarily consisted of personal services, related fringe benefits, and miscellaneous costs for providing interpreting services.

Capital Equipment Purchases Fund:

Capital Equipment Purchases Fund expenditures totaled \$0, \$38,442 and \$2,635 during the fiscal years ended June 30, 2005, 2006 and 2007, respectively. These purchases were primarily made for office and data processing equipment and furniture.

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 was 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. Effective February 2005, billings and receivable activities operations were transferred to the Department of Administrative Services (DAS) and maintained on the Core-CT system. However, no accounts receivable information from the automated system was transferred to DAS; therefore, weaknesses resulting from the prior system operations are 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:
Even though current accounts receivable operations were transferred to DAS in February 2005, the Commission still maintains about 3,000 customer master files in the old system. Many of the files are inaccurate due to posting errors and duplicate customer accounts. Billings to customers for balances due have not been done on a consistent monthly basis.

B. Collection activity weaknesses:
Accounts receivable balances decreased from \$577,000 at June 30, 2005, to \$499,000 at April 28, 2009, a decrease of some \$78,000. Even though receivable balances have decreased, all uncollected accounts receivables are over three years old and should be either collected or written off.

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

Effect: The accounts receivable operations were 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 four prior audit reports.

Cause: Inexperienced and inadequate staffing contributed to operating and collection deficiencies.

Recommendation: The Commission on the Deaf and Hearing Impaired should improve its controls over accounts receivable operations to ensure that records are accurate and that collection efforts are made in a timely manner. (See Recommendation 1.)

Agency Response: “The Agency has two sets of accounts receivables records, “Yes I can do my own business” and Core-CT. The old system, “Yes I can do my own business,” has been non-operational since 2005. This is the account reflected in the audit report. The outstanding balance from this old automated report was the sole source of information used for the audit report. The information on file at the Agency does not coincide with the automated report.

The Agency has copies of original invoices totaling \$134,900. The difference in the automated report which was used for the audit and what is on file is \$364,100. As reported in the previous audit reports the accuracy of the old system is questionable. The Agency has made numerous attempts in the past to collect on the outstanding balances which are very old.

Debt owed to CDHI from State agencies total \$110,100, representing 82 percent of CDHI’s past due debt. The outstanding debt owed by private and non-profit businesses total \$24,800, representing 18 percent of the uncollectable amount. These records are old and all collection efforts have been exhausted. The Agency will pursue collection and write-off activities for the remaining accounts receivable items....”

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 the following deficiencies:

- (1) Some equipment items lacked identifying elements such as manufacturer, model, and serial number.
- (2) One personal computer that was previously scrapped and disposed of was still listed on the inventory register.
- (3) One personal computer with two different tag numbers (Commission tag and DAS barcode tag) was listed twice on the inventory register.

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

Cause: Staff shortages at the Department of Administrative Services level appear to have contributed to the inventory weaknesses.

Recommendation: The Commission on the Deaf and Hearing Impaired, in conjunction with the Department of Administrative Services, should comply with the State of Connecticut's *Property Control Manual* by maintaining accurate equipment inventory records. (See Recommendation 2.)

Agency Response: (Response by the Department of Administrative Services (DAS))

“DAS assumed the inventory function in November 2005. DAS has been working to enter complete information in Core-CT of all assets. (1) The equipment items that lacked identifying elements such as manufacturer, model, and serial number were old and on the inventory before DAS took over the asset management function. This information has been entered for all assets since DAS assumed responsibility. (2) The one computer that was previously scrapped and disposed of and still listed on the inventory register has been taken off the inventory register and thus resolved. (3) The one computer with two different tags that was listed twice on the inventory register was corrected and is currently listed once.”

RECOMMENDATIONS

Our prior audit report of the Commission on the Deaf and Hearing Impaired contained six recommendations. Of the recommendations, four have been implemented or otherwise resolved and two have been restated and/or repeated as current audit recommendations.

Status of Prior Audit Recommendations:

- *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.* Even though current operations of accounts receivable have been transferred to DAS, the automated Billings and Receivable System still maintains older receivables lacking accurate records and timely collections; therefore, the recommendation is being repeated in modified form. (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.* The Commission is depositing its receipts in a timely manner; therefore, 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.* This area is still deficient; therefore, the recommendation is being repeated. (See Recommendation 2.)
- *The Commission on the Deaf and Hearing Impaired should maintain a receipts journal in accordance with the State Comptroller's State Accounting Manual.* The Commission revised the receipts journal to include required information such as deposit date and revenue account number. As a result, this recommendation is not being repeated.
- *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.* The Commission improved payroll controls by having timesheets signed by supervisors and attendance and leave records reflecting actual hours worked. As a result, this recommendation is not being repeated.
- *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.* The Commission adopted regulations establishing the manner of rate-setting for interpreting services. As a result, this recommendation is not being repeated.

Current Audit Recommendations:

- 1. The Commission on the Deaf and Hearing Impaired should improve its controls over accounts receivable operations to ensure that records are accurate and that collection efforts are made in a timely manner.**

Comments:

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

- 2. The Commission on the Deaf and Hearing Impaired, in conjunction with the Department of Administrative Services, 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, two personal computers, one surplused and the other posted twice with two different tag numbers, were erroneously listed on the inventory register.

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, 2005, 2006 and 2007. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 grant agreements applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, 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, 2005, 2006 and 2007, 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 grant agreements 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.

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

In planning and performing our audit, we considered the Commission on the Deaf and Hearing Impaired's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Agency's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the Agency's internal control over those control objectives.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance requirements was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control

deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to properly initiate, authorize, record, process, or report financial data reliably, consistent with management's direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the following deficiencies, described in detail in the accompanying "Condition of Records" and "Recommendations" sections of this report, to be significant deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 1 – weaknesses in monitoring billings, accounts receivables and collections; and, Recommendation 2 – property control weaknesses.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with certain provisions of laws, regulations, contracts, and grant agreements or the requirements to safeguard assets that would be material in relation to the Agency's financial operations, noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions, and/or material financial misstatements by the Agency being audited will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over the Agency's financial operations, safeguarding of assets, and compliance with requirements, was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that neither of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Commission on the Deaf and Hearing Impaired complied with laws, regulations, contracts and grant agreements, 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, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which we reported to Agency management in the accompanying "Condition of Records" and "Recommendations" sections of this report.

The Commission on the Deaf and Hearing Impaired's response to the findings identified in our audit is described in the accompanying "Condition of Records" section of this report. We did not audit the Commission on the Deaf and Hearing Impaired's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Agency's management, 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