

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
DEPARTMENT OF DEVELOPMENTAL SERVICES  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009*

**AUDITORS OF PUBLIC ACCOUNTS**  
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

State Capitol  
210 Capitol Avenue  
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT M. WARD

April 23, 2012

### **AUDITORS' REPORT DEPARTMENT OF DEVELOPMENTAL SERVICES FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009**

We have examined the financial records of the Department of Developmental Services for the fiscal years ended June 30, 2008 and 2009. This report includes our audit of the records of the Central Office and the Department's three regional offices. This report on that examination consists of the Comments, Recommendations and Certification which follow.

Financial statement presentation and auditing are being done on a Statewide Single Audit basis to include all state agencies. This audit examination has been limited to assessing compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating internal control structure policies and procedures established to ensure such compliance.

### **COMMENTS**

#### **FOREWORD:**

The Department of Developmental Services (DDS, or Department) operates, generally, under Title 17a, Chapter 319b of the Connecticut General Statutes. The Department is responsible for the planning, development and administration of a complete, comprehensive, and integrated statewide program for persons with developmental disabilities. The Department is under the supervision of a commissioner who is appointed by the Governor. The Department is responsible for the administration and operation of all state-operated community and residential facilities established for the diagnostic care and training for persons with developmental disabilities. DDS provides an array of residential, day service, and family support programs. These programs may be provided directly by the regions, training school or through contracts with private provider organizations throughout the state. In addition, certain clients of the Department self-direct for the supports they need. Under this program, called Individual Supports, clients have authority and responsibility for the funds they receive from the Department. If the amount of their budget is over \$5,000, clients are required to use a Fiscal Intermediary. A fiscal intermediary is a private organization, under contract to the Department, which provides administrative and fiscal services to the clients, such as completing employment forms, payment of staff, ensuring tax compliance, paying vendors, and preparing end-of-year reports.

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The Department is organized into three geographical regions and is administered out of the Central Office in Hartford. The three geographical regions and headquarters are as follows:

North Region- East Hartford  
South Region- Wallingford  
West Region- Waterbury

The West Region includes the Southbury Training School. The North Region includes the northeastern part of the state and the South Region includes the southeastern part of the state. Each region also includes several satellite offices.

The client caseload of the Department was 35,380 as of June 30, 2008 and 35,543 as of June 30, 2009. A summary of client census statistics pertaining to the various services provided by the Department, for the two fiscal years covered by this audit, follows:

	<b><u>As of June 30,</u></b>	
	<b><u>2008</u></b>	<b><u>2009</u></b>
Clients in public residential settings	1,669	1,594
Clients in private residential settings	5,339	5,455
Clients awaiting residential placement	2,010	1,966
Clients in public day programs	659	598
Clients in private day programs	8,147	8,360
Clients awaiting placement in day programs	195	136
Clients living at home	8,122	8,193
Families receiving support grants during the past year	3,729	3,792
Children receiving public Birth to Three services	500	347
Children receiving private Birth to Three services	5,010	5,102

For comparison purposes, the client caseload as of June 30, 2007 was 34,092. Clients in public residential settings continued to decline in the audited fiscal years, while the number of clients in private residential settings steadily increased. The number of clients in public day programs has been on the decline, while clients in private day programs have been generally increasing during this same period.

Peter H. O'Meara was appointed as commissioner on June 23, 1995 and continued to serve in that capacity throughout the audited period.

### **Council on Developmental Services:**

The Council on Developmental Services operates under the general provisions of Section 17a-270 of the General Statutes. The council, which consists of thirteen members, acts in an advisory and consultative capacity to the Commissioner of Developmental Services. The council may also recommend legislation to the Governor and the General Assembly. As of June 30, 2009, the following were members of the council:

Jennifer Carroll  
Carlos Colon

John H. Frost  
James W. Heffernan  
Thomas W. Kalal  
John P. Pelegano, M.D.  
Patrick Vingo  
Gregory J. Kelly  
Sheila Mulvey  
Donna Bouteller  
Edward Walen  
Vacancy  
Vacancy

**State Council on Developmental Disabilities:**

The State Council on Developmental Disabilities operates under the provisions of the Developmental Assistance and Bill of Rights Act of 2000. Members are appointed by the Governor for three-year terms. As of June 30, 2009, the following were members of the Council on Developmental Disabilities:

Maryann R. Lombardi, Chairman  
Armand A. Legault, Vice Chairman  
Joyce Baker  
Stephen A. Belske  
Lawrence Carlson  
Kathryn duPree  
Frederick N. Frank  
Gabriela Freyre-Calish  
Leo D. Germain  
Mark Keenan  
Hayley E. Kelley  
David King  
William Knight  
Jennifer A. Lortie  
Zuleika Martinez  
Sabra Mayo  
Thomas McCann  
Peter Morrissette  
Perri Murdica  
Dwayne W. Paul  
Alfred Piehl  
Leslie Prior  
Sarah Rafala

Frank M. Reed  
Monica Smyth  
Nancy Taylor

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Patricia Tyler  
Anita C. Tremarche

Edward Preneta served as the executive director during the audited period.

### **Southbury Training School Board of Trustees:**

Section 17a-271 of the General Statutes established the Southbury Training School board of trustees. The board advises the director of the Southbury Training School on general policies concerning the operation and administration of the facility, conducts annual inspections and reviews, prepares an annual report for submission to the Council on Developmental Disabilities, and makes recommendations to the Council on Developmental Services as it deems necessary. As of June 30, 2009, the following were members of the board:

Ann Dougherty, Chair  
Eileen Lemay, Vice-Chair  
Mark A. R. Cooper  
Philip K. Bondy  
Louis Richards  
Vacancy  
Vacancy

### **Autism Advisory Council:**

Section 17a-215b of the General Statutes established the Autism Advisory Council. The advisory council advises the Department with respect to the research, design and implementation of the delivery of appropriate and necessary services and programs for all residents of Connecticut with autism spectrum disorders. As of June 30, 2009, the following were members of the advisory council:

Catherine Abercrombie  
Jennifer Carroll  
Maggie Casciato  
Lori Conchado  
Judith Dowd  
Ruth Eren  
Mary Franco  
Jan Galloway  
Chera Gerstein  
Ann Gionet  
Jacqueline Kelleher  
David Daniel Klipper  
Angela Klonoski  
James Loomis  
Sara Lourie  
Kathy Reddington  
Sara Reed

Nikki Richer  
Lois Rosenwald  
Jonathan Ross  
Stanley Soby  
Joseph Stobierski  
Jennifer Ureta  
Tricia Winter  
Larry Wood

**Camp Harkness Advisory Committee:**

Section 17a-217a of the General Statutes established the Camp Harkness Advisory Committee. The committee advises the commissioner with respect to the health and safety of persons who attend and utilize the facilities at Camp Harkness. As of June 30, 2009, the following were members of the advisory committee:

Stan Soby, Chairperson  
Victoria Severin  
Virginia Hogan  
Fritz Gorst  
Joyce Baker  
April Dipollina  
Diane Harrington  
Ronald Rasi  
Karen Zrenda  
Daniel Steward  
David Fairman  
Beverly Jackson

**Family Support Council:**

Section 17a-219c of the General Statutes established the Family Support Council. The council assists the Department and other state agencies that administer or fund family support services to establish a comprehensive coordinated system of family support services. As of June 30, 2009, the following were members of the council:

Kathleen Bradley  
Mary Beth Bruder  
Alice Butwell  
Jennifer Carroll  
April Dippolina  
Sylvia Gafford-Alexander  
Ann Gionet  
Dr. Mark Greenstein  
Colleen Hayles

Karen Hlavac  
Tegah Imperati  
Merva Jackson  
Angela Klonoski  
Laura Knapp  
Joan Law  
Jim McGaughey  
Evelyn Mantilla  
Jeanne Milstein  
Moira O'Neill  
Kathy Reddington  
Lisa Sheppard  
Mona Tremblay  
Robyn Trowbridge  
Terry Walsh  
Elaine Zimmerman  
Karen Zrenda

**Advisory and Planning Councils:**

Section 17a-273 of the General Statutes established the advisory and planning council for each state developmental region operated by the Department. The councils consult and advise the director of each region on the needs of persons with mental retardation, the annual plan and budget of the region, and other matters it deems appropriate. As of June 30, 2009, the following were members of the councils:

**North Region:**

Kathleen Perrier  
Sara Glad  
Deb Godsell  
Nancy Bilyak  
Carlos Colon  
Florence Guite  
Bernice Lazdauskas  
Susan Miller  
John Mullooly  
Lorraine Mullooly  
Patti Silva

**South Region:**

Marianne Burke  
Michael Del Sole, Esq.  
April Dipollina

John Frost  
Steven Fusti  
Nancy Kalal  
Danielle Shepard  
Claire White  
Kim Wollschleager  
Vacancy

**West Region:**

Jeanne Braude-Magi  
Mark Cooper  
John Gibson  
Mickey Herbst  
Linda Herzner  
Gil Kellersman  
Sheila Mulvey  
Lieselotte Schwab  
Arlene Steinfield  
Alec Vlahos

**State Interagency Birth-to-Three Coordinating Council:**

Section 17a-248b of the General Statutes established the State Interagency Birth-to-Three Coordinating Council to assist the lead agency (DDS) in the effective performance of the lead agency's responsibilities, including identifying the sources of fiscal support for early intervention services and programs, assignment of financial responsibility to the appropriate agency, promotion of interagency agreements, preparing applications and amendments required by federal law, and advising and assisting the commissioner of DDS on various issues. As of June 30, 2009, the following were members of the council:

Lolli Ross, Chairperson  
Elayne Thomas, Vice Chairperson  
Timothy Bowles  
Joseph McLaughlin  
Patrick Ruddy  
Elise Minor  
Jose Centeno  
Kathleen Bradley  
Dona Ditrio  
Diane Wixted  
Rita Esposito  
Maria Synodi  
Linda Goodman  
Louis Tallarita  
Mark A. Greenstein, M.D.

Robert LaCamera, M.D.  
Clara Gutierrez  
Rep. Jack W. Thompson  
Jeanette Haines  
Robin Tousey-Ayers  
Richard N. Fisher  
Melissa Van Buren, alternate  
Cindy Jackson  
Myra Watnick  
Deborah Pagano

**Significant Recent Legislation:**

Public Act 07-73, among other things, renames the Department of Mental Retardation (DMR) as the Department of Developmental Services, and specifies that the name change does not change the criteria for determining eligibility for Department services.

Public Act 08-7, among other things, changes the Council on Mental Retardation's name to the Council on Developmental Services to reflect the DMR's 2007 name change to DDS. It renames the Department's mental retardation regions as developmental services regions and requires the DDS ombudsman to have experience in the field of developmental services rather than mental retardation.

Public Act 08-63, among other things, expands from 50 to 75, the number of people that can participate in the DDS pilot program for adults with autism spectrum disorders but not mental retardation, extends the pilot's end date by nine months, from October 1, 2008 to June 30, 2009, and requires DDS to report on the pilot's results by January 1, 2009.

**Interagency Agreement with the Office of Protection and Advocacy for Persons with Disabilities:**

Pursuant to Section 8 of Public Act 05-256, the Department of Developmental Services and the Office of Protection and Advocacy for Persons with Disabilities entered into an interagency agreement governing the investigation of allegations of abuse and neglect of individuals with mental retardation and the provision of protective services to such individuals.

**Interagency Agreement with the Department of Children and Families:**

In July 2005, the Department of Children and Families (DCF) and DDS signed an interagency agreement to transition children with intellectual disabilities from DCF to DDS and for DDS to serve any new children entering into the program. During the fiscal years audited, the expenditures for this program, called the Voluntary Services Program, were included in DDS' Community Residential Services appropriation. In fiscal year 2009-2010, a separate appropriation was established to allow for better monitoring of the program.

**RÉSUMÉ OF OPERATIONS:**

**General Fund Revenues and Receipts:**

General Fund revenues and other receipts of the Department of Developmental Services were \$282,071 and \$1,116,948 for the 2007-2008 and 2008-2009 fiscal years, respectively. A major portion of receipts, \$122,464 and \$967,098, respectively, was from the refund of prior year expenditures. Not included in these amounts were parent fees and certain insurance payments collected in association with the Birth to Three program, discussed below.

**State Medicaid Reimbursement and Other Cash Receipts:**

In addition to the General Fund revenues shown above, Departmental expenditures for clients residing in an ICF/MR are eligible for 50 percent reimbursement under the federal Medicaid program. All of the Southbury Training Schools beds are certified as ICF/MR, as well as the beds of the regional campuses, and a small number of beds in the private Community Living Arrangements (CLAs). In addition, the state operates two Medicaid Home and Community Based Waiver programs—the Individual and Family Support (ICF), and the Comprehensive Waiver, which provide a wide range of services in the community to prevent the institutionalization of clients requiring an ICF/MR level of care. During fiscal years ended June 30, 2008, and 2009, the amount of Medicaid reimbursement generated by the Department for these areas totaled \$342,688,315 and \$392,359,788, respectively. Reimbursement of these expenses is collected by the Department of Administrative Services.

The Department of Administrative Services' Bureau of Collection Services collected cash receipts of \$10,857,767 and \$10,439,574 during the fiscal years ended June 30, 2008 and 2009, respectively. Receipts were mostly in the form of board and care fees collected from resident clients who are employed and earn weekly wages above a threshold amount of \$25. The collection of these fees is based on long-standing policies established by the Department of Administrative Services, Bureau of Collection Services and the Department of Developmental Services. Also included in these receipts are those collected from legally liable relatives or other parties, such as insurance companies.

The Department of Developmental Services also collects payments associated with the Birth to Three Program, which is a statewide, comprehensive, coordinated, multidisciplinary, interagency program that provides early intervention services for infants and toddlers with disabilities and their families. Section 17a-248g subsection (e) of the General Statutes provides for fees to be charged to parents or guardians earning \$45,000 or more for these services. These parent fees are not recorded as revenue, but are credited back to the program, thereby reducing the gross expenditures. During fiscal years 2007-2008, and 2008-2009, the Department collected \$1,253,805 and \$1,229,679, in such fees and certain insurance payments, respectively. These amounts do not include most insurance payments that are received by the service providers and deducted before invoices are presented to the Department for payment. Such insurance payments totaled approximately \$3 million in each of the fiscal years audited. Net expenditures of the program totaled \$28,407,599 and \$38,167,649 during fiscal years 2007-2008, and 2008-2009, respectively.

**General Fund Expenditures:**

General Fund expenditures of the Department of Developmental Services are summarized below :

	<b><u>Fiscal Year Ended June 30,</u></b>		
	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
Personal Services and Employee Benefits:			
Salaries and Wages	\$285,730,312	\$299,348,797	\$300,357,482
Workers' Compensation	14,012,761	14,420,930	15,449,122
All other	<u>846,562</u>	<u>982,767</u>	<u>913,149</u>
Total Personal Services and Employee Benefits	<u>300,589,635</u>	<u>314,752,494</u>	<u>316,719,753</u>
Purchases and Contracted Services:			
Professional, Scientific and Technical Services	9,378,994	10,119,922	9,079,091
Client Services	526,431,075	579,779,381	614,488,662
Premises and Property Expenses	11,149,085	11,694,631	9,799,304
Purchased Commodities	7,152,074	7,386,829	6,711,587
Fixed Charges	4,815,473	1,963,703	3,990,231
All Other	<u>11,083,466</u>	<u>12,263,721</u>	<u>9,532,849</u>
Total Purchases and Contracted Services	<u>570,010,167</u>	<u>623,208,187</u>	<u>653,601,724</u>
<b>Total Expenditures</b>	<b><u>\$870,599,802</u></b>	<b><u>\$937,960,681</u></b>	<b><u>\$970,321,477</u></b>

Overall, Department General Fund expenditures increased by \$67,360,879 and \$32,360,796, or approximately seven and three percent for the 2007-2008 and 2008-2009 fiscal years, respectively. The above increases can mainly be attributed to increases in salaries, wages and client services.

Personal services increased by approximately five and one percent for the 2007-2008 and 2008-2009 fiscal years, respectively, while client services increased by nine and six percent, respectively, for the same period. The increases in personal services were primarily the result of annual collective bargaining increases. Client services consist of payments to private providers for services to the Department's clients for residential, employment and day services. Also, as noted earlier, during the fiscal years audited, expenditures under the Voluntary Services Program were included in this total. The increase in client services during the audited period can mainly be attributed to cost of living increases for private provider employees.

As of June 30, 2009, there were 3,821 filled full-time positions and 1,376 filled part-time positions in the Department.

**Special Revenue Fund-Federal and Other Restricted Accounts:**

Special Revenue Fund receipts totaled \$10,133,752 and \$9,103,565 for the fiscal years ended June 30, 2008 and 2009, respectively.

A summary of the Department's Special Revenue Fund expenditures follows:

	<b><u>2006-2007</u></b>	<b><u>2007-2008</u></b>	<b><u>2008-2009</u></b>
Personal Services and Employee Benefits	\$3,177,711	\$1,649,362	\$2,929,514

Purchases and Contracted Services:

Board and Care of Clients	1,497,449	1,010,737	1,026,794
Client Services-General	3,580,793	5,845,855	3,922,196
All other Purchases and Contracted Services	<u>1,410,230</u>	<u>1,012,736</u>	<u>968,243</u>
Total Purchases and Contracted Services	<u>6,488,472</u>	<u>7,869,328</u>	<u>5,917,233</u>
<b>Total Expenditures</b>	<b><u>\$9,666,183</u></b>	<b><u>\$9,518,690</u></b>	<b><u>\$8,846,747</u></b>

The major sources of receipt and disbursement activity in the Special Revenue Fund are from two Federal programs, Grants for Infants and Families with Disabilities (CDFA#84.181) and the Social Services Block Grant (CDFA#93.667). The Grants for Infants and Families with Disabilities provides funding for the Birth to Three program at the Department, which in accordance with Section 17a-248, et al, of the General Statutes, delivers services to eligible children who have, or are at the risk of having, developmental delays. The Social Services Block Grant receipts fund a portion of the day services programs provided by the Department.

**Per Capita Costs:**

Under the provisions of Section 17b-223 of the General Statutes, the State Comptroller is required to determine annually the per capita costs for the care of all persons in state institutions. Costs for the in-residence population for the fiscal year ended June 30, 2009, are summarized below:

	<b><u>Average per Capita Costs</u></b>			
	<b><u>In-Patient</u></b>		<b><u>Group Homes</u></b>	
	<b><u>Daily</u></b>	<b><u>Annual</u></b>	<b><u>Daily</u></b>	<b><u>Annual</u></b>
West Region	\$737	\$269,005	\$710	\$259,150
North Region	949	346,385	800	292,000
South Region	1,221	445,665	857	312,805
Southbury Training School	997	363,905	(not applicable)	

**Community Residential Facility Revolving Loan Fund:**

The Community Residential Facility Revolving Loan Fund is authorized by Sections 17a-220 through 17a-221 of the Connecticut General Statutes. The fund was established for the Department to make loans for the construction, purchase or renovation of community-based residential facilities. The Department can make loans up to \$350,000 for this purpose. The loans bear interest at a rate of six percent. The Department can also make loans up to \$60,000 for the rehabilitation of community-based residential facilities.

As of June 30, 2009, the fund had an outstanding balance of \$15,299,712 in loans for community residential facilities. New loans issued totaled \$1,161,072 and \$1,168,785 for the 2007-2008 and 2008-2009 fiscal years, respectively.

Receipts of the fund, consisting primarily of principal repayments and interest income on residential community loans, totaled \$1,461,700 and \$1,564,526 during the fiscal years ended June 30, 2008 and 2009, respectively. The fund had a cash balance of \$1,783,428 as of June 30, 2009.

**Fiduciary Funds:**

The Department's Fiduciary Funds include Institutional Activity and General Welfare Funds and Clients' Funds. The Activity and Welfare Funds were established and operated under the provisions of Sections 4-52 and 4-57 of the General Statutes and are used mainly for the operation of client workshops and for client recreation. The Clients' Funds constitute custodial accounts for clients' personal monies. The assets comprising the Department's Fiduciary Funds totaled \$4,080,754 as of June 30, 2009.

**Other Matters:**

In our prior audit report, we reported on certain personnel matters, one of which was the falsification of time sheets by an employee while working in a group home in Southeastern Connecticut. The employee received over \$200,000 in fraudulent overtime pay during the period 2005 to 2007. The employee was terminated on June 6, 2008 and arrested in January 2009. At the time of the issuance of our prior report in October 2009, the case was still proceeding in the court system. In January 2011, the case was closed with the former employee pleading no contest to first degree larceny, and sentenced to two years in prison. In addition, the employee's pension was forfeited.

## CONDITION OF RECORDS

Our examination of the records of the Department of Developmental Services disclosed the following matters, which require disclosure and agency attention.

### *Central Office:*

#### **Monitoring of Fiscal Intermediaries Program Fund Account Balances and Contract Compliance:**

##### *Background:*

During the fiscal years audited, the Department contracted with two fiscal intermediaries (FI), which are private organizations that assist clients and/or family members by managing and distributing the funds contained in each client's budget. The original Purchase of Service (POS) contracts covered the period from June 1, 2005 to June 30, 2008. There have been three amendments to each contract, one of which extended the end date until December 31, 2010. New contracts were entered into covering the period January 1, 2011 through December 31, 2012. The Department requested and received a waiver from the Office of Policy and Management from the Request for Proposal (RFP) process for these new contracts. Clients enrolled in the Individual and Family Support Waiver under the Medicaid program must use FIs if their budgets are over \$5,000. State funds are advanced quarterly, based on the clients' individual plan budgets, to the fiscal intermediaries which make payments to service providers. Fiscal intermediaries earn fees for their services. During fiscal years ended June 30, 2008 and June 30, 2009, a total of \$60,844,539 and \$95,866,166, respectively, was transferred to the two fiscal intermediaries, including \$2,168,292 and \$3,289,222 in administrative fees, respectively. As of June 30, 2008 and 2009, 3,034 and 3,739 clients, respectively, used FI services. In accordance with the POS contracts, a separate program fund account was established to account for these funds. The sweep portion of such program fund account is invested in U.S. Treasuries. These program fund accounts are not state bank accounts, but are in the name of the fiscal intermediaries only. The funds in these accounts are state assets, and not assets of the FIs. It should be noted that the new contracts entered into for the period January 1, 2011 through December 31, 2012 now require that these accounts must be a trust account with the FI as the fiduciary and the Department as the beneficiary of the trust. This language was not present in the contracts that preceded the contracts currently in effect.

##### *Criteria:*

1. Good internal control over cash requires a periodic monitoring of the balances in a bank account containing state funds.
2. According to the POS contracts with the FIs, the contractor is

required to conduct a compliance program for vendors once per calendar year. The contractor should review the data, progress notes, invoice, payment and Medicaid billing file for errors or discrepancies. A report must be submitted to the Department indicating variances in the documentation. A mutually agreed upon sample size is to be determined between the department and the contractor. Any errors in the Medicaid billing file should be corrected by following Department of Administrative Services protocol.

3. State Comptroller Memorandum 2004-06, dated February 13, 2004, states that effective February 17, 2004, the Office of the State Comptroller, Accounts Payable Division, will perform a pre-audit of all purchase orders of \$1 million or more. To perform this pre-audit, each state agency issuing purchase orders of \$1 million or more is required to forward the purchase order and all supporting documents to the Comptroller's Accounts Payable Division (OTC/CAP).

*Condition:*

1. As of February 28, 2011, the bank account balances in these program fund accounts totaled \$14,096,586. The Department does not routinely receive a copy of the bank statements and reconciliations from the fiscal intermediaries.
2. During the term of the contract with the FIs, compliance reports have not been submitted to or requested by the Department. It should be noted that this audit and previous audits have found numerous issues with the program's poor documentation of services as well as other issues. Given the nature of the program's many clients and numerous service providers, it can be anticipated that there will be billing errors and issues of adequate documentation. Based on our prior audit recommendation, the Department has begun to address this issue by establishing a spectrum audit function within the Quality Management Services Division to review services rendered by providers and match payments by fiscal intermediaries. However, such reviews, while otherwise effective, are performed well after the expenditure has been made, whereas the FIs compliance program would be closer to the date of actual expenditure, and thus likely more effective in preventing or detecting errors and discrepancies.
3. During fiscal year ended June 30, 2009, the Department stopped issuing purchase orders over \$1 million for anticipated expenditures under the Fiscal Intermediaries program, despite the fact that certain individual invoices exceeded that amount. Instead, the Department split the payments into two or more

payments of less than \$1 million dollars each. As a result, these purchase orders were not forwarded to the OTC/CAP for pre-audit as required by the State Comptroller's memorandum.

- Cause:*
1. The cause was not determined.
  2. Lack of administrative oversight appears to be the cause.
  3. The cause was not determined.

- Effect:*
1. Internal control over this area is weakened.
  2. A key contractual provision has not been met. Since the federal Medicaid program reimburses the State of Connecticut for approximately 50 percent of these payments, there are likely billing adjustments necessary under the Medicaid program rules.
  3. The control over the issuance of purchase orders over \$1 million, as established in the State Comptroller's memorandum, was circumvented.

*Recommendation:* The Department of Developmental Services should more closely monitor the balances in the fiscal intermediary's program fund account by receiving monthly bank statements and reconciliations from its fiscal intermediaries. Annually, the Department should request and obtain a report from the fiscal intermediaries on the status of the compliance program for vendors in accordance with the terms of the purchase of service contracts. Lastly, the Department should comply with the State Comptroller's requirements pertaining to the pre-audit of purchase orders over \$1 million. (See Recommendation 1.)

*Agency Response:* "The department had already begun to institute changes to better manage the fiscal intermediary contracts. The issues noted by the auditors are being incorporated into DDS practices to further improve monitoring of the fiscal intermediaries.

The use of fiscal intermediaries has allowed people we support and their families to exercise more control over their services and allows the state to receive reimbursement from the federal government under the Home and Community Based Service Waivers. To better manage cash flow DDS transitioned from quarterly to monthly payments in July of 2010. DDS now receives monthly copies of the bank statements to better monitor balances in the fiscal intermediary fund account.

DDS has received information on compliance audits from the fiscal intermediaries. DDS is now meeting with the FIs to standardize the future submissions.

DDS historically did not process purchase orders over 1 million dollars for the program fund account. When the auditors raised the issue regarding the issuing of purchase orders over \$1 million dollars, DDS attempted to determine the reason for the practice. Due to the retirement of key managers, the reason for the practice could not be identified. After consulting with OPM and the Comptroller, DDS began submitting purchase orders over \$1 million dollars for the program fund payments. DDS will continue to utilize this approach in the future.”

**Cash Receipts Journal:**

*Criteria:* According to the Comptroller’s State Accounting Manual:

“A Receipts Journal shall be maintained by all agencies receiving money. The journal shall consist of sufficient columns for the entry of the following information:

- a. Date of receipt.
- b. Receipt number when pre-numbered receipts are issued.
- c. Name of payer, or other identification.
- d. Separate columns for listing receipts by revenue classification (revenue object code); these column headings will vary from agency to agency.
- e. Total receipts.
- f. Amount deposited.
- g. Deposit slip number.
- h. Date of deposit.
- i. Additional columns may be added to provide other information desired by the agency.
- j. Agencies needing assistance in designing a Receipts Journal should contact the Budget and Fiscal Analysis Division of the Comptroller.”

*Condition:* The Central Office’s cash receipts journal lacks many of the elements required by the State Accounting Manual.

- Effect:* Internal control over receipts is potentially lessened.
- Cause:* The cause was not determined.
- Recommendation:* The Department of Developmental Services should re-design its cash receipts journal to conform to the requirements of the State Accounting Manual. (See Recommendation 2.)
- Agency Response:* “We concur with the citation. During this audit period, Central Office cash receipts were handled by the Operations Center and upon the retirement of the staff member, was handled by the Finance Division.
- On 7/1/10, the responsibility for maintaining cash receipts journals was moved to staff in the East Hartford Business Office. The CO cash receipts were absorbed into the Access data base Receipts Program used by the East Hartford Business Office. This Access data base Receipts Program contains all of the elements required by the State Accounting Manual. This Access data base Receipts Program was approved by Brenda Halpin on 1/23/07.”

**Regional Report:**

- Criteria:* Section 17a-213 of the Connecticut General Statutes requires the DDS to issue an annual report to certain joint standing committees of the General Assembly which identifies and explains any discrepancies between regions as it pertains to staff to client ratios, cost per program type, cost per client for each type of service provided and gaps between persons served and persons requesting services.
- Condition:* The report for the fiscal year ended June 30, 2009 was not produced.
- Effect:* The statutory requirement was not met.
- Cause:* According to the Department, the employee who was in charge of producing this report retired, and as a result, it was not produced.
- Recommendation:* The Department of Developmental Services should comply with Section 17a-213 of the Connecticut General Statutes and annually issue a comparison of regions report to the General Assembly. (See Recommendation 3.)
- Agency Response:* “The Department was late in completing the Committee of Cognizance Reports for FY 2009 due to staff retirements. However,

the FY 2009 report was completed and distributed to all parties on September 3, 2010.”

**Camp Harkness Report:**

*Criteria:* Section 17a-217a(c) of the General Statutes requires the Camp Harkness Advisory Committee to annually submit a status report no later than October 1st, to the commissioner and to the joint standing committee of the General Assembly having cognizance of matters relating to public health.

*Condition:* The required reports have not been produced for the last two fiscal years.

*Effect:* The statute has not been followed.

*Cause:* The cause was not determined.

*Recommendation:* The Camp Harkness Advisory Committee should comply with Section 17a-217a(c) of the General Statutes and produce a status report on Camp Harkness no later than October 1st of each fiscal year. (See Recommendation 4.)

*Agency Response:* “The Camp Harkness Advisory Committee was in arrears in producing a timely annual report, as required by statute, at the time of the APA Audit. However, the group has successfully caught up since then. Completed annual reports have been filed for SFY 2009, 2010 and the 2011 annual report is scheduled to be promulgated by the end of calendar year 2011. Going forward, the Camp Harkness Advisory Committee will produce its annual report in a timely manner. The DDS staff on the committee (Camp Harkness Director’s ex-officio) will assure that the group maintains this requirement in the future.”

**Memorandum of Agreement with the Connecticut State Board of Education:**

*Background:* Under the terms of a memorandum of agreement (MOA) with the Connecticut State Board of Education (CSBE), the Department of Developmental Services received funds totaling \$1 million each fiscal year to assist the CSBE in fulfilling its obligations under the Individuals with Disabilities Education Act (IDEA), Part B, for Child Find in order to assist in identifying, locating and evaluating children with disabilities from ages birth to three.

*Criteria:* Under Section X of the MOA, Reporting Requirements, DDS must submit a detailed expenditure and activity report specifying the

expenditure of the IDEA, Part B, funding sixty days after the end of each fiscal year.

*Condition:* During the fiscal years audited, the Department did not submit the required reports to the CSBE.

*Effect:* A key reporting requirement of the MOA was not met.

*Cause:* The cause was not determined.

*Recommendation:* The Department of Developmental Services should comply with the reporting requirements of its memorandum of agreement with the Connecticut State Board of Education by submitting a detailed expenditure and activity report within sixty days of the end of each fiscal year. (See Recommendation 5.)

*Agency Response:* “DDS concurs with the finding. The reports will be updated by September 1, 2011 and will be completed in future periods.”

**Autism Regulations Need to be Adopted:**

*Criteria:* Section 17a-215c, subsection (b) of the General Statutes states “the Department of Developmental Disabilities shall adopt regulations to define the term ‘autism’, establish eligibility standards, and criteria for the receipt of services...”

*Condition:* The Department has not adopted regulations for this program.

*Effect:* The statutory requirement has not been met.

*Cause:* The Department is waiting for approval of a Medicaid waiver covering some portion of this program’s services before submitting draft regulations.

*Conclusion:* We are not issuing a recommendation at this time. We are informed that the Department will submit proposed regulations when a Medicaid waiver is approved, assuming such approval is granted.

**North Region:**

**Property Control Issues:**

*Criteria:* Section 4-36 of the General Statutes requires each state agency to keep property inventory records in the manner prescribed by the State Comptroller. The State Property Control Manual provides policies and procedures for the physical and reporting controls over capital assets. The manual stipulates:

a) "Site improvements that increase the value of the original property require a separate property control record." Adequate supporting documents are an essential part of internal control.

b) "When the property control records have been established for all existing property, the system must be maintained in an orderly manner and on a current basis."

c) "Property shall not be abandoned or destroyed by a State agency unless it is certified by a duly authorized representative of the Distribution Center that the property has no commercial value."

DDS Procedure No. II.B.1.PR.005 stipulates that a request to surplus property is obtained by the completion of a DDS State Property Surplus/Disposal form by the individual responsible for the equipment. The completed form is forwarded to the state surplus coordinator for approval and then to the individual responsible for entering the item on the Property Distribution Center website.

*Condition:* Our review of equipment inventory and reporting disclosed the following deficiencies:

- Documents provided were insufficient to determine the accuracy of the added values to site improvements done at seven locations during fiscal year 2008. Of \$66,101 reported as site improvement additions, \$42,733 were not supported. Additionally, per the vendor's proposal, it appears that the value added for two locations were over or understated. As a result, site improvement additions reported on the CO-59 for fiscal year 2008 seem to be understated by \$2,084.
- Four equipment items (two utility/equipment trailers, one Ford Van and one Truck) were not added to Core-CT. The equipment items totaled \$40,684.
- A document (certificate of recycle, certificate of destruction,

scrap ticket, etc.) confirming that the agency obtained authorization from a duly authorized representative of the Distribution Center before disposing three equipment items was not provided and deemed not obtained. The three equipment items disposed in fiscal year 2008 totaled \$3,925.

- The Department Fixed Assets Surplus/Disposal form was not provided for 20 equipment items disposed during fiscal year 2008. The 20 disposed equipment items totaled \$27,059.
- The North Region’s listing of buildings noted in Core-CT and JESTIR contained a property that does not exist. Core-CT and JESTIR system indicated that the region has a building at 435 Wetherell Street in Manchester, valued at \$288,516. Per conversation with the region staff and an actual site visit, we found that 435 Wetherell Street is not a valid address.
- The number of owned vehicles reported on Form CO-648B for fiscal year 2009 is overstated by one. Records indicate that one of the six vehicles reported to the State Comptroller was auctioned on or before December 6, 2008 and was included in the Other Property Owned with Trustee Funds Deletions on the FY 2009 CO-59.

*Effect:* The conditions noted above weaken internal control over equipment inventory and reporting.

*Cause:* A lack of administrative oversight appears to be the cause for the deficiencies noted.

*Recommendation:* The Department of Developmental Services should comply with Section 4-36 of the General Statutes, the State Property Control Manual and internal policies and procedures by improving its property control records. (See Recommendation 6.)

*Agency Response:* “DDS maintains that there was sufficient documentation to support the site improvement additions. In addition, we only added value for areas at which we expanded the driveway and parking lots. We did not add value for replacement in kind. Due to a typographical error on the vendor’s proposal, the value was incorrectly stated and will be corrected on the CO 59 for FY 2011.

There is no documentation that this agency had possession of a 1988 Ford Van. During a previous audit, a recommendation was made by the APA to add this vehicle to the inventory. The agency maintains that this vehicle should be removed from Core-CT. The 1995 Box

Truck was never entered in Core-CT and has since been surplus. The trailers have been identified and will be added to Core-CT for the Property Control Report for FY 2011.

Items with the tag numbers 7882 and 8104 were removed from the inventory in 2008 with the intent to surplus. Due to insufficient funds, the items were not surplus until 2010 when money was available. The agency has the appropriate documentation on hand. We were unable to locate a certificate of recycle for the printer with the tag 50321. Documentation for surplus in files for 7882 and 8104.

The agency has certificates of recycle for all of the items above with the exception of 50321. In order to provide efficiency, the data was submitted using a spreadsheet rather than the DDS form. Documentation for surplus in files for all except 50321.

Per the town of Manchester, 435 Wetherell Street is not a valid address. The value of 411 will be adjusted to accurately reflect the proper value (\$288,516). 435 Wetherell Street will be deleted from JESTIR.

The CO59 for fiscal year 2009 was correct, however the CO648B had an additional vehicle listed. The CO648B for fiscal year 2010 reflects the change.”

**Individual Support Agreements:**

*Criteria:*

1. All Individual Support Agreement (ISA) contracts should be available on file and approved before the service start date.
2. The Home and Community Based Services (HCBS) Waiver Manual requires that documentation should be maintained for six years from the date of service, and minimum service documentation requirements for each type of service are outlined in the manual. Also, records should be kept in accordance with Medicaid requirements and DDS policies and procedures. Personal Supports may not be performed at the same time that Individual Day Supports are provided to a client.

*Condition:*

1. Our review of 10 ISA agreements disclosed that six agreements were not approved prior to the service start dates. Approvals ranged from 14 days to approximately 3.5 months after the beginning of services.

2. There were numerous instances in which dates of service for nine clients were not adequately supported in accordance with DDS policies and procedures or the HCBS Waiver Manual.
  - a. For five providers reviewed, we could not verify the payment amounts on invoices submitted to the fiscal intermediaries for payment. We also could not determine the dates of service and number of hours billed due to limited supporting documentation or documentation that did not contain sufficient information in accordance with the above procedures.
  - b. Of 348 dates of service billed to the fiscal intermediaries for various services that we were able to determine and review from submitted documentation, only 66 were supported by the minimum required documentation such as progress notes or other documentation required for each particular service. Thirty of these dates of service included pre-typed progress notes on a timesheet submitted for one client. These pre-typed notes were also entered on dates when this client was absent from the program.
  - c. Mileage payments made to three private providers were not sufficiently supported. One provider, who was paid \$823.20, consistently billed for 70 miles per day on the sampled invoices, without turning in documentation on mileage logs including information such as activities and locations. For a second provider, (who was paid a total of \$296) mileage logs were submitted; however, we could not verify the amount of miles driven when compared to the invoice. From our review of the sampled invoices, it seems that the provider consistently bills 69 miles per day each biweekly period (was paid a total of \$296). The third provider, (paid a total of \$190) submitted the selected invoices, but no mileage logs to support the amounts billed to the fiscal intermediary.
  - d. For one client, we could not determine if Personal Supports were provided at the same time as Individual Day Supports, as documentation submitted was not sufficient to determine the timeframes of the services billed. Personal Supports billed for this client totaled \$985 and Individual Day Supports totaled \$7,494.

*Effect:*

1. State funds may not have been available for the services provided before the ISA was approved.
2. Services billed by providers and paid by the Department through a fiscal intermediary did not appear to be adequately supported, thus there is a lack of assurance that the services billed were actually

performed or were in accordance with DDS policies and procedures, the HCBS Waiver Manual, and the individual support agreements. For those transactions that were reimbursed through Medicaid, there is a lack of assurance that services billed by providers were eligible for such reimbursement, as supporting documentation did not appear to be sufficient to support these claims.

- Cause:*
1. We could not determine why there was a delay in processing ISA agreements for approvals.
  2. It appears that a lack of managerial oversight by both the Department and the providers resulted in the inadequate maintenance of supporting documentation as required by DDS policy and procedure or the HCBS Waiver Manual.

*Recommendation:* The Department of Developmental Services should ensure that individual support agreements are approved prior to the start date of services, and should also establish procedures to review and monitor payments made to providers through fiscal intermediaries. (See Recommendation 7.)

*Agency Response:* “1) We concur with the finding. We have made the following changes to address the finding:

- A CM Supervisor checklist will be updated and training shall be provided on this tool.
- Training will be provided to CM to remind them that they must notify the SD Director, if there is an emergency need that requires services to start before an ISA can be signed and put into place. In that instance, the case manager will notify the Self-Determination Director, or if not available, a Regional ARD, for verbal approval. If after hours, the families will be advised to contact the Manager on Call. When notified, the SD Director will authorize necessary funds in the person’s budget to be moved to a state-funded line and will authorize the FI to pay for needed services through state funds, until the signed Support Agreement is in place.
- The “Business Rules” provided to the FI’s states that the FI needs the current Sponsoring Agreement be on file before services can start. FI’s will be reminded that they need to notify the regional Self Determination Director if a sponsoring agreement is not on file.

2) We concur with the finding. We have made the following changes

to address the finding:

- The SD Directors completed an audit of timesheets. Timesheets were revised as a result of this audit and training was provided to CM on the proper way to complete timesheets. A webinar of this training is available on the DDS website. CM supervisors have been requested to ensure all of their staff have reviewed this training.
- In future, CMs will review Sponsoring Person Agreements at annual IP meetings.
- SD Directors will develop a procedure that will advise FIs and family regarding payment should timesheets be missing necessary documentation.”

**Dual Employment Forms:**

<i>Criteria:</i>	Section 5-208a of the General Statutes provides that individuals may be employed by more than one state agency simultaneously, provided that each agency certifies that no conflict of interest exists, and that there is no duplicate payment for time. The certification is done on Form PER-DE-1, Dual Employment Request.
<i>Condition:</i>	Four employees reviewed did not have completed PER-DE-1 forms on file.
<i>Effect:</i>	Dual Employment Request forms are not being properly processed and filed by the Department.
<i>Cause:</i>	It appears that there was a lack of managerial oversight in ensuring that those employees working in more than one position were approved by both the primary and secondary agency.
<i>Recommendation:</i>	The Department of Developmental Services should ensure that all employees dually employed with the North Region and another region or state agency have a completed Dual Employment Request (PER-DE-1) form on file. (See Recommendation 8.)
<i>Agency Response:</i>	“As of July 1, 2011, DDS Human Resources will ask DAS to run a Multiple Job Summary Report across all agencies in Core-CT semi-annually and compare the report to the employee’s personnel file to ensure we have copies of all dual employment forms on file.”

**Leave in Lieu of Accrual:**

- Criteria:* Agencies are permitted to use the Leave in Lieu of Accrual (LILA) time reporting code (TRC) in instances where an employee wishes to use time earned during the pay period, but has not been posted. LILA coding is intended to be temporary, and agencies should adjust time accordingly as explained in the Core-CT Job Aid.
- Condition:* In nine instances, LILA for compensatory or holiday compensatory time was not adjusted through the timesheet as required by Core-CT Job Aids. Eight of these instances appear to result in overstated compensatory and holiday compensatory time balances, as it does not appear that negative adjustments were made to the balances in place of adjustments made through the timesheet.
- Effect:* Due to the lack of adjustments to remove LILA coding, employees appear to be carrying higher balances of compensatory or holiday compensatory leave time than they are entitled to.
- Cause:* It does not appear that LILA TRC reports are run in accordance with the Core-CT Job Aid guidelines, and the region relies on the assumption that payroll clerks should remember to go back and adjust the coding at the end of the pay period.
- Recommendation:* The Department of Developmental Services should ensure that Leave in Lieu of Accrual (LILA) coding is entered and adjusted in accordance with Core-CT Job Aid guidelines. (See Recommendation 9.)
- Agency Response:* “Payroll staff in each region will be directed to audit LILA coding on a regular basis and make the necessary adjustments. At times when changes to the LILA code cannot be made because of exhausted leave it will be considered an overpayment and the employee will be expected to pay back the overage. A TRC report shall be run on a biweekly basis and LILA coding will be corrected immediately.”

**Medical Certificates:**

- Criteria:*
1. Per the bargaining unit agreement with the New England Health Care Employees Union (1199), NP-6, employees absent for 35 or more consecutive work hours should submit a medical certificate or letter from a doctor, stating the date on which the employee was seen by the doctor, the reason for the absence, the date from which the employee was incapacitated, and the date on which the employee may return to work. P-1 employees absent for 35 or more consecutive work hours must submit signed statements of the

reasons for the absence. Per the Manager's Guide, managers are required to submit a medical certificate for absences of more than five consecutive workdays. Also, according to DAS procedures outlining the use of the Family and Medical Leave Act (FMLA), medical certificates must be submitted at the time of application, and the employee may be required to furnish periodic reports to the employing agency.

2. According to procedures outlined by DAS, the following FMLA forms should be complete and include the following:
  - Application for FMLA (Form HR-1)
  - Medical Certificate (Form P-33A or B)
  - Agency Response (Form HR-2)
3. According to DAS, when leave is foreseeable and qualifies for FMLA, the medical certificate should be submitted at least 30 days prior to the beginning of the leave. If there is no forewarning, the forms should be submitted as soon as it has been determined that the illness qualifies for FMLA.

*Condition:*

1. Five employees did not have medical documentation on file to support a portion of their leave. Of these five employees, two also did not have a doctor's note clearing their return to full work duty.
2. Four employees out of seven tested for FMLA did not have the required forms on file.
3. One employee did not submit medical documentation to Human Resources in a timely manner.

*Effect:*

1. A lack of medical documentation may not fully support the continued leave time and the use of sick accruals.
2. FMLA files are not complete. The application for FMLA should be on file to verify that the employee applied for state and/or federal FMLA. Medical certificates are filled out by a doctor and are used to determine whether the employee's injury is FMLA qualifying. The agency response should be kept to prove that the employee was notified of the approval or denial of FMLA.
3. Untimely submission of FMLA forms and other medical documentation may delay approval and processing of the employee's leave.

- Cause:*
1. The employees did not submit all medical documentation to Human Resources to support additional medical appointments during the period of illness or FMLA leave.
  2. FMLA forms were not filled out and submitted by the employees to Human Resources to support the application and the medical reason for requesting leave under federal and state FMLA.
  3. The employees did not complete and submit FMLA forms and other medical documentation to Human Resources in a timely manner.

*Recommendation:* The Department of Developmental Services should ensure that all medical documentation related to sick leave and leave under FMLA are completed by employees and submitted to Human Resources. (See Recommendation 10.)

*Agency Response:* “Past practice has been that if medical documentation was received in Human Resources and had all of the necessary information provided the employee was not required to submit the P33-A. If medical documentation was received in Human Resources and it met the qualifying guidelines for FMLA it was automatically processed for approval/denial. So at said time, the agency response was on written correspondence and not the HR-2 form.

Based on direction from The Department of Administrative Services, as of July 1, 2011 it is now required that the HR-1 and P33-A/P33-B be completed and returned to Human Resources and the agency completes and sends a copy of the Agency Response to the employee to notify him/her of the approval/denial and the period of approval/denial.”

**Overtime:**

- Criteria:*
1. Employees should sign in on a standard staff sign-in sheet, and properly record the reasons for overtime hours.
  2. The region’s collective bargaining agreement with District 1199 requires that group homes fill pre-determined overtime by using either a rotation system or accumulated hours system using preferred and non-preferred overtime lists.
  3. Overtime shifts worked should be properly verified on staff sign-in sheets and individual overtime reports by an employee on duty.
  4. Excessive work hours should be avoided to prevent adverse affects on quality of care. The region’s agreement with District

1199 requires that employees work no more than 16 hours in any 24 hour period without prior approval of a supervisor, and that employees must take at least a seven hour break after working 16 hours.

*Condition:*

1. Seven employees had shifts recorded on their timesheets which did not correlate to the work site sign-in sheets:
  - Two of seven employees did not appear on the sign-in sheets for at least one shift, regular or overtime.
  - Sign-in sheets for four employees with hours coded to DDS51085 could not be verified. Sign-in sheets for this location were provided for each of the employees; however, none were signed in for shifts. This location has separate sign-in sheets for a client, L.W., which are kept at Mountain Road. As of April 21, 2010, Mountain Road has not been able to locate these additional sign-in sheets.
  - Hours recorded on the timesheet for one employee did not correlate to hours recorded on the sign-in sheet.
2. Forty-two preferred and non-preferred overtime lists were requested for our review; however 28 lists were not received from the group homes. Four of those 28 submitted schedules, lists of employee phone numbers, and sign-in sheets in lieu of preferred and non-preferred overtime lists.
3. Ten employees did not have proper verification for overtime shifts worked. Verifying signatures on either the individual overtime report or the sign-in sheet were of employees who were not working at the time the shift began or ended.
4. Six employees worked more than 16 hours in a 24 hour period or did not take the required seven hour break after each incident. We noted a total of six instances of between 16.25 and 17 hours worked in a 24 hour period, and 13 instances in which the employee did not take a seven hour break after working at least 16 hours in a 24 hour period.

*Effect:*

1. We could not determine whether all hours documented on the timesheet were supported by verifying signatures on overtime reports, and sign-in sheets.

2. We could not determine whether overtime hours had been equally offered to all eligible staff.
3. Verification of an employee's hours worked by an employee who was not on duty at the beginning or end of a shift does not accurately validate that the shift was worked in its entirety.
4. Excessive and/or long work hours could negatively affect quality of care of consumers, and is a violation of the collective bargaining overtime agreement.

*Cause:*

1. Employees may have forgotten to sign-in at the worksites on the appropriate sign-in sheet. Sign-in sheets for client L.W. were taken for an administrative overtime review in Spring 2009 conducted by the human resources department, and were boxed and returned to Mountain Road after completion of the review. It appears that the documentation was never re-filed by staff in Newington.
2. Preferred and non-preferred overtimes lists were not retained by the group homes or residential managers.
3. We could not determine why employee shifts were verified by employees not working the beginning or end of the shift.
4. The Region has been monitoring instances of employees working over 16 hours in a 24 hour period; however it has not been monitoring whether breaks of at least seven hours have been taken after each instance. It appears that there was a misunderstanding of that provision in the agreement.

*Recommendation:*

The Department of Developmental Services should strengthen internal control to ensure that overtime hours are actually earned, verified and accurately recorded; overtime distribution is monitored to properly observe the contract with the bargaining unit; overtime hours worked are properly verified and approved, and responsibility for monitoring excessive work hours is clearly assigned to the appropriate staff. (See Recommendation 11.)

*Agency Response:*

“Program Supervisors are to audit, on a weekly basis, to ensure sign-in sheets correlate to time sheet. Per DDS Procedure No: II.D.PR 022 “Time and Attendance and Payroll Security for Public Residential Programs” which was issued and effective February 1, 2010, biweekly payroll audits include Payroll staff will check that all employees reported as working on the Weekly Work Site Schedules have signed in. Any employee who has not signed in will be reported

under findings for follow up confirmation.

Effective July 1, 2009 the expectation regarding verification of Overtime is that if an employee is working alone the sign in sheet should be recorded as such in red: No one available to verify time in or out. DDS Procedure No: II.D.PR 022 "Time and Attendance and Payroll Security for Public Residential Programs" which was issued and effective February 1, 2010, states, all overtime must be verified (unless no other staff is on duty). Employees' verifying overtime must be on duty for the Time On and/or Time Off and are required to legibly print their name after the verification signature. If no other staff is on duty to verify overtime, a clear notation should be made in the verification signature column. (e.g. No Stf Av) When Payroll audits, the Group Home findings are noted and sent to the Supervisor and the Manager.

Public programs have been advised to maintain overtime lists at their homes as required by the regional Overtime Agreement. HR and Payroll have reminded Public Programs of this. Tina Abbate, ARD of Public, has reminded Public Programs staff."

**Timesheets:**

- Criteria:* Timesheets should not be signed and approved until all recorded hours are actually worked and verified against supporting documentation.
- Condition:* Six timesheets were signed or approved prior to the end of the pay period.
- Effect:* By approving timesheets before the pay period ends, the supervisor cannot verify any subsequent hours worked. Time sheet errors and violation of work hours may go undetected.
- Cause:* Approving timesheets prior to the end of the pay period has been noted as a finding in our prior two audits. It appears that supervisors are not adequately verifying the accuracy of submitted timesheets.
- Recommendation:* The Department of Developmental Services should improve internal controls to ensure that supervisors verify employee timesheets against other supporting documentation prior to signing the timesheets. (See Recommendation 12).
- Agency Response:* "Program Supervisors are to audit before submitting to payroll and maintain documentation. Per DDS Procedure No: II.D.PR 022 "Time and Attendance and Payroll Security for Public Residential

Programs” which was issued and effective February 1, 2010, the original daily Staff Sign-In Sheets will be submitted to the Payroll office with the timesheets on a weekly basis by the Friday following the pay week.”

**Workers Compensation:**

*Criteria:*

1. Workers’ compensation files should be complete and include the following forms:

- First Report of Injury and Supervisor’s Accident/Investigation Report (Forms WC-207 and WC-207-1)
- Third Party Liability (Form WC-211)
- Request for Accrued Leave (Form CO-715)
- Filing Status and Exemption (Form 1A)

2. Medical documentation should be submitted during the duration of the workers’ compensation leave to substantiate payments, and the employee’s return to work at a full and light duty level should be properly documented.

3. Upon receipt of the first check from the third party administrator (TPA), the agency must reconcile the check to ensure that the amount paid by the TPA is accurate, and to calculate a reimbursement to the employee of taxes paid.

4. The first checks received by the Department from the TPA must be deposited into the Petty Cash Fund in accordance with Section 4-32 of the General Statutes.

5. Workers’ compensation procedures require an adjustment check to be issued to the employee within five days after the receipt of the first check from the TPA.

*Condition:*

1. Six of the ten files reviewed did not have the required workers’ compensation forms on file. Four of these files were missing three forms, and two files were missing one form.

2. One employee worked an overtime shift the day after her physician evaluated her as totally disabled for a week.

3. One of four files with first checks received by the Department from the third party administrator did not appear to be calculated correctly.

4. Three of four files with first checks received by the Department from the TPA were not deposited in a timely manner in accordance with Section 4-32 of the General Statutes.
5. Four of four adjustment checks were not remitted to the employee within five (5) days of receipt of the first check.

*Effect:*

1. The workers' compensation files are not complete. Missing forms prevent the Department from appropriately monitoring workers' compensation claims.
2. The employee may have further injured herself working an overtime shift after the physician evaluated her as "totally disabled."
3. First checks were not deposited in compliance with Section 4-32 of the General Statutes.
4. Adjustment checks were not issued to employees in a timely manner.

*Cause:*

1. A lack of oversight resulted in missing forms from workers' compensation files.
2. A lack of oversight resulted in an employee working an overtime shift the day after being medically evaluated as "totally disabled" for approximately one week.
3. Human Resources did not forward the checks to fiscal for deposit in a timely manner.
4. First check reconciliations were not completed in a timely manner in order for the adjustment checks to be issued and mailed to employees within five days.

*Recommendation:*

The Department of Developmental Services should improve controls over its workers' compensation program. (See Recommendation 13.)

*Agency Response:*

"Human Resources was not aware of the new procedure/guidelines that checks needed to be in the Business office within 24 hours of receipt in Human Resources or that checks needed to be remitted to the employee within 5 days of receipt of the first check. A process has been put in place as of March of 2009 to ensure the Business Office receives the check within 24 hours of being stamped. A new first check reconciliation program is being instituted by the

Department of Administrative Services that will ensure the checks are reconciled in a timely manner. A process has been put in place as of March of 2009 to ensure the employee receives the check within 5 days.”

**Revenue and Receipts:**

*Criteria:* Section 4-32 of the General Statutes requires that receipts of \$500 or more be deposited within 24 hours of receipt. Total daily receipts of less than \$500 may be held until the total receipts to date amount to \$500, but not for more than a period of seven calendar days.

*Condition:* In 12 instances, while reviewing the General Receipts, we could not determine the date of receipt of funds. Of these 12 instances, we could not verify the timeliness of deposit for nine transactions. Documents provided were not sufficient (documents missing the received date stamp, missing copies of checks, lack of receipts issued to clients, etc.) to determine when the funds were received at group homes or in payroll and other departments.

In five instances, while reviewing the Activity Fund, we could not determine the date of receipt of funds. Of these five instances, we could not verify the timeliness of deposit for one transaction, and two transactions appeared to be deposited outside of the timeframe set by the statutes. Documents provided were not sufficient (documents missing the received date stamp, missing copies of checks, lack of receipts issued, etc.) to determine when the funds were received at divisions other than the business office.

In seven instances, while reviewing the Client Fund we could not determine the date of receipt of funds. Of these seven instances, it appeared that three of them were not deposited in compliance with Section 4-32 of the General Statutes, and in one instance, we could not verify the timeliness of a deposit. We noted one additional transaction where we were able to verify date of receipt that did not appear to be deposited in compliance with Section 4-32 of the General Statutes. Documents provided were not sufficient (documents missing the received date stamp, lack of receipts issued to clients, etc.) to determine when the funds were received at group homes.

In five instances, while reviewing the Welfare Fund, we could not determine the date of receipt of funds. Of these five instances, it appeared that two of them were not deposited in compliance with Section 4-32 of the General Statutes, and in one instance, we could not verify the timeliness of deposit. Documents provided were not

sufficient (documents missing the received date stamp, lack of receipts issued to clients, etc.) to determine when the funds were received at group homes.

*Effect:* We could not verify whether receipts were deposited in compliance with Section 4-32 of the General Statutes.

*Cause:* It appears that the agency did not have a consistent policy to log or date stamp mail received at the mail room or the various departments or locations.

*Recommendation:* The Department of Developmental Services should ensure that all receipts are logged when received and deposited in accordance with Section 4-32 of the General Statutes. (See Recommendation 14.)

*Agency Response:* “General and Activity Fund: DDS North Region acknowledges that these deposits were not date stamped. Based on this finding, the North Region has implemented a practice starting July 17, 2009 to ensure that all incoming mail is date stamped and retained in our files.

Client & Welfare Fund: DDS applied for a waiver to CGS 4-32 (the 24 hour deposit and reporting rule) and was granted the wavier on May 29, 2009. These instances of late deposits would have been covered under this waiver had it been in place at that time.”

## **South Region:**

### **State Grant Payments to Private Providers:**

*Criteria:* 1, 2 – Department of Developmental Services’ procedures for the review of the providers’ audited annual report (AAR) include verifying that the provider’s reported operating revenues are equal to the grant amount received from DDS. The comparison between the contract and expenditures results in a cost settlement if the provider’s annual costs are less than the funds granted.

1, 2 – Per the Comptroller’s State Accounting Manual, return of funds to the grantor are made by processing a payment list payable to the grantor for the balance to be returned. The expenditure should be coded to the Grants Funds Returned account (Core-CT account 55040).

*Condition:* 1. Agency on Aging – the statement of revenue for fiscal year ended June 30, 2007 was not accurate. Day Program revenue was reported

as \$225,786, which is \$10,576 less than the contracted amount of \$236,362. DDS Operations Center staff verified that payments made to the provider were \$236,362.

2. Estuary Council of Seniors –

a. A cost settlement of \$249 from fiscal year ended June 30, 2007 did not appear to have been recouped by the Department from the provider.

b. For fiscal year ended June 30, 2008, payments to the provider per Core-CT totaled \$9,320; however, the final contract amendment was for a total of \$6,479, a difference of \$2,841. Documentation on file showed that the South Region calculated that \$10,935 was paid to the provider, resulting in a \$4,456 recoupment, which the provider paid in three payments. The difference in payment amounts was due to an adjustment for a cost settlement in the amount of \$1,215 that was deducted from the scheduled payment, also in the same amount. As a result, neither the payment nor the cost settlement credit voucher was processed in Core-CT.

*Effect:*

1. The provider did not correctly represent all revenue received from the state for the annual report.
2. Management cannot accurately monitor the return of cost settlements to the Department when account coding is not correct or when expenditure information is not processed through Core-CT.

*Cause:*

1. There appears to be a lack of management oversight over the accuracy of the statement of revenue.
2. It appears that a lack of managerial oversight resulted in the noted exceptions with this provider.

*Recommendation:*

The Department of Developmental Services should ensure that amounts reported on the statement of revenue are accurate, and that cost settlements and payments are processed in Core-CT and coded to the correct accounts. (See Recommendation 15).

*Agency Response:*

“DDS concurs with the finding. DDS has provided additional training to staff on the Annual Report and the review requirements including the review of revenue. Another training will be conducted in Fall 2011 to coincide with the next Annual Report submittal.

DDS concurs that the cost settlement was not processed in the typical

manner making the tracking of the recoupment more difficult. DDS uses the adjusting voucher for all cost settlements now.

DDS has had numerous communications with the Estuary Council regarding the \$249 that should be returned to the department. If these communications fail to result in the return of the \$249, the department will refer the matter to the Office of the Attorney General.”

**Cash Receipts Journal:**

- Criteria:* According to the Comptroller’s State Accounting Manual: “A Receipts Journal shall be maintained by all agencies receiving money. The journal shall consist of sufficient columns for the entry of the following information:
- a. Date of receipt.
  - b. Receipt number when pre-numbered receipts are issued.
  - c. Name of payer, or other identification.
  - d. Separate columns for listing receipts by revenue classification (revenue object code); these column headings will vary from agency to agency.
  - e. Total receipts.
  - f. Amount deposited.
  - g. Deposit slip number.
  - h. Date of deposit.
  - i. Additional columns may be added to provide other information desired by the agency.
  - j. Agencies needing assistance in designing a Receipts Journal should contact the Budget and Fiscal Analysis Division of the Comptroller.”

*Condition:* The South Region does not maintain a cash receipts journal.

*Effect:* Internal control over receipts is potentially lessened.

*Cause:* The cause was not determined.

*Recommendation:* The Department of Developmental Services South Region should maintain a cash receipts journal that conforms to the requirements of the State Accounting Manual. (See Recommendation 16).

*Agency Response:* “The South Region acknowledges the fact we are not following the policy according to the State Comptroller’s State Accounting Manual. We believed that posting all checks/cash daily to the CO-99 was sufficient and meeting the requirements of a Receipts Journals. The Region will develop a Receipts Journal that meets the criteria of the State Accounting Manual. We will ensure that a cash receipts journal is utilized in the Business Office, as well as the Group Homes. The Target date for full implementation is January 6, 2012. This will ensure that the Department is in compliance with the Comptroller’s State Accounting Manual.”

**West Region and Southbury Training School:**

**Payroll and Personnel:**

*Criteria:* Adequate documentation should be maintained to support hours worked and submitted on employee timesheets.

*Condition:* We were unable to verify three overtime shifts worked by one employee and one overtime shift for another employee. The sign-in sheets at the work locations, used to support the overtime hours worked for the four days, were not signed by the employees. In addition, the sign-in sheet from the work location for the third day worked by one employee was not available.

*Effect:* Adequate supporting documentation for the employee’s pay was unavailable, which may lead to erroneous payments to employees.

*Cause:* We could not determine the reason for the employee not using the sign-in sheets at the work location.

*Recommendation:* The Department of Developmental Services should maintain documentation to support payments to employees to ensure accuracy. (See Recommendation 17).

*Agency Response:* “We concur with the finding. West Region, STS will assure that sign-in sheets at work locations will be signed by employees and always made available.”

**Property Control:**

<i>Criteria:</i>	Section 4-36 of the Connecticut General Statutes requires each state agency to establish and maintain an inventory account in the form prescribed by the State Comptroller.
<i>Condition:</i>	Thirteen out of a random selection of 20 transactions (65 percent) from the inventory register could not be located.
<i>Effect:</i>	The inventory system was unreliable.
<i>Cause:</i>	Recent inventory system and personnel changes due to transfers and retirement resulted in lapses in proper inventory control.
<i>Recommendation:</i>	The Department of Developmental Services should make a concerted effort to correct and update the equipment inventory records. (See Recommendation 18).
<i>Agency Response:</i>	“We concur with the finding. One asset was transferred, but remained on the inventory; seven assets will be removed from Core-CT once the CO-853 loss report is filed and four were disposed of and will be removed from Core-CT. We are researching one asset which we believe is at another regional office and will correct once completed. It is the Department’s goal to have all assets correctly reported in Core-CT and we continually review to achieve this goal.”

**Southbury Training School Foundation:**

The Department of Developmental Services’ Southbury Training School (STS) has an affiliated foundation, the Southbury Training School Foundation, Inc. Our review showed that audits of the STS foundation’s financial statements, performed by a CPA firm for the fiscal years ended October 31, 2008 and 2009, found conditions considered to be material weaknesses. The management letter dated December 16, 2009 for the 2009 audit period stated, “The Foundation does not have a system of internal controls that would enable the (STS) Board of Directors to conclude that the financial statements and related disclosures are complete and presented in accordance with generally accepted accounting principles.”

The above finding violates Section 4-37f, subsection (7), of the General Statutes which requires foundations affiliated with state agencies to use generally accepted accounting principles in its financial recordkeeping and reporting. According to the foundation’s financial statements for the fiscal year ended October 30, 2009, revenues and expenses for the fiscal year were approximately \$111,202 and \$178,204, respectively. Net assets as of October 31, 2009 totaled \$554,595, consisting mainly of \$564,905 in investments.

## RECOMMENDATIONS

Our prior report on the Department of Developmental Services covered the fiscal years ended June 30, 2006 and 2007, and contained eight recommendations. For this report, we have broken down those eight recommendations by the Central Office and by the three regions: North, South and West (including Southbury Training School), and the action taken by the Department of Developmental Services.

### *Status of Prior Audit Recommendations:*

#### *Central Office:*

- *The Department should comply with state statutes and policies for processing expenditure transactions.* We found contracts signed late, the lack of contract evaluations, the lack of purchase orders and lack of cell phone monitoring. This recommendation has been essentially resolved; however, we did find a related issue with the lack of purchase orders, included in Recommendation 1.
- *The Department should verify the reconciliation between providers' annual reporting to their audited financial statements and their compliance with applicable cost standards. Also, the Department should award contracts in accordance with state purchasing regulations.* We found the rental of a luxury car, override of the bidding process, lack of reconciliations between annual reports and audited financial statements. This recommendation has been resolved and is not being repeated.
- *The Department should ensure access to electronic records is promptly revoked when an employee separates from the Department.* On a Department list of 2,583 employees, 49 were former employees. The Department instituted new procedures to ensure that access by separated employees is revoked promptly. This recommendation has been resolved and is not being repeated.

#### *North Region:*

- *The Department should comply with Section 4-36 of the General Statutes and the State Property Control Manual by improving its property control records.* This recommendation is being repeated. (See Recommendation 6.)
- *The Department should comply with state statutes and policies for processing expenditure transactions.* We found errors in the rent subsidy payments, incorrect use of purchase authority, and internal control weaknesses in the policies and procedures for monitoring entities providing ISA services. This recommendation is being repeated in revised form. (See Recommendation 7.)
- *The Department should improve its oversight of the use of state purchasing cards by its employees.* During our current review, we noted only minor exceptions. Accordingly, this

recommendation is not being repeated.

- *The Department should verify the reconciliation between providers' annual reporting to their audited financial statements and their compliance with applicable cost standards.* Also, the Department should award contracts in accordance with state purchasing regulations. We found contract surpluses that were netted out of the monthly payments, and one provider's statement of revenue was understated. During our current review, we noted only minor exceptions in this area. Accordingly, this recommendation is not being repeated.
- *The Department needs to improve its payroll and personnel operations.* We found in six of 20 timesheets signed prior to the end of the pay period, ranging from one to 14 days, numerous cases where hours reported on the timesheets did not correlate to the individual overtime report or the work site sign-in sheet, the preferred and non-preferred sign-up lists were not available for all 23 group home locations, one case where an employee terminated July 2006 but continued to accrue sick and personal leave, two of ten employee did not have documentation to support their absence and another seven did not have sufficient documentation to cover their complete period of absence, nine of ten files reviewed had one or several of the required workers compensation forms on file missing. We found an employee was falsifying overtime records from March until October 2008. The employee was terminated from state service and agreed to pay restitution in the amount of \$3,448. This recommendation is being repeated in revised form. (See Recommendations 8, 9, 10, 11 and 12).
- *The Department should deposit all receipts on a timely basis in accordance with Section 4-32 of the General Statutes.* This recommendation is being repeated. (See Recommendation 14).
- *The Department should improve oversight and recordkeeping of its Fiduciary Funds.* We found three clients had balances that exceeded the \$1,000 limit during the audited period, three client loans totaling \$2,600 where two of the agreements were not signed by the clients, and the other was signed by an employee on behalf of the client. Two of the three loans were not paid back within the timeline of the loan agreement. We also found in eight of 15 disbursements tested, totaling \$2,915, were not spent or remitted to the business office on a timely basis. This recommendation has been resolved and is not being repeated.

***South Region:***

- *The Department should comply with state statutes and policies for processing expenditure transactions.* We found errors in Community Training Home (CTH) payments, the lack of contract, and grant subsidies that were not supported by reports showing how the grants were spent. This recommendation is being repeated in revised form. (See Recommendation 15).
- *The Department should improve its oversight over the use of state purchasing cards by its employees.* This recommendation has been resolved and is not being repeated.

- *The Department should verify the reconciliation between providers' annual reporting to their audited financial statements and their compliance with applicable cost standards. Also, the Department should award contracts in accordance with state purchasing regulations.* We found that two of ten providers' program revenues differed from contract amounts by \$2,308 and \$27,099, respectively. This recommendation has been resolved and is not being repeated.
- *The Department needs to improve its payroll and personnel operations.* We found in our test of 20 employees: six with payment errors involving overtime; two whose work schedules violated the union agreement by not having an approved flexible work schedule; three employees whose vacation accruals exceeded the 60-day limit; an employee who was paid overtime in excess of what was owed; a lack of separation data forms documenting the return of state property before termination; a lack of medical certificates; a missing workers' compensation file; a file that did not contain a medical form authorizing the employee's return to work; uncollected jury fees paid to employees; and payment errors for mandatory overtime hours in an amount that was not available. We also found that an employee allegedly received a total of \$207,837 in fraudulent overtime pay. This recommendation has been resolved and is not being repeated.
- *The Department should improve oversight and recordkeeping of its Fiduciary Funds.* We found a disbursement of \$2,253 for employee recognition awards that were not approved by the State Comptroller or Regional Director in the Activity Fund, two disbursements over \$1,000 not approved by the State Comptroller or Regional Director in the Welfare Fund, and a payment of \$400 for a mail order of tax-free cigarettes from an out-of-state vendor. This recommendation has been resolved and is not being repeated.

***West Region (Including Southbury Training School):***

- *The Department should comply with state statutes and policies for processing expenditure transactions.* We found a lack of approval for the use of funds from an unrelated appropriation; expenditures that lacked documentation; lack of timely payments; and expenditures incorrectly charged to the Capital Equipment Purchase Fund. This recommendation has been resolved and is not being repeated.
- *The Department should improve its oversight of the use of state purchasing cards by its employees.* We found purchases not made by the cardholder; a lack of documentation; a lack of purchase approvals; and purchases that were "split" to avoid the \$1,000 per purchase limit. This recommendation has been resolved and is not being repeated.
- *The Department should verify the reconciliation between providers' annual reporting to their audited financial statements and their compliance with applicable cost standards. Also, the Department should award contracts in accordance with state purchasing regulations.* We found program operating revenues in the annual report that did not correspond to the contract amounts for two of 15 providers. This recommendation has been resolved.

- *The Department needs to improve its payroll and personnel operations.* We found that vacation accruals for two employees exceeded the 60-day limit on numerous occasions; we were unable to verify overtime shifts for four of ten employees reviewed; four of ten termination payments sampled were calculated incorrectly resulting in a net overpayment of \$256; six of ten employees were lacking sufficient documentation for their medical leave absences; and fees paid to employees for their jury service were not collected. We also found falsification of timesheets by an employee at the Southbury Training School over a three-year period from 2004 through 2006 totaling \$26,205. We found continual issues with payroll and personnel operations. This recommendation is being repeated in revised form. (See Recommendation 17).
- *The Department should comply with Section 4-36 of the General Statutes and the State Property Control Manual by improving its property control records.* We found no documentation on file to support site improvements totaling \$7,386,500 reported on the annual inventory report as of June 30, 2006, and 2007. This recommendation is being repeated. (See Recommendation 18).
- *The Department should deposit all receipts on a timely basis in accordance with Section 4-32 of the General Statutes.* We found late deposits in the Welfare Fund, Activity Fund, and Client Fund. This recommendation has been resolved and is not being repeated.
- *The Department should improve oversight and recordkeeping of its Fiduciary Funds.* We found in our test of expenditures that: two of 17 were not in compliance with purchasing regulations; the lack of internal controls or formal policies over thrift shop operations; and supporting documentation for seven out of ten disbursements totaling \$2,348 were not returned to the business office in a timely manner. This recommendation has been resolved and is not being repeated.

*Current Audit Recommendations:*

*Central Office:*

- 1. The Department of Developmental Services should more closely monitor the balances in the fiscal intermediary's program fund account by receiving monthly bank statements and reconciliations from its fiscal intermediaries. Annually, the Department should request and obtain a report from the fiscal intermediaries on the status of the compliance program for vendors in accordance with the terms of the purchase of service contracts. Lastly, the Department should comply with the State Comptroller's requirements pertaining to the pre-audit of purchase orders over \$1 million.**

Comment:

As of February 28, 2011, the bank account balances in these program fund accounts totaled

\$14,096,586. The Department does not routinely receive a copy of the bank statements and reconciliations from the fiscal intermediaries. During the term of the contract with the FIs, compliance reports have not been submitted or requested to be submitted by the Department. During the fiscal year ended June 30, 2009, the Department stopped issuing purchase orders over \$1 million for anticipated expenditures under the Fiscal Intermediaries Program despite the fact that certain individual invoices exceeded that amount. Instead, the Department split the payments into two or more payments of less than \$1 million dollars each. As a result, these purchase orders were not forwarded to the OTC/CAP for pre-audit as required by the State Comptroller's memorandum.

- 2. The Department of Developmental Services should re-design its cash receipts journal to conform to the requirements of the State Accounting Manual.**

Comment:

The Central Office's cash receipts journal lacks many of the elements required by the State Accounting Manual.

- 3. The Department of Developmental Services should comply with Section 17a-213 of the Connecticut General Statutes and annually issue a comparison of regions report to the General Assembly.**

Comment:

The report for the fiscal year ended June 30, 2009 was not produced.

- 4. The Camp Harkness Advisory Committee should comply with Section 17a-217a(c) of the General Statutes and produce a status report on Camp Harkness, no later than October 1st of each fiscal year.**

Comment:

The required reports have not been produced for the last two fiscal years.

- 5. The Department of Developmental Services should comply with the reporting requirements of its memorandum of agreement with the Connecticut State Board of Education by submitting a detailed expenditure and activity report within sixty days of the end of each fiscal year.**

Comment:

During the fiscal years audited, the Department did not submit the required reports to the CSBE.

***North Region:***

- 6. The Department of Developmental Services should comply with Section 4-36 of the General Statutes, the State Property Control Manual and internal policies and procedures by improving its property control records.**

Comment:

Our review of equipment inventory and reporting disclosed numerous deficiencies in the property control records.

- 7. The Department of Developmental Services should ensure that individual support agreements are approved prior to the start date of services, and should also establish procedures to review and monitor payments made to providers through fiscal intermediaries.**

Comment:

State funds may not have been available for the services provided before the ISA was approved. Services billed by providers and paid by the Department through a fiscal intermediary did not appear to be adequately supported, thus there is a lack of assurance that the services billed were actually performed or were in accordance with DDS policies and procedures, the HCBS Waiver Manual, and the Individual Support Agreements.

- 8. The Department of Developmental Services should ensure that all employees dually employed with the North Region and another region or state agency have a completed Dual Employment Request (PER-DE-1) form on file.**

Comment:

Four employees reviewed did not have completed PER-DE-1 forms on file.

- 9. The Department of Developmental Services should ensure that Leave In Lieu of Accrual (LILA) coding is entered and adjusted in accordance with Core-CT Job Aid guidelines.**

Comment:

In nine instances, LILA for compensatory or holiday compensatory time was not adjusted through the timesheet as required by Core-CT Job Aids.

- 10. The Department of Developmental Services should ensure that all medical documentation related to sick leave and FMLA leave is completed by employees and submitted to Human Resources.**

Comment:

A lack of medical documentation may not fully support the continued leave time and the use of sick accruals. FMLA files are not complete.

- 11. The Department of Developmental Services should strengthen internal control to ensure that: overtime hours are actually earned, verified and accurately recorded; overtime distribution is monitored in order to properly observe the contract with the bargaining unit; overtime hours worked are properly verified and approved; and responsibility for monitoring excessive work hours is clearly assigned to the appropriate staff.**

Comment:

Employees may have forgotten to sign in at the worksites on the appropriate sign-in sheet. Preferred and non-preferred overtimes lists were not retained by the group homes or residential managers. We could not determine why employee shifts were verified by employees not working the beginning or end of the shift. The Region has been monitoring instances of employees working over 16 hours in a 24-hour period; however, it has not been monitoring whether breaks of at least seven hours have been taken after each instance.

- 12. The Department of Developmental Services should improve internal controls to ensure that supervisors verify employee timesheets against other supporting documentation prior to signing the timesheets.**

Comment:

Six timesheets were signed or approved prior to the end of the pay period.

- 13. The Department of Developmental Services should improve controls over its workers' compensation program.**

Comment:

The workers' compensation files are not complete. Missing forms prevent the Department from appropriately monitoring workers' compensation claims. First checks were not deposited in compliance with Section 4-32 of the General Statutes. Adjustment checks were not issued to employees in a timely manner.

- 14. The Department of Developmental Services should ensure that all receipts are logged when received and deposited in accordance with Section 4-32 of the General Statutes.**

Comment:

In 12 instances, while reviewing the General Receipts, we could not determine the date of receipt of funds. Of these 12 instances, we could not verify the timeliness of deposit for nine

transactions. In five instances, while reviewing the Activity Fund, we could not determine the date of receipt of funds. In seven instances, while reviewing the Client Fund, we could not determine the date of receipt of funds. In five instances, while reviewing the Welfare Fund, we could not determine the date of receipt of funds.

***South Region:***

- 15. The Department of Developmental Services should ensure that amounts reported on the statement of revenue are accurate, and that cost settlements and payments are processed in Core-CT and coded to the correct accounts.**

Comment:

- Agency on Aging – The statement of revenue for fiscal year ended June 30, 2007 was not accurate. Day Program revenue was reported as \$225,786, which is \$10,576 less than the contracted amount of \$236,362. DDS Operations Center staff verified that payments made to the provider totaled \$236,362.
- Estuary Council of Seniors – A cost settlement of \$249 from fiscal year ended June 30, 2007 did not appear to have been recouped by the Department from the provider. For fiscal year ended June 30, 2008, payments to the provider per Core-CT totaled \$9,320; however, the final contract amendment was for a total of \$6,479, a difference of \$2,841.

- 16. The Department of Developmental Services South Region should maintain a cash receipts journal that conforms to the requirements of the State Accounting Manual.**

Comment:

The South Region does not maintain a cash receipts journal.

***West Region:***

- 17. The Department of Developmental Services should maintain documentation to support payments to employees to ensure accuracy.**

Comment:

We were unable to verify three overtime shifts worked by one employee and one overtime shift for another employee. The sign-in sheets at the work locations, used to support the overtime hours worked for the four days, were not signed by the employees. In addition, the sign-in sheet from the work location for the third day for one employee was not available.

- 18. The Department of Developmental Services should make a concerted effort to correct and update the equipment inventory records.**

Comment:

Thirteen out of a random selection of 20 transactions (65 percent) from the inventory register could not be located.

## **INDEPENDENT AUDITORS' CERTIFICATION**

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Department of Developmental Services for the fiscal years ended June 30, 2008 and 2009. 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 Department of Developmental Services for the fiscal years ended June 30, 2008 and 2009, 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 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 Department of Developmental Services 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.

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

In planning and performing our audit, we considered the Department of Developmental Services' 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 concerning the monitoring of fiscal intermediaries program fund account balances, Recommendation 2 concerning the lack of a proper cash receipts journal for the Central Office, and Recommendation 16 concerning the lack of a cash receipts journal for the South Region.

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 the monitoring of fiscal intermediaries described above is a material weakness.

### **Compliance and Other Matters:**

As part of obtaining reasonable assurance about whether the Department of Developmental Services 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 Department of Developmental Services' response to the findings identified in our audit are described in the accompanying Condition of Records section of this report. We did not audit the Department of Developmental Services' response and, accordingly, we express no opinion on it.

This report is intended for the information and use of agency 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 courtesies and cooperation extended to our representatives by the personnel of the Department of Developmental Services during the course of our examination.



Gary P. Kriscenski  
Principal Auditor

Approved:



John C. Geragosian  
Auditor of Public Accounts



Robert M. Ward  
Auditor of Public Accounts