

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
DEPARTMENT OF DEVELOPMENTAL SERVICES  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013*

**AUDITORS OF PUBLIC ACCOUNTS**  
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

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State Capitol  
210 Capitol Avenue  
Hartford, Connecticut 06106-1559

ROBERT J. KANE

July 12, 2017

### **AUDITORS' REPORT DEPARTMENT OF DEVELOPMENTAL SERVICES FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013**

We have audited certain operations of the Department of Developmental Services (DDS) in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2012, and 2013. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions;
2. Evaluate the department's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions; and
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the department, and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient,

appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department. For the areas audited, we identified:

1. Deficiencies in internal controls;
2. Apparent noncompliance with legal provisions;
3. Need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Department of Developmental Services.

## **COMMENTS**

### **FOREWORD:**

The Department of Developmental Services 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, the Southbury Training School, or through contracts with private provider organizations. In addition, certain consumers of the department self-direct the providers of the support services they need. Under this program, called Individual Supports, consumers have authority and responsibility for the funds they receive from the department. If the amount of their budget is over \$5,000, consumers are required to use a fiscal intermediary. A fiscal intermediary is a private organization, under contract with the department, which provides administrative and fiscal assistance to consumers, such as completing employment forms, paying staff, ensuring tax compliance, paying vendors, and preparing end-of-year reports.

DDS 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.

A summary of consumer census statistics pertaining to the various services provided by the department for the two fiscal years covered by this audit follows:

<b>Consumer Caseload Statistics</b>	<b>As of June 30, 2012</b>	<b>As of June 30, 2013</b>
Consumers in public residential settings	1,235	1,134
Consumers in private residential settings	5,659	5,647
Consumers awaiting residential placement	612	619
Consumers on planning list	1,785	1,709
Consumers in public day programs	404	355
Consumers in private day programs	9,069	9,242
Consumers awaiting placement in day programs	116	113
Consumers living at home	8,137	8,311
Families receiving support grants the past year	(see note)	(see note)
Children – public Birth-to-Three services	0	0
Children – private Birth-to-Three services	5,144	5,111

Note: The “Families receiving support grants” figures were not available. The fiscal year 2010-2011 reported figure was 1,804.

The number of consumers in public residential settings declined in the audited fiscal years, continuing a trend. The number of consumers in private residential settings decreased slightly over the previous year’s total. Following a trend over the last several fiscal years, the number of consumers in public day programs declined during the fiscal years audited, while consumers in private day programs increased during this same period. The number of consumers receiving services while living at home has been increasing for many fiscal years and is representative of the department’s efforts to serve more consumers in this setting. The public Birth-to-Three Program (known as Early Connections) has been phased out. All Birth-to-Three services are now provided by private agencies under contract with the Office of Early Childhood.

Terrence W. Macy, Ph.D., was appointed commissioner in April 2011, and served in that capacity until February 2015. Morna Murray was appointed Commissioner on February 6, 2015 until January 19, 2017. Jordan A. Scheff was appointed acting commissioner on January 20, 2017 and was appointed commissioner on May 1, 2017.

### **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. The council may also recommend legislation to the Governor and the General Assembly. As of June 30, 2013, the following were members of the council:

Jennifer Carroll  
John H. Frost  
James W. Heffernan  
Thomas W. Kalal  
Jaime Lazzaroff  
John P. Pelegano  
Patti Silva

Patrick Vingo  
Adrienne Benjamin  
J.C. David Hadden  
Sheila Mulvey  
Louis Richards  
(vacancy)

**Connecticut Council on Developmental Disabilities:**

The Connecticut Council on Developmental Disabilities operates under the provisions of the federal Developmental Assistance and Bill of Rights Act of 2000. Members are appointed by the Governor for three-year terms. As of June 30, 2013, the following were members of the Council on Developmental Disabilities:

William Knight, Chairman  
Kathleen Wolkner, Vice Chairman  
Emily Bickhardt  
Chris Blake  
John Curtin  
Michelle Duprey  
Jacqueline Jamison  
Michelle Johnson  
Mark Keenan  
Alicia Kucharczyk  
Raymond Lasky  
Zuleika Martinez

Sabra Mayo  
Shelagh McClure  
Meg McDermott  
Sarah Rafala  
Rabbi James Rosen  
Bobby Shea  
Brenda Stenglein  
Ada Suarez  
Christine Sullivan  
Jennifer Throwe  
Molly Cole, Director

**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 and makes recommendations to the Council on Developmental Services as it deems necessary. As of June 30, 2013, the following were members of the board:

Mark A. R. Cooper  
Ann Dougherty  
Eileen Lemay  
Louis Richards  
(Three vacancies)

**Autism Spectrum Disorder Advisory Council:**

Section 17a-215d of the General Statutes established the Autism Spectrum Disorders Advisory Council. The advisory council guides 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, 2013, the following were members of the advisory council:

Catherine Abercrombie	James Loomis
Nancy Bagatell	Sara Lourie
Carol Barans	Yana Razumnaya
Tom Boudreau	Sara Reed
Judith Dowd	Nikki Richer
Ruth Eren	Lois Rosenwald
Alison Fisher	Jonathan Ross
Chera Gerstein	Joel Rudikoff
Ann Gionet	Barbara Salop
Tesha Imperati	Stanley Soby
Jacqueline Kelleher	Tricia Winter
David Daniel Klipper	Larry Wood
Kathy Marchione	

**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, 2013, the following were members of the advisory committee:

Diane Harrington  
Vicki Severin  
Stan Soby  
Beverly Jackson  
Ron Rasi  
Jackson Pierre-Louis  
Virginia Hogan  
April Dipollina  
(Four vacancies)

**Connecticut 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. The following were members of the council as of June 30, 2013:

Jennifer Carroll  
Terry Cote  
April Dipolina  
Karen Hlavac  
Tessa Imperati  
Lisa Sheppard  
Maureen Smith  
Mona Tremblay  
Robyn Trowbridge  
Mark Greenstein, MD  
Elaine Zimmerman  
Joette Katz, Commissioner of Children and Families  
Terrence W. Macy, Commissioner of Developmental Services  
Stephan Pryor, Commissioner of Education  
Jewell Mullen, Commissioner of Public Health  
Roderick L. Bremby, Commissioner of Social Services  
Jamey Bell, Child Advocate, Office of the Child Advocate  
James D. McGaughey, Executive Director, Office of Protection and Advocacy  
(Nine vacancies)

**Regional 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 developmental disabilities, the annual plan and budget of the region, and other matters it deems appropriate. As of June 30, 2013, the following were members of the councils:

North Region:  
Sara Glad  
Deb Godsell  
Nancy Bilyak  
Florence Guite  
Susan Miller  
Annette Scully  
Patti Silva  
(Three vacancies)

South Region:  
Diane Martin  
Jean Brookman  
Susan Gardner  
Carol Cooney  
Michael Del Sole  
Jeffrey DePina  
April Dipollina

Lauralyn Lewis  
Lori Richardson  
Danielle Shepard

West Region:  
Trish Butler  
Karleen Craddock  
Mickey Hebst  
Gil Kellersman  
Lieselotte Schwab  
Arlene Steinfield  
Cindy Stramandinoli  
(Three vacancies)

**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, 2013, the following were members of the council:

Mark A. Greenstein, M.D, Chairperson	Robert LaCamera, M.D.
Sharri Lungarini, Vice Chairperson	Ginny Mahoney
Mary Ann Dayton Fitzgerald	Miriam Martinez
Timothy Lyons	Joe McLaughlin
Nancy DiMauro	Lorna Quiros-Dilan
Erin Lamb	John Reilly
Rita Esposito	Laurel Ross
Corrine Griffin	Maria Synodi
Tierney Gianotti, alternate	Louis Tallarita
Wade Chartier	Alice Torres
Cynthia Jackson	Janet Brancifort
Lynn Johnson	Myra Watnick
Robert Kelly (alternate for Senator Anthony Musto)	

**Significant Recent Legislation:**

Public Act 11-4 updated the terminology used by DDS in its provision of autism services. It used the term "autism spectrum disorder" instead of just "autism" to encompass all autism diagnoses on the autism spectrum.

Public Act 11-16 updated terminology used by DDS and by Office of Protection and Advocacy for Persons with Disabilities in their provision of services. It substituted the term “intellectual disability” for “mental retardation” to reflect changes in federal law and within the developmental disabilities community. It removed the licensure requirement for residential facilities; eliminated the requirement that each DDS contract to construct, renovate or rehabilitate a community-based residential facility be awarded to the lowest responsible and qualified bidder through the competitive bid process established by departmental regulations (DDS must still comply with state contracting laws); and repealed the requirement that the Camp Harkness Advisory Committee annually report to the DDS Commissioner and the Public Health Committee on the camp’s status.

Public Act 12-136 updated the statutory definition of “mental retardation” to mean a significant limitation in intellectual functioning and deficits in adaptive behavior that originated during the developmental period before age 18.

Public Act 13-90 established a procedure to preserve and manage state-owned property known as the “Farm at the Southbury Training School.” It required the DDS commissioner to transfer the care, custody, and control of the property to the Department of Agriculture Commissioner, who must grant a permanent conservation easement on it to a nonprofit organization.

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

Pursuant to Section 8 of Public Act 05-256, DDS 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 persons being served by said agencies and the provision of protective services to such individuals. This agreement was most recently updated in February of 2016.

**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 Voluntary Services Program. This agreement was updated in July 2011.

**RÉSUMÉ OF OPERATIONS:**

**General Fund Revenues and Receipts:**

General Fund revenues and other receipts of the Department of Developmental Services were \$218,226 and \$6,131,461 for the fiscal years ended June 30, 2012, and 2013, respectively. Included in the fiscal year 2013 receipts is a posting entry of \$5,795,594, which represents an adjustment of the prior year’s expenditures associated with the Intermediate Care Facility/Mental

Retardation (ICF/MR) User fee to reflect revised rates. Not included in these amounts were parent fees and certain insurance payments collected in association with the Birth-to-Three programs that are discussed below.

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

In addition to the General Fund revenues, DDS expenditures for consumers residing in an ICF/MR are eligible for 50% reimbursement under the federal Medicaid program. All of the Southbury Training School 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 (CLA). In addition, the state operates two Medicaid Home and Community Based Waiver programs – the Individual and Family Support (ICF) and the Comprehensive Waiver. Both programs provide a wide range of services in the community to prevent the institutionalization of consumers requiring an ICF/MR level of care. During the fiscal years ended June 30, 2012 and 2013, the amount of Medicaid reimbursement generated by the department (net of retroactive rate adjustments) totaled \$470,913,448 and \$523,230,482, respectively. Federal reimbursement for these programs is collected by the Department of Administrative Services (DAS).

The DAS Bureau of Collection Services collected cash receipts totaling \$9,607,760 and \$9,248,552 during the fiscal years ended June 30, 2012 and 2013, respectively, mostly in the form of board and care fees collected from DDS resident consumers 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 DAS Bureau of Collection Services and the Department of Developmental Services. Also included are receipts 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, a statewide 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 with a gross annual family income of \$45,000 or more, except that no fee may be charged to the parent or guardian of a child who is eligible for Medicaid. These parent fees are not recorded as departmental revenue, but are credited back to the program, thereby reducing the program's gross expenditures. During the fiscal years ended June 30, 2012 and 2013, the department collected \$1,462,421 and \$1,280,728, respectively, in such fees and certain insurance payments. These amounts do not include most insurance payments received by the service providers and deducted before invoices are presented to the department for payment. These insurance payments totaled approximately \$3 million in each of the fiscal years audited. Net expenditures of the program totaled \$36,288,242 and \$35,358,370 during the fiscal years ended June 30, 2012, and 2013, respectively.

**Fiscal Intermediaries Bank Account Balances:**

The bank balances in the accounts maintained by the two fiscal intermediaries under contract with DDS totaled \$16,076,357 and \$11,404,922, as of June 30, 2012 and 2013, respectively. Fiscal intermediaries are private organizations that assist consumers in implementing their

individual support agreements. The department advances funds to the fiscal intermediaries to pay for expenses incurred in accordance with these agreements. The balances in these accounts are state funds. The advanced funds are calculated based on a departmental cash flow schedule. It should be noted that these funds are not reimbursements for expenses already paid by the fiscal intermediaries. Since they are advances and not reimbursements, there will always be a balance in these accounts based on the timing of the advances and disbursements. The average balance in these accounts has been decreasing over the last several fiscal years by timing the advances more closely to the expenditures. The nominal interest earned on these funds is applied as credits to the department on the fiscal intermediaries' invoice billings.

**General Fund Expenditures:**

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

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Personal Services and Employee Benefits:			
Salaries and Wages	\$266,579,501	\$259,975,988	\$242,783,270
Workers Compensation	15,416,102	15,894,871	15,866,912
All Other	<u>1,388,486</u>	<u>624,548</u>	<u>679,450</u>
Total Personal Services and Employee Benefits	<u>283,384,089</u>	<u>276,495,407</u>	<u>259,329,631</u>
Purchased and Contracted Services:			
Professional, Scientific and Technical Services	8,737,983	7,936,328	6,979,918
Consumer Services	648,432,159	692,117,663	706,832,794
Premises and Property Expenses	10,139,258	8,053,590	9,130,342
Purchased Commodities	6,179,674	8,053,590	6,652,548
Fixed Charges	14,464,308	6,382,368	9,083,479
All Other	<u>10,938,747</u>	<u>8,383,131</u>	<u>7,723,154</u>
Total Purchases and Contracted Services	<u>698,892,129</u>	<u>736,686,959</u>	<u>746,402,236</u>
<b>Total Expenditures</b>	<b><u>\$982,276,218</u></b>	<b><u>\$1,013,182,366</u></b>	<b><u>\$1,005,731,867</u></b>

Overall, the department's total General Fund expenditures increased slightly during the two-year audited period. Personal services decreased by approximately 2% and 7% for the fiscal years ended June 30, 2012 and 2013, respectively, continuing a decline that has taken place since fiscal year 2008-2009. Consumer services increased by 7% and 2%, respectively, for the same period. In fiscal year 2011-2012, the reduction in personal services totaled approximately \$4.7 million, while consumer services increased nearly \$48 million. In fiscal year 2012-2013, personal services decreased about \$17 million over fiscal years 2011-2012 levels, while consumer services increased approximately \$14.7 during the same period. Consumer services consist of payments to private providers for services to DDS consumers for residential,

employment and day services. The increase in consumer services during the audited period can be attributed primarily to cost of living increases for employees of private providers.

As noted, consumer services include expenditures to private providers for residential and day program services. Residential programs include community living arrangements (i.e. group homes), supported living, and community training homes (CTH). Day program services encompass a number of different models, including individual supported employment, group employment, and others. Purchase of service agreements (POS) are entered into between the private provider and the department, typically for a two-year period. Monthly payments to each provider are made under the terms of the POS, with a provision for audit by an independent accounting firm and cost settlement after each contract year. For example, cost settlement for fiscal year 2012 was completed in fiscal year 2013. For contracts entered into during fiscal year 2011, if the audited costs were less than the contract payments, the private provider kept 50% of the surplus. However, if the audited costs were more than total payments, no additional amounts would be paid to the provider.

In fiscal years 2012 and 2013, DDS settled with 121 and 112 private providers, respectively. Contract payments totaling \$496,136,459 in fiscal year 2010-2011 and \$532,137,669 in fiscal year 2012 were subject to the cost settlement process. Overall purchased costs totaled \$501,255,562 and \$540,734,236, resulting in a total net deficit (purchased costs over contractual payments) of \$5,119,103, and \$8,596,567, respectively. We note that within these total deficit numbers were individual surpluses, but there were relatively few of them. Providers generally report deficits for most of the programs they operate.

For fiscal year 2011 contracts, any program surpluses were equally divided between the department and the provider, except for CTH, which were recovered in full. Overall, the amount due back to the department in fiscal year 2012 (for fiscal year 2011 contracts) was \$4,010,833. These funds were recovered by reducing the next scheduled payment by the amount owed. For example, if the next scheduled payment to a provider was \$1,000,000 and the amount to be returned to the department from the previous fiscal year's cost settlement process is \$150,000, the payment made for that current month's services would be the net of these two amounts, or \$850,000. Thus, recovering surpluses in this manner does not result in the recording of cash receipts in the department's accounting records unless a contract is no longer in effect.

Section 26 of Public Act 11-6 changed the way cost settlement is to be performed for contracts entered into for the fiscal years 2012 and 2013. For those contracts, 100% of the difference between actual expenditures incurred and the amount received by the organization from DDS is reimbursable to DDS. For fiscal year 2012 contracts, the department recouped \$1,511,107 during the cost settlement process that was conducted in fiscal year 2013.

### **Residential Schools:**

Each fiscal year, about 100 consumers reside in approximately 34 residential treatment schools. Residential schools provide certain behavioral and other supports required by each consumer's individual plan. Many of these consumers are in the DDS Voluntary Services Program, which was developed several years ago in conjunction with the Department of Children

and Families. These placements are funded by the Voluntary Services Program appropriation. Consumers who turn 21 may continue to live in a residential school. In addition, other consumers who did not initially come in through the Voluntary Services Program are in residential schools. The costs of these placements are paid through the Voluntary Services Program, Community Residential Services, Employment Services, and Day Services appropriations.

Most of these residential schools are located in Massachusetts (approximately 12). Others are located in Florida, New Hampshire, Maine, and a few other states. Only 3 are located in Connecticut. Typically, the contracts are for a 365-day period, from July 1st to June 30th. Daily service rates range from about \$200 to \$600 for residential services and \$100 to \$200 for day programs. The total dollar value of these contracts is approximately \$16 million per fiscal year. Each provider may have more than one contract with the department by a consumer that covers residential, day program, and other services. Because out-of-state placements are not considered community-based, they do not qualify for federal reimbursement under the Medicaid Waiver Program.

**The Connecticut Council on Developmental Disabilities:**

The mission of the Connecticut Council on Developmental Disabilities is to promote the full inclusion of people with disabilities in community life. Approximately 70% of the council's funds are used for grant initiatives to various non-profit organizations for projects and studies that support this mission. The council is funded by federal funds and is assigned to the Department of Developmental Services for administrative purposes only. Grants generally range from several thousand dollars to \$40,000 or more. The remainder of the council's funding is used for the salaries and fringe benefits of a director, two staff members, and additional expenses. DDS provides the council office space at the central office as an in-kind contribution. Expenditures of the council in fiscal years 2012 and 2013 totaled \$478,068 and \$639,969, respectively.

While the council is mandated by the federal Developmental Disabilities Act of 2000 and has existed in Connecticut since 1971, it had not been formally established by executive order or state statute. In July 2012, Executive Order No. 19 formally established the Connecticut Council on Developmental Services as the successor to the Council on Developmental Services. The newly-established council consists of 24 members, all appointed by the Governor. Council members serve a three-year term at the pleasure of the Governor.

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

Special Revenue Fund receipts totaled \$11,487,828 and \$9,157,889 for the fiscal years ended June 30, 2012 and 2013, respectively.

A summary of the department’s Special Revenue Fund expenditures follows:

	<u>FYE 2011</u>	<u>FYE 2012</u>	<u>FYE 2013</u>
Personal Services and Employee Benefits	\$2,702,831	\$2,355,279	\$1,881,048
Purchases and Contracted Services:			
Board and Care of Consumers	0	0	0
Consumer Services-General	4,200,169	7,668,517	5,747,374
All other Purchases and Contracted Services	1,258,110	1,190,284	669,261
Total Purchases and Contracted Services	<u>5,458,279</u>	<u>8,858,802</u>	<u>6,416,635</u>
<b>Total Expenditures</b>	<b><u>\$8,161,110</u></b>	<b><u>\$11,214,080</u></b>	<b><u>\$8,297,683</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 DDS , which in accordance with Section 17a-248 et al. of the General Statutes, delivers services to eligible children who have, or are at risk of having, developmental delays. The Social Services Block Grant (SSBG) receipts funded a portion of the DDS day services programs. Beginning in fiscal year 2013, the department no longer received an allocation of SSBG funds.

**Per Capita Costs:**

Under the provisions of Section 17b-223 of the General Statutes, the State Comptroller is required to annually determine 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, 2013, are summarized below:

<b>Average per Capita Costs</b>	<b>In-Patient Daily</b>	<b>In-Patient Annual</b>	<b>Group Homes Daily</b>	<b>Group Homes Annual</b>
West Region	\$1,013	\$369,745	\$985	\$359,525
North Region	1,334	486,910	888	324,120
South Region	2,483	906,295	998	364,270
Southbury Training School	1,059	386,535	(not applicable)	(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 to allow the department to make loans for the construction, purchase, or renovation of community-based residential facilities. The department can make loans of up to \$350,000 for this purpose. The loans bear interest at a rate of 6%. The department can also make loans up to \$60,000 for the rehabilitation of community-based residential facilities.

As of June 30, 2013, the fund had an outstanding balance of \$15,166,955 in loans for community residential facilities. New loans issued totaled \$1,387,174 and \$286,900 for the 2012 and 2013 fiscal years, respectively.

Receipts of the fund, consisting primarily of principal repayments and interest income on residential community loans, totaled \$1,930,848 and \$2,049,626 during the fiscal years ended June 30, 2012 and 2013, respectively. The fund had a cash balance of \$6,722,811 as of June 30, 2013.

### **Fiduciary Funds:**

The department's fiduciary funds include Institutional Activity, General Welfare, 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 consumer workshops and for consumer recreation. The Clients' Funds constitute custodial accounts for consumers' personal monies. The assets comprising the department's fiduciary funds totaled \$3,587,996 as of June 30, 2013.

### **Full-Time Positions in the Department**

As of June 30, 2013, there were 3,322 filled full-time positions in the department.

### **Other Matters**

In our previous audit covering the fiscal years 2010 and 2011, we reported that the department had filed a loss report on April 26, 2011 to the Office of the State Comptroller and Auditors of Public Accounts pertaining to the "alleged intentional misappropriation of personal funds from (4) Individual Home Supports (I.H.S) individuals by an I.H.S. Direct Service employee. At the time of our report, the case was pending. On May 2, 2016, a verdict was reached. The former employee pleaded guilty and was sentenced to two years in jail (execution of which was suspended) and five years of probation.

### **Southbury Training School Foundation**

The Southbury Training School (STS) has an affiliated foundation, the Southbury Training School Foundation, Inc. A financial statement audit of the STS foundation was performed by a CPA firm for the fiscal years ended October 31, 2012 and 2013 and noted conditions considered to be material weaknesses. The management letter dated December 12, 2013 for the fiscal year ended October 31, 2013 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 accounting principles generally accepted in the United States of America. As such, the Board of Directors requested us to assist in identifying adjustments to the accounting records and to prepare a draft of the financial statements, including the related footnote disclosures.*

*The outsourcing of this service is not unusual in organizations of this size and is the result of the Board of Directors' cost benefit decision to use our accounting expertise."*

The finding above establishes that the foundation is in violation of 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. The CPA firm also made a finding pertaining to cash receipts, resulting from the audit of the October 31, 2013 financial statements. The finding stated:

*"During our examination, we noted that monthly deposits (contributions) were not reconciled to the monthly cash receipts ledger maintained by office personnel."*

The CPA firm recommended that:

*"all cash receipts, including those received by Board members, be recorded in the monthly cash receipts ledger maintained by office personnel and used by the outside bookkeeper to record the monthly cash receipts activity in the general ledger."*

According to the foundation's financial statements for the fiscal year ended October 31, 2013, revenues and expenses for the fiscal year were approximately \$195,476 and \$188,817, respectively. Net assets as of October 31, 2013 totaled \$948,264, consisting mainly of \$866,616 in investments.

## CONDITION OF RECORDS

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

### Residential School Contracts

*Criteria:* Section 4-70b subsection (f) of the General Statutes prohibits state agencies from hiring a private provider organization to provide direct health or human services to agency clients without executing a purchase of service contract. Section 4-70(b) (a) (5) defines private provider organizations as non-state entities that are either a nonprofit or proprietary corporation or partnership that receives funds from the state to provide direct health or human services to agency clients.

Subsection (d) states: “The secretary shall establish uniform policies and procedures for obtaining, managing, and evaluating the quality and cost effectiveness of direct health and human services purchased from a private provider organization or municipality. The secretary shall require all state agencies which purchase direct health and human services to comply with such policies and procedures.”

Subsection (e) states: “Purchase of service contracts shall be subject to the competitive procurement provisions of sections 4-212 to 4-219, inclusive. The secretary may waive the competitive procurement requirements set forth in chapter 55a with respect to any purchase of service contract between a state agency and a private provider of human services.”

Good business practices suggest that contract rates be officially approved before contracts based on those rates are finalized.

Invoices for residential services provided should be supported by attendance records.

*Condition:* During the fiscal years ended June 30, 2012 and 2013, the department entered into agreements totaling \$17,292,621 and \$15,469,539, respectively, with residential treatment facilities and schools to provide emotional, behavioral or mental health support services to approximately 100 consumers. Most of these residential treatment facilities and schools are located outside of Connecticut, and meet the definition of a private provider organization. These contracts are in the form of a DDS-produced agreement to provide care, a simple two-page document that does

not contain the same contract language as the standard purchase of services (POS) contract.

We found other conditions with the agreement to provide care contracts:

- Rates are not being officially approved by management for inclusion in the contracts.
- Attendance records are not being received to support the payment of services.
- DDS is not undertaking a competitive procurement process or obtaining a waiver from OPM in accordance with the requirements of Subsection (e) of Section 4-70b subsection (e) the General Statutes.
- Subsection (d) of Section 4-70b of the General Statutes requires agencies to comply with the policies and procedures established by OPM. DDS is not adhering to these policies and procedures.

*Cause:* In its response to this recommendation in the prior audit, the department stated it did not believe that per diem rates to a residential school on a fee-for-services basis would be a hiring relationship and, therefore, not subject to the requirements of Section 4-70b of the General Statutes.

*Effect:* DDS is not in compliance with Section 4-70b subsection (d) (e) and (f) of the General Statutes. The current agreement does not contain the required language in the standard Office of Policy and Management POS agreement. The daily rates not officially approved run the risk of being incorrect. Without attendance records, there is no documentation to support the monthly invoice submitted by the residential school. These services are not being subjected to the competitive bidding process.

*Recommendation:* The Department of Developmental Services should use the standard Office of Policy and Management purchase of services agreement form when contracting with residential treatment facilities and schools. Management should approve the daily rates used in contracts through the publication of an official rate sheet. Evidence of attendance should be obtained to support the payments. The department should comply with the competitive procurement statutes or seek a waiver from the Secretary of OPM. The department should comply with all policies and procedures

pertaining to purchase of services agreements. (See Recommendation 1.)

*Agency Response:*

“The department disagrees with this finding. A residential school is not the typical “private provider organization or municipality for the purpose of obtaining direct health and human services for agency clients”. A residential school is an approved/licensed 24 hour special education program operated in accordance with the regulations and requirements adopted by the State Board of Education in which the school resides. These programs are specifically exempted from licensure (Sec. 10-8a. Adoption of regulations to exempt educational institutions from licensing requirements by Department of Children and Families) by the Department of Children and Families because they are an educational institution. Residential Schools are an approved program of the state they reside and have an approved per diem rate set by that state for each school year. As such, DDS has and will continue to follow § 17a-151aa. (*Child placed in residential facility. Written agreement regarding care and treatment. Out-of-state residential placements by Department of Children and Families*). § 17a-151aa states that “(a) Any state agency that places a child, as defined in section 17a-93, in a residential facility shall enter into a written agreement with the facility at the time of the placement. Such written agreement shall establish clear standards for the child's care and treatment, including, but not limited to, requirements for monthly written reports concerning the child's care and treatment, addressed to the case worker overseeing the child's placement. The monthly written reports shall set forth child-specific goals and expectations for treatment and progress. The written agreement shall require the facility to report promptly to the placing agency any allegation that the child is abused or neglected, as defined in section 46b-120, or any incident of abuse or neglect of an individual placed in the facility. The placing agency shall ensure that a discharge plan is initiated no later than two weeks after the child's placement in the facility.” DDS has established a standard written agreement known as the Residential School Agreement.

In addition, it is our opinion that DDS is not obligated to establish any agreements other than the Residential School Agreement described above for these services, DDS believes that converting to a POS contract would have a detrimental effect on the children receiving supports at those residential schools. The department believes that the unnecessary imposition of the state's contract language, in addition to the state's educational and approval requirements already binding these entities would create an

overwhelming burden. This may lead the schools to cease services for DDS-funded individuals currently in residence before the agency is prepared for a safe transition.”

*Auditors’ Concluding  
Comment:*

We note the DDS agreement to provide care form does not cite Section 17a-151aa of the General Statutes as the enabling statute. We also note that not all of the consumers in the residential schools are children as defined by Section 17a-93 of the General Statutes. Many are adults, 21 years or older. As we believe Section 4-70b of the CGS applies to these services, the best way to resolve this would be for DDS to seek an opinion from the Office of the Attorney General.

**Individual and Family Grant Program Expenditures**

*Criteria:*

The Department of Developmental Services has promulgated procedures (DDS Procedure I.C.3.PRO.002) for the administration of the Individual and Family Grant Program. The Individual and Family Grant Program is funded by a separate appropriation within the department. During the fiscal years ended June 30, 2012, and 2013, \$2,974,609 and \$2,960,253 was expended, respectively. Generally, this program provides grants of up to \$5,000 for DDS services to support eligible individuals living in the community and have no department-funded services or who have department-funded services but could benefit from existing services not covered by DDS. The grants are intended to help maintain the health and safety of the consumer. There is a wide range of allowed and disallowed expenses, and a formal application, approval, and award process. Family members and consumers are required to submit expenditure reports and copies of receipts or cancelled checks within specified time periods for each authorized grant award. There are other requirements for these funds as specified in DDS policy. By signing the award application, recipients of the grants formally agree to abide by these requirements. The program is administered on a regional basis.

*Condition:*

We reviewed the DDS Office of Internal Audit reviews of this program for fiscal year ended June 30, 2014. While the internal audit noted improvement with the requirements of the program during fiscal year 2014, it also noted continued issues concerning the lack of adequate supporting documentation and the failure to submit required expense reports.

*Cause:*

Several causes appear to be evident, including inadequate monitoring of the program requirements by the department and the failure to address noncompliance in a timely manner.

*Effect:* The internal audit review of a sample of grants found that the reported use of some expenditures were not supported by adequate documentation. We believe this leaves open the possibility that funds were not spent for the benefit of the consumer or eligible program expenditures.

*Recommendation:* The Department of Developmental Services should improve controls over the monitoring of individual and family grant program funds. Noncompliance with grant fund requirements should result in action to recover funds that were misspent or lacked proper supporting documentation. Misuse or other material noncompliance with program rules should result in a denial of future grant funds. (See Recommendation 2.)

*Agency Response:* “The department agrees with this finding. DDS will centralize the IFS Grant Program as a means to improve controls over the monitoring of that program.”

### **Autism Spectrum Disorder Regulations**

*Criteria:* Section 17a-215c subsection (b) of the General Statutes states: “The Department of Developmental Services shall adopt regulations, in accordance with chapter 54, to define the term ‘autism spectrum disorder,’ establish eligibility standards and criteria for the receipt of services by any resident of the state diagnosed with autism spectrum disorder, regardless of age, and data collection, maintenance and reporting processes. The commissioner may implement policies and procedures necessary to administer the provisions of this section prior to adoption of such regulations, provided the commissioner shall publish notice of intent to adopt such regulations not later than twenty days after implementation of such policies and procedures. Any such policies and procedures shall be valid until such regulations are adopted.”

*Condition:* At the time of our fieldwork, regulations for the Autism Program had not been promulgated as required by Section 17a-215c subsection (b) of the General Statutes.

*Cause:* Before promulgating regulations for this program, the department was waiting for the approval of a Medicaid waiver (approved at the beginning of 2013) and the publication of a feasibility study (released in March 2013) before writing the regulations.

*Effect:* The program is operating without regulations specific to the Division of Autism Spectrum Disorder Services criteria.

*Recommendation:* The Department of Developmental Services should promulgate regulations for the Division of Autism Spectrum Disorder Services in accordance with Section 17a-215c subsection (b) of the General Statutes. (See Recommendation 3.)

*Agency Response:* “The department agrees with this finding. The regulations were put on hold, pending the Autism Spectrum Waiver definitions and the regulations for the Payment of Autism Spectrum Disorder Regulations to be approved by the Regulations Review Committee; this approval has not yet occurred. Autism Spectrum Disorder has since been defined in Governor’s Bill S.B. No. 17, section 17. This bill also transfers the Division of Autism Disorders to the Department of Social Services.

**The Internal Audit Unit should be Separate from Functional Units of the Department**

*Criteria:* Good business practices suggest an internal audit unit should be organizationally independent under the supervision of a manager reporting to the organizational head, and operated under a set of defined standards such as those established by the Institute of Internal Auditors. The responsibilities of an internal audit unit should not be combined with other functional areas of the organization that are subject to internal audit review.

An independent internal audit unit manager reporting directly to upper management can assist management in enhancing internal control by reviewing areas with higher risk of noncompliance.

*Condition:* Presently, the Audit and Rate Setting Unit is headed up by one manager who reports to the person charged with overseeing all of the agency’s fiscal operations.

*Effect:* There is a lack of independence. Internal audit units must be organizationally free to review any area without impairment to its independence, perceived or otherwise. The rate-setting function would be one area likely to be reviewed by the internal audit unit. The other effects would be focus on internal auditing and the amount of time devoted to internal auditing and rate setting.

*Cause:* The internal audit and rate-setting units were merged several years ago upon the retirement of the rate-setting director.

*Recommendation:* The Department of Developmental Services internal audit unit should be organized independently of the rate-setting function or any other line function of the department. (See Recommendation 4.)

*Agency Response:* “The department agrees with this recommendation. The department will put forth a plan to request another managerial position to divide the audit and rate setting functions.”

### **Compensatory Time Granted for Small Increments**

*Criteria:* The Department of Administrative Services Management Personnel Policy 06-02 (MPP 06-02) sets forth the criteria for granting compensatory time to managerial and confidential employees. The policy states “There are some occasions that require a manager to work a significant number of extra hours in addition to the normal work schedule. An example of significant extra time would include many extra hours worked during an emergency such as an ice storm, and does not include the extra hour or two a manager might work to complete normal work assignments in a normally scheduled workday.”

The policy further states that “an agency head may grant compensatory time for extra time worked by managers for these unique situations provided it conforms to the following criteria: The amount of extra time worked must be significant in terms of total and duration.”

*Condition:* We noted that several managerial and confidential employees earned compensatory time in small increments of two hours or less during the fiscal years audited.

*Effect:* A total of 33.5 and 34.25 hours in compensatory time were earned during fiscal years 2011-2012 and 2012-2013 in violation of MPP 06-02. While the total number of hours awarded is not significant, the department continues to process compensatory time in small increments, which is specifically prohibited by DAS policy.

*Cause:* DDS failed to enforce the MPP 06-02 provisions.

*Recommendation:* The Department of Developmental Services should comply with Management Personnel Policy 06-02. DDS should only grant compensatory time for extra time worked that is significant in terms of total and duration. (See Recommendation 5.)

*Agency Response:* “The department agrees that the application of the Department of Administrative Services Management Personnel Policy 06-02 was flawed, as cited by the Auditors for 2012 and 2013. The flaws continued in fiscal years 2014, 2015, and 2016. The department will correct this flaw in administration through reissuance of the policy to all managers and confidential employees. Further, the

department will carefully monitor the compliance of managers and confidential employees in the use of compensatory time through routine human resources and payroll reviews.”

**The Birth-to-Three Accounts Receivable Report Does Not Accurately Reflect the Amounts Due**

Effective July 1, 2015, the Birth-to-Three program transferred from the Department of Developmental Services to the Office of Early Childhood. .

- Criteria:* In accordance with the Birth-to-Three Program’s contract with its billing contractor, a receivables aging report, detailing the aging of individual account balances (current, 30, 60, 90 days, and over), must be submitted monthly. This report should reflect accurate amounts of accounts receivables by individual and in total.
- Condition:* The monthly receivables aging report provided by the billing contractor contains numerous errors. As of January 2016, the report shows a total of \$755,530 due the program. Due to these errors, the actual balance is not known.
- Effect:* Until the errors in these aging receivables reports are corrected, the amount of parent fees owed to the department cannot be accurately determined.
- Cause:* The billing contractor is not providing accurate information on accounts receivables in violation of its contractual obligations.
- Recommendation:* The Birth-to-Three Program should work with its billing agent to correct any errors in the monthly accounts receivables report to determine the true outstanding receivables balance. Once this has been done, the program should continue to monitor these reports to determine whether they correctly reflect the receivable fees due to the program. (See Recommendation 6).
- Agency Response:* “Birth-to-Three is aware of the inaccuracy of the output contained in the Parent Participation Fee Aging Report. Over the past year, two key initiatives have competed with the Parent Participation Fee Aging Report for the attention of the contractor. One initiative is the revision of diagnosis codes from ICD9 to ICD10. This is a federal requirement and necessitated significant staff time. The other initiative is changing the insurance billing system in order to process insurance claims faster and more accurately, again requiring significant staff time.

Despite the reporting inaccuracy of the output of the Parent Participation Fee Aging Report, the actual data system from which the report output comes, correctly reflects past due balances. In addition, it has not been the policy of the CT Birth-to-Three System to turn over delinquent accounts to a collection service. Rather, if a family resumes Birth-to-Three services with a subsequent child all past due balances for the family must be settled before services can start for the new child.

Birth-to-Three will resume discussions with the contractor to revise the aging report after the current transitions are completely resolved.

The current contract is in effect until 6/30/2018 and we are not anticipating changing contractors at this time due to the unknown changes that will occur once the Medicaid SPA [State Plan Amendments] affecting Birth-to- Three is submitted and approved.

Finally, when the two initiatives above have been completed, CT Birth-to-Three will be in a position to resume pursuit of correcting the accuracy of the output contained in the Parent Participation Fee Aging Report.”

**Property Control Issues (North Region):**

*Criteria:*

Section 4-36 of the General Statutes provides that each state agency shall establish and keep an inventory account in the form prescribed by the Comptroller and shall, annually, on or before October 1st, transmit to the Comptroller a detailed inventory, as of June 30th, of all of the following property owned by the state and in the custody of such agency: (1) real property, and (2) personal property having a value of one thousand dollars or more.

The State Property Control Manual specifies requirements and standards that state agency property control systems must comply with, including maintaining capital assets and controllable property on the Core-CT Asset Management module.

*Condition:*

Our review of the CO-59 Fixed Assets/Property Inventory Reports for the fiscal years ended June 30, 2012 and 2013, disclosed the following:

For fiscal year 2011-2012, equipment reported on the CO-59 was understated by \$2,398.

For fiscal year 2012-2013, buildings reported on the CO-59 were understated by \$1,989.

For fiscal year 2012-2013, buildings recorded in Core-CT were overstated by \$232,345.

*Effect:* Inaccurate asset information was reported to the Comptroller and recorded in the state accounting system.

*Cause:* The cause was not determined.

*Recommendation:* The Department of Developmental Services should strengthen internal controls over the recording and reporting of its inventory to ensure accuracy and completeness. (See Recommendation 7).

*Agency Response:* “The department agrees with this finding.

For fiscal year 2011-2012, the under-reporting of \$2,398 was related to two assets that were not accounted for on the CO59 reports, due to mistaken duplication error (theft occurrence/generator) and cost adjustment/addition omission. Since the audit period, assets have been adjusted/corrected.

For fiscal year 2012-2013 – Under/Overstated Buildings. **1) Parkwood Road** – the CO59 was overstated due to a building disposal *not* being entered as a “CORE” entry. The Property was removed off of all other reports used to collect data for the CO59. DDS sold the property in FY2013, had permission from OPM, removed the asset from all reports/CO59, but did not make the CORE entry to “dispose” within the fiscal year 2013. Data Entry Omission – Corrected.

**2) Dempsey Cntr** – Cost of building had variances due to Building Adjustments not recorded between Jestir/CORE.”

**Unspent Client Funds not Returned to Business Office within the 10 Calendar Day Requirement (North Region)**

*Criteria:* DDS Procedure I.F.PR.007 Personal Funds Financial Management, requires that any unspent funds from disbursements made from the client fund be returned to the business office, along with the receipts, within ten calendar days of the receipt of funds.

*Condition:* Of the 15 disbursements reviewed, 6 (40%) had unused funds totaling \$136 that were returned to the business office for deposit later than the required 10 calendar days. These were received in the business office between 2 and 49 days late.

*Effect:* There is noncompliance with DDS procedure I.F. PR.007. Untimely receipt of unused funds deprives the consumers of potential interest earned when funds are invested in a high-yield state treasury investment fund (STIF).

*Cause:* The cause was not determined.

*Recommendation:* The Department of Developmental Services (North Region) business office should strengthen internal controls to ensure that unspent client fund disbursements are returned within the required 10 calendar days. (See Recommendation 8).

*Agency Response:* “The department agrees with this finding. The change returned to the Business Office for these six items ranged from \$3.22 to \$50.00.

The six late items were:

- Check #37873 for \$300. was spent on holiday gifts, and change of \$18.53 was returned 12/27/2011, nine days late.
- Check #38278 for \$300 was spent on bedding and room decorations, and change of \$29.73 was returned 1/15/2012, 26 days late.
- Check #41471 for \$50 was not used, and the full amount was returned 10/22/12, two days late.
- Check #42053 for \$300 was for holiday gifts, and change of \$3.22 was returned 1/25/13, 49 days late.
- Check #43964 for \$150 was for birthday gifts, and change of \$6.26 was returned 6/11/13, 17 days late.
- Check #43788 for \$400 was for personal items, and change of \$27.82 was returned 5/21/13, 15 days late.

We have received all receipts and change for all checks written in FY12 and FY13.

The North Region (NR) Business Office sends out a weekly update to the Residential ARD and all Residential Managers identifying withdrawals awaiting vendor receipts. We also add Case Manager Supervisors to the list as needed. The managers are responsible for sharing the weekly outstanding list with their staff, and reminding

staff that the vendor receipts need to be given to the Business Office within ten calendar days.

The NR Business Office will continue to work with the Residential Managers and residential staff to ensure that the appropriate change and the appropriate documentation is given to the Business Office. The NR Business Office will continue to work with Residential to return receipts within ten calendar days.

DDS Business Offices have drafted a change to the ten day receipt standard in the Client Fund Policy. If approved, the receipt due date would be changed from ten calendar days to ten business days.”

### **DDS Employees on Administrative Leave with Pay for Excessive Periods**

*Criteria:* Section 5-240-5a of the State Personnel Regulations permits the appointing authority to place an employee on a leave of absence with pay for up to 15 days (105 hours for a 7-hour workday, 120 hours for an 8-hour workday) to permit an investigation of alleged serious misconduct, which could constitute just cause for dismissal under CGS Section 5-240-1a (c).

Section 5-240-5a (g) permits the appointing authority to place an employee on administrative leave with pay for up to 30 days, which may be extended for an additional 30 days upon request of the appointing authority and approval of the Commissioner of Administrative Services, pending disposition of criminal charges, the pendency of which would hamper the completion of an independent administrative judgement and which, upon conviction of an employee, would constitute just cause for dismissal under Section 5-240-1a (c).

Thus, under the personnel regulations, an employee can be placed on administrative leave with pay for no more than 105 or 120 hours if criminal charges are not contemplated, or up to 420 or 480 hours if they are.

*Condition:* We reviewed the department’s use of administrative leave with pay for the period July 1, 2011 through March 14, 2016. As of March 14, 2016, twenty-seven employees had been on administrative leave with pay for more than 480 hours. 1 employee has been out on administrative leave with pay since August 2014, for a total of 2,758 hours. At an average of approximately \$29.58 per hour (employees continue to receive cost of living adjustments and annual increases while on leave with pay), the department has paid

over \$81,500 to this employee during that period. The remaining 26 employees have been out on administrative leave with pay for hours ranging from 490 to 1,568 hours. An additional 55 employees have been out for more than 120 hours, ranging from 122 to 471 hours.

*Effect:* Personnel regulations are not being followed. Employees continue to receive pay and benefits for the period they are on administrative leave with pay. This is only appropriate if the employee's presence at work could be harmful to the public, the health and safety of patients, state employees and others, or state property. However, these employees should not be out on leave with pay for excessive periods.

*Cause:* We did not determine a cause.

*Recommendation:* The Department of Developmental Services should comply with state personnel regulations when placing employees on administrative leave with pay. (See Recommendation 9.)

*Agency Response:* "The department agrees in part with this finding, but presents some mitigating circumstances below. The regulations cited limit the agency's placement of employees on administrative leave to 15 days for investigation, or 30 days with a 30 day extension for disposal of criminal charges.

In a review of specific leaves cited, there are some instances where the department agrees with the findings of non-compliance. However, there are exceptions in which the agency is not able to follow 5-240-5:

First, the Collective Bargaining Agreements in some instances have provisions that supersede the State Personnel Regulations. A summary of the contracts representing the majority of the agency employees are as follows:

- NP6 & P1 (1199) – Article 33, – Section Seven. In cases where the appointing authority determines it to be in the best interests of the state to place an employee on administrative leave of absence while the determination concerning employee discipline is being decided, such leave of absence shall be with pay and shall not exceed two months.
- P5 (A & R) – Article 14, – Section Five. Placement of an employee on a paid leave of absence shall be governed by Regulation 5-240-5a to permit investigation. Provided, however, nothing shall preclude an employee from electing to

be placed on an unpaid leave of absence for up to 30 days. In such event, the employee may draw accrued vacation pay. – No extraordinary provisions.

- NP2 (Maintenance & Service) – Article 17, Section Five. ...an employee shall be placed on a paid leave of absence and shall be informed of the nature of the alleged charges. If an employee is discharged or suspended as a result of the investigation, the effective date of such discharge or suspension shall be the effective date of the leave of absence. If the employee is not dismissed as a result of the investigation, he/she shall be reinstated with full pay retroactive to the starting date of the leave. Such reinstatement, however, shall not preclude other disciplinary action. – No extraordinary provisions.
- P4 (Engineering and Scientific) – Article 15, Section Four, C. Dismissal (d) An appointing authority may, pending a determination on discipline to be imposed, place an employee on a leave of absence with pay. Such leave could continue through the predisciplinary and post-disciplinary procedure periods as described in Regulations 5-240-7a and 5-240-8a. The paid leave may be continued during the notice period prior to the effective date of dismissal.
- P2 (Social and Human Services) – Article 16, Section Eight. An appointing authority may, pending an investigation of alleged action which constitutes ground for dismissal (including disposition of [a] criminal charge against the employee), place the employee on leave of absence with pay not to exceed sixty days. – No extraordinary provisions.
- P3B (Education Professions) – Article 15, Section Six. In cases which involve serious misconduct, a criminal investigation or the disposition of a criminal charge, and where it has been determined by the Employer that the presence of the employee at work could be harmful to the public, the welfare, health, security or safety of clients, patients, inmates or state employees or state property, the employee may be placed on a paid leave of absence to permit investigation for a period of up to 60 calendar days. The paid leave under his section may be extended for the period of the pre-discipline procedure and the discipline notice period.

The majority of the agency's employees belong to the 1199 and P3B unions, therefore it is recognized that in some instances of investigations into employee belonging to these bargaining units,

an investigation may require more time to complete due to the nature of the work, as those respective contracts note.

Second, there are frequently outside investigators over which the agency has no control. The investigations conducted within the agency often require involvement from outside entities, such as Protection and Advocacy, Department of Social Services, Department of Children and Families, or State/Local Police. In many instances the agency is unable to conduct its investigation simultaneously, and the internal investigation is secondary to these outside entities. Therefore, actions predicated on the outcome of an internal investigation cannot occur.

The agency agrees that it can improve its record where these two conditions do not present an obstacle to the outcome of the investigation. The department will work with the individuals responsible for the investigations toward more timely outcomes where possible.”

### **Loss of Medicaid Reimbursement Due to Placements Located Out-of-State**

*Background:*

Each fiscal year, a number of DDS consumers reside in out-of-state settings. Typically, they reside in Massachusetts, Pennsylvania, New Hampshire, and Florida. These placements are referred to as residential treatment facilities or residential schools and are contracted for in the Agreement to Provide Care contracts (see Recommendation 1). Some of these contracts are funded from the DDS Voluntary Services Program (VSP) appropriation. The others are funded by the department’s Cooperative Placement, Day Services and Community Residences Program appropriations.

The VSP supports children and adolescents who are DDS clients and have emotional, behavioral, or mental health needs that result in the functional impairment of the child and substantially interfere with or limit the child’s functioning in the family or community activities. Many of the children served by VSP have pervasive developmental disorders such as autism spectrum and/or significant behavioral health or psychiatric disorders and exhibit extremely challenging behaviors. The services are intended to support families that care for their children in the family home. Children under the age of 8 will not be considered for the DDS VSP. VSP is primarily designed as an in-home program that provides families with the support they need to raise their children at home. DDS has stated it only uses out-of-state programs when it determines there is no appropriate placement in Connecticut, and

is committed to expanding capacity so that all children in VSP can be supported in Connecticut and thus closer to their families.

Once the consumer has aged out of the VSP program (no later than age 21) and continues to reside in the out-of-state placement, funding is transferred to the Community Residence, Day Services, and Cooperative Placement appropriations.

*Criteria:* In order to be eligible for Medicaid reimbursement, these placements must be located in Connecticut.

*Condition:* The Agreement to Provide Services contracts for out-of-state placements totaled \$14,307,198, \$12,523,271, \$11,510,852, \$12,114,627 and \$12,055,994 in fiscal years 2012, 2013, 2014, 2015, and 2016, respectively. Most of the dollar values of these contracts are associated with the non-VSP placements. Because all of these placements are situated outside the State of Connecticut, the expenditures on these contracts do not qualify for Medicaid reimbursement, generally equal to 50 percent of eligible expenditures.

**VSP:** During fiscal year 2016, 14 consumers were in out-of-state VSP placements.

**Non VSP:** During fiscal year 2016, there were 34 consumers in non-VSP out-of-state settings. Many consumers have been in out-of-state placements for many years. These placements predate the VSP at DDS. These consumers were not originally in the VSP, but were placed in these out-of-state placements for different reasons. We were informed of at least one case in which the consumer has been in an out-of-state placement for many years and the family no longer lives in Connecticut.

*Cause:* **VSP:** Fourteen (14) children and adolescents were placed by DCF prior to DDS establishing its own VSP in 2005. DDS made a commitment to the families of this original group of children placed by DCF, to allow their children to stay in the out-of-state placement until age 21 if they so desired. DDS developed in-state residences for many of the other children and adolescents in out-of-state placements, but many still remain. Some families have refused to agree to an in-state placement by placing pressure on the department to leave their child in the out-of-state placement.

Despite this refusal, DDS at times has failed to follow and enforce its own policy which states, "If the child is placed out-of-state and cannot return home, the region will plan for the child to return to

an appropriate setting in Connecticut. If an in-state option is available and the family refuses to have their child return to the state then they have the right to independently fund their child in the out-of-state facility and funding of the out of state facility will no longer be the responsibility of the department.”

**Non VSP:** The longer consumers remain in an out-of-state placement, the more difficult it could be to relocate them to an in-state placement. Evidently, some families have placed pressure on the department to leave their child in the out-of-state placement.

*Effect:* If the above placements had been in-state, the expenditures would have been eligible for 50% Medicaid reimbursement, resulting in approximately \$6 to \$7 million recovered each fiscal year. In addition, expenses such as airfare, hotel, and other expenses incurred by departmental caseworkers visiting consumers in other states would be avoided. Lastly, family members must travel considerable distances and incur higher expenses to visit the consumer.

*Recommendation:* The Department of Developmental Services should conduct a comprehensive review of all out-of-state placements. The department should exhaust all available means to bring these consumers back to Connecticut and place them into a person-driven, long-term support system closer to their families and support network, and into a service reimbursed by Medicaid. Parents or legal guardians should be advised that if an in-state option is available and the family refuses that option, then they have the right to independently fund their child in the out-of-state facility and funding will no longer be the responsibility of the department. (See Recommendation 10.)

*Agency Response:* “The department agrees with this finding. DDS is working with the families of individuals in out of state placements and has been making in-state referrals to ensure individuals are receiving person-centered supports and DDS is maximizing waiver revenue.”

## **DDS Manual**

*Background:* The DDS Manual is comprised of two distinct sections.

The Service Delivery section of the manual contains numerous policies and procedures covering a wide range of areas, including Eligibility and Intake, Planning and Resource Allocation, Services

and Supports, Health and Safety, and Mortality Reporting and Review.

The Administration section of the manual contains numerous policies and procedures covering a wide range of areas, including General Administration, Fiscal, Engineering, Budget, and Human Resources.

*Criteria:* Good business practices require policies and procedures manuals that are current and easily accessible to employees.

Policies and procedures that are current and uniformly followed enhance internal control.

*Condition:* I. Service Delivery

We noted that since 2011, only 18 of over 124 policies and procedures were either issued or revised.

We also noted that almost half of the policies and procedures in this part have not been updated since they were first issued, with some dating as far back as 2002, such as Mortality Reporting and Review.

II. Administration

We noted that since 2011, only 10 of over 65 policies and procedures were either issued or revised. Major fiscal areas such as business, engineering, and budget lack policies and only contain a designation of *reserved for future use*.

We also noted that almost 2/3 of the policies and procedures in this part have not been updated since they were first issued, with some dating as far back as 2001, such as Employment Credentials Verification, and Staff Training.

Unlike the Service Delivery section of the manual, the Administration section is not accessible on the internet.

III. Both Parts

As further evidence of the lack of merely a cursory review of sections of the DDS Manual, about half of the policies and procedures still refer to the agency as the Department of Mental Retardation despite Public Act 07-73, effective October 1, 2007,

which changed the agency's name to the Department of Developmental Services.

We also noted some instances in which there are procedures without a corresponding policy.

*Effect:* Economy, efficiency, and effectiveness are diminished, and internal control is weakened when employees are uninformed or inadequately informed of changes in federal and state laws, regulations and policies. Delays in disseminating desired policy changes result in an organization that fails to keep up with the current state climate and business environment. It also results in state and department policies being inconsistently applied.

*Cause:* The lack of a formal committee and the absence of regular or periodic review of existing policies and procedures have contributed to this condition.

Insufficient resources allocated to this area are another cause. One employee is responsible for editing and incorporating changes into the manual, while many employees are responsible for the content. There are cases in which revisions have been submitted for review and editing, but have not been incorporated into the manual. Lack of a formal process has at times resulted in the submission of revisions without the input of all stakeholders.

*Recommendation:* The Department of Developmental Services should establish a standing manual committee comprised of representatives from each region and the central office, and that committee should include subject matter experts as needed.

The committee should review and update existing policies and procedures. They should also review them as often as necessary to address changes in federal and state laws, regulations and policies.

The committee should establish a formal process whereby draft revisions are returned to the committee after editing, reviewed by the committee for accuracy, and then submitted to the commissioner for final approval.

The entire DDS Manual should be made accessible via the internet and intranet. (See Recommendation 11.)

*Agency Response:* "The Department of Developmental Services (DDS) agrees with the auditors' findings and recommendations concerning the DDS Manual containing the department's policies, procedures and

directives. While there are several circumstances that have led to the DDS Manual being out-of-date, DDS understands the importance of having policies and procedures that reflect the department's current practices.

DDS has made several changes to the policy and procedure process within the last year in an attempt to address the backlog of policies and procedures needing revision.

1. The DDS Systems Design Committee has begun reviewing draft policy and procedure revisions and approving drafts to move forward in the revision process.
2. A procedure template is in use with both the template for what a DDS procedure should look like along with rules and tips on how to review and draft DDS procedures. This template also outlines the process by which policies and procedures are approved by the commissioner.
3. DDS is continuing its efforts to eliminate "stand-alone" policies and incorporate policy statements into all of its procedures. This consolidates all information into one document rather than having pertinent information spread over various documents.
4. DDS is continuing to streamline procedures by eliminating excess wording, redundancies and repetition. This includes looking at all attachments to procedures to see if they duplicate information that is already contained in the procedures.

In response to the specific issues cited in recommendation #11:

1. DDS will work to formalize the DDS Systems Design Committee's role as a "standing DDS Manual Committee" for review and approval of draft policies and procedures. DDS will add personnel to this committee including content experts as needed.
2. DDS has committed to hiring an executive secretary who, as part of his or her duties, will work to speed up the review, processing and distribution of policies and procedures.
3. DDS will formalize the approval process for all DDS policies and procedures.
4. DDS will put the "Administration" section of the DDS Manual on the DDS intranet and internet websites so that it is available to all DDS employees and to the public.

5. DDS will prioritize the review and revision of those policies and procedures that have not been updated within the last five years.”

## **Abuse and Neglect Investigations**

*Background:*

Investigations of alleged abuse or neglect of persons with developmental disabilities is the statutory responsibility of the Office of Protection and Advocacy for Persons with Disabilities (OPA). OPA and the Department of Developmental Services first entered into an interagency agreement in 1992. It was revised in June 2008, and delineates the process by which DDS or its private providers investigate and report on allegations of abuse and neglect of consumers aged 18 to 59. Approximately 1,200 such allegations are received each fiscal year. Generally speaking, DDS personnel investigate allegations involving consumers residing in public settings such as group homes, while private providers investigate allegations of abuse involving consumers in the private group homes they operate. Such investigations comprise approximately 50% of all the referrals received by DDS from OPA. According to the interagency agreement, investigations must be completed within 90 days, and may be conducted by the DDS full-time investigators within its Division of Investigations (DOI), DDS employees who have other responsibilities but are trained to conduct investigations known as pool investigators, or by trained employees of the private providers. Occasionally, private providers may hire outside investigators as well.

According to DDS policy, once the investigation is completed, the manner in which the report is submitted depends upon whether the investigation was completed by a private or public provider. If completed by a private provider, a copy of the report is submitted to the abuse/neglect coordinator and the original is sent to the agency having jurisdiction within 75 calendar days of the allegation. The abuse/neglect coordinator will then forward the report to the lead investigator for review for completeness and thoroughness. Investigations deemed complete are then forwarded to the regional director for final review and signature, and then returned to the abuse/neglect coordinator. Completed investigations falling under the jurisdiction of OPA will be submitted to OPA within 90 calendar days of intake referral, according to DDS policy.

If the investigation is completed by a public provider, the manner in which it is processed depends upon the classification of the

employee. If the investigation is completed by a lead investigator, it is sent to DOI and the agency having jurisdiction within 75 days of the allegation. If completed by a pool investigator, it is first sent to the lead investigator for approval within 75 days of the allegation. For investigations deemed complete, the lead investigator will submit the final report to the regional director within 75 calendar days of the allegation. The regional director will review and sign the report, forward it to the abuse/neglect coordinator for distribution, and file the report with the agency having jurisdiction within 90 calendar days of the allegation. The abuse/neglect coordinator will close the investigation using the date of the regional director's signature.

*Criteria:*

According to the interagency agreement between DDS and OPA that was last revised on June 18, 2008, this agreement will be updated and/or revised "at least every two years from the date of implementation."

The interagency agreement states that primary investigations "will be completed within 90 calendar days, unless a more stringent rule applies."

The purchase of service contracts with the private providers requires them to "...investigate all suspected abuse and neglect incidents, unless directed otherwise by DDS, prepare a written report of the investigators'(s) findings and submit a copy of the report to the DDS."

DDS Procedure I.F. PR 003 Section D, item 2(d)(i) requires submission of the investigation report from private providers within 75 days of the date of the allegation (except for investigations involving law enforcement agencies).

DDS Procedure I.F. PR 003, Section Ed item 2(e) (i) requires all cases investigated by a lead investigator (public provider) to be sent to DOI and the agency having jurisdiction within 75 days of the allegation.

*Condition:*

The department categorizes cases as Agency 1, Agency 2, or Agency 3. Agency 1 refers to the primary investigating entity, which could be DDS, a private provider, a local police department, the State Police, or other state agency. Agency 2 refers to the secondary investigating or monitoring entity. Agency 3 refers to cases for which the department has received an intake and passed it on to another state agency for investigation. After that, the department has no active role in the case.

As of December 2015, the department reported the following number of open cases by agency type:

Agency 1: 380

Agency 2: 194

Agency 3: 51

In addition to the above cases, as of December 2015, the DDS database contains 273 cases designated as Department of Public Health (DPH) and 51 cases designated as Department of Children and Families (DCF). It is not known whether there are that many cases outstanding. It is likely there are not, but the exact number is not presently known. Due to inadequate interagency communications, the notifications of completion of cases may not have been sent to DDS so that DDS could record them in its database. The only way to determine the status of these cases is to go through each of these cases individually. This will likely take a good deal of time and may be difficult if the documentation is not easily retrievable or is no longer available.

As it pertains to the investigations for which DDS is directly responsible (Agency 1 cases), 77 investigations (20%) are public provider and 303 (80%) are private provider investigations. Fifty-three public investigations (69%), are older than 90 days. Of the 303 private provider investigations, 90 (30 %) are older than 90 days. Since our last review, the percentage of cases exceeding 90 days has dropped. While still too high, it represents some improvement.

In addition, since our prior review, DDS has created the position of full-time director of investigations, which we believe is a significant step to improving communication and coordination with the investigative personnel in the regional offices. It also may be responsible, in part, for the decline in investigations exceeding 90 days, as older cases are now being given more scrutiny.

A recent reorganization of the central office now has the director of investigations reporting to the central office's human resources administrator instead of the commissioner. This reporting relationship does not appear to be an optimal one. Reporting to the commissioner elevates the critical nature and work of the division, and eliminates any potential conflicts of interest. We also note the abuse neglect coordinators still report to their respective regional directors and not to the director of investigations.

The following is a breakdown of the more serious outstanding investigations involving financial exploitation, neglect, physical abuse and sexual abuse:

Agency 1

DDS – 59 investigations, 32 of which date back to the early 1990s.

Private Provider – 261 investigations, 36 of which date back to the early 1990s. The oldest involves allegations of sexual abuse from September of 1989.

DCF – 26 investigations, 4 of which date back to the 1990s.

DPH – 56 investigations, 4 of which date back to the 1990s.

*Cause:*

The causes of investigations taking longer than the allowed timeframes are numerous and longstanding. It appears that adequate accountability has not been placed on private providers to adhere to the contractual timeframes and the DDS policies incorporated in the contract by reference. We note there are no financial penalties in the contract if investigations are overdue.

As it pertains to public investigations, it appears that a combination of factors has led to this condition. In particular, we note the inadequate information system, the sub-optimal organization structure of the division, the absence of a full-time DDS position of director of investigations (until very recently) and the insufficient number of full-time investigators. The accumulation of these issues over many years has resulted in a system that is inefficient and less than effective in carrying out its statutory responsibilities.

A fundamental problem is the inadequacies of the case database systems used by the department. DDS uses both its departmental mainframe eCamris system and a separate PC access database to track cases. The two systems are not in agreement. A single database system has not been developed to provide a complete and comprehensive record of all cases. Another complicating factor is that cases are entered by name of the consumer, not by case number, further making it difficult to track cases. Lastly, the system does not produce timely and adequate reports for decision making, such as a monthly aging report of outstanding cases.

There are other major issues plaguing this system. The department, to its credit, has begun the arduous process of addressing these issues. However, given that abuse/neglect

investigations in the State of Connecticut is a multi-agency responsibility (OPA, DDS, DDS private-providers, and other state agencies) using an antiquated database system, it would appear that significant improvements are only possible if an interagency, statewide approach is undertaken.

*Effect:*

Any investigation outstanding for more than 90 days violates the terms of the interagency agreement. Any investigation not submitted within 75 days by the private provider is not in accordance with agency policy. Beyond this issue of non-compliance with established timeframes, the overall effect of investigations taking more than 75 or 90 days are numerous and serious. Timely completion of investigations permits quicker action to be taken, as appropriate, in response to the findings, conclusions, and recommendations of the investigation. Such action may involve administrative disciplinary action, legal action against the alleged perpetrator(s), or changes in procedures or practices designed to protect the health and welfare of the consumer. Investigations that are not timely delay action being taken in these areas.

Section 17a-247a subsection 13 of the General Statutes states “ ‘Substantiated abuse or neglect’ means a determination by an authorized agency, following an investigation conducted or monitored by such agency, that (A) abuse or neglect of an individual who receives services or funding from the department has occurred, or (B) there has been a criminal conviction of a felony or misdemeanor involving abuse or neglect.”

A former employee cannot be placed on the Abuse and Neglect Registry until abuse or neglect is substantiated by an authorized agency or if there is a criminal conviction. An employee who has been terminated or separated as a result of allegations of abuse or neglect can seek reemployment in the field during this time, creating the potential for additional harm to consumers when these former employees are hired by unsuspecting employers.

*Recommendation:*

The Department of Developmental Services should continue to review old abuse and neglect cases to determine their status, take appropriate action, modernize and consolidate its abuse and neglect database information systems, and strengthen its internal organization and processes to ensure investigations are completed within the timeframes established by the memorandum of understanding and departmental policy. (See Recommendation 12.)

*Agency Response:* “The Department of Developmental Services (DDS) has already taken measures to address the findings noted in the auditor’s report as follows:

- A workgroup comprised of the DDS Director of Government and Legal Affairs, the DDS Director of Investigations, the OPA Legislative Liaison and the OPA Abuse Investigation Division Program Director met on several occasions between July 2015 through January 2016 to review and revise the 2008 Interagency Agreement between DDS and OPA. This document, now referred to as a Memorandum of Understanding (MOU) between DDS and OPA, was finalized and signed off on by the Office of Protection and Advocacy (OPA) Director, Craig Henrici, on 2/17/16 and by the DDS Commissioner, Morna A. Murray, on 2/22/16. DDS and OPA continue to have quarterly meetings together to discuss topics of mutual interest and concern, as stated in the revised MOU. In addition, the DDS Director of Investigations and the OPA Abuse Investigation Division Program Director meet on a monthly basis, whenever possible, to discuss and resolve day to day operational needs and concerns.
- DDS is in the process of merging “silo” Access databases into one single database operational system, which includes the current Abuse/Neglect database.
- The Director of Investigations no longer reports to the Central Office Human Resources Administrator and is now a direct report, once again, to the DDS Commissioner.
- DDS is currently in the process of revising policies and procedures applicable to the incident reporting management and abuse/neglect reporting and investigation systems.
- DDS has established a statewide written protocol for addressing outstanding (overdue-over 90 days old) investigations which includes bi-weekly summary reports of such cases for review and follow up.
- DDS continues to focus on closing out outstanding (overdue-over 90 days old) investigations in the CAMRIS database. For example, the State Auditor’s report cites DDS as having the following number of outstanding investigations open statewide as of December 2015:
  - DDS-59, 32 of which date back to the early 1990’s.

- Private provider-261, 36 of which date back to the early 1990's. The oldest involves allegations of sexual abuse from September 1989.

As cited in the report, the Director of Investigations has been striving “to improve communication and co-ordination with the investigative personnel in the regional offices” to address the backlog of cases in the CAMRIS database. For example, as of June 23, 2016, DDS has the following number of statewide outstanding (overdue-over 90 days old) investigations open in Camris under Investigating Agency 1:

- DDS-20
- Private provider-34

The goal of DDS is to continue to reduce these numbers and to work with other State agencies to reduce the number of outstanding investigations.”

### **Medicaid “Held Billings” Issue**

*Criteria:* According to the Medicaid Claims Submission Manual: “It is the provider’s responsibility to ensure that all claims for services provided to a client are submitted within one year from the actual date of service....”

State policy is to submit claims for Medicaid reimbursement on a monthly basis.

*Condition:* The Department of Developmental Services reported to us that Medicaid billings for 200 providers, totaling \$37,101,263 (\$10,363,185 for Day Services and \$26,738,078 for Residential Services) covering the period from January 1, 2014 to January 1, 2015, were not submitted for reimbursement under the Medicaid program within the 12-month requirement. These billings are referred to as held billings. Claims not submitted within one year of date of service run the risk of being rejected for Medicaid reimbursement of approximately 50% of the eligible claim. In the case of the above claims, the department was able to submit these claims for reimbursement, despite the 12-month limitation.

The department also was able to submit claims for services that were more than two years earlier than the date of service. Those submitted claims reported to us by the department totaled \$15,412,421 (\$7,667,175 for Day Services, and \$7,745,246 for

Residential Services), and covered the approximate period of June 1, 2013 to May 31, 2014.

Also, during the course of our inquiry of the above issue, we became aware of the existence of additional held billings that still reside in the billing system but were never released for reimbursement. We requested more information and were provided a spreadsheet containing 33,612 lines covering the period from March 1, 2009 to December 1, 2014 (based on attendance month). Each line represented a potentially billable event. These claims were never submitted because certain data errors prevented the claim from being loaded into the state's Medicaid billing system. These data errors included *invalid service code, invalid Title XIX number, cannot determine residential eligibility or no residential (placement) found, invalid clinician number, old status plan date, and invalid clinical number*. This spreadsheet does not reflect any dollar values for services rendered.

Through our analysis of this spreadsheet, we found that less than 10% of the lines had a Medicaid procedure code associated with them. For lines for which there was a procedure code shown, we were able to assign a Medicaid rate to them, using estimated FY 2014 service rates. Specifically, we looked at three Medicaid procedure codes and their respective service rates: 9764Z (residential) at \$326/day, and T2018 and T2020 (both day programs) at \$124/day each. There were about 381 lines in the spreadsheet that met these criteria. Extending the rates and the number of days (we used 30 days per month for the residential program and 20 days per month for the day programs) by these 381 lines yielded a value of \$2,025,280.

Service rate 9764Z appeared in about 7% of the known procedure codes in this worksheet, T2018 in about 6%, and T2010 in a little under 5%. Extrapolating the frequency of these three procedure codes to the lines without procedure codes, by the above percentages, yields an estimated value of \$30,400,500 for just those three codes. If we extrapolated all the remaining procedure codes, the new value obtained would be much higher than \$30,400,500, and would represent the maximum dollar amount that could have been billed, had there been no missing procedure codes. A distinction must be made between what is billed and what is collected. Other criteria, such as a valid Title XIX number, must be in place for a billing to be accepted and reimbursed. The \$30,400,500 figure does not include billings in which there are errors other than with the lack of a procedure code, such as an invalid Title XIX number.

*Effect:* The potential for loss of federal revenue under the Medicaid program exists if claims are not submitted within one year of eligible services having been rendered.

Federal reimbursement of legitimate Medicaid claims may not have been collected. Using the general 50% Medicaid reimbursement rate, at least \$15,000,000 (fifty percent of \$30,400,500 above) has not been reimbursed due to these billing errors. The actual amount of total potential reimbursement is likely much higher, but will not be known until all the billing errors are corrected and the claims are resubmitted.

*Cause:* Internal control processes were not adequately designed or functioning to prevent these errors or detect them in a timely manner for corrective action.

*Recommendation:* The Department of Developmental Services should review its procedures for Medicaid billings to provide reasonable assurance that all legitimate billings are submitted timely. Procedures should be in place to review all held billings to determine the reasons they were not submitted, and timely corrective action taken to fix billing errors. The Department of Developmental Services should inquire as to whether these older held billings can still be corrected and submitted for federal reimbursement. (See Recommendation 13.)

*Agency Response:* “The department agrees with this finding. DDS and DSS met in September and early October and it was agreed that DDS would implement an extended “reconsideration period” for late [Long-Term Services and Supports] LTSS) redeterminations, including individuals receiving DDS waiver services. The consumers that are impacted are the DDS/DSS participants that lost HUSKY C waiver eligibility for failing to complete redeterminations or sent the wrong form that was not processed.

Reconsideration periods are authorized by the Affordable Care Act and provide additional time for individuals to complete redeterminations after eligibility has been lost for failing to complete redeterminations. While required for eligibility groups based on Modified Adjusted Gross Income (MAGI) rules (HUSKY A and D), states have the ability to use reconsideration periods for non-MAGI categories such as HUSKY C. DSS regards redetermination forms received during reconsideration periods as late redeterminations and we can potentially restore eligibility to the point when eligibility was lost.

- DSS implemented a reconsideration period of up to 24 months for HUSKY C LTSS clients who lost eligibility for failing to complete their redeterminations.
- Upon receipt of a redetermination form, DSS will determine eligibility for every month in which there is a coverage need, back to the point when eligibility was lost due to failure to complete the redetermination (up to 24 months).
- DSS must establish financial eligibility (income and asset eligibility) for each month before reinstating eligibility.

The time period that we covered was 10/1/2013 to present.

Currently we are recovering cases that may have lapsed 4/1/2014 to present.

DDS has taken a number of steps to ensure that the root problems that led to the billing problems identified will not re-occur in the future, the following action plan was developed:

- Starting in May 2015 the DDS Internal Audit Team will review the held billing file each month and will present its findings to the Director of Audit, Rates and Billing on any held billing records identifying the reasons for the records being withheld from the normal transmission of billing/utilization data transmitted to DAS for entry into the HP billing system.
- A weekly report extracted for the DDS eCAMRIS system of all DDS Provider/Program records is being run to identify billable programs that lack Medicaid Billing ID's and or billing Procedure Codes.
- DDS has developed an all-electronic method to manage new Provider Agreements which streamlines the process, avoids lengthy delays due to using the traditional mail system on both ends of the process. We now email Providers their agreement packages as a PDF field that they can print out, sign, and email back to use. DDS is now allowed to email these provider agreements to DSS instead of mailing the original signed documents. This one new process has reduced the processing time from weeks to days allowing DDS to bill for services in a timely manner.
- DDS working with our DSS partners obtained access to the MMIS Data Warehouse reporting application and has drafted several proposed queries that we submitted to our sponsor at DSS. DSS

will then create a number of queries we can use until we have been trained on the Data Warehouse system and its tables, fields and capabilities. Access to this will allow DDS to analyze data down to the Rendering Provider and individual. This will provide us a chance to compare what was paid in CORE-CT versus billed by DDS providing us with another tool to identify billing problems as well as proof that our safeguards are effective.

- DDS has created a work group to evaluate how its units interact and share data that could have revenue impacts.”

### **Inappropriate Use of a DAS Contract Award and Possible Circumvention of the Bidding Process**

*Criteria:*

1. Chapter 55a of the Connecticut General Statutes covers consultant and personal services agreements. Section 4-212 of the Connecticut Statutes defines personal service contractor as “any person, firm or corporation not employed by the state, who is hired by a state agency for a fee to provide services to the agency.”

Per Section 4-212 (3) of the General Statutes: “Personal service agreement means a written agreement defining the services or end product to be delivered by a personal service contractor to a state agency, excluding any agreement with a personal service contractor that the state accounting manual does not require to be submitted to the Comptroller.”

Per Section 4-213 of the General Statutes: “On and after July 1, 1994, no state agency may hire a personal service contractor without executing a personal service agreement with such contractor.”

Section 4-216, subsection (a) of the Connecticut Statutes states: “No state agency may execute a personal services agreement having a cost of more than fifty thousand dollars or a term of more than one year, without the approval of the secretary.” Subsection (b) states: “Each personal service agreement having a cost of more than fifty thousand dollars or a term of more than one year shall be based on competitive negotiations or competitive quotations, unless the state agency purchasing the personal services applies to the secretary for a waiver from such requirements and the secretary grants the waiver in accordance with the guidelines adopted under section 4-215.”

2. DAS Contract Award #14PSSX0044 is for “Professional Services-Strategic Business Consulting for Lean Government Methodologies and Services”.

Exhibit A of contract award #14PSSX0044 defines *lean* as “improve programmatic outcomes by increasing operational efficiencies, reducing and eliminating waste in government and Client Agency processes and engage employees in beneficial practices to enhance the delivery of services.” Under description of goods and services, it lists 13 “methodologies and services to “achieve both short and long term process improvements...and to foster a culture of continuous improvement...” Among these methodologies and services are the following:

- Meet with client agency to identify potential lean projects.
- Engage the client agency in lean approaches to successfully implement strategies that redefine the manner in which the client agency operates.
- Conduct pre-work events that result in the identification of project scopes, charter development, team selection, and objectives, goals, metrics and data compilation.
- Identify specific benefits, savings, and process improvements for each initiative.
- Provide training for client agency managers, lean leaders and staff.
- Conduct and implement lean activities and exercises.
- Perform follow-up sessions with client agency lean leaders, implementation teams, and agency staff.

Item 6 of the contract award states: “The contract shall bind the contractor to furnish and deliver the Goods or Services in accordance with Exhibit A and at the prices set forth in Exhibit B.”

Exhibit B provides for specific services to be provided by quantity and unit price. Item #1, the initial consultation, is no charge. Item #2 is for bundled packages. There are two bundled packages, the standard package and the platinum package. The standard package, which includes the “initial meeting with client agency, one executive training on site (half day), one kaizen event (5 days) and one follow up session (4 hours),” is \$12,400. The platinum

package includes the standard package items plus a 10-day jumpstart program at the price of \$32,500. Item #3 is for hourly rate services. Under lean services-professional consulting is the following price structure:

- Management oversight Quantity 1 @ \$2,200
- Executive training on site (half day) 1 @ \$1,500
- Executive training one site (half day) 1 @ \$1,400
- Management staff training on site 1 @ \$2,200
- Management staff training/classroom \$150 per person
- Lean facilitation 1 @ \$2,000
- Lean implementation 1 @ \$2,000
- Lean sustainment 1 @ \$2,000
- Project coaching 1 @ \$1,400
- Jumpstart program (10 days) 1 @ \$2,300
- Agency Visioning 1 @ \$2,300
- Agency Strategic Plan 1 @ \$2,300

*Condition:*

Lean Vision Development and Financial Reporting Assessment Project – Initial Statement of Work (aka Phase 1):

STATEMENT OF WORK:

Our review of the vendor’s statement of work showed that it is not completely in line with the intent of the DAS Lean Contract. Lean is process oriented, while the statement of work is geared towards organizational structure redesign and high-level organizational changes within DDS. As an example, the DAS Contract Award provides for “One (1) Kaizen event (5 days)” and is to include event materials; the list of deliverables in the statement of work makes no mention of such an event, and we did not observe or find evidence that such an event was held. The statement of work lists deliverables such as a “Lean-driven Organizational Design,” and a “Lean Vision Story.” While the contract award provides for “Agency Visioning” as an additional service, the “Lean Vision Story” encompasses high-level changes such as “Organizational Structure, Team, Work Processes (in the aggregate), Management System, Technological Capacity, Communications Infrastructure, and Best Practices”.

BILLING AND DELIVERABLES:

Our review of the associated billing showed that the vendor billed the agency for a Lean Vision Development and Financial Reporting Assessment Project. The invoice dated May 13, 2015 is

for \$127,500, reflecting the vendor's total pricing amount. The price schedule for the DAS Lean Contract lists services such as initial consultation, bundled packages, hourly rate services, and additional services. The deliverable billed for does not coincide with the deliverables in the DAS Lean Contract or the detailed deliverables in the vendor's statement of work.

We obtained copies of the deliverables received, and noted that they closely match the deliverables in the vendor's statement of work, but many do not match the deliverables in the DAS Lean Contract.

Most of the deliverables were also published on the DDS website, but two were not as the agency stated they were in draft form. We suggested that they be finalized and published as a public record since the agency has already paid for the services.

#### **BILLING FORMAT, PRICING & PAYMENT IN FULL FOR UNFINISHED WORK:**

Our review of the associated billing also showed that they did not follow the billing format required by the DAS Lean Contract. The invoices failed to itemize the deliverables received. The invoice submitted by the vendor and paid by DDS does not document the goods or services furnished and delivered in accordance with Exhibit A, or the prices set forth in Exhibit B. As a result, there is no way to tell from the supporting documentation that the services received and prices paid complied with the contract requirements.

We also noted that the agency paid the vendor's total pricing amount in full as a lump sum payment, even though two deliverables were still in draft form.

#### Lean Vision Development and Financial Reporting Assessment Project – Phase 2:

##### **STATEMENT OF WORK**

Our review of the vendor's second statement of work showed that the statement of work is not completely in line with the intent of the DAS Lean Contract. Our concerns expressed above also carry over to Phase 2.

Additionally, in the first statement of work, the vendor states: "To gain your business, we are willing to work this engagement as a fixed priced project." They also state, "This engagement will also

be executed so as to maximize transferability of skills and knowledge needed to manage and execute the resulting recommendations.”

This seems to suggest that, upon completion of the work in the first statement of work, DDS staff would be able to take the deliverables and use them to “execute the resulting recommendations” independent of further assistance from outside parties (the vendor). It should also be noted that the title of the initial statement of work did not indicate that it was part of multiple phases, i.e. Phase 1.

However, DDS engaged the vendor a second time. The objective cited in the second statement of work is “To assist the Agency in the continuation of its Lean program by providing Lean management oversight and strategic planning services that are consistent with the implementation of the: Lean Vision Story recommendations; Lean-driven Agency redesign recommendations; Lean Financial Reporting recommendations.”

The approach cited in the second statement of work is “the vendor will provide the management consultants needed to plan and oversee the implementation of the Lean-based recommendations crafted during the Agency’s initial Lean program.”

While the contract award provides for hourly rate services such as “Management Oversight” as an additional service, the need for an additional “100 person days of Lean Management Oversight and Strategic Planning Services support” at a cost of \$200,000 is in conflict with the outcomes promised in Phase 1.

#### **BILLING AND DELIVERABLES**

Our review of the associated billings showed that the vendor billed the agency for “Professional fees”. The price schedule for the DAS Lean Contract lists hourly rate services such as management oversight, executive training on site, Lean facilitation, Lean implementation etc. The deliverables billed for do not coincide with the deliverables in the DAS Lean Contract or the detailed deliverables in the vendor’s statement of work.

We obtained copies of the two deliverables received and noted that they closely match the deliverables in the vendor’s statement of work, but one does not match the deliverables in the DAS Lean Contract.

Two of the deliverables have not been received. Based on their description they closely match the deliverables in the vendor's statement of work. However, one does not match the deliverables in the DAS Lean Contract.

#### BILLING FORMAT, PRICING & PAYMENT IN FULL FOR UNFINISHED WORK

Our review of the associated billings also showed that they did not follow the billing format required by the DAS Lean Contract. The invoices fail to itemize the deliverables received. The invoices submitted by the vendor and paid by DDS do not document the goods or services furnished and delivered in accordance with Exhibit A, or the prices set forth in Exhibit B. There is a lack of supporting documentation to confirm that the services received and prices paid complied with the contract requirements.

We also noted that the agency paid the entire \$200,000 for Phase 2, even though two deliverables were still pending.

#### Services in Support of Agency-wide Lean-Driven Transformation (aka Phase 3)

##### BACKGROUND – PHASE 3

We became aware that the commissioner wanted to retain the vendor to continue the work started in Phase 2, and for additional work involving an IT project.

##### CONDITION – PHASE 3

##### STATEMENT OF WORK

- Our review of the vendor's third statement of work showed that DDS is not in line with the intent of the DAS Lean Contract.
- DDS' repeated use of the Lean Contract for Professional Services circumvents the bidding process as required by the CGS.
- The amount for Phase 3 is an additional \$200,000. When combined with the amounts expended for Phase 1 and Phase 2, DDS has exceeded the DAS total contract award value of \$400,000 by \$127,500.

- We later learned that Phase 3 had been put on hold. We ran a payment history and determined that no payments had been made towards Phase 3.
- Lastly, we reviewed a deliverable from the vendor entitled HCBS Architecture Alternatives dated November 20, 2015. It has the vendor Consulting on the cover page, and has a *2015 Copyright, All Rights Reserved; Do not duplicate* statement from the vendor in the footer.

It should be noted that we have reviewed a page from an original Oracle document provided to DDS dated July 18, 2014, and copyrighted by Oracle. We are uncertain whether permission was obtained from Oracle to duplicate it, but question how much DDS paid for the deliverable that was essentially the same as Oracle's.

*Effect:*

There are multiple effects to this condition, involving both the procurement and the implementation of the services purchased.

The agency received strategic planning, management oversight, and organizational design work without going out to bid, executing a PSA, or obtaining the required approvals from the AG and OPM.

Our review of the scope of the work performed indicates that this contract award was used in a way for which it was not intended. Contract awards are to be used for the procurement of very specific goods and services that should agree precisely with the terms of the contract award. This is especially important when procuring personal services that are not tangible. Otherwise, the intent of the contract award, which is to allow agencies to procure goods and services without having to go out to bid, is defeated. In this case, we believe the department should have sought bids for the work that was performed. By not having gone out to bid, there is no assurance that the department received the lowest price for these services from a qualified vendor.

Our review of the services provided in Phase 2 of this agreement appears to have been a continuation of the work in Phase 1. Phase 1 was contracted for as a fixed-priced project.

Our review of Phase 3 of the agreement indicates the nature of the services to be provided are information technology consulting-related and should not be performed under a contract award for Lean process services.

*Cause:* It is not completely clear as to the cause; however, it would appear that agency employees with longstanding institutional knowledge of DDS and the state’s purchasing laws and regulations might not have been consulted.

*Recommendation:* The Department of Developmental Services should use the correct procurement method when purchasing goods or services. When purchasing services under a DAS contract award, DDS should adhere to the terms of the contract award pertaining to the specific goods and services, contract prices, and payment terms as strictly specified in the price schedule.

As it pertains to Phase 3 of the agreement (already signed by both parties), DDS should seek guidance from the Department of Administrative Services, Office of Policy and Management, and Office of the Attorney General, on how best to proceed with this agreement.

When seeking to obtain personal services for which there is not a specific DAS contract award, DDS should follow the requirements of Chapter 55a of the General Statutes. In addition, the Department should specifically follow Section 4-216 subsection (a) as it relates to competitive bids. (See Recommendation 14).

*Agency Response:* “The agency disagrees with this finding, although agrees with a technicality cited. The agency did use the proper open state contract to procure the goods/services. The services specified in each statement of work are clearly itemized in Exhibit B of the contract for Professional Services–Strategic Business Consulting/Facilitating for Lean Government Methodologies and Services.

The department agrees that, technically, the Phase I agreement payment terms were incorrect, as the total price exceeded the “fixed-price” bundle package amount detailed in Exhibit B, and could have been billed hourly. The agency and contractor, however, corrected this payment issue. The bundle approach was used in order to purchase a bulk of hours at a discounted rate. However, the agency did rectify this in Phase II, moving to an hourly agreement/billing structure.

As it pertains to phase III of the agreement, it has already been suspended due to agency fiscal constraints.

The agency disagrees with the finding regarding “When seeking to obtain personal services for which there is not a specific DAS

contract award”. The agency does, indeed, follow the statutory process for competitive bids when following the PSA procedure. In this instance, the services purchased were well within the scope of the existing DAS contract for Professional Services – Strategic Business Consulting/Facilitating for Lean Government Methodologies and Services. Therefore, the agency followed the separate process for procuring services under an existing state contract.”

*Auditors’ Concluding  
Comment:*

The incorrect payment terms used in Phase 1 of the contract cannot be legitimately described as a technicality. Strict adherence to the price schedules in a contract award provides stronger evidence that the work performed was allowed by the contract award. We reiterate our opinion that much of the work performed was not inline with the intent of the DAS contract award used and that the work performed should have been procured more appropriately through a bidding process and in the contractual form of a personal service agreement.

## RECOMMENDATIONS

Our prior report on the Department of Developmental Services covered the fiscal years ended June 30, 2010 and 2011, and contained six recommendations.

Status of Prior Audit Recommendations:

- **The Department of Developmental Services should use the standard Office of Policy and Management POS agreement form when contracting with residential schools. The daily rates used in contracts should be formally approved for use in the contracts through the publication of an official rate sheet. Providers should be required to submit attendance records to support payment for services rendered.** This recommendation is being repeated. (See Recommendation 1.)
- **The Department of Developmental Services should improve controls over the awarding, disbursement, and monitoring of the Individual and Family Support grant funds. Consideration should be given to making this program a central office program to better ensure the level of compliance across the three regions. Noncompliance with grant funds should result in action to recover funds spent that were misspent or lacked proper support documentation. Repeated misuse or other material non-compliance with program rules should result in a denial of future grant funds.** This recommendation is being repeated. (See Recommendation 2.)
- **The Department of Developmental Services should promulgate regulations for the Division of Autism Spectrum Services in accordance with Section 17a-215c subsection (b) of the General Statutes.** This recommendation is being repeated. (See Recommendation 3.)
- **The Department of Developmental Services, in conjunction with the Office of Protection and Advocacy, should update the interagency agreement to reflect any changes or revisions required since the last agreement was updated in June 2008. The standard private provider contract language pertaining to abuse/neglect investigations should include a timeframe for completion in accordance with agency policy and procedures (presently 75 days). Consideration should be given for an internal review of the procedures and practices of the regions and their relationship to DOI to better establish the reporting relationships and standardize the practices in the conduct of abuse investigations.** This recommendation is being repeated in revised form. (See Recommendation 12.)
- **The Department of Developmental Services should provide adequate resources to reduce the backlog of pending abuse or neglect cases referred for possible inclusion on the Abuse and Neglect Registry. Once the backlog is eliminated, any new cases should be kept to a reasonable timeframe for closure. The Department of Developmental Services should comply with Section 17a-247e-8(b) of the Regulations of Connecticut State Agencies and notify employees within 45 days following notification by the employer, of the date, time and location of a hearing to**

**determine whether an employee's name should be placed on the registry. If the 45-day requirement is not feasible, and it appears it is not, the department should seek revision of the regulations to a more reasonable timeframe.** This recommendation is not being repeated. The Department has made timely and substantial progress in implementing this recommendation. Crucial to implementation was the department's ability to obtain the necessary personnel resources needed to deal with the volume of pending cases and the timeframes required to adjudicate them. The number of outstanding pending registry cases was down to 47 as of December 2015. 286 names have been added to the registry during the period July 2014 to December 2015. The 45-day notification requirement appears to be met as well.

- **The Department of Developmental Services should comply with Management Personnel Policy 06-02. DDS should only grant compensatory time for extra time worked that is significant in terms of total and duration and completed at an approved work location. Also, compensatory time should not be granted to employees for omitting lunch hours or other changes that do not extend the manager's normal workday.** This recommendation is being repeated. (See Recommendation 5.)

*Current Audit Recommendations:*

1. **The Department of Developmental Services should use the standard Office of Policy and Management purchase of services agreement form when contracting with residential treatment facilities and schools. Management should approve the daily rates used in contracts through the publication of an official rate sheet. Evidence of attendance should be obtained to support the payments. The department should comply with the competitive procurement statutes or seek a waiver from the Secretary of OPM. The department should comply with all policies and procedures pertaining to purchase of services agreements.**

Comment:

During the fiscal years ended June 30, 2012 and 2013, DDS entered into agreements with residential treatment facilities and schools totaling \$17,292,621 and \$15,469,539, respectively. Most of these residential treatment facilities and schools are located outside of Connecticut, and meet the definition of a private provider organization. These contracts are in the form of a DDS-produced agreement to provide care, a simple two-page document that does not contain the same contract language as the standard purchase of services (POS) contract. We found other conditions with the agreement to provide care contracts: These rates are not being officially approved by management for inclusion in the contracts. Attendance records are not received to support the payment of services. The department is not in compliance with Subsection (e) of Section 4-70b subsection (e) the General Statutes requiring a competitive procurement process or waiver from OPM from such requirements. DDS is not in compliance with subsection (d) of Section 4-70b of the General Statutes requiring agencies to comply with the policies and procedures established under this statute.

- 2. The Department of Developmental Services should improve controls over the monitoring of individual and family grant program funds. Noncompliance with grant fund requirements should result in action to recover funds that were misspent or lacked proper supporting documentation. Misuse or other material noncompliance with program rules should result in a denial of future grant funds.**

Comment:

We reviewed the DDS Office of Internal Audit reviews of this program for the fiscal year ended June 30, 2014. While the internal audit noted improvement with the requirements of the program during fiscal year 2013-2014, it also noted continued issues with the lack of adequate supporting documentation and failure to submit required expense reports.

- 3. The Department of Developmental Services should promulgate regulations for the Division of Autism Spectrum Disorder Services in accordance with Section 17a-215c subsection (b) of the General Statutes.**

Comment:

Before promulgating regulations for this program, the department was waiting for the approval of a Medicaid waiver (approved at the beginning of calendar year 2013), and the publication of a feasibility study (released in March 2013). However, at the time of our fieldwork, regulations for the Autism Program had not been promulgated.

- 4. The Department of Developmental Services internal audit unit should be organized independently of the rate-setting function or any other line function of the department.**

Comment:

The internal audit and rate-setting units were merged several years ago upon the retirement of the rate-setting director.

- 5. The Department of Developmental Services should comply with Management Personnel Policy 06-02. DDS should only grant compensatory time for extra time worked that is significant in terms of total and duration.**

Comment:

There was a failure on the part of DDS to enforce these provisions of MPP 06-02.

- 6. The Birth-to-Three Program should work with its billing agent to correct any errors in the monthly accounts receivables report to determine the true outstanding receivables balance. Once this has been done, the program should continue to monitor these reports to determine whether they correctly reflect the receivable fees due to the program.**

Comment:

The billing contractor is not providing accurate information on accounts receivables in violation of its contractual obligations.

- 7. The Department of Developmental Services should strengthen internal controls over the recording and reporting of its inventory to ensure accuracy and completeness.**

Comment:

Our review of the CO-59 Fixed Assets/Property Inventory Reports for the fiscal years ended June 30, 2012 and 2013, disclosed the following: For fiscal year 2011-2012 equipment reported on the CO-59 was understated by \$2,398, for fiscal year 2012-2013 buildings reported on the CO-59 were understated by \$1,989, and for fiscal year 2012-2013 buildings recorded in Core-CT were overstated by \$232,345.

- 8. The Department of Developmental Services (North Region) business office should strengthen internal controls to ensure that unspent client fund disbursements are returned within the required 10 calendar days.**

Comment:

Of the 15 disbursements reviewed, 6 (40%) had unused funds totaling \$136 that were returned to the business office for deposit later than the required 10 calendar days. These were received in the business office between 2 and 49 days late.

- 9. The Department of Developmental Services should comply with state personnel regulations when placing employees on administrative leave with pay.**

Comment:

We reviewed the department's use of administrative leave with pay for the period of July 1, 2011 through March 14, 2016. As of March 14, 2016, 27 employees had been on administrative leave with pay for more than 480 hours. One employee has been out on administrative leave with pay since August 2014, for a total of 2,758 hours. The remaining 26 employees have been out on administrative leave with pay for hours ranging between 490 and 1,568, and an additional 58 employees have been out for more than 120 hours, ranging from 122 to 471 hours.

- 10. The Department of Developmental Services should conduct a comprehensive review of all out-of-state placements. The department should exhaust all available means to bring these consumers back to Connecticut and place them into a person-driven, long-term support system closer to their families and support network, and into a covered or waived service. Parents or legal guardians should be advised that if an in-state option is available and the family refuses that option, then they have the right to independently fund their child in the out-of-state facility and funding will no longer be the responsibility of the department.**

Comment:

The Agreement to Provide Services contracts for out-of-state placements totaled \$14,307,198, \$12,523,271, \$11,510,852, \$12,114,627 and \$12,055,994 in fiscal years 2012, 2013, 2014, 2015, and 2016, respectively. Because all of these placements are situated outside the State of Connecticut, the expenditures on these contracts do not qualify for Medicaid reimbursement, generally equal to 50% of eligible expenditures.

- 11. The Department of Developmental Services should establish a standing manual committee comprised of representatives from each region and the central office, and that committee should include subject matter experts as needed.**

**The committee should review and update existing policies and procedures. They should also review them as often as necessary to address changes in federal and state laws, regulations and policies.**

**The committee should establish a formal process whereby the draft revisions are returned to the committee after editing, reviewed by the committee for accuracy, and then submitted to the commissioner for final approval. The entire DDS Manual should be made accessible via the internet and intranet.**

Comment:

For the Service Delivery section of the manual, we noted that since 2011, only 18 of over 124 policies and procedures were issued or revised. We also noted that almost half of the policies and procedures in this section have not been updated since they were first issued, with some dating as far back as 2002. For the Administration section, we noted that since 2011, only 10 of over 65 policies and procedures were issued or revised. Major fiscal areas such as business, engineering and budget lack policies, and only contain a designation of *reserved for future use*. We also noted that almost 2/3 of the policies and procedures in this part have not been updated since they were first issued, with some dating as far back as 2001. Unlike the Service Delivery section of the manual, the Administration section of the manual is not accessible through the internet. For both sections of the manual, as further evidence of the lack of merely a cursory review of sections of the DDS Manual, about half of the policies and procedures still refer to the agency as the Department of Mental Retardation despite Public Act 07-73 effective October 1, 2007, which changed the agency's name to the Department of Developmental

Services. We also noted instances in which there are procedures without the corresponding policy.

- 12. The Department of Developmental Services should continue to review old abuse and neglect cases to determine their status, take appropriate action, modernize and consolidate its abuse and neglect database information systems, and strengthen its internal organization and processes to ensure investigations are completed within the timeframes established by the memorandum of understanding and departmental policy.**

Comment:

As of December 2015, the Department reported the following number of open cases by agency type: Agency 1: 380, Agency 2: 194, Agency 3: 51. In addition to the above cases, as of December 2015, DDS' database contains 273 cases designated as Department of Public Health and 51 cases designated as Department of Children and Families. Agency 1 refers to the primary investigating entity, which could be DDS, a private provider, a local police department, the State Police, or other state agency. Agency 2 refers to the secondary investigating or monitoring entity. Agency 3 refers to cases for which the department has received an intake and passed it on to another state agency for investigation. A fundamental problem is the inadequacies of the case database systems used by the department. The system does not produce timely and adequate reports for decision making, such as a monthly aging report of outstanding cases. As it pertains to the investigations for which DDS is directly responsible (the Agency 1 cases), 77 investigations (20%), are public provider, and 303 (80%) are private provider investigations. Fifty-three public investigations (69%) are older than 90 days. Of the 303 private provider investigations, 90 (30%) are older than 90 days.

- 13. The Department of Developmental Services should review its procedures for Medicaid billings to provide reasonable assurance that all legitimate billings are submitted timely. Procedures should be in place to review all held billings to determine the reasons they were not submitted, and timely corrective action taken to fix billing errors. The Department of Developmental Services should inquire as to whether these older held billings can still be corrected and submitted for federal reimbursement.**

Comment:

Medicaid billings for 200 providers, totaling \$37,101,263 (\$10,363,185 for Day Services and \$26,738,078 for Residential Services) covering the period of January 1, 2014 to January 1, 2015) were erroneously held and not submitted for reimbursement under the Medicaid program within the 12-month requirement. Also, we became aware of the existence of additional held billings that still reside in the billing system but were never released for reimbursement. Through our analysis of this spreadsheet, we found that less than 10% of the lines had a Medicaid procedure code associated with them. Specifically, we looked at three Medicaid procedure codes and their respective service rates: 9764Z

(residential) at \$326/day, and T2018 and T2020 (both day programs) at \$124/day each. Service rate 9764Z appeared in about 7% of the known procedure codes in this worksheet, T2018 in about 6%, and T2010 in a little under 5%. Extrapolating the frequency of these three procedure codes to the lines without procedure codes, by the above percentages, yields an estimated value of \$30,400,500 for just those three codes.

- 14. The Department of Developmental Services should use the correct procurement method when purchasing goods or services. When purchasing services under a DAS contract award, DDS should adhere to the terms of the contract award pertaining to the specific goods and services, contract prices, and payment terms as strictly specified in the price schedule.**

**As it pertains to Phase 3 of the agreement (already signed by both parties), DDS should seek guidance from the Department of Administrative Services, Office of Policy and Management and the Office of the Attorney General, on how best to proceed with this agreement.**

**When seeking to obtain personal services for which there is not a specific DAS contract award, DDS should follow the requirements of Chapter 55a of the General Statutes. In addition, the department should specifically follow Section 4-216 subsection (a) as it relates to competitive bids.**

Comment:

We found numerous issues with the way this contract award was used. Our review showed the statement of work was not completely in line with the intent of the DAS Lean contract award. We found that deliverables billed did not match the deliverables in the contract award, some deliverables were still in draft form after having been paid for, and billings did not follow the format of the contract award. We found other inconsistencies in the way this contract award was administered.

**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 J. Kane  
Auditor of Public Accounts