

# STATE OF CONNECTICUT

**AUDITORS' REPORT  
OFFICE OF HEALTH CARE ACCESS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 and 2003**

**AUDITORS OF PUBLIC ACCOUNTS  
KEVIN P. JOHNSTON ♦ ROBERT G. JAEKLE**

**Table of Contents**

---

**INTRODUCTION.....1**

**COMMENTS.....1**

**FOREWORD.....1**

**RESUME OF OPERATIONS .....2**

**General Fund Revenues and Receipts .....2**

**General Fund Expenditures.....3**

**Special Revenue Fund Expenditures-Capital Equipment Purchase Fund.....4**

**CONDITION OF RECORDS.....5**

**Internal Controls over Cash Receipts/Timeliness of Deposits.....5**

**Calculation of Total Operating Costs for Hospital Assessments.....6**

**Other Matters.....7**

**RECOMMENDATIONS.....8**

**INDEPENDENT AUDITORS’ CERTIFICATION .....10**

**CONCLUSION .....12**

May 19, 2004

**AUDITORS' REPORT  
OFFICE OF HEALTH CARE ACCESS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 and 2003**

We have examined the financial records of the Office of Health Care Access (hereafter, OHCA) for the fiscal years ended June 30, 2002 and 2003. This report on that examination consists of the Comments, Recommendations and Certification, which follow.

Financial statements pertaining to the operations and activities of the Office of Health Care Access are presented on a Statewide Single Audit basis to include all State agencies. This audit examination has been limited to assessing OHCA's compliance with certain provisions of laws, regulations, and contracts, and evaluating OHCA's internal control policies and procedures established to ensure such compliance. Under Section 19a-612a of the General Statutes, the Office of Health Care Access operates within the Department of Public Health for administrative purposes only.

**COMMENTS**

**FOREWORD:**

The Office of Health Care Access operates primarily under the provisions of Title 19a, Chapter 368z, of the General Statutes. The duties and responsibilities of OHCA are described in Section 19a-613 of the General Statutes, as follows:

- Collecting patient-level outpatient data from health care facilities or institutions;
- Establishing a cooperative data collection effort, across public and private sectors, to assure that adequate health care personnel demographics are readily available;
- Oversee and coordinate health system planning for the state;
- Monitor health care costs;
- Implement and oversee health care reform as enacted by the General Assembly;

- Monitor graduate medical education and its sources of funding; and
- Create an advisory council to advise the Commissioner on graduate medical education.

Other Sections within Chapter 368z provide for certain regulatory powers, most notably, rate-setting and approvals for certain capital expenditures of health care facilities and institutions. Such health care facilities and institutions submit “Certificate of Need” requests that must be approved by OHCA prior to execution. A change in ownership or control, or a change in function or service, must also be approved through the “Certificate of Need” process.

As prescribed within Section 19a-612 of the General Statutes, “The powers of the office shall be vested in and exercised by a commissioner who shall be appointed by the Governor...”. Raymond J. Gorman served as Commissioner of the Office of Health Care Access until June, 2002. Mary M. Heffernan served as Commissioner from January 2003 until her resignation effective December 1, 2003. Cristine A. Vogel was appointed Commissioner on January 2, 2004.

## **RÉSUMÉ OF OPERATIONS:**

### **General Fund Revenues and Receipts:**

General Fund revenues and other receipts of OHCA totaled \$5,301,784 for the 2001-2002 fiscal year and \$3,785,566 for the 2002-2003 fiscal year, respectively, as compared to \$4,024,734 for the 2000-2001 fiscal year. A comparative summary of General Fund receipts is presented below:

	<b><u>Fiscal Year Ended June 30,</u></b>		
	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>
Revenues:			
Expenses recovered from hospitals	\$3,492,381	\$4,461,046	\$3,566,077
Federal grant receivables	110,030	441,718	-0-
Certificate of need filing fees	104,745	219,930	139,380
Miscellaneous	<u>12,984</u>	<u>11,669</u>	<u>16,849</u>
Total Revenues	3,720,140	5,134,363	3,722,306
Refunds of expenditures	2,135	2,958	733
Restricted contributions-appropriated	<u>63,291</u>	<u>164,463</u>	<u>301,695</u>
<b>Total Receipts</b>	<b><u>\$3,785,566</u></b>	<b><u>\$5,301,784</u></b>	<b><u>\$4,024,734</u></b>

The major source of revenue is the recovery of OHCA’s costs from hospitals as mandated under Section 19a-631, subsection (b), of the General Statutes. Said Section permits the recovery of OHCA’s actual costs during each fiscal year, including the cost of fringe benefits, the amount of central State services attributable to OHCA, and expenditures made on behalf of OHCA from the Capital Equipment Purchase Fund. Hospitals are assessed for a portion of the

costs in relation to each hospital's net revenue as compared to the total net revenue of all hospitals.

**General Fund Expenditures:**

General Fund expenditures of the Office of Health Care Access totaled \$2,431,995 and \$3,133,550 for the 2002-2003 and 2001-2002 fiscal years, respectively, as compared to \$3,493,843 for the 2000-2001 fiscal year. A comparative summary of General Fund expenditures is presented below:

	<b><u>Fiscal Year Ended June 30,</u></b>		
	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>
Budgeted Accounts:			
Personal services	\$2,090,474	\$2,184,479	\$2,165,615
Contractual services	168,601	303,798	914,794
Commodities	19,961	55,379	57,019
Sundry charges	330	4,700	6,015
Equipment	<u>1,400</u>	<u>-0-</u>	<u>5,030</u>
Total budgeted accounts	2,280,766	2,548,356	3,148,473
Restricted accounts	<u>151,229</u>	<u>585,194</u>	<u>345,730</u>
<b>Total Expenditures</b>	<b><u>\$2,431,995</u></b>	<b><u>\$3,133,550</u></b>	<b><u>\$3,493,843</u></b>

Personal services expenditures decreased due to the State's early retirement incentive program and layoffs. OHCA had 31 filled and 4 vacant personnel positions at June 30, 2003, as compared to 36 filled and 16 vacant positions at June 30, 2001. In addition, contractual services decreased due to reductions in the use of outside consultants as a result of the completion of a legislatively-mandated study of the health of the State hospital system.

As discussed previously, OHCA recovers its normal operating expenses from the regulated hospitals. More specifically, Section 19a-631 of the General Statutes authorizes OHCA to recover actual expenditures made during each fiscal year, including the cost of fringe benefits for OHCA personnel, the amount of expenses for central State services attributable to OHCA, and the expenditures made on behalf of OHCA from the Capital Equipment Purchase Fund. An analysis of the amounts recovered from the hospitals and the amounts due from the hospitals at fiscal year-end, follows:

	<b><u>Fiscal Year Ended June 30,</u></b>		
	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>
Expenditures to be recovered:	<u>\$2,280,766</u>	<u>\$2,548,356</u>	<u>\$ 3,148,473</u>
Fringe benefits	836,155	910,098	782,347
Central State services	120,873	301,367	138,269
Capital Equipment Purchase Fund expenditures	19,935	7,510	24,427
Excess-assessments over actual expenditures	<u>(214,588)</u>	<u>(311,793)</u>	<u>(408,896)</u>
Total base- recovered expenditures	3,472,317	4,079,124	3,684,620
Amounts receivable, beginning of year	<u>171,299</u>	<u>553,221</u>	<u>413,678</u>
Total due	3,643,616	4,632,345	4,098,298

Assessments received from hospitals	<u>3,492,381</u>	<u>4,461,046</u>	<u>3,545,077</u>
<b>Amounts receivable, end of year</b>	<b><u>\$ 151,235</u></b>	<b><u>\$ 171,299</u></b>	<b><u>\$ 553,221</u></b>

The amount presented as “Excess - assessments over actual expenditures” is due to the practice of calculating annual assessments based on “anticipated expenditures”. An adjustment is made subsequent to the end of each fiscal year to either add amounts due from the hospitals, or to credit amounts owed to the hospitals. Also included in that category are penalties and late charges. These are charges levied against individual hospitals if payment is not received on time.

**Special Revenue Fund Expenditures – Capital Equipment Purchase Fund:**

Special Revenue Fund expenditures for equipment purchased by OHCA through the Capital Equipment Purchase Fund, totaled \$27,445 during the audited period.

## CONDITION OF RECORDS

Our examination of the records of the Office of Health Care Access disclosed the following conditions:

### **Internal Controls over Cash Receipts / Timeliness of Deposits:**

*Criteria:* The State Comptroller's State Accounting Manual requires the periodic preparation, where feasible, of accountability reports and reconciliations of accounts receivable trial balances to compare the moneys that were actually recorded with the moneys that should have been accounted for.

Section 4-32 of the General Statutes generally requires that any State agency receiving money or revenue for the State amounting to five hundred dollars or more, must deposit it within 24 hours of receipt.

*Condition:* Our prior audit noted delays of up to five days in the deposit of cash receipts. During our current review, we sampled 20 checks valued at \$523,843, representing payments of hospital assessments. Five of these checks, valued at \$155,931, were deposited one or two days late. A number of smaller checks received on the same days were also delayed. This represents an improvement over the previously cited conditions, but indicates opportunities for further enhancement.

During each of the two years under review, the Office of Health Care Access received approximately 90 percent of its total revenue as recoveries from hospitals. However, OHCA does not prepare periodic accountability reports and accounts receivable trial balances for its primary revenue source.

*Effect:* The failure to deposit receipts in a timely fashion reduces the State Treasurer's opportunity to invest idle money, increases the risk that items awaiting deposit may be misplaced, and represents non-compliance with State law. The lack of accountability reports presents an increased risk that amounts due will go uncollected for inordinate lengths of time without being detected.

*Cause:* A lack of administrative control contributed to this condition.

*Recommendation:* The Office of Health Care Access should take steps to improve internal controls over cash receipts by preparing accountability reports and ensuring timely deposits as required by Section 4-32 of the General Statutes. (See Recommendation 1.)

*Agency Response:* “The Agency shall institute new procedures to ensure the timeliness of deposits as required by Section 4-32 of the General Statutes and shall prepare accountability reports with regard to the hospital assessments. Accounts receivables are reconciled to the State Comptroller.”

**Calculation of Total Operating Costs for Hospital Assessments:**

*Criteria:* In accordance with Section 19a-612a of the General Statutes, the Office of Health Care Access is within the Department of Public Health for administrative purposes only. As a result, the two agencies have entered into a Memorandum of Understanding describing the services to be provided by the Department of Public Health.

Section 19a-631, subsection (b), of the General Statutes specifies the costs that the Office of Health Care Access may include when calculating annual hospital assessments. These costs include those incurred directly by OHCA, as well as allocated central service costs.

In accordance with Section 4-70e of the General Statutes, the executive financial officer of the Office of Policy and Management (OPM) is charged with responsibility for the review of agencies’ financial staffing needs, along with the review of agencies’ financial systems and operations.

*Condition:* The Memorandum of Understanding does not approximate the cost to be charged or allocated to OHCA. Since OHCA is not charged directly for the services, and they are not provided through a central service agency, it is not clear if these costs meet the statutory definition of those expenses that OHCA can assess against the hospitals. The OHCA budget would have to be modified in order to absorb the direct billing of these costs by the Department of Public Health.

In its oversight role as delineated by Section 4-70e, the Office of Policy and Management is positioned to evaluate the options available to recoup these costs. OHCA has submitted proposed legislation to OPM to repeal the provisions of 19a-631.

*Effect:* The State is incurring an undetermined expense that is not being recouped through the hospital assessments.

- Cause:* The Office of Health Care Access has apparently never considered the potential to recover these costs.
- Recommendation:* The Office of Health Care Access should consult with the Office of Policy and Management to determine the optimum methodology for determining the total administrative costs and attempting to include those costs in hospital assessments. (See Recommendation 2.)
- Agency Response:* “The Office of Health Care Access shall consult with the Office of Policy and Management regarding the Agency’s administrative function and associated costs.”

**Other Matters:**

As mentioned above, the previous Commissioner of Health Care Access tendered her resignation on November 5, 2003, with an effective date of the close of business on December 1, 2003. During the course of our review, we became aware that the Commissioner left State service immediately but continued to collect her regular salary as if she had worked. As a result, she received approximately \$8,808 in wages, in addition to being allowed to accrue 10 hours of vacation time for the month of November, without showing up for work. Staff of the Office of Health Care Access informed us that an agreement had been reached with the Governor’s Office to leave the employee on the payroll through the end of the month for insurance purposes. However, OHCA was unable to provide documentation authorizing the separation arrangement.

The Auditors of Public Accounts’ 2003 Annual Report to the General Assembly, as well as a January 2001 Performance Audit, has criticized similar arrangements because the State lacks a policy granting Agencies the authority to make such settlement arrangements.

## RECOMMENDATIONS

Our prior report on the fiscal years ended June 30, 2000 and 2001, contained five recommendations. The status of those recommendations is presented below:

*Status of Prior Audit Recommendation:*

- The Office of Health Care Access should take steps to improve controls over cash receipts and ensure timely deposits as required by Section 4-32 of the General Statutes. Progress has been made in addressing these deficiencies, but we are repeating the recommendation. (See Recommendation 1.)
- Procedures should be enhanced to ensure that hospital assessments are made using accurate data. This recommendation has been resolved.
- Penalty and interest charges on late payments should be calculated in accordance with statutory provisions. This recommendation has been resolved.
- Steps should be taken to ensure contractors are engaged in accordance with the Code of Ethics for Public Officials. This recommendation has been resolved.
- The Office of Policy and Management should be consulted regarding the “administrative purposes only” relationship with the Department of Public Health. This recommendation has been modified to reflect current conditions. (See Recommendation 2.)

*Current Audit Recommendations:*

- 1. The Office of Health Care Access should take steps to improve internal controls over cash receipts by preparing accountability reports and ensuring timely deposits as required by Section 4-32 of the General Statutes.**

Comment:

Amounts received were not always entered into OHCA’s records, nor were the records reconciled to those of State Comptroller. Trial balances of amounts due were not reconciled to the amounts billed and received. We found 34 of 46 deposits to be between one and six days late.

- 2. The Office of Health Care Access should consult with the Office of Policy and Management to determine the optimum methodology for determining the total administrative costs and attempting to include those costs in hospital assessments.**

Comment:

The costs incurred by the Department of Public Health are not being recovered through the hospital assessments.

## INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Office of Health Care Access for the fiscal years ended June 30, 2002 and 2003. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, and contracts, and to understanding and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, and contracts applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Office of Health Care Access for the fiscal years ended June 30, 2002 and 2003 are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial-related audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Office of Health Care Access complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grants and to obtain a sufficient understanding of the internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

### **Compliance:**

Compliance with the requirements of laws, regulations, contracts and grants applicable to the Office of Health Care Access is the responsibility of the Office of Health Care Access's management.

As part of obtaining reasonable assurance about whether the Agency complied with laws, regulations, contracts, and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Agency's financial operations for the fiscal year ended June 30, 2002 and 2003, we performed tests of its compliance with certain provisions of laws, regulations, and contracts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial or less than significant instances of noncompliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

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

The management of the Office of Health Care Access is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, and contracts applicable to the Agency. In planning and performing our audit, we considered the Agency's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Agency's financial operations in order to determine our auditing procedures for the purpose of evaluating the Office of Health Care Access's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives.

Our consideration of the internal control over the Office of Health Care Access's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be material or significant weaknesses. A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, and contracts, or failure to safeguard assets that would be material in relation to the Agency's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Agency being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control that we consider to be material or significant weaknesses.

However, we noted certain matters involving the internal control over the Agency's financial operations, safeguarding of assets, and/or compliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

**CONCLUSION**

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Office of Health Care Access during the course of our examination.

Kenneth Post  
Principal Auditor

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts