

STATE OF CONNECTICUT

**AUDITORS' REPORT
DEPARTMENT OF PUBLIC HEALTH
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 2001**

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

Table of Contents

INTRODUCTION.....	1
COMMENTS.....	1
FOREWORD.....	1
Office of Health Care Access	2
Significant Legislative Changes	2
RÉSUMÉ OF OPERATIONS:	2
General Fund Revenues and Receipts	2
General Fund Expenditures.....	3
Capital Projects and Grants in Aid.....	4
PERFORMANCE EVALUATION.....	4
CONDITION OF RECORDS.....	9
EDP Disaster Recovery Planning	9
Equipment Inventory Control	10
Revenue Receipts - Laboratory Fee Schedule	11
Examining Boards and Advisory Commissions	11
Controls Over Accounts Receivable.....	14
Revenue Accountability Reports	15
Fees From Freedom of Information Requests.....	16
Awarding of Grants and Human Service Contracts	17
Data Processing Access Controls.....	18
Federal Funds.....	19
RECOMMENDATIONS.....	22
INDEPENDENT AUDITORS' CERTIFICATION.....	26
CONCLUSION	28

September 9, 2002

**AUDITORS' REPORT
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We have examined the financial records of the Department of Public Health (DPH) for the fiscal years ended June 30, 2000 and 2001. This report on that examination consists of the Comments, Recommendations and Certification which follow.

Financial statements pertaining to the operations and activities of the Department of Public Health are presented on a Statewide Single Audit basis to include all State agencies. This audit examination has been limited to assessing the Department's compliance with certain provisions of laws, regulations, contracts and grants, and evaluating the Department's internal control structure policies and procedures established to ensure such compliance.

COMMENTS

FOREWORD:

The Department of Public Health operates primarily under the provisions of Title 19a, Chapters 368a through 368l, 368r, 368v, 368x, and Title 20, Chapters 369 through 388, 393a, 395, 398, 399, 400a and 400c of the General Statutes.

During the fiscal years under review, the Agency was organized into three Bureaus (Administrative and Support Services, Community Health, and Regulatory Services) and seven Offices (Emergency Medical Services, Health Communications, Government Relations, Local Health Administration, Public Health Workforce Development, Public Health Hearing Office, and Policy, Planning and Evaluation.) The Public Health Laboratory operates under the Bureau of Administrative and Support Services.

The Commissioner of Public Health is responsible for the overall operation and administration of the Department, as well as administering State health laws and the State Public Health Code. Under the provisions of Section 19a-14 of the General Statutes, the Department is also responsible for all administrative functions relating to licensing the regulated professions.

The Department is also responsible for providing administrative support to the various Boards and Commissions presented in Section 19a-14. The duties of the various Boards and Commissions consist of assisting the Department in setting standards for the various professions, examining applicants for licensure and taking disciplinary action against any license holder who exhibits illegal, incompetent or negligent conduct.

Joxel Garcia, M.D. served as Commissioner of Public Health through the audited period. Norma D. Gyle served as Deputy Commissioner.

Office of Health Care Access:

The Office of Health Care Access (OHCA) is a separately appropriated State agency. Effective July 1, 1995, the Office was placed under the Department of Public Health for administrative purposes. Beginning with the fiscal year ended June 30, 1999, the Office of Health Care Access has been reported on under separate cover.

Significant Legislative Changes:

Public Act 00-151 of the 2000 Legislative Session, effective July 1, 2000, made significant changes affecting the Office of Emergency Medical Services within the Department of Public Health. Among these changes were:

- Requiring the Department to develop an EMS data collection system by October 1, 2001, and prepare annual reports based on this data. Funding is to be provided through the enhanced emergency 911 program funding mechanism.
- Requiring the Department to establish a system to report on appropriate quantifiable outcome measures for the State's EMS system. Annual reports on the development and analysis of the outcomes are to be submitted to the Legislature by July 1, 2002.
- Requiring each municipality to establish a local EMS plan and requiring the Office of Emergency Medical Services to develop a model local EMS plan.
- Requiring the Department to develop a plan for a pilot program for assigning primary service.
- Requiring the Department to study an expedited approval or waiver process for additional EMS vehicles and locations.

RÉSUMÉ OF OPERATIONS:

General Fund Revenues and Receipts:

General Fund revenues and other receipts of the Department totaled \$113,770,709 and \$118,005,141 for the 1999-2000 and 2000-2001 fiscal years, respectively. A summary of

General Fund receipts is presented below:

	<u>Fiscal Year</u> <u>2000-2001</u>	<u>Fiscal Year</u> <u>1999-2000</u>
Revenues:		
Licensure, registration and inspection fees	\$18,440,044	\$18,219,224
Title XIX State Survey and Medicaid funds	3,461,768	3,349,073
Fees for laboratory services	1,253,402	1,261,818
Birth, marriage and death certificates	41,959	27,248
Fines, civil penalties and court costs	302,653	224,274
Miscellaneous	19,052	41,947
Refunds of prior years expenditures	<u>468,840</u>	<u>549,234</u>
Total Revenues	23,987,718	23,672,818
Refunds of expenditures (applied to expenditures)	12,066,331	11,333,359
Restricted contributions - Appropriated	<u>81,951,092</u>	<u>78,764,532</u>
Total Receipts	<u>\$118,005,141</u>	<u>\$113,770,709</u>

The increase in receipts during the audited period is primarily attributable to the increase in restricted contributions in the form of Federal grants.

Beginning on July 1, 1998, budgetary responsibility for Title XIX State Survey and Medicaid funds was transferred to the Department of Public Health from the Department of Social Services. Such funds were appropriated to the Department for the survey and inspection of nursing facilities and intermediate care facilities. Expenditures were reported to the Department of Social Services, and matching Federal funds were drawn down and deposited as revenue of the Department of Public Health.

General Fund Expenditures:

General Fund expenditures totaled \$150,299,724 for the 2000-2001 fiscal year, as compared to \$150,683,342 for the 1999-2000 fiscal year. A comparative summary of General Fund expenditures, as compared to the previous fiscal year is presented below:

	<u>Fiscal Year</u> <u>2000-2001</u>	<u>Fiscal Year</u> <u>1999-2000</u>
Budgeted Accounts:		
Personal services	\$29,537,741	\$27,637,712
Contractual services	8,271,495	10,695,410
Commodities	8,962,765	8,904,195
Grant funds returned	-	19,697
Sundry charges	7,574,017	5,658,257
Grants-in-aid	19,748,183	18,342,711
Equipment	<u>51,289</u>	<u>797,839</u>
Total Budgeted Accounts	<u>74,145,490</u>	<u>72,055,821</u>
Restricted Accounts:		
Federal accounts	74,215,966	77,009,856

Auditors of Public Accounts

Other than Federal accounts	<u>1,938,268</u>	<u>1,617,665</u>
Total Restricted Accounts	<u>76,154,234</u>	<u>78,627,521</u>
Total Expenditures	<u>\$150,299,724</u>	<u>\$150,683,342</u>

The increase in personal services expenditures can be attributed to an increase in the number of filled positions, from 797 at June 30, 1999 to 857 at June 30, 2001. The reduction in contractual services expenditures resulted primarily from a reduction in the use of outside professional services.

The decrease in expenditures from Federal accounts was primarily due to grant reductions in the Special Supplemental Food Program for Woman, Infants and Children (CFDA #10.557). This was due to a drop in program participation and some cost-saving measures.

Capital Projects and Grants in Aid:

Special Revenue Fund expenditures, for grants-in-aid to Department of Public Health nonprofit providers and community health agencies for facility improvements, amounted to \$455,068 and \$322,224 for the fiscal years ended June 30, 2000 and 2001, respectively. Special Revenue Fund expenditures for equipment purchases and other miscellaneous expenditures totaled \$562,460 and \$1,346,588 for the respective fiscal years.

PERFORMANCE EVALUATION:

Section 2-90 of the General Statutes authorizes the Auditors of Public Accounts to perform evaluations of selected Agency operations.

Since our last audit, the Department had come under scrutiny after the discovery of undesirable conditions at a Connecticut funeral home. It became apparent that the Department had not been performing annual inspections of funeral homes as required by Section 20-222 subsection (b), of the General Statutes.

The objective of our review was to assess the progress made by the Department in performing statutory funeral home inspections, and to ascertain whether DPH was performing inspections of other licensed professionals and facilities in accordance with State laws. Inspections are important because aside from being required by law, they are often the primary means by which the Department assures the public and other licensed professionals that the licensees are operating in a manner that promotes safe and sanitary conditions as well as fair and competitive business practices. For the most part, we did not attempt to evaluate the sufficiency of those reviews.

We have reviewed the General Statutes pertaining to the Department of Public Health's responsibilities for monitoring various licensees. In addition to the mandated funeral home inspections, we chose to examine the following:

- Section 19a-426 of the General Statutes requires annual inspections of youth camps.
- Section 19a-87b of the General Statutes requires unannounced visits to at least one-third of all licensed family day care homes each year.
- Section 19a-181 of the General Statutes requires biennial inspections of all ambulances and rescue vehicles.
- Section 19a-2a of the General Statutes, in listing the Department's powers and duties, appears to denote the broadest responsibility with regard to inspections. Said Section requires inspections, "at least once each year, of all public hospitals, asylums, prisons, schools and other institutions, within available appropriations."

We performed inquiries of DPH staff and reviewed some of the processes in place to determine if inspections were being performed as required. Our observations were as follows:

Funeral Homes – Section 20-222

From September 2001 through the end of March 2002, the Department had inspected approximately 244 out of 318 (76.7 percent) funeral homes licensed in the State. At that rate, it appears that DPH is on-track to perform a complete review of all licensed funeral homes within the year. The Department's implementation of a course of action seems to be effective.

Youth Camps – Section 19a-426

During the 2000 and 2001 fiscal years, the Department appears to have inspected all of the 377 licensed youth camps during each 3-month summer season. Statutory requirements appear to have been met.

Family Day Care Homes – Section 19a-87b

Statistics provided to us by the Department indicated that during fiscal years 1999, 2000 and 2001, the Department performed unannounced visits at a minimum of 36 percent of licensed family day care homes each year. The average number of annual inspections made was approximately 1,600. Statutory requirements appear to have been met.

Ambulance and Rescue Vehicles – Section 19a-181

The Department performs biennial inspections of over 800 ambulance vehicles. While this conforms with the requirements of Section 19a-181 of the General Statutes, we noted that Regulations of Connecticut State Agencies 19a-179-18 requires annual inspections of all ambulance vehicles, in addition to unannounced inspections. The contradiction between the Statute and the corresponding Regulation was attributed to the failure of DPH to amend the Regulation after the passage of Public Act 98-195, which made the frequency of the inspections biennial. We were informed that unannounced inspections are not performed unless it is related to a complaint.

We noted that DPH does not have a process in place to perform inspections of “rescue” vehicles. Since there does not appear to be an official definition of a “rescue” vehicle, it is difficult to assess the effect of this apparent noncompliance.

Annual Inspections of Hospitals and Other Facilities – Section 19a-2a

We were informed that all hospitals are inspected at least once a year. The process used could differ, depending upon the nature of the inspection. Some inspections were the result of complaints, others the result of mandatory Federal or State reviews. The Department does not have a boilerplate process that is carried out during any hospital visit. Section 19a-2a does not specify the scope of inspections, and the Department does not have any relevant regulations in place. Therefore, the Department’s assertion that some sort of annual inspection is performed seems to be supported.

The Department does not have a program in place to perform annual reviews of “asylums, prisons, schools and other institutions”. Definitions for each of those types of facilities, as used in Section 19a-2a of the General Statutes, were not available, preventing a meaningful assessment of the number or types of facilities that were not being inspected by the Department of Public Health. DPH staff would normally only inspect such facilities in response to a complaint or a specific request.

Primary responsibility for prisons and public schools lies with the Departments of Correction and Education, respectively. However, a mechanism is not in place for DPH to be cognizant of the timing, extent or results of any such inspections. Therefore, reliance on those Departments is not necessarily a substitute for DPH doing its own reviews.

Absent additional statutory guidance and regulations, this requirement appears rather ominous. The Department has relied on the provision that such inspections be done “within available appropriations” as justification for not performing these reviews. While DPH may not have specific appropriations available for such inspections, it was not readily apparent if established appropriations could be sufficient to be redirected if the Department desired to engage in carrying out these duties. It should also be noted that evidence was not available to indicate that DPH was on record as stating that such duties were not being carried out due to insufficient appropriations.

A review of additional DPH statutes revealed that Section 19a-498 of the General Statutes provides for biennial licensure inspections of all institutions. For purposes of this requirement, Section 19a-490 defines “institution” to apparently include all licensed facilities. While the provisions for biennial inspections seem to contradict the annual provisions of 19a-2a, it is unclear whether the populations intended to be covered by each statute are identical. Licensing information available on the Department’s website indicates that the biennial renewal inspections are required.

As a result of our review, we are presenting the following recommendation:

Criteria: The Department of Public Health has various statutory requirements calling for periodic inspections of various facilities. Among them, Section 19a-181 of the General Statutes provides for the biennial inspection of “rescue vehicles” and Section 19a-2 assigns the Commissioner of Public Health the duty of annually inspecting “public hospitals, asylums, prisons, schools and other institutions, within available appropriations”. Section 19a-498, subsection (a), provides for biennial inspections of licensed institutions.

Condition: Generally, we found that the Department has processes in place to perform the mandated inspections for many of the requirements we examined. However, the Department of Public Health does not have a “rescue vehicle” inspection program in place to comply with the requirements of Section 19a-181 of the General Statutes. In addition, the Department’s regulations with regard to the frequency of such inspections conflict with the statutory provisions.

The Department’s annual inspection of public hospitals relies on the frequency of visits needed to review complaints and other reviews, rather than stemming from the provisions of 19a-2a. An annual inspection plan for “asylums, prisons, schools, and other institutions” is not in place.

Section 19a-498, subsection (a), appears to contradict some of the provisions of Section 19a-2a by requiring biennial, rather than annual, inspections of licensed institutions prior to renewal.

Effect: Statutory inspection requirements are not necessarily being adhered to. Conflicting statutory and regulatory provisions that appear to overlap create confusion and prevent assessments of compliance.

Cause: The Department of Public Health has not implemented a program for the inspection of “rescue vehicles”, nor has the term been adequately defined. Administrative oversight resulted in the failure to update the Regulations.

Regulatory definitions have not been established for “asylums” or “other institutions”. The inspection of prisons and schools has been regarded as being the responsibility of other State agencies. The Department has not regarded its available appropriations as sufficient to perform the inspections.

Recommendation: The Department of Public Health should review the requirements of Sections 19a-2a, 19a-181 and 19a-498 of the General Statutes and corresponding Regulations and take the necessary steps to reconcile the Department’s inspection procedures with the requirements. (See Recommendation 1).

Agency Response: “We agree with this finding in part. There is currently no statutory

definition of a “rescue vehicle”, nor any statutory provisions for minimum standards or required equipment for such a vehicle. Accordingly, it is not currently feasible for the Department to conduct inspections of such vehicles. The Department submitted a proposal which would repeal the statutory language concerning inspection of rescue vehicles for consideration for the 2002 legislative session, but this proposal did not move forward during the current session. The proposal will be resubmitted for consideration for the next legislative session.

The Department is currently in the process of revising regulations pertaining to emergency medical services. The inconsistency between the statute and the regulation pertaining to frequency of ambulance inspection will be rectified as part of this process.

The statutory provisions of Section 19a-2a require the Department, within available appropriations, to make an inspection, at least once each year, of all public hospitals, prisons, schools and other institutions. However, asylums no longer exist, the Departments of Correction and Education have the respective primary responsibility for prisons and schools, and hospital inspections are governed by other statutes and regulations. Therefore, the Department will seek to repeal the provisions of Section 19a-2a as they relate to inspection of institutions.”

CONDITION OF RECORDS

Our examination of the records of the Department of Public Health disclosed the following matters of concern:

Letter to the Governor:

The State Comptroller and the Commissioner of the Department of Administrative Services brought to our attention violations of established State purchasing procedures that were committed by the Department of Public Health with an Agency purchasing card. A purchase of \$5,200 was split in order to avoid authorized expenditure limits that were set at \$1,000. In accordance with Section 2-90 of the General Statutes, we reported this matter to the Governor and other State Officials on September 28, 2001. A recommendation is not being presented at this time because the instance appears to have been isolated.

EDP Disaster Recovery Planning:

- Criteria:* Sound business practices include provisions that organizations have in place current disaster recovery plans to enable critical operations to resume activity within a reasonable time after a disaster.
- Condition:* Our prior audit noted that the Department of Public Health did not have a current comprehensive disaster recovery plan in place. The Department has accomplished some of the necessary tasks by identifying its mission-critical applications and prioritizing the necessary recovery periods for the various systems. Hardware and personnel needs have also been identified. However, the Department's documentation fails to describe how the necessary resources will be obtained.
- Effect:* The lack of a current disaster recovery plan increases the vulnerability of the Department in the event of a disaster.
- Cause:* The Department has placed reliance on the Department of Information Technology (DOIT) for the provision of the necessary resources. We recommended in the prior audit that an evaluation of the timeliness of DOIT's action should be evaluated before relying solely on DOIT. To date, DOIT has only established statewide disaster recovery policies for the retention of backup data. An agreement between the Department and DOIT to provide additional services was not apparent.
- Recommendation:* The Department of Public Health, in consultation with the Department of Information Technology, should determine the specific action that needs to be taken by DPH to develop a more

comprehensive EDP disaster recovery plan. (See Recommendation 2.)

Agency Response: “We agree with this finding. The Department will review its current processes and document a more comprehensive plan and procedures for recovery of critical agency systems.”

Equipment Inventory Control:

Criteria: The State of Connecticut’s Property Control Manual issued by the State Comptroller requires State agencies to perform annual physical inventories and report on the value of equipment in the custody of agencies. Amounts presented in the report are to be supported with detailed equipment and supply inventory records.

Section 4-33a of the General Statutes requires State agencies to promptly notify the State Auditors and the State Comptroller of property losses.

Condition Our review of the Department’s annual inventory report issued in June 2001 revealed that the value of fixed assets reported as being removed from the inventory was not fully supported. In addition, Agency records indicated that over \$600,000 worth of equipment had not been located at the time of the last physical inspection, yet little effort was used to resolve these discrepancies and comply with the statutory reporting requirements. This amount had accumulated over the last few years without being reported as lost and deleting the items from the inventory records. After our inquiry, the Department located most of the items, but reported a loss in excess of \$60,000 in accordance with Section 4-33a of the General Statutes.

Effect: Agency inventory figures were not fully supported and appeared overstated. In addition, the reporting requirements of Section 4-33a of the General Statutes were not adhered to.

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

Recommendation: The Department should improve controls and recordkeeping over equipment inventories, including the timely resolution and reporting of losses as required by Statute. (See Recommendation 3.)

Agency Response: “We agree with this finding. The inventory schedule has been modified to allow more time to attempt to locate items not found

during the normal inventory process. In addition, a new report was developed that indicates the workstation location of an asset at the time of the last inventory. This report will facilitate finding equipment not located during the regular inventory in a more timely manner, prior to completion of the Comptroller's report."

Revenue Receipts - Laboratory Fee Schedule:

- Criteria:* Section 19a-26 of the General Statutes, as amended by Public Act 99-125, requires that the Department establish a schedule of lab fees based upon nationally recognized standards and performance measures for analytic work effort for such services.
- Condition:* Our prior audit report recommended that the Department amend its laboratory fee schedule to conform to the revised law. A new pricing structure has yet to be completed.
- Effect:* The statutory fee provisions of Section 19a-26 of the General Statutes are not being adhered to.
- Cause:* A cause for this condition was not determined.
- Recommendation:* The Department should re-evaluate its current laboratory fee schedule using criteria established by Section 19a-26 of the General Statutes. (See Recommendation 4.)
- Agency Response:* "We agree with this finding. Preliminary data collection was undertaken to implement a new fee schedule based on Connecticut General Statutes, Section 19a-26, as amended. This effort was interrupted by the events on and subsequent to September 11, which caused a dramatic increase in the Laboratory's workload. This effort will now be resumed and brought to completion, and a new fee schedule consistent with current statutory provisions will be implemented."

Examining Boards and Advisory Commissions:

- Criteria:* In accordance with Section 19a-14 of the General Statutes, the Department of Public Health is responsible for most administrative functions of 15 professional boards and commissions. In addition, Sections 19a-4k and 19a-178a of the General Statutes established an Advisory Commission on Multicultural Health (the Commission) and the Emergency Medical Services (EMS) Advisory Board, respectively, within the Department of Public Health.

Section 4-9a of the General Statutes provides that the terms of members of executive branch boards and commissions shall be coterminous with the term of the Governor or until a successor is chosen, whichever is later. The authorizing legislation for all of the 15 professional boards provides that members that miss three consecutive meetings are deemed to have resigned. Additionally, most of the boards have statutory provisions that limit the members to two full consecutive terms.

In accordance with Section 1-210 of the General Statutes, records maintained by any public agency shall be public records and shall be open to inspection by the public. Each agency shall maintain all public records at its regular place of business.

Condition:

Our examination of the composition of the boards and commissions as of June 30, 2001, found that five boards had a total of six instances in which a member was deemed to have resigned by having failed to attend three consecutive meetings. One of these members had not attended a meeting in six years.

Ten boards had between one and three vacancies because successors were not yet appointed. With regard to four boards that were examined in detail, there were seven instances in which the members' official terms had expired, but those individuals continued to serve beyond statutory term limits. Three of the members of the Board of Veterinary Medicine have served since 1988.

The Department has centralized the record keeping and monitoring of the various professional licensing Boards. However, similar controls were not in place over the Advisory Board and the Commission. As a result, records pertaining to these entities were not maintained in a manner that would permit ready access to the minutes of meetings. Attendance records of the EMS Advisory Board did not accurately reflect the membership status of attendees.

Effect:

The delayed replacement of Board members places into question the anticipated tenure of those members that continue to serve beyond their terms. Inordinate lengths of time since the expiration of the members' terms appears to suggest that the members have been "reappointed" without regard to the term limits of the original appointments. Boards that do not have a full complement of participating members may experience difficulty in obtaining quorums and may not benefit from the intended representation of

various public and private sector groups.

Access to minutes that accurately reflect the activities of the EMS Advisory Board and the Commission was not readily available from Department officials.

Cause: As noted in other audit reports issued by our Office, the Governor's Office has not been addressing the replacement of members of various boards and commissions in a timely manner. This condition also exists with regard to the Department of Public Health, despite the fact that the Department has made the Governor's Office aware of the situations with periodic correspondence.

The Department had apparently not considered the Advisory Board and the Commission when instituting administrative controls over the entities.

Recommendation: The Department of Public Health should actively consult with the Governor's Office when the need for the replacement of board members exists. Procedures should be considered to identify in advance those members whose terms are ending so that replacements can be sought in a timely fashion. In addition, controls should be enhanced to ensure the consistent availability of public records of the EMS Advisory Board and the Multicultural Health Advisory Commission. (See Recommendation 5.)

Agency Response: "We agree with this finding in part. As to the Examining Board members deemed resigned for failing to attend three consecutive meetings, the Department of Public Health sent a letter to the Governor's Office in April of 2001. The Governor's Office in turn wrote to these members, two of whom subsequently resigned. The Department will again correspond with the Governor's Office regarding the remaining members in question.

As to Examining Boards with vacancies, the Department will send a letter to the Governor's Office identifying current vacancies on the various Boards.

As to Examining Board members who continued to serve beyond statutory term limits, it is important to note that members are legally capable of continuing in their positions until a successor is appointed under the holdover doctrine. See, e.g., *State ex rel. McCarthy v. Watson*, 132 Conn. 518 (1949); *Picard v. Department of Pub. Health, Bd of Vet. Med.*, No. CV 99-0498477S (Sup. Ct., N. Brit., Dec. 7, 2000). As stated by the court in *Picard*, "the principle of law that sustains holdover officials... overrides the

term limit provision... where a successor has not yet been appointed. This makes the Board members de jure officers.” The Department of Public Health will send a letter to the Governor’s Office identifying those Examining Board members whose terms have expired.

With regard to the Emergency Medical Services (EMS) Advisory Board, the Office of Emergency Medical Services (OEMS) will develop procedures to identify in advance those members of the Advisory Board whose terms are ending so that replacements can be made in a timely fashion.

As to the records of the EMS Advisory Board and the Advisory Commission on Multicultural Health, the Department will take steps to improve access to these records. The OEMS will develop a mechanism for accessing EMS Advisory Board meeting minutes, which may include posting minutes to the Department’s OEMS webpage. Minutes of meetings of the Advisory Commission on Multicultural Health are generated by the Chairperson. The Department will submit a letter to the Chairperson of the Commission to advise that individual of the necessity of preserving minutes to all meetings and providing them to Department officials.”

Controls Over Accounts Receivable:

Criteria:

In order to provide assurance that receivable balances are properly recorded, there should be an adequate segregation of duties over the assessment, recording and collection of amounts due. Timely reconciliation of subsidiary records to control accounts should be performed on a regular basis.

Section 3-7 of the General Statutes authorizes agency heads to write-off receivable amounts not exceeding \$1,000.

Condition:

The Department generates receivables from various units. Each unit is independently responsible for assessing, recording and collecting the amount due. The business office is only involved when a payment is received or at year-end, when the amounts due are reported as part of the GAAP closing package. With the exception of the laboratory, periodic trial balances were not maintained or independently reconciled to the amounts collected.

Our review of the receivable balances from the laboratory found that the lab was carrying amounts on its books that appeared uncollectible based on an aging of the accounts. In addition, the

lab was unaware that certain other amounts that were carried on the books had previously been approved for write-off in accordance with Section 3-7 of the General Statutes.

Effect: The absence of internal controls increases the risk that errors will go undetected.

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

Recommendation: The Department of Public Health should improve internal controls over its various receivables by centralizing the recording of all amounts due. In addition, uncollectible amounts should be written off in accordance with Section 3-7 of the General Statutes. (See Recommendation 6.)

Agency Response: “We agree with this finding in part. The Department’s Fiscal Services Office will convene a meeting with the various units that maintain accounts receivable to discuss the need to maintain a trial balance and report accounts receivable periodically to Fiscal Services. Written procedures will then be developed for all programs that generate receivables.

Amounts that had been carried on the books, despite being previously approved for write-off, have now been removed. Duties are segregated and internal controls are in place. A process for the regular internal reporting of amounts approved for write-off has been formalized.”

Revenue Accountability Reports:

Criteria: The State Comptroller’s State Accounting Manual requires the periodic preparation, where feasible, of accountability reports to compare the moneys that were actually recorded from primary revenue sources with the moneys that should have been accounted for.

Condition: The Department does not prepare accountability reports for licensing fees, which is its largest revenue source. Our examination revealed coding errors that overstated licensing revenue by over \$100,000 in the 2001 fiscal year.

Effect: The lack of accountability reports reduces assurance that the amounts recorded accurately represent amounts that should have been collected. Revenue coding errors may have been detected in the presence of properly prepared reports.

Cause: The Department did not consider an independent reconciliation

between the amount of licensing revenue received and the changes in the number of licenses in the database.

Recommendation: The Department of Public Health should strengthen controls over licensing revenue by the periodic preparation of revenue accountability reports. (See Recommendation 7.)

Agency Response: “We agree with this finding. The agency will implement this recommendation. Fiscal Services Office staff will meet with the licensing unit staff to develop a procedure.”

Fees from Freedom of Information Requests:

Criteria: In accordance with the State Comptroller’s State Accounting Manual, revenue received from the distribution of Freedom of Information requests is to be deposited to the General Fund as revenue. While the Comptroller has provisions to grant exceptions to this policy, the Department has not been granted an exception.

Condition: The Department was treating revenue from the distribution of such information as a refund of expenditures, offsetting the data processing costs incurred to produce the reports. During the two years under review, approximately \$69,000 was generated from requests for information.

Effect: Recording the income as refunds of expenditures understates the actual costs necessary to perform the data processing tasks, and permits the re-spending of amounts that should have been budgeted for without regard to the revenue received.

Cause: The Department informed us that it has been a longstanding practice to consider the revenue as an offset to the costs incurred to generate the reports.

Recommendation: The Department of Public Health should adhere to procedures promulgated by the State Comptroller when accounting for revenue from requests for information. (See Recommendation 8.)

Agency Response: “We agree with this finding and will comply with the recommendation. Effective April 1, 2002, the Department will discontinue coding receipts from Freedom of Information requests as “Refund of Expenditures – 99010 Standard Account”. The receipts will be coded using “Miscellaneous Reports, Statutes, State Registers, Digests, etc – 81050 Standard Account”. This coding is found in the State Accounting Manual at 11-3 under

“Proceeds of Sales of Commodities and Services – 80000”.”

Awarding of Grants and Human Service Contracts:

Criteria: The Department utilizes human service contracts to document most of its grant awards. In accordance with Section 4-70b, subsection (c), of the General Statutes, the Secretary of the Office of Policy and Management (OPM) is to establish and ensure that all State agencies comply with policies and procedures for obtaining human services purchased from private providers. To date, OPM has only issued suggested guidelines to State agencies regarding the use of human service contracts. While these guidelines are not mandatory, they appear to be designed to ensure that State contracts are awarded in an atmosphere of open competition. Accordingly, they include provisions for the solicitation of competitive proposals.

Regulations of Connecticut State Agencies 19a-121b-6 lists specific requirements upon which all proposals for AIDS funding shall be evaluated.

Condition: The Department makes extensive use of human services contracts to award various grants to municipalities and non-profit organizations. DPH has a process in place whereby the renewal of such funding does not require a competitive process. Attempts to determine the degree to which the opportunities for funding were initially competitive revealed that documentation was not always available because proposals had not been solicited for approximately ten years.

With regard to the AIDS grants, evidence was not available to indicate that the specific Regulations requiring a ranking of proposals were adhered to.

Effect: The practice of consistently renewing existing funding arrangements appears to deter an open competitive process. Solicitations of proposals provide opportunities for new entities to submit proposals for consideration, and would serve to encourage the Department to formally assess the cost-benefit of current programs.

Cause: The practice of continuing funding without competitive proposals has been longstanding within the Department, exceeding ten years for some programs. The Department was trying to prevent problems that could arise for clients due to changes in program providers. In addition, the administrative burden is increased when requests for proposals are required on a more frequent basis. With

regard to the specific AIDS funding, it appears that Agency staff were unaware of the applicable Regulations.

Recommendation: Whenever possible, the Department of Public Health should adhere to applicable Regulations and OPM guidelines by soliciting competitive proposals when renewing human service contracts. (See Recommendation 9.)

Agency Response: “We agree with this finding in part. The feasibility of awarding grants and contracts via an open competitive process is constrained by a number of factors. For example, the award of some grants and contracts is dictated by legislative mandate or by specific requirements of federal funding sources. In other cases, certain providers may be uniquely situated to reach and provide services to an identified target population. Nonetheless, the Department recognizes the benefits of soliciting proposals where feasible. The AIDS Division has recently conducted a competitive process for approximately seven million dollars supporting prevention initiatives. The division is also evaluating opportunities for soliciting proposals for AIDS health care and social services in the future. Appropriate documentation will be maintained to verify adherence to the regulations pertaining to the evaluation of competitive proposals for AIDS services.”

Data Processing Access Controls:

Criteria: Typical data processing environments utilize user identifications (IDs) and passwords to restrict access to systems. In order to maintain the integrity and confidentiality of applications and associated data, access should normally be removed as system users leave the Agency or are reassigned.

Condition: During our review of user access to the Department’s licensure database, we noted approximately 20 user IDs that were assigned to individuals that either left the Agency or had been reassigned and no longer required the same level of access.

The Agency acknowledged the situation, but felt that the condition was compensated for by the fact that access to individual systems is controlled by the Department’s network access. We examined the list of network user IDs and noted over 50 IDs that appeared to belong to individuals that were no longer associated with the Agency.

Effect: The existence of logon IDs that are no longer necessary increases

the risk that unauthorized access to Agency systems can occur.

Cause: The Department has a process in place requiring the personnel office to notify the Data Processing Division when employees separate from the Agency. This process did not appear to be functioning consistently, and a similar process was not in place for contractual consultants. A centralized database of system users and their access rights was not available, hindering the removal of individuals' access rights from individual applications.

Recommendation: The Department should modify and re-emphasize procedures that are in place to provide for the timely removal of access to data processing systems upon the termination of employment or contractual arrangements. (See Recommendation 10.)

Agency Response: "We agree with this finding in part. There is sometimes a valid business reason not to delete user identifications (IDs) and there are processes in place to secure those IDs for DPH access only. Nonetheless, the Department will review its current network access list to identify any user IDs assigned to former employees or contractors, and either delete or prevent access to these IDs, as appropriate. A procedure will be put in place to document security lockouts implemented on accounts which should not be deleted. The Department will also review, revise and document its procedures for revoking access to agency systems independent of network access."

Federal Funds:

As part of our review of Federal programs administered by the Department in accordance with our annual "Statewide Single Audit", we noted certain conditions of an immaterial and non-reportable nature that were not included in that report. As a result, we present the following finding related primarily to the Preventive Health and Health Services Block Grant (CFDA #93.991):

Criteria: 42 USC 300w-4(c)(6) requires that States maintain State expenditures for allowable grant activities at a level that is not less than the average level of such expenditures maintained by the State for the preceding 2-year period.

45 CFR 96.30 requires that accounting procedures be sufficient to permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of grant restrictions. Grant restrictions for this program include earmarking requirements for rape prevention and victims of sex offenses, limitations on administrative expenses, and the above-mentioned level of effort requirements.

Condition: An examination of the expenditures claimed by the Department of Public Health toward meeting the maintenance of effort requirement revealed that the Department appeared to be using an incorrect basis on which to calculate the maintenance level. The Department was calculating the required maintenance level for each grant activity, despite guidance that seemed to clearly state that the maintenance requirement should be on an overall basis.

The accounting procedures practiced by DPH did not permit the tracing of funds to a level that evidenced compliance with grant provisions, as required by 45 CFR 96.30. A review of administrative costs and earmarked amounts noted that while the requirements appear to have been met, the account coding utilized by DPH failed to properly identify the charges. Adjustments were made between grant years without maintaining the original coding of the charges, and salary charges were not always coded to the proper grant activities.

Effect: The use of an incorrect basis to calculate the required maintenance of effort increases the risk that actual compliance with the requirement may not be achieved. Insufficient procedures designed to track expenditures increases the risk that compliance will not be evidenced or noncompliance detected in a timely manner.

Cause: The use of the incorrect basis for maintenance of effort resulted from a different interpretation by DPH staff. DPH staff apparently did not see a need for a more detailed system of accounting for grant expenditures.

Recommendation: The Department of Public Health should review and enhance accounting procedures to provide for a sufficient level of monitoring of grant expenditures. (See Recommendation 11.)

Agency Response: "We agree with this finding in part. There are two parts to the finding. We do not agree with the first finding related to Maintenance of Effort. Compliance with the Maintenance of Effort criteria "that States maintain expenditures for allowable grant activities at a level that is not less than the average of the prior two years" has been met. The interpretation of the regulation is in question. The State of Connecticut has always met this requirement. We established a "reasonable funding" base in 1993 and we maintained the composition of such base consistently from year to year. These component programs have all been preventive and allowable relative to the financial funding of the grant.

However, Federal funding for the Preventive Health Block Grant was reduced in 1998, 2000, and 2002. As a result, the Department eliminated some of the programs it was funding under the Block Grant in 2000 and 2001. The Department then recalculated Maintenance of Effort for those programs it was continuing. The Department has written to the Public Health Advisor, Grants and Procurement, Centers for Disease Control, for clarification on this issue.

We agree with the second finding in part. The administrative closing entry used to transfer block grant unexpended balances into the following year block grant does not reflect component expenditure coding. All program and component codings for expenditures are documented in the grant award in which they are budgeted and expended. All expenditures are traceable to the programs utilizing grant funds. This is an administrative entry to transfer a balance only, not to document a program cost/activity. However, we will adjust this closing entry to reflect the actual component and program expenditure used for this accounting function.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- **The Department should improve controls and recordkeeping over its inventories and only purchase equipment required to fill the immediate needs of the Agency.** We have modified this recommendation to reflect current conditions. (See Recommendation 3.)
- **The Department should reevaluate its current laboratory fee schedule and adjust such fees to criteria established by Section 19a-26 of the General Statutes.** This recommendation is being repeated. (See Recommendation 4.)
- **The Department should strengthen controls over its EDP systems and infrastructure.** This recommendation has been modified to reflect current conditions. (See Recommendation 2 and Recommendation 10.)
- **As regards its administration of the Special Supplemental Food Program for Woman, Infants and Children (WIC), the Department should improve the effectiveness of management evaluations by monitoring the development and implementation of corrective action plans.** This recommendation has been modified and presented as part of our Statewide Single Audit Report.

Current Audit Recommendations:

1. **The Department of Public Health should review the requirements of Sections 19a-2a, 19a-181 and 19a-498 of the General Statutes and corresponding Regulations and take the necessary steps to reconcile the Department's inspection procedures with the requirements.**

Comments:

A comparison of the Department's Statutes and Regulations indicated apparently conflicting provisions. Terms used to designate the facilities that DPH is responsible for inspecting were not always clearly defined.

2. **The Department of Public Health, in consultation with the Department of Information Technology, should determine the specific action that needs to be taken by DPH to develop a more comprehensive EDP disaster recovery plan.**

Comments:

The Department has identified its critical applications, but plans are not in place illustrating how the necessary resources will be obtained.

- 3. The Department should improve controls and record keeping over equipment inventories, including the timely resolution and reporting of losses as required by Statute.**

Comments:

Documentation was not available to support the value of deletions from the inventory. Items that could not be located during annual physical inventories were not resolved or reported as lost in a timely fashion.

- 4. The Department should reevaluate its current laboratory fee schedule using criteria established by Section 19a-26 of the General Statutes.**

Comments:

The Department's fee schedule has not been amended to conform to the statutory revisions enacted in 1999.

- 5. The Department of Public Health should actively consult with the Governor's Office when the need for the replacement of board members exists. Procedures should be considered to identify in advance those members whose terms are ending so that replacements can be sought in a timely fashion. In addition, controls should be enhanced to ensure the consistent availability of public records of the EMS Advisory Board and the Multicultural Health Advisory Commission.**

Comments:

Ten examining boards had between one and three membership vacancies. Three members of at least one board were allowed to serve for more than ten years beyond statutory limits. Minutes of the Board and the Commission were not readily available at the Department.

- 6. The Department of Public Health should improve internal controls over its various receivables by centralizing the recording of all amounts due. In addition, uncollectible amounts should be written off in accordance with Section 3-7 of the General Statutes.**

Comments:

Inadequate segregation of duties prevented the independent preparation of trial balances. We also noted that the laboratory was maintaining receivable balances that appeared to be uncollectible.

- 7. The Department of Public Health should strengthen controls over licensing revenue by the periodic preparation of revenue accountability reports.**

Comments:

Revenue accountability reports were not prepared as required by the State Comptroller's State Accounting Manual.

- 8. The Department of Public Health should adhere to procedures promulgated by the State Comptroller when accounting for revenue from requests for information.**

Comments:

The Department was found to be treating revenue from providing copies of public information as a refund of expenditures instead of crediting the amounts to a revenue account as required by the State Comptroller's State Accounting Manual.

- 9. Whenever possible, the Department of Public Health should adhere to applicable Regulations and OPM guidelines by soliciting competitive proposals when renewing human service contracts.**

Comments:

Despite OPM guidelines and State Regulations, the Department frequently renews human service contracts without soliciting competitive proposals

- 10. The Department should modify and re-emphasize procedures that are in place to provide for the timely removal of access to data processing systems upon the termination of employment or contractual arrangements.**

Comments:

A review of a list of user identifications found that many belonged to employees that had either been transferred or separated from the Department.

- 11. The Department of Public Health should review and enhance accounting procedures to provide for a sufficient level of monitoring of grant expenditures.**

Comments:

Expenditures charged to Federal grant programs were not always coded to the level of detail necessary to illustrate compliance with grant provisions.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Department of Public Health for the fiscal years ended June 30, 2000 and 2001. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Public Health for the fiscal years ended June 30, 2000 and 2001 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 Department of Public Health 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 Department of Public Health is the responsibility of the Department of Public Health's management.

As part of obtaining reasonable assurance about whether the Agency complied with laws, regulations, contracts, and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Agency's financial operations for the fiscal years ended June 30, 2000 and 2001, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial or less than significant instances of noncompliance, 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 Department of Public Health is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants applicable to the Agency. In planning and performing our audit, we considered the Agency's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Agency's financial operations in order to determine our auditing procedures for the purpose of evaluating the Department of Public Health'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.

We noted certain matters involving the internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the Agency's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grants. We believe the following finding represents a reportable condition: The lack of revenue accountability reports for licensing revenue.

A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants or the requirements to safeguard assets that would be material in relation to the Agency's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Agency being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over the Agency's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. However, we believe that the reportable condition described above is not a material or significant weakness.

We also noted other matters involving internal control over the Agency's financial operations and over compliance which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

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

CONCLUSION

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Department of Public Health 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

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