

STATE OF CONNECTICUT

**AUDITORS' REPORT
DEPARTMENT OF PUBLIC HEALTH
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2003**

**AUDITORS OF PUBLIC ACCOUNTS
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October 13, 2004

**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, 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 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 five Bureaus (Administrative and Support Services, Community Health, Health Care Systems, Public Health Science and Regulatory Services) and seven Offices (Affirmative Action, Emergency Medical Services, Health Planning, Promotion and Communications, Government Relations, Local Health Administration, Public Health Preparedness, and Public Health Hearing Office.) The Public Health Laboratory operates under the Bureau of Public Health Science.

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 various Boards and Commissions and licensing the regulated professions. 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 until his resignation in July 2003. Robert Galvin, M.D. was appointed Commissioner in December 2003. Norma D. Gyle served as Deputy Commissioner throughout the audited period and served as Acting Commissioner from July to December 2003.

Office of Health Care Access:

The Office of Health Care Access (OHCA) is a separately appropriated State agency 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:

In accordance with Section 42 of Public Act 01-9, DPH is to establish and maintain a system of monitoring asthma. The system is to include annual surveys of asthma in schools and reports of asthma visits and the number of persons having asthma as voluntarily reported by health care providers. DPH is to establish a comprehensive state-wide asthma plan.

Public Act 01-163 provides that DPH is to create and implement the Electronic Vital Records System (EVRS) at all Connecticut birthing hospitals and associated towns. EVRS would enable hospitals to electronically create birth certificates and allow local vital records registrars to electronically review, correct and register these birth certificates. All transactions would be processed through the central repository at DPH, allowing immediate access to EVRS-generated birth certificates.

Public Act 02-125 provides that a quality-of-care program is to be established. DPH staff are to work with members of the Commissioner's Quality of Care Advisory Committee to develop new healthcare quality data collection methods for mandated public reporting. This also includes the establishment of a new hospital adverse event reporting system.

RÉSUMÉ OF OPERATIONS:

General Fund Revenues and Receipts:

General Fund revenues and other receipts of the Department totaled \$135,200,844 and \$128,459,591 for the 2002-2003 and 2001-2002 fiscal years, respectively. A comparative summary of General Fund receipts, as compared to the previous fiscal year, is presented below:

	<u>Fiscal Year</u> <u>2002-2003</u>	<u>Fiscal Year</u> <u>2001-2002</u>	<u>Fiscal Year</u> <u>2000-2001</u>
Revenues:			
Licensure, registration and inspection fees	\$19,230,050	\$18,623,637	\$18,440,044
Title XIX State Survey and Medicaid funds	3,077,049	3,976,713	3,461,768

Fees for laboratory services	973,094	1,328,577	1,253,402
Birth, marriage and death certificates	48,045	38,117	41,959
Fines, civil penalties and court costs	885,094	402,541	302,653
Miscellaneous	32,659	92,725	19,052
Refunds of prior years expenditures	<u>387,653</u>	<u>359,209</u>	<u>468,840</u>
Total Revenues	24,633,644	24,821,519	23,987,718
Refunds of expenditures (applied to expenditures)	8,561,284	12,508,515	12,066,031
Restricted contributions - Appropriated	<u>102,005,916</u>	<u>91,129,557</u>	<u>81,951,092</u>
Total Receipts	<u>\$135,200,844</u>	<u>\$128,459,591</u>	<u>\$118,005,141</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 \$173,721,387 for the 2002-2003 fiscal year, as compared to \$167,895,658 for the 2001-2002 fiscal year. A comparative summary of General Fund expenditures, as compared to the previous fiscal year, is presented below:

	<u>Fiscal Year</u> <u>2002-2003</u>	<u>Fiscal Year</u> <u>2001-2002</u>	<u>Fiscal Year</u> <u>2000-2001</u>
Budgeted Accounts:			
Personal services	\$31,547,365	\$31,754,831	\$29,537,741
Contractual services	4,942,529	6,901,392	8,271,495
Commodities	8,944,809	9,985,861	8,962,765
Sundry	10,133,197	9,441,167	7,574,017
Grants-in-aid	17,376,548	19,653,297	19,748,183
Equipment	<u>950</u>	<u>15,035</u>	<u>51,289</u>
Total Budgeted Accounts	<u>72,945,398</u>	<u>77,751,583</u>	<u>74,145,490</u>
Restricted Accounts:			
Federal accounts	98,455,094	88,065,874	74,215,966
Other than Federal accounts	<u>2,320,895</u>	<u>2,078,201</u>	<u>1,938,768</u>
Total Restricted Accounts	<u>100,775,989</u>	<u>90,144,075</u>	<u>76,154,234</u>
Total Expenditures	<u>\$173,721,387</u>	<u>\$167,895,658</u>	<u>\$150,299,764</u>

The reduction in contractual services expenditures resulted primarily from a reduction in the use of fees for medical services and outside professional services. The increase in expenditures from Federal accounts was primarily due to the Public Health Preparedness and Response for Bioterrorism Program (CFDA #93.283)

Capital Projects and Grants-in-Aid:

Capital Projects Fund expenditures were noted only for fiscal year 2003 and amounted to \$41,340. This amount was spent for State Health Lab Relocation and Equipment and Health Insurance Portability and Accountability Act (HIPAA) Compliance at DPH.

Special Revenue Fund expenditures, for grants-in-aid to Department of Public Health nonprofit providers and community health agencies for facility improvements, amounted to \$32,333 and \$694,125 for the fiscal years ended June 30, 2003 and 2002, respectively. Special Revenue Fund expenditures for equipment purchases and other miscellaneous expenditures totaled \$1,086,784 and \$994,076 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. During this engagement, we chose to review the processes in place within the Department of Public Health that enable the Department to monitor progress toward achieving statewide health goals and gauge performance as compared to established standards.

In attempting to arrive at a set of standards, we became aware of the National Public Health Performance Standards Program (NPHPSP) promulgated by the National Centers for Disease Control and Prevention. We initially chose those Standards because they were independently derived from a federal agency that supplies a large amount of funding to the Department and regulates some of the very issues that DPH concerns itself with on an ongoing basis.

Upon presenting these standards to the Department of Public Health, we were informed that DPH was using a different set of standards. It was felt that these standards, known as Healthy CT 2000, were better-suited for DPH to use because these State standards had been accepted nationally, while the NPHPSP had only been adopted by a handful of States. The Healthy CT 2000 standards are based on criteria from the federal "Healthy People 2000" initiative, which was subsequently updated to "Healthy People 2010".

Healthy People 2000 is a set of objectives that track leading health indicators and places greater emphasis on health outcomes. It covers 22 priority areas in health promotion and protection, with approximately 300 individual objectives. We were supplied with a draft report prepared by DPH (Healthy CT 2000 Final Review) illustrating current and historical views of the status of health services. The report measures 219 objectives, with national targets used to measure many of them.

The Department of Public Health reported improvement in 62 percent of the objectives, with 10.5 percent staying the same and 27.5 percent worsening. An analysis of the specific figures in the report was outside of the scope of this review. However, we regarded the indicated achievements as noteworthy.

The accumulation of health statistics reported by DPH is a major component of both the Healthy CT 2000 and the NPHPSP. The reported statistics present current and historical views, but inherent in any such data are the risks that comparability will become difficult due to changes in baseline values, statistically small population and sample sizes, variations in policy matters and technological enhancements between years, etc. In addition, the decisions arrived at through the data analyses must be documented, and such decisions are likely impacted by factors outside of the numbers as presented. For these reasons, the use of additional evaluation tools would help to identify specific approaches to solving problem areas highlighted by the Healthy CT 2000 data. The use of the NPHPSP or a similar mechanism prompts contemplation of facets of the health care system that might not otherwise be considered when arriving at strategies for improvement.

In conclusion, it appears that DPH has an assessment process in place that monitors progress attained toward improving health outcomes. However, future consideration should be given to implementing a methodology of performance measurement that relies less on the presentation of numerical data and provides specific ideas for identifying ways to improve the public health network.

Agency Response: “We agree with this finding in part. The Department of Public Health (DPH) utilizes the United States Department of Health and Human Services (USDHHS), Office of Disease Prevention and Health Promotion’s most up-to-date measurable standards presented in “Healthy People 2010.” DPH has utilized these standards in their previous iterations (Healthy People 1970, 1980, 1990, and 2000). It should be noted that Healthy People standards were independently derived from USDHHS, the parent organization to Centers for Disease Control and Prevention, which provides significant funding to DPH.

The NPHPSP was implemented in February, 2003, to provide an assessment tool for state and local public health departments to determine compliance with the ten essential public health services. NPHPSP does not provide standards, rather it provides criteria to measure a department’s activities that meet the essential services. DPH has acknowledged the value of these criteria, and more importantly, has already identified the essential public health services as Department priorities in the 1999 state health plan “Looking Toward 2000 – An Assessment of Health Status and Health Services.” Therefore, we wish to clarify that DPH is, in fact, using the same standards but a different set of criteria to measure the standards.

DPH is reviewing the April, 2004, user’s guide and assessment surveys of NPHPSP and will consider applying these tools, in coordination with Healthy People and Healthy Connecticut objectives, to measure both progress and performance in public health.”

CONDITION OF RECORDS

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

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 1.)
- Agency Response:* "We agree with this finding in part. The Department of Public Health (DPH) will review its current processes and compile modifications to its plan and procedures for recovery of critical agency systems in conjunction with the Department of Information Technology (DOIT). We expect that a Memorandum of Agreement, pertaining to service levels and required funding, will

be executed between DOIT and DPH as part of the statewide consolidation of information technology services into DOIT. Resource provision will continue to be a difficult issue to address because redundant equipment, duplicate software licensing and standby facilities are beyond the financial capabilities of DPH.”

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. Section 4-36 of the General Statutes requires that such property report be filed annually by October 1st. Said Manual also provides guidance on internal controls for most facets of inventory management, including loaned equipment.

Federal grant agreements require that States administer Federal property in accordance with State laws and provisions.

Condition: The Annual Fixed Assets/Property Inventory Report required by the State Comptroller was not completed until December 2003.

The Department of Public Health did not have an established procedure to properly document the long-term assignment of laptop computers to employees with signed statements indicating that the employee is responsible for assigned items.

Effect: The failure to properly document the loan of laptop computers increases the risk of loss and the likelihood that such losses will go undetected for a longer period of time. Late submissions of reports to the State Comptroller impedes the ability to produce accurate and timely statewide financial reports.

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

Recommendation: The Department should improve controls and recordkeeping over equipment inventories toward the goal of producing accurate and timely inventory reports and properly documenting the loaning of equipment. (See Recommendation 2.)

Agency Response: “We agree with this finding in part. The inventory management process has been enhanced to include a comparison of all purchase orders for equipment acquisitions to the agency’s inventory control files. This process identifies qualifying equipment for inclusion in the tracking database and the property report. In addition, fiscal office and program staff have been requested to identify any direct

purchase of equipment utilizing Federal funds.

The Department of Public Health (DPH) recognizes the need for timely submission of the annual report on the value of equipment in the custody of the Agency. DPH will endeavor to meet the October 1 date for publishing the document. The 2003 layoffs and early retirements, coupled with the implementation of the new Core-CT financial system, placed a tremendous workload on the remaining staff. With staff replacements underway, we have a goal of timely response to all our reporting requirements.

The Data Processing unit is strengthening the process when laptop computers and all IT equipment are loaned to agency staff. This new process will utilize the equipment loan form provided by the Comptroller's Property Control Manual. The staff member actually assigned the equipment will sign the form at the time of the loan. This process will become effective on May 1, 2004."

Revenue Receipts - Laboratory Fee Schedule:

<i>Criteria:</i>	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.
<i>Condition:</i>	Our prior audit reports recommended that the Department amend its laboratory fee schedule to conform to the revised law. A new pricing structure has yet to be completed.
<i>Effect:</i>	The statutory fee provisions of Section 19a-26 of the General Statutes are not being adhered to.
<i>Cause:</i>	A cause for this condition was not determined.
<i>Recommendation:</i>	The Department should re-evaluate its current laboratory fee schedule using criteria established by Section 19a-26 of the General Statutes. (See Recommendation 3.)
<i>Agency Response:</i>	"Section 19a-26 requires the DPH Laboratory to "establish a schedule of fees based upon nationally recognized standards and performance measures for analytical work effort for such laboratory services". Research has been conducted to identify national standards for laboratory fee schedules. For clinical testing, we have identified an appropriate national standard, the Centers for Medicare and Medicaid Services (CMS) Medicare

Laboratory Fee Schedule. This schedule represents 100% of the medial of all local fee schedule amounts charged for clinical laboratory tests. We are in the process of evaluating the fiscal impact of this schedule on our clinical operation (about half of the total testing performed).

There is no comparable national fee schedule for environmental testing, and fees vary widely from one laboratory to another. Work-time units is a recognized performance measure that could appropriately be applied to the updating of the fee schedule for environmental tests. Consequently, the DPH Laboratory did a complete fiscal analysis to determine the cost of a minute of analytical time by testing unit. The next step is to have a time study performed for each individual test (approximately 395) and then calculate a cost for each test. This was the method used to generate the current schedule. The DPH Laboratory does not presently have the resources to perform such exhaustive time studies.”

*Auditors’ Concluding
Comment:*

If the Department of Public Health feels that there are no national standards upon which its environmental testing fees can be reasonably established, the Department should consider a statutory revision authorizing a fee structure that the Department feels is fair and reasonable. In the absence of a statutory revision, the Department could use previous time studies, adjusted for technological impacts, and current operating costs to arrive at a fee schedule that would appear to comply with the Statute.

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, 19a-7g and 19a-178a of the General Statutes established an Advisory Commission on Multicultural Health (the Commission), the Childhood Immunization Advisory Council (the Council), 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.

Section 19a-8 of the General Statutes indicates that public members shall constitute not less than one-third of the members of each board and commission identified within subsection (b) of Section 19a-14 of the General Statutes.

Section 19a-23 of the General Statutes indicates that, with the exception of the Emergency Medical Services Advisory Board, each board and commission shall perform its own record-keeping functions and shall provide the Department of Public Health with a copy of the record of all of its meetings.

Condition:

Our examination of the composition of the boards and commissions as of June 30, 2003, found that three boards had a total of eight members that should have been deemed to have resigned by having failed to attend three consecutive meetings. One of these members had not attended a meeting for eight years, and another had missed two full years of scheduled meetings.

Seven boards had between one and four vacancies because successors were not yet appointed.

Of the 15 professional examining boards, ten have term limitations within their authorizing legislation. Of those ten, we noted that there were eight boards with a combined 19 instances in which the members' official terms had expired, but those individuals continued to serve beyond statutory term limits. Some of these appointments dated back to 1984.

The Department has centralized the record keeping and monitoring of the various professional licensing Boards. However, similar controls were not in place over the Commission and the Council. As a result, records pertaining to these entities were not maintained in a manner that would permit ready access to the minutes of meetings.

Effect:

Due in part to vacancies which exist on the examining boards, we noted that seven of the examining boards did not appear to meet the requirement that at least one-third of its board consist of public members.

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.

Listings of membership and access to minutes that accurately reflect the activities of the Commission and the Council were 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 has impacted 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 Commission and the Council when instituting administrative controls over the entities.

Recommendation: The Department of Public Health should continue to 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 Multicultural Health Advisory Commission and the Childhood Immunization Advisory Council. (See Recommendation 4.)

Agency Response: “We agree with this finding in part. Regarding the examining boards, as of April, 2004, there are now only six instances in which a member has failed to attend three consecutive meetings, and in one of those instances, the board member has once again begun attending the board meetings. There are presently eight boards with vacancies. While members of several boards have served more than two consecutive terms, those 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 Public Health, Bd of Vet. Med.*, No. CV99-0498477S (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.”

Based on the foregoing, letters will continue to be written to the Governor's Office identifying members who have not attended three or more consecutive meetings, vacancies on boards, and members of boards whose terms have expired. In the future, these communications will also identify members whose terms are about to expire. Resignation letters are and will continue to be immediately forwarded to the Office of the Governor. In addition, letters are and will continue to be frequently sent to the Office of the Governor identifying board member absences.

The Department of Public Health (DPH) has designated a lead manager to interact with the Multicultural Health Advisory Commission. In addition, there is a portion of the DPH website dedicated to multicultural health activities. Effective immediately, the Department will routinely post minutes and other public records of the Multicultural Health Advisory Commission to the website. We will take similar steps to make the minutes of the Childhood Immunization Advisory Council available on the DPH website.”

Auditors' Concluding

Comment:

Statutory provisions make allowances for board members to continue serving beyond the expiration of their terms in order to permit the boards to operate. There is nothing to suggest that this was intended to replace the formal appointment process.

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.

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. In most cases, the various operating units were transmitting the necessary data to the business office, but there was no evidence that the information was being reviewed.

- 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 and periodically reconciling receivable balances to accounting activity. (See Recommendation 5.)
- Agency Response:* “We agree with this finding. The various operating units are now transmitting the necessary data through monthly subsidiary accounts receivable spreadsheets to the Accounts Payable/Receivable section. This section has developed a master accounts receivable spreadsheet to capture all monthly subsidiary accounts receivable spreadsheets. However, because of the loss of employees through the early retirement program and layoffs and the additional workload implementing Core-CT, the monthly review and reconciliation of the information was suspended. When additional staff are assigned to Accounts Payable/Receivable and Core-CT responsibilities become less burdensome, staff will be able to resume the activity.”

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.
- 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 6.)

Agency Response: “We agree with this finding. Program staff were working with a member of the Data Processing staff to develop a reporting mechanism that would reconcile licenses and revenues. With the untimely death of the Data Processing staff member, who was the only person with an extensive knowledge of Access, this effort was suspended. It will be resumed when DOIT is able to recruit a replacement staff person with this expertise.”

Utilization of Purchasing Authorities:

Criteria: The State Comptroller’s Office and the Department of Administrative Services have established a procurement card (P-Card) to facilitate purchasing and paying for smaller routine purchases. Guidelines limit agencies to purchases under \$1,000 and require that approvals for the payments be evidenced, as well as documentation of the nature of the expenditures.

The Department of Administrative Services has established a contract award for the procurement of various printing services valued between \$10,000 and \$50,000. Instructions to State agencies require three written quotations from a list of qualified vendors. For those procurements valued at less than \$10,000, agencies are instructed to obtain three quotations whenever possible.

Condition: Our review of P-Card transactions found many transactions that failed to have either a signature indicating receipt of the goods or evidence of a supervisor’s signature. There was also a lack of documentation to support a number of the expenditures.

We noted two instances in which the Department used the statewide contract to procure printing services, but evidence of three written quotations was not available. We also noted two instances of purchases valued at less than \$10,000 for which quotations were not obtained.

Effect: The failure to adhere to established procedures increases the risk that unauthorized transactions will go undetected, or the Department may not obtain competitive pricing.

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

Recommendation: The Department of Public Health should improve procurement practices to provide for the adequate documentation of purchases and adherence to mandated contract provisions. (See Recommendation 7.)

Agency Response: “We agree with this finding. To facilitate the use of the P-Cards to acquire certain commodities, the program staff member creates a requisition with accounting string information and obtains the monetary and budget approvals. The requisition is canceled by the Purchasing staff member to avoid duplication of the order to the vendor. This action removes the receipt tracking within Core-CT. The Department is aware of the need to document the commodities received prior to payment being made. A review of options to accomplish this need is under way and will be implemented as soon as possible.

Purchasing staff members are required to maintain on file documentation substantiating efforts to obtain three written quotations on all procurement transactions, in adherence to procedures for the use of statewide contracts. Procurement actions valued at less than \$10,000 are required to have a vendor quote of cost on file. It appears that either documentation was not maintained for a very limited number of purchases or that the necessary quotes were not obtained. Staff have been reminded of these requirements.”

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 and review of competitive proposals. In order to provide integrity to the process, adequate documentation should be retained.

Section 4-98 of the General Statutes provides that a valid commitment must be in place prior to incurring an obligation.

Section 4-216 of the General Statutes provides that no personal service agreement having a cost of more than \$50,000 or a term of more than one year may be executed without approval of the Office of Policy and Management.

Section 4-219 of the General Statutes provides that no State agency may execute certain amendments to personal service agreements without approval of the Office of Policy and Management.

Regulations of Connecticut State Agencies 19a-121b-6 lists specific requirements upon which all proposals for AIDS funding shall be evaluated. Said Regulations specify how points are to be allocated when comparing each proposal.

Sound internal control dictates that invoices should only be signed by the contractor and presented to the State agency upon completion of the work.

Condition:

We noted that nine of 16 contracts examined appeared to have services provided prior to the execution of the applicable grant agreements.

Four contracts were amended to include services not obviously related to the purposes of the original agreement. One of these amendments failed to show evidence of approval by the Office of Policy and Management.

Our review of the proposal evaluation process employed by DPH noted two instances in which the scoring sheets prepared by the individual review committee members were not retained. The composite rankings prepared by the committees are not normally signed to attest to their accuracy.

Three contract files contained invoices that were signed in advance by the contractor, indicating services had been performed.

A comparison of the grant proposal scoring process in place within the AIDS Division of DPH found that the review of applications for the minimum requirements could result in a reduction of points that would carry forward to the final scoring process. However, Regulations provide for the scoring methodology and no provision is made to adjust scores by the quality of the submission.

Effect:

Incurring an obligation prior to committing the appropriate funds violates Section 4-98 of the General Statutes and increases the risk that established budgetary controls will be ineffective.

The amendment of existing contracts for services unrelated to the original agreement prevents the contractor selection process from being carried out in a competitive manner. The failure to submit

contracts or amendments to the Office of Policy and Management for approval also avoids controls designed to ensure a competitive process.

The failure to retain documents supporting the process for evaluating proposals prevents independent parties from attempting to determine if the process was carried out properly and without undue influence.

Permitting payment request documents to be approved in advance increases the risk that inappropriate payments will be made.

Cause: A lack of administrative control is the general cause of these conditions. In addition, DPH policy regards individual proposal rating sheets as draft documents, and thus does not require them to be retained.

Recommendation: The Department of Public Health should improve the monitoring of the process used to establish human service and personal service agreements to insure that all administrative requirements are adhered to and the evaluation process is documented. (See Recommendation 8.)

Agency Response: “We agree with this finding in part. Department of Public Health (DPH) policy, most recently articulated in Fiscal Memorandum 04-13, is that contractors may not conduct services prior to the contract being fully executed. However, DPH has many human services contracts where the health and safety of the community would be endangered if those services stopped, such as AIDS treatment services, Community Health Center services, Children with Special Health Care Needs services, and Immunization services.

Approximately three months prior to the start of a new contract period, we notify the contractor of continued funding, based upon expected level-funding of human services, by way of a Continuation Funding Application. The application asks the contractor for a budget, updated contractor information, descriptions of services and other relevant required information. Based upon the notification of anticipated continuation funding, the contractors continue with the needed services.

In recent years, the State budget was not approved early enough to issue contracts before the contract period started. DPH complied with directives from the Office of Policy and Management not to proceed with any contracts until there was an approved budget in place.

Fiscal Memorandums 04-12 and 04-13 reiterate DPH's policies regarding contract amendments, reminding staff that amendments must be in keeping with the original purpose of the contract and that amendments may not add personal services to human service contracts.

The Request for Proposal (RFP) Review Protocol found in the Bureau of Community Health Intranet is specific about developing a "composite team score". The protocol does not require retaining scoring sheets prepared by the individual review committee members, nor signatures on the composite score.

Invoices are not processed for payment until all required deliverables and reports are reviewed by DPH program staff. Prior to payment, there is further review and approval by the Bureau Chief, Contracts staff and Fiscal Office staff.

We have reviewed the Regulations pertaining to the allocation of AIDS funds. These Regulations were promulgated in 1988 and are now obsolete. DPH will be initiating a process to repeal these regulations. This will enable DPH to conduct RFP evaluations for AIDS funding in a consistent manner as other human services funding."

*Auditors' Concluding
Comment:*

We understand that DPH staff may have been adhering to established procedures by not retaining preliminary scoring sheets. However, the lack of these documents prevents the detection of errors or irregularities when assessing the accuracy of the composite score, especially when signatures indicating agreement with the final scoring are not in evidence. The procedure should thus be modified to add integrity and an audit trail to the evaluation process.

We believe that maintaining invoices signed by contractors in advance of the services being provided is a poor business practice that increases the risk that payments could be processed prematurely. In addition, it becomes more difficult to hold an official responsible to attestations when they are knowingly signed in advance of the performance of the required deliverable.

Recording Time and Effort by Field Staff and Use of Accrued Time:

Criteria: In order to provide assurance that field personnel are performing at

anticipated productivity levels and not abusing State time, there should be a process to document how those individuals utilize their time.

State Personnel Regulations and collective bargaining agreements require medical certificates for sick leave occurrences beyond five days.

Various collective bargaining agreements provide for the payment of compensatory time in lieu of overtime to those employees above certain salary levels.

Condition: We reviewed a matter referred to our Office under the provisions of Section 4-61dd of the General Statutes (the Whistleblower Act). The complaint alleged that an employee assigned primarily to a field unit of the Department was abusing State time. As a result of that review, we found that the time- recording procedures in place did not serve to document specific case files to the time field personnel were spending away from the regular work location.

Our review of compensatory time earned by employees covered by collective bargaining found that compensatory time earned was not approved in advance.

Approximately one-half of a sample of extended sick leave resulted in medical certificates failing to be on file.

Effect: There is increased risk that the misuse of State time may go undetected if field employees are not required to correlate work hours with specific case files. Supervisory oversight of compensatory time and sick leave usage is not documented.

Cause: A lack of administrative control contributed to this condition, as well as a need to maintain high levels of confidentiality over cases involving sexually transmitted diseases, have contributed to these conditions.

Recommendation: The Department of Public Health should consider procedures to improve the accountability of time spent by employees that are regularly assigned to the field, as well as improving documentation of medical certificates and advance approval of compensatory time. (See Recommendation 9.)

Agency Response: “We agree with this finding in part. The Department of Public Health (DPH) has reviewed the work activities and products of the field employee who was the subject of the “whistleblower” complaint. We did not find any evidence of misuse of State time.

However, we did take this opportunity to review and improve administration controls, as well as to develop a system for management to more closely review work time and efforts of the field staff. This will include additional and more thorough documentation of time by the field staff on assigned work.

Regarding medical certificates, DPH will reinforce these documentation requirements with supervisors and managers. We will research whether the Core-CT can produce “alert” reports, similar to those produced by the BOSS Time and Attendance System. We will also take steps to ensure that medical certificates submitted to the Human Resources Office are promptly placed in the appropriate personnel file.

Regarding the use of compensatory time, the pertinent contracts are very specific regarding the conditions under which compensatory time is earned, but do not address the issue of whether there must be advance approval. DPH policy addresses the specific matter of travel-related compensatory time. Work beyond the established schedule may not be predictable, and generally staff who are exempt from overtime occupy positions within the agency which require autonomy and discretion. Although compensatory time may not have been approved in advance, managers and supervisors do review timesheets on which earned compensatory time is reported. At that point, they have opportunity to reject earning of compensatory time and detect abuse. DPH will research with the Office of Labor Relations whether an advance approval requirement should be implemented, and will proceed in accordance with their advice.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- **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.** This recommendation appears to have been resolved.
- **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.** This recommendation is being repeated. (See Recommendation 1.)
- **The Department should improve controls and record keeping over equipment inventories, including the timely resolution and reporting of losses as required by Statute.** This recommendation has been modified to reflect current conditions. (See Recommendation 2.)
- **The Department should re-evaluate its current laboratory fee schedule using criteria established by Section 19a-26 of the General Statutes.** This recommendation is being repeated. (See Recommendation 3.)
- **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.** This recommendation has been modified to reflect current conditions. (See Recommendation 4.)
- **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.** This recommendation is being repeated. (See Recommendation 5.)
- **The Department of Public Health should strengthen controls over licensing revenue by the periodic preparation of revenue accountability reports.** This recommendation is being repeated. (See Recommendation 6.)
- **The Department of Public Health should adhere to procedures promulgated by the State Comptroller when accounting for revenue from requests for information.** This recommendation has been resolved.

- **Whenever possible, the Department of Public Health should adhere to applicable Regulations and OPM guidelines by soliciting competitive proposals when renewing human service contracts.** This recommendation has been modified to reflect current conditions. (See Recommendation 8.)

Current Audit Recommendations:

1. **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 detailing how the necessary resources will be obtained.

2. **The Department should improve controls and recordkeeping over equipment inventories, toward the goal of producing accurate and timely inventory reports and properly documenting the loaning of equipment.**

Comments:

The Agency's Annual Property Inventory Report was not submitted by the statutory due date. The long-term assignments of laptop computers was not documented in a manner that reflected the responsibility of the employee in the event of loss.

3. **The Department should re-evaluate 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.

- 4. The Department of Public Health should continue to 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 Multicultural Health Advisory Commission and the Childhood Immunization Advisory Council.**

Comments:

Seven boards had between one and four membership vacancies. Eight boards combined for 19 instances of members serving for more than the statutory limits allow. Minutes of the Commission and the Council were not readily available at the Department.

- 5. The Department of Public Health should improve internal controls over its various receivables by centralizing the recording of all amounts due and periodically reconciling receivable balances to accounting activity.**

Comments:

Inadequate segregation of duties prevented the independent preparation of trial balances and increases the risk that errors will go undetected.

- 6. 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.

- 7. The Department of Public Health should improve procurement practices to provide for the adequate documentation of purchases and adherence to mandated contract provisions.**

Comments:

The Department was found to not be adhering to established P-Card procedures or the terms of State contracts for printing services.

- 8. The Department of Public Health should improve the monitoring of the process used to establish human service and personal service agreements to insure that all administrative requirements are adhered to and the evaluation process is documented.**

Comments:

Controls were not effective to assure that contracts were in place prior to the execution of the relevant services to be provided. Documentation of the evaluation process was not available in all instances, nor were composite rankings attested to by the committee members.

- 9. The Department of Public Health should consider procedures to improve the accountability of time spent by employees that are regularly assigned to the field, as well as improving documentation of medical certificates and advance approval of compensatory time.**

Comments:

Field staff assigned to the Sexually Transmitted Disease Unit did not prepare records indicating which cases their efforts pertained to. Approval of compensatory time for bargaining unit employees was not normally done in advance, and approximately one-half of the incidents of extended sick leave we reviewed did not have medical certificates on file.

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, 2002 and 2003. 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, 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 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, 2002 and 2003, 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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