

STATE OF CONNECTICUT



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

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

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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December 27, 2012

AUDITORS' REPORT DEPARTMENT OF PUBLIC HEALTH FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2009

We have examined the financial records of the Department of Public Health for the fiscal years ended June 30, 2008 and 2009. This report on that examination consists of the Comments, Condition of Records, 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 of Public Health'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.

The department has adopted an incident command organizational structure. The goal of this structure is to ensure that division management is prepared to coordinate their efforts in the event of a disaster. The key divisions are Regulatory Services, Health Care Systems, Laboratory, Operations, Administration, Planning, Public Health Initiatives, and Local Health Administration.

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 of Public Health 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.

Robert Galvin, M.D. served as commissioner throughout the audited period. Norma D. Gyle served as deputy commissioner throughout the audited period.

The Office of Health Care Access and the Commission on Medicolegal Investigations both operate within the Department of Public Health for administrative purposes only. Our related examinations are reported upon separately.

Significant Legislative Changes:

Section 1 of Public Act 07-22, effective May 9, 2007, amended Section 19a-80 of the General Statutes to allow a single day care center license for services provided in separate buildings that are joined by a contiguous playground.

Section 1 of Public Act 07-79, effective October 1, 2007, established Section 19a-40a of the General Statutes to require applicants seeking employment in the vital records unit to submit to state and national criminal history records checks.

Section 4 of Public Act 07-119, effective July 1, 2007, amended Section 20-12c of the General Statutes, most notably by eliminating the registration requirement on licensed physicians who supervise physician assistants.

Public Act 08-171, effective June 12, 2008 repealed Section 19a-4k of the General Statutes, thereby eliminating the Advisory Commission on Multicultural Health. The commission's mission was to eliminate disparities in health status among the state's cultural and ethnic communities.

Section 39 of Public Act 08-184, effective October 1, 2008, shifted the responsibility for hospital community benefits reports from the Department of Public Health to the Office of the Healthcare Advocate. In addition, Section 63 repealed Section 19a-7g of the General Statutes, thereby eliminating the Childhood Immunization Advisory Council.

RÉSUMÉ OF OPERATIONS

General Fund:

General Fund receipts of the Department of Public Health totaled \$29,603,857 and \$30,957,235 for the 2007-2008 and 2008-2009 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>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Revenues:			
Licensure, Registration, and Inspection Fees	\$ 20,816,115	\$ 24,333,442	\$ 24,911,483
Title XIX State Survey and Medicaid Funds	4,213,742	3,727,791	3,757,127
Fees for Laboratory Services	980,882	639,672	977,736
Birth, Marriage and Death Certificates	140,878	117,778	134,864
Fines, Civil Penalties And Court Costs	638,800	411,206	459,887
Miscellaneous	17,919	18,817	17,301
Refunds of Prior Years Expenditures	394,673	355,151	698,837
	<u>\$ 27,203,009</u>	<u>\$ 29,603,857</u>	<u>\$ 30,957,235</u>

The five percent increase in receipts during the audited period is primarily attributable to an increase in fees for laboratory services resulting from the implementation of a new laboratory fee schedule.

Title XIX State Survey and Medicaid 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 totaled \$94,981,318 for the 2007-2008 fiscal year, as compared to \$101,025,240 for the 2008-2009 fiscal year. A comparative summary of General Fund expenditures, as compared to the previous fiscal year, is presented below:

	<u>Fiscal Year</u>		
	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Personal Services	\$ 36,224,406	\$ 36,339,109	\$ 38,138,956
Contractual Services	3,447,740	5,307,002	7,835,843
Commodities	10,875,275	10,833,173	10,781,985
Sundry Charges	2,694,853	669,760	1,178,070
Grants-In-Aid	29,600,250	41,377,791	42,897,786
Equipment	17,948	454,483	192,600
	<u>\$ 82,860,472</u>	<u>\$ 94,981,318</u>	<u>\$ 101,025,240</u>

Grants-in-aid represented over 40 percent of total expenditures during the audited period. Overall expenditures increased as a result of increases in personal services, contractual services and grants-in-aid expenditures. The increase in contractual services expenditures was due in part to an increase in information technology consultant services.

Special Revenue Fund - Federal and Other Restricted Account:

Federal and Other Restricted Account receipts totaled \$139,636,796 and \$151,826,733 for the fiscal years ended June 30, 2008 and 2009, respectively. These receipts were primarily from

the federal Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA #10.557). Total fund receipts increased in the 2008-2009 fiscal year due to increases in federal activity, in part, for the Public Health Emergency Preparedness grant (CFDA #93.069).

Expenditures of this account, as recorded by the State Comptroller for the fiscal years ended June 30, 2008 and 2009, totaled \$139,815,315 and \$143,444,086, respectively. A summary of these expenditures as compared to the previous fiscal year is presented below:

	<u>Fiscal Year</u>		
	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Personal Services	\$ 29,339,510	\$ 30,416,082	\$ 31,718,458
Contractual Services	5,397,053	5,046,050	7,695,631
Commodities	34,714,989	35,821,137	38,456,011
Revenue Refunds	60,928	28,390	171,192
Sundry Charges	59,483,757	67,948,175	63,986,015
Grants-In-Aid	265,846	164,935	736,669
Equipment	1,185,736	601,392	684,297
Building and Improvements	(8)		
Prior Period Adjustments	190,200	(210,845)	(4,187)
Total Expenditures	<u>\$ 130,638,011</u>	<u>\$ 139,815,316</u>	<u>\$ 143,444,086</u>

Commodities are comprised mainly of food and beverage charges of the Special Supplemental Nutrition Program for the Women, Infants, and Children grant (WIC) (CFDA # 10.557). Sundry Charges were mainly for grant expenditures.

Special Revenue Fund - Capital Equipment Fund:

Special Revenue Fund expenditures for equipment purchases totaled \$1,039,500 and \$1,147,776 during the fiscal years ended June 30, 2008 and 2009, respectively. These amounts were spent to purchase medical, lab and data processing equipment.

Special Revenue Fund – Grants to Local Governments and Others Fund:

Special Revenue Fund expenditures for grants-in-aid to the Department of Public Health's nonprofit providers and community health agencies for facility improvements amounted to \$1,876,236 and \$3,477,902 for the fiscal years ended June 30, 2008 and 2009, respectively.

Capital Projects Fund – Capital Improvements and Other Purposes:

Capital Projects Fund expenditures were \$4,990 and \$6,627 during the fiscal years ended June 30, 2008 and 2009, respectively.

Fiduciary Funds - Biomedical Research Trust Fund:

Biomedical Research Trust Fund expenditures were \$822,520 and \$1,566,402 during the fiscal years ended June 30, 2008 and 2009, respectively. These amounts were spent mainly on grants.

PROGRAM EVALUATION

Section 2-90 of the General Statutes authorizes the Auditors of Public Accounts to perform evaluations of selected agency operations. We reviewed the scope and sufficiency of the Department of Public Health's investigations of the complaints it receives against dentists. In accordance with Section 19a-14, subsection (a), of the General Statutes, the department must investigate complaints received against licensed individuals. Our audit noted the following concerns regarding the Department of Public Health's investigations of dental providers.

Weaknesses in Controls over Dental License Investigations:

Background: The Department of Public Health is responsible for investigating complaints against the practitioners it licenses. The goal of each investigation is to establish whether or not the practitioner met the standard of care. Investigations generally include obtaining a complainant's written statement, reviewing the physician's medical records and office, and obtaining a paid or volunteer consultant's opinion as to whether the standard of care was met. Licensees who do not meet the standard of care face administrative action that could result in: the revocation or suspension of their license, monitoring of their activities, civil fines, and additional continuing education.

Criteria: Section 19a-14, subsection (a), of the General Statutes requires the Department of Public Health to conduct any necessary investigations of complaints received against licensed individuals. The department has established related policies and procedures with the goal of completing all investigations within 180 days. Those policies and procedures indicate that the supervisor will track all petitions assigned for investigation for timeliness and completeness.

Conditions: We reviewed the Department of Public Health's investigations of ten complaints that were filed against dentists and noted the following weaknesses.

- In three instances, not all of the issues that were stated in the complaints were investigated. For example, as part of its investigation of one complaint, only the charges relating to the dentist's hygienist were pursued. Both the department's Investigations Unit and the Legal Office failed to address a

separate and more critical issue, whether the dentist had met the standard of care with regard to the patient's infection.

- A consultant's opinion was not obtained on a complaint that was two years old. We noted three additional complaints against the same dentist; however, due to the lack of an opinion, the department had been unable to move forward with administrative action.
- The Investigations Unit does not always provide all of the available documentation for consideration by the Legal Office.
- Delays in obtaining a consultant's opinion have prevented the completion of investigations in a timely manner as established by policies and procedures.

Effect: By not investigating and prosecuting complaints thoroughly and in a timely manner, the public is at a greater risk of injury by licensees who may not be meeting the standard of care.

Cause: We were told that insufficient funds to hire consultants and a shortage of unpaid consultant volunteers have contributed to the delays in completing investigations. In addition, the Investigations Unit and the Legal Office did not collaborate as well as they could have.

Recommendation: The Department of Public Health should improve its regulatory process over the investigations of licensees. (See Recommendation 1.)

Agency Response: "The Department of Public Health agrees in part with the findings. Response to Condition #1 and #2: Oftentimes complaints include allegations that are not within the department's jurisdiction or do not rise to the level of a violation of any regulation or statute. As such, there will be cases in which all of the issues alleged will not be investigated.

Condition #3: The PLIS transfers the entire file to the Department of Public Health's legal office whenever the file is transferred to the legal office for further action.

Condition #4: The Department of Public Health understands that using paid expert consultants rather than volunteers will greatly enhance its ability to have investigations performed in a more timely manner. However, funds for payments to consultants have not been appropriated in FY13. The Department of Public Health will explore funding options and attempt to secure dollars for this activity as funding is available."

Auditors' Concluding

Comment:

We agree that the Department of Public Health receives complaints over which they have no jurisdiction. However, the department did have jurisdiction over the complaints that we reviewed, yet a sufficient investigation was not always completed.

Again, we agree that procedures require that completed investigations should be provided to the Legal Office; however, in a complaint we reviewed, the investigator had information that was not provided to the Legal Office.

CONDITION OF RECORDS

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

Awarding of Grant and Human Services Contracts:

Criteria: The Department of Public Health utilizes human services 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) issued suggested guidelines to state agencies regarding the use of human services contracts that 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 requires that a valid commitment must be in place prior to incurring an obligation. In addition, a record of all commitments should be maintained within the accounting system.

Conditions: Our testing of grant and human services contracts noted the following concerns:

- Our review of the department's proposal evaluation process disclosed that a central log of proposals was not kept. Of the five grant agreements reviewed, we found that one unit in the department retained the scoring sheets that were prepared by the individual committee members, but four units did not. The scoring sheets that were not retained were either shredded or misplaced.
- Our sampling noted that seven contractors began working without an approved contract. Through analytical procedures, we calculated that 807 contracts totaling \$192,615,662 were approved during the audited period. Based on the Department of Public Health's contract log, only seven percent of these contracts were approved before the contractual start date. Most notably, 362 were approved between 91 and 548 days after the contractual start date. Due to the nature of the department's contracts, it is likely that many contractors provided services without the proper approvals and before a commitment of funds for the obligation was recorded.

- Effect:* Failure to maintain a central log of proposals could result in proposals being omitted from the final review process. In addition, not retaining sufficient documentation to support the proposal evaluation process prevents independent parties from determining whether the process was carried out properly and without undue influence.
- Incurring an obligation prior to committing the appropriate funds violates Section 4-98 of the General Statutes and may reduce the effectiveness of established budgetary controls.
- Cause:* Proposals are not centrally recorded when received. In addition, individual proposal rating sheets were regarded as draft documents, and thus were not retained. A lack of administrative control is the general cause of these conditions.
- Recommendation:* The Department of Public Health should improve controls over the awarding of human services and personal service agreements. (See Recommendation 2.)
- Agency Response:* “The Department of Public Health agrees with this finding. The contracts unit is exploring the feasibility of having the contracts unit as the central repository for logging all contract proposals when received. Proposals will be date stamped and a file folder will be maintained containing proposal evaluation criteria and rating information. These controls will improve the documentation process of awarding human services and personal service agreements.”

Controls over the Assignment and Payment of On-Call and Overtime Duties:

- Criteria:* Section 5-245 of the General Statutes provides that overtime should be paid to any state employee who performs work authorized by an appointing authority for a period in addition to the hours of the employee's regular workweek, at a rate equal to one and one-half times an hourly rate based on annual salary.
- Sound business practice regarding on-call pay includes establishing policies and procedures for the administration of the program. For example, an excerpt from Section Eight of the New England Health Care Employees Union District 1199 contract states that “In the event the Employer wished to change or establish an on-call schedule, a three-week notice shall be given to the affected employee(s) and the Union. The Employer shall meet with the Union upon request and discuss the details for administering the on-call assignment. The decision to institute the

on-call program and the designation of the job classification(s) to be assigned shall be the prerogative of the employer.”

Conditions:

Our audit noted several concerns regarding overtime and on-call payments made during the audited period.

In fiscal year 2009, the Department of Public Health paid \$56,321 in overtime. We reviewed eight employees who received overtime payments totaling \$39,451 and noted that:

- One employee’s schedule was not adequately managed to better accommodate the lab being open for the required number of hours each day. As a result, a state funded employee charged one half hour of overtime to a federal grant every day. We questioned these charges in our Statewide Single Audits of the 2007-2008 and 2008-2009 fiscal years.
- Another employee, who was working overtime throughout an extended period of time, improperly received overtime pay totaling \$354. The overpayments occurred on nine separate days when the employee was scheduled to work overtime but also charged a portion of the day to leave time. Although some union contracts consider sick, vacation, and other paid time off as work time, this did not apply to this individual.

On-call payments during the 2008 and 2009 fiscal years totaled \$51,875 and \$58,814, respectively. We noted the following:

- There are no controls in place for the assignment or monitoring of employees who are on-call. There is no documented assessment of the need for on-call payments, no schedule, and management has not monitored or rotated the assignment of staff.
- We sampled six of the nine employees who received on-call pay during the fiscal year ending June 30, 2009. These six individuals were selected because they received on-call pay while on vacation or during other unpaid leave. The cost of on-call pay on those days totaled \$2,962. Most notably, an employee was scheduled to be out for the ten workdays prior to retiring. This employee received on-call pay on those ten days.
- We also noted that as a result of on-call pay, one employee was paid a total of 28 hours for a one day period. We were told that employees are paid for on-call duty even when they are at work.

- Effect:* Without effective management, the cost of personnel services may be higher than necessary.
- With no documented policies, procedures, or schedule, employees can be on-call for no reason or a duplication of coverage could occur.
- Cause:* The Department did not properly schedule employees to minimize the need for overtime. The second employee was overpaid because confusion occurred over which union's compensation rules applied.
- Assignment of on-call duties to employees using planned leave time indicates a lack of management oversight. There are no documented policies, procedures, or schedules for on-call personnel.
- Recommendation:* The Department of Public Health should properly pay for overtime. An assessment of the need for on-call pay should be made. Policies, procedures, and schedules for the assignment of on-call duties should be implemented. (See Recommendation 3.)
- Agency Response:* "The Department of Public Health agrees with the finding and recommendation. Prompted by a memo from Labor Relations Director Linda Yelmini in October of 2010, the Department of Public Health conducted a thorough review of on-call payments. The biggest issues occurred at the department's laboratory. Laboratory employees were notified that they are not to be on-call during hours of regular work. In addition, specific telephones for on-call assignments were identified and are now used and have eliminated the duplication of coverage."

Payments to Volunteer Peer Reviewer Committee Members:

- Criteria:* Public Act 05-149, An Act Permitting Stem Cell Research and Banning the Cloning of Human Beings, is codified in Section 19a-32 of the General Statutes. The act appropriated the sum of twenty million dollars to the newly established Stem Cell Research Fund for the purpose of grants-in-aid for conducting embryonic or human adult stem cell research.
- Section 4-40 of the General Statutes states that "...compensation and wages of all state officers, boards, commissions....not prescribed by statute or special act, shall be determined, subject to the approval of the Secretary of the Office of Policy and Management, by the Commissioner of Administrative Services."

- Condition:* A total of \$25,863 was paid to volunteer Stem Cell Research Peer Review Committee members for their review of stem cell grant applications. These payments may not be allowable charges to the Stem Cell Research program. According to the minutes of the Stem Cell Research Advisory Committee, dated September 16, 2008, the Department of Public Health could not pay these individuals for their review of applications based on the existing statutes related to stem cell research. However, they determined that payments could be made based on Section 4-40 of the General Statutes. The department could not document that the payments were approved by the Department of Administrative Services and the Office of Policy and Management as required by the statute.
- Effect:* Payments were made to Stem Cell Research Peer Review members that were not established by statute, special act or approved by the Commissioner of Administrative Services and consequently were not approved by the Secretary of the Office of Policy and Management.
- Cause:* The proper approvals for compensating Stem Cell Research Peer Reviewers were not obtained.
- Recommendation:* The Department of Public Health should improve administrative controls to ensure compliance with the various statutes and regulations governing payments to peer reviewers. (See Recommendation 4.)
- Agency Response:* “The agency agrees with this recommendation. The Department of Public Health is currently in compliance with state laws and regulations governing payments to Peer Reviewers. Item #1626-E was signed by Martin W. Anderson, the former Commissioner of the Department of Administrative Services on November 12, 2010 and Brenda Sisco, the former Secretary of the Office of Policy and Management on November 4, 2010 which authorizes compensation rates for Stem Cell Research Peer Review Committee Members by these agencies. This is the rate that the Department of Public Health uses.”

Employee Personnel File Documentation:

- Criteria:* Sound business practice includes documenting approved changes in employment status in the employee’s personnel file.
- Condition:* In our sample of 20 payroll transactions, we noted that an employee was promoted without sufficient documentation in the employee’s personnel file. The employee’s working test period had previously been extended for six months based on a supervisor’s

general statement that the employee had not met the requirements for promotion. Then, after the extended test period lapsed, the employee was promoted without documentation stating the reason the extension of the working test period had been resolved and proof the employee had completed all of the necessary steps to be promoted. Based on the employee's subsequent annual performance appraisals, we do not question the promotion but rather the lack of documentation.

Effect: Insufficient documentation of a promotion in an employee's personnel file could prevent the department from detecting individuals who have received a promotion that was not earned.

Cause: A lack of administrative oversight has contributed to this condition.

Recommendation: The Department of Public Health should follow sound recordkeeping and business practices regarding the monitoring of employees and personnel file documentation. (See Recommendation 5.)

Agency Response: "The Department of Public Health agrees with the finding and recommendation. A procedure has been implemented to send reminders to the supervisor when a mid-working test period and a final working test period rating is due for a specific employee. If a supervisor misses a deadline, and does not file a final working test period service rating on time, the performance is assumed to be satisfactory and the employee must receive permanent appointment. The agency cannot extend the working test period, or drop the employee retroactively, once the date has passed. The one case cited in the audit was an exception and does not reflect adherence to standard operating procedures of the department."

Criminal Background Checks of Child Day Care Employees:

Criteria: Section 19a-80, subsection (c), of the General Statutes states that, "The Commissioner of Public Health, within available appropriations, shall require each prospective employee of a child day care center or group day care home in a position requiring the provision of care to a child to submit to state and national criminal history records checks. The criminal history records checks required pursuant to this subsection shall be conducted in accordance with Section 29-17a. The commissioner shall also request a check of the state child abuse registry established pursuant to Section 17a-101k. Pursuant to the interagency agreement provided for in Section 10-16s, the Department of Social Services may agree to transfer funds appropriated for

criminal history records checks to the Department of Public Health. The commissioner shall notify each licensee of the provisions of this subsection.”

Condition: We reviewed the background checks for three of the five day care centers that were newly licensed during the 2009 fiscal year. We noted that two centers were licensed even though three employees’ background checks were not completed. There are no policies and procedures regarding the criminal background check process.

Effect: Without evaluating the results of background checks, children could be at risk.

Cause: A lack of documented policies and procedures contributed to this condition.

Recommendation: The Department of Public Health should develop and implement policies and procedures regarding criminal background checks that are required for the licensing of child day care centers. (See Recommendation 6.)

Agency Response: “The Department of Public Health disagrees with the audit finding.

Background Checks in the Child Day Care Licensing program
Conviction or Department of Children and Families record reviews are conducted as prescribed by C.G.S., Sections 19a-87e and 19a-87a, and in accordance with Sections 29-17a and Sections 46a-79 to 46a-81.

The Policies and Procedures are:

Family Day Care: Applicants submit fingerprints.... Also, signed releases to screen Department of Children and Families records.... It takes approximately 12 weeks to receive results. No decision on the pending license application is issued until the review is completed. When new household members are added to an existing license..., background checks are conducted. When a criminal or Department of Children and Families history is revealed by the background check, it can take months to receive... [the documentation] needed to assess the relationship of the crime to the provision of child care and evidence of rehabilitation.

Child Day Care Centers and Group Day Care Homes – For new license applications, the operator submits fingerprints and Department of Children and Families screening releases on staff prior to the license being issued. An initial license will not be issued until the fingerprints and releases for the searches have been received for enough staff to serve the number of children initially attending. As new staff is hired, fingerprints and Department of

Children and Families releases are submitted. Due to the large turnover in staff in these facilities and the time necessary to process background checks, staff is permitted to work prior to the results being received. Most programs have policies and questions on their employment application concerning convictions and child abuse histories, allowing for the immediate termination of a staff who falsifies information. When a state conviction or Department of Children and Families record is received by the Department of Public Health, the program is notified and must then conduct an investigation into the suitability of the staff person remaining employed. The Department of Public Health cannot reveal an FBI conviction to programs. Therefore, in these cases, the Department of Public Health will contact the individual directly to obtain information to assess the individual's suitability.... For each prospective employee, the operator must maintain a file that contains a copy of the completed fingerprint cards and Department of Children and Families' releases that were submitted.

The process of screening for convictions and Department of Children and Families' records and the assessment of the findings is labor intensive. The Department of Public Health conducts the required criminal and abuse/neglect background checks to the extent possible within available appropriations.”

*Auditors' Concluding
Comment:*

We disagree with the Department of Public Health's response. Perhaps if we were given this narrative when we asked for the policies and procedures, we could have gotten clarification on the following:

- In our finding we refer to Section 19a-80 of the General Statutes that requires the Department of Public Health to check the Department of Children and Families' registry and criminal backgrounds of prospective day care center employees. The response does not address that statute but rather Sections 19a-87a and 19a-87e that give the department the right to issue, revoke, or suspend a license.
- Our finding relates only to the employees of new child day care centers.
- The Department of Public Health states that a license can be issued to a center after enough staff has been evaluated. This is not supported by Section 19a-80, subsection (c), of the General Statutes which states that the Department of Public Health "... shall require each prospective employee of a child day care

center ... to submit to state and national criminal history records checks....”

- There is no statutory authority for the position that, as new staff is hired, employees can work with children before the results of the background check are received.
- The Department of Public Health states that the day care center is notified when a state conviction or Department of Children and Families record is received. We found that, for three employees, no results were received three years after being requested. These were not discovered by the department but through our review of the files.
- In addition, the Department of Public Health states they cannot reveal a FBI criminal record to the centers. As no policies were provided to us at the time of our review, we could not evaluate this or why a FBI criminal record is confidential and a state criminal record is not.

The Department of Public Health’s response is a good start toward documenting a policy, but it is not comprehensive and does not include procedures. As a result, we restate that policies and procedures regarding background checks that are required for the licensing of child day care centers should be developed and implemented.

Controls over Accounts Receivable:

Criteria: In order to provide assurances that accounts receivable balances and receipts are properly recorded and reported, there should be an adequate segregation of duties over the assessment, recording, and collection of amounts due. In addition, timely reconciliation of subsidiary records to control accounts should be performed on a regular basis. The statewide accounting system, Core-CT, provides agencies with an automated system for managing accounts receivable.

Condition: The State of Connecticut’s Core-CT system is not being used to manage a variety of sources of revenue. Each unit is independently responsible for assessing, recording, and collecting the penalties, fines, or various accounts receivable in its own way. Some units utilize a spreadsheet, some use an access database, and others only record checks when they are received. The business office does not provide any support to any unit to assist in ensuring that fines imposed are collected or that logs account for all fines imposed.

In our sample of 12 receipts totaling \$119,960 recorded as civil penalties, we found that no accounts receivable had been recorded while the receipts were pending.

We noted that the laboratory had inactive accounts receivable totaling \$9,770 that were over ten years old on June 30, 2009.

Effect: The absence of centralized controls increases the risk that errors will go undetected. Without an accounts receivable log or subsidiary ledger to track the amounts owed, there is an increased risk of misappropriation of assets due to theft or loss.

Cause: This recommendation is repeated from our prior reports. The Department of Public Health's responses to those recommendations indicated that they were unable to fully address our concerns due to increases in workload coupled with staff attrition.

Recommendation: The Department of Public Health should improve controls over its various accounts receivable. The business office should take a more active role. When appropriate, Core-CT should be used to manage accounts receivable. (See Recommendation 7.)

Agency Response: "The Department of Public Health agrees with this finding. Controls have been improved. The various operating units are now transmitting the necessary data through monthly subsidiary accounts receivable spreadsheets to the business office. A master accounts receivable spreadsheet has been developed in the Department of Public Health's fiscal office to capture all monthly subsidiary accounts with data found on the receivable spreadsheets. All efforts to reconcile the information monthly is taken."

Audits of the Public Health Foundation of Connecticut, Inc.:

Background: Governor Rowland's Executive Order No. 33 created the Public Health Foundation of Connecticut, Inc. in March 2004. The foundation was established for the purpose of soliciting, receiving and distributing private funds for charitable, scientific, educational or related purposes to enhance the Department of Public Health's efforts to protect and promote the health and safety of the people of Connecticut.

Criteria: Statutory provisions governing foundations affiliated with state agencies are included in Sections 4-37e through 4-37j of the General Statutes. Section 4-37f, subsection (8) requires that a full audit be completed if receipts and earnings from investments total

one hundred thousand dollars per year or more, but if receipts and earnings are less than one hundred thousand dollars, the foundation should be audited once every three years.

Condition: Based on unaudited financial statements of the foundation, an annual audit was required for the fiscal years ending June 30, 2008 and 2009, but none was obtained.

Effect: The foundation did not comply with statutory requirements that are designed to help ensure compliance with applicable state requirements and restrictions and to provide the Department of Public Health with adequate information to monitor the foundation's activities.

Cause: The individuals responsible for obtaining the required audits did not make sure they were prepared.

Recommendation: The Public Health Foundation of Connecticut, Inc. and the Department of Public Health should comply with the audit requirements of Section 4-37f of the General Statutes. (See Recommendation 8.)

Agency Response: "The Public Health Foundation is an organization in good standing with the Office of the Secretary of the State filings; however, the Board of Directors has not met and the organization is no longer functional with no or very little funds in its treasury. The Department of Public Health sent a letter advising the Director of the Public Health Foundation to request the Auditors of Public Accounts to perform an audit free of charge since there are no funds to have the audit performed by an independent audit company. The Director of the Public Health Foundation resigned on October 24, 2012."

Authority to Establish the Public Health Foundation of Connecticut, Inc.:

Criteria: Article Second of the Constitution of the State of Connecticut provides for a separation of the powers of government, legislative, executive and judicial. Legislative functions relate to the enactment of laws, executive functions relate to the execution and administration of the laws, while judicial functions relate to the interpretation of the laws.

Condition: Typically, our audits have noted that foundations are established by enacting legislation. The Public Health Foundation of Connecticut, Inc. was created by Executive Order No. 33 issued by Governor Rowland in March 2004. We are unsure whether the

executive order was sufficient or if specific legislation was necessary for the creation of the foundation.

Effect: The executive order may have exceeded its Constitutional authority.

Cause: The cause could not be determined.

Recommendation: The Department of Public Health should seek a formal opinion from the Office of the Attorney General to determine whether the Public Health Foundation, Inc. was properly established. (See Recommendation 9.)

Agency Response: “Dr. Jewel Mullen, M.D., M.P.H., M.P.A., Commissioner of the Department of Public Health sent a letter to the Attorney General’s Office on August 30, 2012 requesting a formal legal opinion regarding the legality of establishing the Foundation from Executive Order 33 rather than by legislative enactment. An opinion is forthcoming.”

Equipment Inventory and Reporting:

Criteria: Section 4-36 of the General Statutes requires each state agency to establish and keep property inventory records in the manner prescribed by the State Comptroller. By October 1st, a detailed inventory report completed as of June 30th of all property owned by that agency must be filed with the Comptroller’s office.

The State Property Control Manual, issued by the State Comptroller states, “A separate perpetual inventory should be maintained of all stores and supplies ... if the estimated value of the entire inventory is over \$1,000.” The manual also prescribes that only capitalized assets are to be reported on form CO-59. Capitalized assets are defined as individual assets with a value or cost over \$1,000. Equipment reports should be accurately prepared and filed in a timely manner. Furthermore, when an item is used at a location other than that to which it was assigned, the responsible employee must sign a Record of Equipment on Loan form or a similar form prepared by the agency. This form documents that the individual takes responsibility for theft or damage to the equipment.

In addition to the Property Control Manual, the State Comptroller’s Core-CT Manager Guide to Asset Management requires all capital and controllable assets to be listed in the Core-CT asset management system (AMS), and sets forth policies and procedures

to follow in maintaining assets in Core-CT to enable accurate control and reporting.

Section 4-33a of the General Statutes requires agencies to promptly notify the Comptroller and the Auditors of Public Accounts of any illegal, irregular or unsafe handling or breakdowns in safekeeping of any resources of the state.

Sound business practice requires a complete separation of duties. The responsibility for periodic physical inventories of capitalized assets should be assigned to responsible individuals who have no custodial, recordkeeping or annual reporting responsibilities.

Conditions:

Sufficient property inventory records have not been established and kept in full compliance with the Property Control Manual and the Core-CT Manager Guide for Asset Management. The Department of Public Health did not fully implement or rely solely on the Core-CT asset management system as is required by the Comptroller, but relied on an older AMS during the audited period. We noted the following:

- The annual Fixed Assets/Property Inventory Report (CO-59 form) for the fiscal year ending June 30, 2008 was submitted 22 days late.
- We could not verify the completeness of the amounts reported on both years' CO-59 form because the amounts were based on the older inaccurate property control system and incomplete physical inventory records. In addition, physical inventory records had not been reconciled to addition and deletion activity that is recorded in Core-CT as required by the Property Control Manual. Based on the older property control system, the total cost of items added to and deleted from the perpetual inventory record during the fiscal year ending June 30, 2009 did not agree with the amounts reported on CO-59 form. Based on the physical inventory, there was a variance of \$418,202.
- We noted a purchase for \$2,496 that was not included in the perpetual inventory record and was not located during the physical inventory completed for June 2009.
- There are insufficient controls, assignment of responsibilities and segregation of duties of staff capable of ordering, receiving and adding capital and controllable items to Core-CT. In addition, the use of a loan form has not been required when permanently issuing laptops to personnel.

- The tuberculosis drug inventory and other supplies were omitted from both years' CO-59 reports, resulting in understatements of \$310,718 and \$268,313 for the 2007-2008 and 2008-2009 fiscal years, respectively.
- The HIV inventory and other supplies were omitted from both years' CO-59 reports, resulting in understatements of \$138,094 and \$147,025 for the 2007-2008 and 2008-2009 fiscal years, respectively.
- There are no perpetual vaccine inventory records or documentation to support that a physical inventory count was ever conducted. A vaccine inventory listing was created upon our request. After an initial count to verify a sample of the inventory, it was determined that the listing was grossly inaccurate. The Department of Public Health created a revised listing that still had an unexplained variance of 490 vaccines, or five percent, from the actual count on hand. The CO-59 report was understated by the value of this vaccine inventory. However, we could not determine the value due to inaccurate and incomplete records.
- We noted several concerns regarding annual physical counts of inventory.
 - The same person who maintains the inventory record is also responsible for taking the annual physical inventory, resulting in an insufficient segregation of duties.
 - The pre-printed inventory sheets used during the annual physical inventory count were not pre-numbered.
 - A Transfer document (CO-862 form) was not completed for any asset location reassignment in Core-CT AMS that resulted from the annual count.
 - Property control inventory records were not reconciled to Core-CT. Since no reconciliation was performed, an audit trail to source documents was not created.
 - In cases in which items were not personally inspected during the physical count, only verbal confirmation of the assets' existence was sought from the custodian.
- No loss report was filed for equipment valued at \$2,587 that could not be located during the 2009 fiscal year's annual physical inventory.
- There were 41 assets with a combined estimated value of \$79,208 listed as stolen or missing, but were not identified on

the deletions or surplus list of the CO-59 reports for 2008 or 2009.

- Additions to the inventory were \$1,646,922 and \$1,901,545 in the 2008 and 2009 fiscal years, respectively. Three of the ten assets in our sample were understated by a total of \$38,673.
- In our prior audit, we reported a lack of accountability over 200 Toughbook laptops costing \$631,000 that were purchased during the fiscal year ending June 30, 2007 for use by private Emergency Medical Service (EMS) organizations. For the period ending June 30, 2009, the CO-59 report supporting documentation indicates that 45 of these Toughbooks still remain in Core-CT AMS. We were unable to determine who owns the laptops and is responsible for the confidential medical data they may contain because there is neither a contract between the department and the EMS organizations nor a signed equipment loan form. In addition, the department has not maintained a listing of laptop recipients and has no knowledge of how many laptops each organization has received. When we asked for a list, we were directed to contact the vendor who sold the laptops to the department and distributed them to the EMS organizations.
- Our prior audit report noted that the Department of Public Health incorrectly recorded \$5.7 million in asset purchases. The actual cost of 41 various assets was not recorded, rather each asset was recorded with an average cost of \$138,857. In addition, the wrong acquisition dates and incorrect account coding were recorded. These errors have not been corrected in Core-CT.
- The Public Health Foundation of Connecticut, Inc. donated two buses to the Department of Public Health, but only one of them was recorded with no value rather than its fair market value. The annual physical inventories failed to detect the second bus.

Effect:

Late submissions of reports to the State Comptroller impede the ability to produce accurate and timely statewide financial reports.

Inefficiencies occur and inaccuracies are more likely because the Department of Public Health is simultaneously running two asset management systems.

Without an accurate listing of its equipment inventory, losses cannot be detected in a timely manner.

An unclear ownership of assets increases the risk of liability if confidential medical data is disclosed or if repairs or replacements are needed.

The physical inventory count does not provide sufficient assurance that assets have not been lost or stolen.

Cause: It appears that the errors occurred, in part, due to delays in recording transactions and a lack of administrative oversight.

Recommendation: The Department of Public Health should improve controls and recordkeeping for equipment inventories toward the goal of producing accurate and timely reports. In addition, losses should be reported in accordance with Section 4-33a of the General Statutes. (See Recommendation 10.)

Agency Response: “The Department of Public Health agrees with this finding. Improved controls and recordkeeping over equipment inventories has been implemented. The department has fully implemented the Core-CT Asset Management System (AMS) as required and all losses are being reported in accordance with Section 4-33a of the General Statutes on a timely basis. Monthly reviews of all purchase orders have been implemented. Also, the department is developing new Asset Management internal procedures to ensure tracking and monitoring of equipment on a regular basis.”

Boards, Councils, and Commissions:

Criteria: The Department of Public Health is responsible for the administrative duties for 19 regulatory and advisory boards, commissions and councils.

a) Section 4-9a subsection (c) of the General Statutes stipulates that the term for each chairperson “...shall be coterminous with the term of the Governor or until a successor is chosen, whichever is later.” The Emergency Medical Services Advisory Board, the Mobile Field Hospital Advisory Board, the Stem Cell Research Advisory Board, and the Stem Cell Research Advisory Board Peer Review Committee are not covered by the requirement.

b) Section 19a-8 of the General Statutes requires that public membership of a board shall constitute no less than one-third of the entire membership of the board for the 15 boards and commissions defined in Section 19a-14(b) of the General Statutes. Not included in this section are the Emergency Medical Services Advisory Board, Mobile Field Hospital

Advisory Board, Stem Cell Research Advisory Board and the Stem Cell Research Advisory Board Peer Review Committee.

- c) Section 19a-178a subsection (d) of the General Statutes defines the composition of the Emergency Medical Services Advisory Board as well as the terms of membership for the board as “coterminous with the appointing authority.” The board should be comprised of 41 members who are appointed by seven specific people and meet specific criteria. Furthermore, the board’s bylaws specify the following: if a member misses three meetings in succession, the chair is to send said member a certified letter. If the same member misses two more meetings, or 50 percent of the scheduled meetings in a calendar year, the chair is to notify the appointing authority and recommend the member appointment be reviewed and reconfirmed. Until the appointment is reconfirmed, the member is not considered part of the necessary minimum quorum of 9, essentially deeming the member resigned. A summary of all board meetings shall be maintained. A report shall be made to the Commissioner of the Department of Public Health by April 30th annually.
- d) Section 19a-487 of the General Statutes establishes the Mobile Field Hospital Board of Directors with eight specific members. Five of the eight members can be designated individuals in lieu of the commissioners the statute has assigned to the board.
- e) Title 20 of the General Statutes defines the members for the 15 boards and commissions defined in Section 19a-14(b) of the General Statutes deemed to have resigned should a member miss either three consecutive meetings or fifty percent of all meetings in a calendar year. While Section 19a-178a does not contain this criterion for the Emergency Medical Services Advisory Board, its own bylaws contain similar language. No such language exists for Mobile Field Hospital Advisory Board, Stem Cell Research Advisory Board or the Stem Cell Research Advisory Board Peer Review Committee.
- f) Section 19a-178a of the General Statutes does not contain language detailing the number of meetings the Emergency Medical Services Advisory Board should have annually; however, its bylaws do state that the board should meet five times per year. The bylaws relating to the Stem Cell Research Advisory Board, including the Peer Review Council, have no such language. The remaining 16 boards are to meet on a quarterly basis.

Conditions:

Our examination of the composition of the 19 boards, commissions and councils noted that the requirements for membership and number of meetings held per year were not fulfilled.

Membership and Attendance:

- a) The boards did not meet membership guidelines, as seven of nineteen boards had vacancies for both public members and licensed professionals.
- b) Due to excessive absenteeism, a total of fifty-five members from nine boards, including the Emergency Medical Services Advisory Board, were deemed to have resigned their post. Members were rarely notified and continued to serve in most instances. Most notably, as of June 10, 2009, thirty-two certified letters should have been sent from the Emergency Medical Services Advisory Board Chairperson notifying members of their status.
- c) We noted the following in our review of the Emergency Medical Services Advisory Board:
 - There were only thirty-one current members of the Emergency Medical Services Advisory Board; there should be forty-one appointed members.
 - The list of current members contained thirty-one names. We were unable to determine which particular membership requirement each person fulfills.
 - Of the thirty-one members listed as current, eleven had expired appointment letters, thirteen had none and only seven were current.
- d) Attendance at Mobile Field Hospital Board meetings by specific members is sporadic. The commissioner has sent a different designee to represent him at each meeting. The minutes state the people in attendance; however, the sign-in sheets do not always agree with the minutes.

Frequency of Meetings:

- a) The Connecticut Homeopathic Medical Examining Board did not meet in fiscal year 2009.
- b) State Board of Naturopathic Examiners and the Board of Examiners of Psychologists both missed a quarterly meeting.

Other Conditions:

We noted the following in our review of the Emergency Medical Services Advisory Board:

- a) The minutes for the September 10, 2008, and December 12, 2008, meetings could not be located.
- b) The annual 2008 report to the commissioner is dated June 30, 2008, making it effectively four months late and is composed mostly by reiteration of the 2006 and 2007 reports. The report stated that board meetings had been well attended, that membership attendance had been reviewed for absenteeism and action was taken when necessary, and that a review was performed to ensure the board was comprised of the correct composition and number of people from each appointing authority. There was no evidence to support these claims. In fact, the available evidence reviewed suggested otherwise.

Effect:

Boards that do not have a full complement of participating members may not benefit from the intended representation of various public and private sector groups. Inordinate lengths of time since the expiration of the members' terms while they continue to serve appears to suggest that the members have been reappointed without regard to the term limits of the original appointments. Boards may not be able to satisfy their mission if they do not have the required participation from a complete and active membership or meet as frequently as the statutes require.

The lack of requisite members present to constitute a quorum for a legal business meeting could become an issue when only an average of 50 percent of Emergency Medical Services Advisory Board members attend meetings, resulting in members being deemed to have resigned. The Department of Public Health cannot take appropriate action or make informed decisions if inaccurate or truncated reports are submitted and when the submission is four months late.

Cause:

The Governor's office is periodically notified of vacancies; however, the Governor's office has not replaced members in a timely manner.

The Department of Public Health is either unwilling or unable to comply with state regulations.

Recommendation:

The Department of Public Health should improve administrative controls to ensure compliance with the various statutes and regulations governing board, council and commission member

attendance, member composition and frequency of meetings. (See Recommendation 11.)

Agency Response: “The Department of Public Health will review its administrative support of the regulatory and advisory boards, commissions and councils within its purview to improve and ensure compliance with the applicable state laws and regulations governing attendance, member composition and frequency of meetings.

With regard to membership and attendance, the Department of Public Health has an extremely limited ability to control the gubernatorial and legislative appointment and reappointment process. However, letters will continue to be written to the relevant appointing authorities identifying (1) members who have not attended three or more consecutive meetings, (2) vacancies on the board, commission or council, and (3) members whose terms have expired.

With regard to the frequency of meetings, the State Board of Naturopathic Examiners and the Board of Examiners of Psychologists did not miss any quarterly meetings in 2009. According to the ... Board Liaison, there was an incorrect link on the ... website, which may have led to the discrepancy. This link has been corrected. Regarding the Connecticut Homeopathic Medical Examining Board (CHMEB) during 2009 there were only eight licensed homeopathic physicians in Connecticut. The CHMEB did not have sufficient members appointed in 2009 to establish a quorum and did not meet. The CHMEB currently does have sufficient membership and did meet in 2010 and 2011.”

Incomplete EDP Disaster Recovery Planning:

Criteria: Sound business practices include provisions that organizations have current disaster recovery plans in place to enable critical operations to resume activity within a reasonable time after a disaster.

Condition: The Department of Public Health has identified only its lab operations as requiring a disaster recovery plan. We were provided with a draft plan for the lab, dated December 6, 2007, but not all of the information technology staff was aware of it. As of June 2011, there was uncertainty as to whether a final version was ever developed, but some staff indicated that the draft represents the final version.

Effect: The lack of a formal disaster recovery plan increases the level of vulnerability in the event of a disaster.

- Cause:* A final disaster recovery plan has not been developed.
- Recommendation:* The Department of Public Health should finalize its EDP disaster recovery plan. (See Recommendation 12.)
- Agency Response:* “The Department of Public Health does not agree with this finding. See below for a list of documents that are a part of the recovery plan.

Department of Public Health RA (Recoverability Assessment) report April 14, 2005 final document - This document presents the results of the recoverability assessment work effort of IBM Global Services Business Resilience Consulting. Data was gathered through interviews, database queries and existing documentation from October 2004 to January 2005.

1. Department of Public Health Remediation Guide – November 20, 2007 - this document only covered the Lab building which houses our application covered under [the Health Insurance Portability and Accountability Act].

2. AIX 4.2.1 Recovery procedures - This document contains a step by step reference guide for the execution of the high level tasks described in the Department of Public Health ITDR Plan for AIX Recovery for the recovery of the AIX 4.1.2 Life Information Management System (LIMS) running the Gemini application in the Department of Public Health’s data center.

3. Department of Public Health ITDR plan v.1.1 December 6, 2007 - The scope of this ITDR plan consists of the critical Department of Public Health Laboratory production Gemini application system that is owned and managed by the Department of Public Health, and must be recovered in a disaster scenario. The production Gemini application runs on an IBM RS6000 7025-F40 running AIX 4.2.1 and is located at 10 Clinton Street, Hartford, CT.

Since that submission for last year’s audit concerns I am now attaching additional documentation that shows our continued efforts to improve in this area.

- Department of Public Health Server backup – The Department of Public Health maintains backups on application servers and legacy boxes. It is done using an incremental backup scheme, with one full backup done weekly. An offsite storage company, Iron Mountain, Rocky Hill, CT, is used to provide disaster recovery.

- Disaster Recovery Plan – This document delineates the Department of Public Health’s policies and procedures for technology disaster recovery, as well as the process-level plans for recovering any or all of the following servers; all Department of Public Health servers. This document summarizes ... recommended procedures, to ensure these specific system’s uptime, data integrity and availability, and business continuity. In the event of an actual emergency situation, modifications to this document may be made to ensure physical safety of our people, our systems, and our data.
- Department of Public Health – Continuity of Operations Plan – July 2011: The Department of Public Health is the state’s lead planning and response agency for public health emergencies. This Influenza Pandemic Continuity of Operations Plan serves as an annex to the Department of Public Health’s Public Health Emergency Response Plan and Pandemic Influenza Response Plan. It was developed as part of the Connecticut statewide Pandemic Influenza Strategic Planning Task Force efforts to prepare the state for that public health emergency. The documentation contained herein describes the ... priority functions and services, resources needed to perform these services and an Incident Management Team capable of addressing disruptions to normal operation.
- Information Security policy document – December 14, 2011: The Department of Public Health is taking appropriate steps to ensure its information systems are properly protected from all security threats. All ... information systems shall be protected, regardless of storage or transmission medium.

The Statement listed under Condition: “The Department of Public Health has identified only its lab operations as requiring a disaster plan” is incorrect.

The Bureau of Enterprise Systems and Technology and the Department of Public Health’s legal counsel agreed that only the Lab operations fall under a Health Insurance Portability and Accountability Act entity. The first four documents given last year were done by the Bureau of Enterprise Systems and Technology/IBM as part of the Health Insurance Portability and Accountability Act Security risk assessment activities. We in the Department of Public Health’s information technology unit strongly believe that all of the Department of Public Health’s operations require a disaster recovery plan. Hopefully the most recent documents demonstrate our commitment to that effort.”

Auditors' Concluding

Comment:

Evidence of documentation showing that the Department of Public Health had a disaster recovery plan was requested from multiple individuals in the Information Technology unit who should have had knowledge of the plan, but only a single draft document was provided. The draft document is the one mentioned in the agency's response in number 3 above dated December 6, 2007. At the time of our audit the department did not have a comprehensive disaster recovery plan and it appears that some of the aforementioned documents were prepared as a result of our audit. The department needs to prepare a comprehensive plan and any management must be fully aware of the plan and have direct access to it.

Payment and Accounting for Bills:

Criteria:

Prior to paying any bill, each agency is responsible for reviewing the charges for appropriateness and accuracy. Sound business practices dictate that payments for goods and services should be correctly coded to ensure that financial statements and the accounting records on which they are based are not misstated.

Section 3-117 of the General Statutes states that each state agency has 30 days after it is notified of its telecommunication charges to review the charges and certify that the services were provided to the agency.

Conditions:

We noted the following regarding the payment of vendor invoices:

- The Department of Public Health was inappropriately paying for pager services for separated employees. In one case payments were made for an employee of another state agency. As a result of our audit, the number of active pagers was reduced from 38 to 12.
- There was no justification for the cost allocations of telecommunication service payments. An older cost allocation method was used, the rationale for which could not be determined.
- Two payments totaling \$644,936 were coded to the incorrect expenditure accounts.

Effect:

The miscoding of payments could affect financial reporting, thus making it unreliable. The Department of Public Health did not comply with Section 3-117 of the General Statutes.

- Cause:* Payments were not adequately reviewed for appropriateness and accuracy.
- Recommendation:* The Department of Public Health should adequately monitor invoices for appropriateness and accuracy before making payments. (See Recommendation 13.)
- Agency Response:* “The Department of Public Health agrees with this finding. Improved procedures to monitor invoices have been implemented. Only one pager for the laboratory is being used.”

Controls over User Access to Information Systems:

- Criteria:* The Department of Public Health’s policies and procedures require the termination of employee information system access upon separation from employment.
- Condition:* In our sample of 25 former employees, we noted that three separated employees had active logon IDs at the time of our audit that provided read and write access to many files.
- Effect:* The effectiveness of information system access controls is compromised and confidential data may not be adequately protected from unauthorized use or modification.
- Cause:* The user access of former employees was not terminated.
- Recommendation:* The Department of Public Health should maintain security over its information systems by promptly terminating employees’ system access upon their separation from employment. (See Recommendation 14.)
- Agency Response:* “The Department of Public Health agrees with the findings. A new standard operating procedure has been implemented for human resources to send an email notice list of employees who have terminated employment to the information technology unit (IT) and fiscal services section. When IT is notified, IT disables access to electronic systems and files.”

GAAP and SEFA Financial Reporting:

- Background:* The GAAP Closing and Reporting procedures refer to the process employed by agencies to gather financial information to make adjustments and additions to the state’s statutory accounting records. The purpose of those adjustments and additions is to produce the state’s Comprehensive Annual Financial Report

(CAFR) on a basis consistent with Generally Accepted Accounting Principles (GAAP).

Criteria: The State Accounting Manual and other instructions to all state agencies require the submission of timely, complete and accurate GAAP and federal financial expenditure (SEFA) information.

Condition: We noted the following understatements in the Department of Public Health’s GAAP closing packages:

GAAP Reporting Understatements

	<u>Fiscal Year Ending</u>	
	<u>2008</u>	<u>2009</u>
Contractual Obligations	\$ 634,523	\$ 14,902,808
Accounts Receivable	388,533	321,296
Grants Receivable	20,645	52,777
Grants Receivable Collected		4,584,562

Effect: The state's GAAP basis financial statements could contain misstatements.

Cause: We could not readily determine the cause of the understatements.

Recommendation: The Generally Accepted Accounting Principles Reporting Package should be prepared in accordance with the State Comptroller's instructions. See Recommendation 15.)

Agency Response: “The Department of Public Health agrees with this finding. Improvements to GAAP financial statements have been improved. Misstatements were inadvertently made.”

Late Deposits:

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

Condition: Our testing of 25 deposits included reviewing the timeliness of the deposit of 149 checks totaling \$184,986. We noted that 26 checks totaling \$9,535 were not date stamped and had no supporting documentation that was date stamped, 28 checks totaling \$18,334 were deposited between two and eight days late and 24 checks totaling \$5,476 were deposited one day late. In all, 78 checks, or 52 percent totaling \$33,345, either could not be tested or were not deposited in a timely manner.

<i>Effect:</i>	Late deposits increase the risk that these items will be lost or stolen.
<i>Cause:</i>	Sufficient documentation to support deposits was not always retained.
<i>Recommendation:</i>	The Department of Public Health should develop policies and procedures to ensure that sufficient documentation is retained for all receipts and that those receipts are deposited in accordance with Section 4-32 of the General Statutes. (See Recommendation 16.)
<i>Agency Response:</i>	“We agree with this finding. The Department of Public Health has instructed various units to forward all receipts to the business office for deposit within 24 hours, including those that administer civil penalties. The copies of the checks must be utilized to create bills in Core-CT for reconciliation of the accounts receivable, licensing, legal office, day care, drinking, water, sewer and asbestos.”

Missing Employee Medical Certificates:

<i>Criteria:</i>	Section 5-247-11 of the state regulations and several collective bargaining unit contracts establish the requirements for the submission of an acceptable medical certificate to substantiate the use of sick leave for a period of more than five consecutive working days.
<i>Condition:</i>	Medical certificates were not on file for two of the ten employees in our sample who used sick time in excess of five consecutive days.
<i>Effect:</i>	The Department of Public Health did not fully comply with the requirement.
<i>Cause:</i>	Medical certificates for all employees who used in excess of five consecutive sick-leave days were not obtained and retained.
<i>Recommendation:</i>	The Department of Public Health should obtain and retain medical certificates in compliance with state regulations and applicable bargaining unit contracts. (See Recommendation 17.)
<i>Agency Response:</i>	“The Department of Public Health agrees with the finding and recommendation. Currently, payroll generates a report identifying employees who are using sick leave use in excess of five days. Human resources (HR) staff sends notification to the employees explaining that they may be eligible for family and medical leave (FMLA). HR will modify its procedure to advise employees of

their obligation to provide a medical certification regardless if they intend to file for FMLA.”

RECOMMENDATIONS

Our prior audit report on the Department of Public Health contained 13 recommendations, ten of which are being repeated.

Status of Prior Audit Recommendations:

- **The department should improve controls over the awarding of human services and personal service agreements.** This recommendation is being repeated. (See Recommendation 2.)
- **The department should improve controls over the licensing function so that the integrity of the licensing data is maintained and only eligible applicants are licensed, especially with regard to criminal background checks in compliance with Section 19a-80 subsection (c), of the General Statutes.** Controls over the licensing function have improved. We will not be repeating this recommendation.
- **The department should improve controls over its various accounts receivable. The business office should take a more active role. When appropriate, Core-CT should be used to manage accounts receivable.** This recommendation will be repeated. (See Recommendation 7.)
- **The department should comply with the audit requirements of Section 4-37f of the General Statutes.** This recommendation will be repeated. (See Recommendation 8.)
- **The department should re-evaluate vehicle assignments to ensure compliance with all applicable policies and procedures. In addition, the department should recover the costs from the individual for using a state vehicle for commuting purposes who turned that vehicle in as a result of Executive Order No. 22. For the remaining four individuals, corrected W-2s should be issued.** Similar conditions were not noted during the current audit period. This recommendation will not be repeated.
- **The department should improve controls over grant calculations so that health districts receive the correct amount of per capita grants.** Our testing did not note any exceptions. This recommendation will not be repeated.
- **The department should improve controls and recordkeeping over equipment inventories toward the goal of producing accurate and timely reports. In addition, losses should be reported in accordance with Section 4-33a of the General Statutes.** This recommendation will be repeated. (See Recommendation 10.)
- **The department should improve administrative controls to ensure compliance with the various requirements over board, council, and commission member attendance, member composition, and the frequency of meetings.** This recommendation will be repeated. (See Recommendation 11.)

- **The department should finalize its EDP disaster recovery plan.** This recommendation will be repeated. (See Recommendation 12.)
- **The department should maintain security over its information systems by promptly terminating employees' system access upon their separation from employment.** This recommendation will be repeated. (See Recommendation 14.)
- **The department should prepare the Generally Accepted Accounting Principles Reporting Package and the Schedule of Expenditures of Federal Awards in accordance with the State Comptroller's instructions.** This recommendation will be repeated. (See Recommendation 15.)
- **The department should develop policies and procedures to ensure that sufficient documentation is retained for all receipts and that those receipts are deposited in accordance with Section 4-32 of the General Statutes.** This recommendation will be repeated. (See Recommendation 16.)
- **The department should obtain and retain medical certificates in compliance with state personnel regulations and applicable bargaining unit contracts.** This recommendation will be repeated. (See Recommendation 17.)

Current Audit Recommendations:

1. **The Department of Public Health should improve its regulatory process over the investigations of licensees.**

Comments:

Some of the complaints against dentists were not properly investigated.

2. **The Department of Public Health should improve controls over the awarding of human services and personal service agreements.**

Comments:

Contracts were approved after the contractual start date. There was insufficient documentation maintained relating to the contractor selection process; therefore, we could not evaluate whether the selection process was properly carried out without undue influence.

3. **The Department of Public Health should properly pay for overtime. An assessment of the need for on-call pay should be made. Policies, procedures, and schedules for the assignment of on-call duties should be implemented.**

Comments:

The department miscalculated overtime for one individual. There were no departmental controls over on-call pay assignments, monitoring or pay.

- 4. The Department of Public Health should improve administrative controls to ensure compliance with the various statutes and regulations governing payments to peer reviewers.**

Comments:

Payments totaling \$25,863 were made to peer reviewers without obtaining the required written approval.

- 5. The Department of Public Health should follow sound recordkeeping and business practices regarding the monitoring of employees and personnel file documentation.**

Comments:

An employee's personnel file did not contain sufficient documentation to support a promotion after the employee's working test period had been extended.

- 6. The Department of Public Health should develop and implement policies and procedures regarding criminal background checks that are required for the licensing of child day care centers.**

Comments:

There are no policies and procedures for the licensing of day care centers. Two day care centers were licensed without completing the background check process.

- 7. The Department of Public Health should improve controls over its various accounts receivable. The business office should take a more active role. When appropriate, Core-CT should be used to manage accounts receivable.**

Comments:

Accounts receivable are recorded and collected by various units at the department. The State of Connecticut's Core-CT system is not being used to manage a variety of sources of revenue. The Department of Public Health has not implemented sufficient controls for central oversight of those accounts receivable. We noted that, the laboratory had accounts receivable that were over ten years old.

- 8. The Public Health Foundation of Connecticut, Inc. and the Department of Public Health should comply with the audit requirements of Section 4-37f of the General Statutes.**

Comments:

The Public Health Foundation of Connecticut, Inc. has never been audited.

- 9. The Department of Public Health should seek a formal opinion from the Office of the Attorney General to determine whether the Public Health Foundation, Inc. was properly established.**

Comments:

The Public Health Foundation of Connecticut, Inc. was not established through legislation but rather by Governor Rowland's Executive Order No. 33.

- 10. The Department of Public Health should improve controls and recordkeeping for equipment inventories toward the goal of producing accurate and timely reports. In addition, losses should be reported in accordance with Section 4-33a of the General Statutes.**

Comments:

The Core-CT asset management system has not been fully implemented. Assets were omitted, misstated or lacked complete and accurate information. There is a lack of segregation of duties between the recordkeeping and physical inventory process. The physical inventory process was insufficient and failed to provide adequate assurances that assets were not lost or stolen. Loss reports were not prepared for items missing during the annual physical inventory.

- 11. The Department of Public Health should improve administrative controls to ensure compliance with the various statutes and regulations governing board, council and commission member attendance, member composition and frequency of meetings.**

Comments:

Requirements for board, council and commission term limits, attendance, member composition and the frequency of meetings were not met. In addition, vacancies were not filled in a timely manner.

- 12. The Department of Public Health should finalize its EDP disaster recovery plan.**

Comments:

Critical applications have been identified, but only a draft disaster recovery plan has been developed.

- 13. The Department of Public Health should adequately monitor invoices for appropriateness and accuracy before making payments.**

Comments:

Payments were made for unnecessary services and services received by other departments. Costs were not always properly allocated and account coding errors were noted.

- 14. The Department of Public Health should maintain security over its information systems by promptly terminating employees' system access upon their separation from employment.**

Comments:

At the time of our audit, three separated employees had active logon IDs that provided read and write access to many files.

- 15. The Generally Accepted Accounting Principles Reporting Package should be prepared in accordance with the State Comptroller's instructions.**

Comments:

Various over and understatements were noted in each year's report.

- 16. The Department of Public Health should develop policies and procedures to ensure that sufficient documentation is retained for all receipts and that those receipts are deposited in accordance with Section 4-32 of the General Statutes.**

Comments:

We could not verify the timeliness of 26 of the 149 checks in our sample. A total of 52 checks were deposited late.

- 17. The Department of Public Health should obtain and retain medical certificates in compliance with state regulations and applicable bargaining unit contracts.**

Comments:

Medical certificates were not on file for two of the ten employees in our sample who used sick time in excess of five consecutive days.

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, 2008 and 2009. This audit was primarily limited to performing tests of the agency's compliance with certain provisions of laws, regulations, and contracts and grant agreements 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 grant agreements applicable to the agency are complied with, (2) the financial transactions of the agency are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, 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, 2008 and 2009, are included as part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

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

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

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. In planning and performing our audit, we considered the Department of Public Health's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the agency's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over those control objectives. Accordingly, we do not express an opinion on the effectiveness of the Department of Public Health's internal control over those control objectives.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct on a timely basis, unauthorized, illegal or irregular transactions, or the breakdowns in the safekeeping of any asset or resource. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls, such that there is a reasonable possibility that noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions and/or material noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that would be material in relation to the agency's financial operations will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over the agency's financial operations, safeguarding of assets, and compliance requirements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the agency's financial operations, safeguarding of assets, or compliance with requirements that we consider to be material weaknesses, as defined above. However, we consider the following deficiencies, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be a significant deficiency: Recommendation 2 – Awarding of Grant and Human Services Contracts, Recommendation 7 – Controls over Accounts Receivable, Recommendation 8 – Audit Requirements for the Public Health Foundation and Recommendation 10 – Equipment Inventory and Reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Department of Public Health complied with laws, regulations, and contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the agency's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which we reported to agency's management in the accompanying Condition of Records and Recommendations sections of this report.

The Department of Public Health's responses to the findings identified in our audit are described in the accompanying Condition of Records section of this report. We did not audit the Department of Public Health's responses and, accordingly, we express no opinion on it.

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

CONCLUSION

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

Ramona Weingart

Ramona M. Weingart
Principal Auditor

Approved:



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts