

# STATE OF CONNECTICUT

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

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

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October 21, 2002

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

We have made an examination of the financial records of the Department of Social Services (DSS) for the fiscal years ended June 30, 2000 and 2001. This report thereon consists of the Comments, Condition of Records, Recommendations and Certification that follow.

Financial statement presentation and auditing are done on a Statewide Single Audit basis to include all State agencies. This audit has been limited to assessing the Department's compliance with certain provisions of financial related 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 Social Services (DSS) operates under the provisions of Title 17b of the General Statutes. The Department was created effective July 1, 1993, with the merger of the former Departments of Aging, Human Resources and Income Maintenance.

The Mission of the Department is to serve families and individuals who need assistance in maintaining or achieving their full potential for self-direction, self-reliance and independent living. In fulfilling this mission the Department was designated as the State agency for the administration of the following programs.

- The child care development block grant pursuant to the Child Care and Development Block Grant Act of 1990 – Provides services for day care, day care training, parenting skills and counseling.
- The Connecticut energy assistance program pursuant to the Low Income Home Energy Assistance Act of 1981 – Provides supplemental assistance, consisting of payments for fuel and utility bills to needy persons.

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- Programs for the elderly pursuant to the Older Americans Act – Provides social and nutritional services for the elderly.
- The State plan for vocational rehabilitation services – Provides a wide range of individualized services. These services are specially designed to increase the availability of and access to training and job placement opportunities for eligible persons with disabilities.
- The refugee assistance program pursuant to the Refugee Act of 1980 – Provides medical assistance to needy individuals, families and children designated as refugees under Immigration and Naturalization Service’s regulation who are not eligible to receive benefits from any other public assistance program.
- The legalization impact assistance grant program pursuant to the Immigration Reform and Control Act of 1986 – Provides employment and training opportunities for refugees.
- The Temporary Assistance for Needy Families (TANF) Program pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 - Provides cash assistance to children and the parent or relative who cares for them, and, in certain situations, the parent’s spouse.
- The Medicaid program pursuant to Title XIX of the Social Security Act – Provides medically related care and services to needy persons.
- The Food Stamp program pursuant to the Food Stamp Act of 1977 – Provides assistance to low-income households to purchase food.
- The Social Security Disability Insurance - Provides disability benefits to individuals meeting Social Security Administration work history and/or medical requirements and provides referral to vocational rehabilitation services.
- The State supplement to the Supplemental Security Income Program pursuant to the Social Security Act - Provides supplemental cash assistance to elderly, blind or disabled individuals.
- The State child support enforcement plan pursuant to Title IV-D of the Social Security Act – Locates absent parents, obtains child support orders and collects child support payments on TANF and non-TANF families. Child support services are available to all children deprived of parental support, regardless of income.
- The State social services plan for the implementation of the social services block grants and community services block grants pursuant to the Social Security Act – Provides prevention, intervention and treatment services to individuals and families.

The Department of Social Services is designated a public housing agency for the purpose of administering the Section 8 existing certificate program and the housing voucher program pursuant to the Housing Act of 1937.

Patricia Wilson-Coker was appointed Commissioner on March 8, 1999, and continues to serve in that capacity.

**Significant Legislation:**

Public Act 99-279     **An Act Concerning Programs and Modifications Necessary to Implement the Budget Relative to the Department of Social Services**

1. This Act makes numerous changes in the laws governing social service programs that the DSS administers. It implements the nursing home Wage, Benefit and Staffing Enhancement Initiative by increasing homes' per diem Medicaid rates based on their staffing costs and how many Medicaid residents they serve. It increases the cost caps for homes with interim rates, establishes new inflationary adjustments.
2. The Act requires the Commissioner of the DSS to apply for a waiver of Federal rules to expand Medicaid coverage to parents and caretaker relatives of children receiving Medicaid, beginning July 1, 2000. It requires the Commissioner to submit a progress report to the Human Services and Appropriations committees by March 15, 2000.
3. The Act permits the DSS Commissioner to purchase drugs for Medicaid recipients through a contract with an entity that can acquire them more cheaply. It also requires the DSS to restructure the Medicaid program for people who are not currently enrolled in managed care.
4. The Act extends, by two years, the freeze on yearly cost-of-living increases in the Temporary Family Assistance (TFA) and State Administered General Assistance (SAGA) programs. It restores a similar freeze in the Aid to Families with Dependent Children program. And it requires the DSS to disregard more earnings from TFA households in which a family member is collecting workers' compensation.
5. It requires the DSS to establish a one-year pilot program for people who would qualify for the Medicaid-funded portion of the Connecticut Home Care Program for Elders except for income slightly higher than the program limit.
6. The Act eliminates the three percent annual rate increase for hospital inpatient services provided to fee-for-service Medicaid and SAGA patients that a 1998 act mandated. The Act freezes for the next two fiscal years outpatient hospital services rates for these groups, but leaves unchanged the DSS Commissioner's obligation to adjust rates in future years to reflect necessary cost increases. The Act allows DSS to recover money to repay Medicaid costs from other sources.

7. The Act eliminates the DSS Commissioner's duty to adjust interim disproportionate share hospital (DSH) payments, provided the hospitals agree.
8. The Act provides that, regardless of the Child Support Guidelines, in cases where an obligor is an hourly wage earner and has worked less than 45 hours per week at the time the support order is established, any additional income earned will not be considered income for purposes of the guidelines.
9. The Act transfers administration of the School-Based Child Health (SBCH) program from the State Department of Education to the DSS.
10. The Act extends for another two years State-funded TFA, SAGA, Medicaid, HUSKY B, and the Connecticut Home Care Program for Elders benefits for certain qualified aliens.
11. The Act requires the DSS, in consultation with a number of other State agencies, to study the behavioral health services that are available to children enrolled in HUSKY A and B.
12. The Act allows the DSS Commissioner to allocate any funds appropriated for the Alzheimer's Respite Care Demonstration Program in excess of \$500,000 among the State's five area agencies on aging based on need, as she determines.
13. The Act codifies a rental assistance program for people who have exhausted their TFA benefits due to the 21-month limit.

This Act is effective July 1, 1999, except sections pertaining to claims against public assistance liens and TFA workers' compensation are effective October 1, 1999; assistance to illegal immigrants and the 45-hour limit on child support withholding provisions are effective upon passage; and actual HUSKY A expansion for adults is effective on July 1, 2000.

**Medicaid Managed Care Advisory Council:**

The Medicaid Managed Care Advisory Council was established in accordance with the provisions of Section 17b-28 of the General Statutes. The Council was established to advise the Commissioner of Social Services on the planning and implementation of a system of Medicaid managed care and monitor such planning and implementation and to advise the Waiver Application Development Council on matters including, but not limited to, eligibility standards, benefits, access and quality assurance. The Council membership consists of the chairpersons and ranking members of the joint standing committees of the General Assembly having cognizance of matters relating to human services and public health, or their designees; two members of the General Assembly; the Director of the Commission on Aging, or a designee; the Director of the Commission on Children, or a designee; two community providers of health care, two representatives of the insurance industry, two advocates for persons receiving Medicaid, one advocate for persons with substance abuse disabilities, one advocate for persons with psychiatric

disabilities, two advocates for the Department of Children and Families foster families, two members of the public who are currently recipients of Medicaid, two representatives of the Department of Social Services, two representatives of the Department of Public Health, two representatives of the Department of Mental Health and Addiction Services, two representatives of the Department of Children and Families, two representatives of the Office of Policy and Management, one representative of the office of the State Comptroller, and the members of the Health Care Access Board, who shall be ex-officio members and who may not designate persons to serve in their place. The Council shall choose a chair from among its members, and the Joint Committee on Legislative Management shall provide administrative support to such chair.

**Waiver Application Development Council:**

The Waiver Application Development Council was established in accordance with the provisions of Section 17b-28a of the General Statutes. The Council shall be responsible for advising the Department of Social Services, the lead agency, in the development of a Medicaid Research and Demonstration Waiver under Section 1115 of the Social Security Act for application to the Office of State Health Reform of the United States Department of Health and Human Services by May 1, 1996. The Council shall advise the Department with respect to specific provisions within the waiver application, including but not limited to, the identification of populations to be included in a managed care program, a timetable for inclusion of distinct populations, expansion of access to care, quality assurance and grievance procedures for consumers and providers. Membership of the Council consists of the chairpersons and ranking members of the committee having cognizance of matters relating to appropriations, or their designees; the chairpersons and ranking members of the committee having cognizance of matters relating to human services, or their designees; the chairpersons and ranking members of the committee having cognizance of matters relating to public health, or their designees; the Commissioners of Social Services, Public Health, Mental Health and Addiction Services and Mental Retardation or their designees; the Secretary of the Office of Policy and Management, or his designee; the State Comptroller, or her designee; a representative of advocacy for mental retardation; a representative of advocacy for the elderly; a representative of the nursing home industry; a representative of the home health care industry, independent of the nursing home industry; a representative of the mental health profession; a representative of the substance abuse profession ; a health care provider; two elderly consumers of Medicaid services who are also eligible for Medicare; a representative of the managed care industry; a social services care provider; a family support care provider; two persons with disabilities who are consumers of Medicaid services; a representative of legal advocacy for Medicaid clients; and six other members of the General Assembly.

**Council to Monitor Implementation of Temporary Family Assistance Program and the Employment Services Program:**

The Council, which is to monitor the implementation of the temporary family assistance program and the employment services program, was established in accordance with the provisions of Section 17b-29 of the General Statutes. Membership of the Council shall be composed of the chairpersons and ranking members of the joint standing committee of the General Assembly having cognizance of matters relating to human services, or their designees; the chairmen and ranking members of the joint standing committee of the General Assembly having cognizance of matters relating to labor, or their designees; one child care provider, one expert on child support enforcement, one representative of advocacy groups; two education and

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training specialists, one experienced in job training and one experienced in basic adult education; one member of the public who is a current recipient of benefits under the temporary family assistance program; and two members, one experienced in higher education programs and one experienced in teenage pregnancy issues. The Council shall elect a chairperson from among its members.

### **Commission on Aging:**

The Commission on Aging was established in accordance with the provisions of Section 17b-420 of the General Statutes. The Commission was established to advocate on behalf of elderly persons on issues and programs of concern to the elderly including, but not limited to, health care, nutrition, housing, employment, transportation, legal assistance and economic security. Membership of the Commission consists of eleven voting members who are knowledgeable about areas of interest to the elderly to be appointed as follows: five by the Governor, one by the President Pro Tempore of the Senate, one by the Speaker of the House of Representatives, one by the Majority Leader of the Senate, one by the Majority Leader of the House of Representatives, one by the Minority Leader of the Senate and one by the Minority Leader of the House of Representatives. The Commission shall include the following ex-officio nonvoting members: the chairpersons and ranking members of the joint standing committee of the General Assembly having cognizance of matters concerning the provision of services to the elderly and the Commissioners of Social Services, Public Health, Mental Health and Addiction Services, Mental Retardation, Economic and Community Development, Transportation, Insurance and Labor. The Governor selects the chairperson of the Commission and the Commission appoints the executive director. The Commission is within the Department of Social Services for administrative purposes only.

### **Independent Living Advisory Council:**

In accordance with Section 17b-615 of the General Statutes, the Governor appointed a Statewide Independent Living Council as required by Title VII of the Rehabilitation Act of 1973. Subsection (b) of Section 17b-615 of the General Statutes requires that the Council meet regularly with the Director of the Bureau of Rehabilitation Services and perform the following duties: (1) issue an annual report by January first, with recommendations regarding independent living services and centers, to the Governor and the chairpersons of the joint standing committee of the General Assembly having cognizance of matters relating to human services, and (2) consult with, advise and make recommendations to the Department concerning independent living and related policy and management and budgetary issues.

### **Child Day Care Council:**

The Child Day Care Council was established in accordance with the provisions of Section 17b-748 of the General Statutes. The Council was established to recommend to the Commissioner of Public Health regulations which shall effectuate the purposes of this Section and Sections 17b-733, 19a-77, 19a-79, 19a-80, 19a-82 to 19a-87, inclusive, and 19a-87b to 19a-87e, inclusive, including regulations relating to licensing, operation, program and professional qualifications of the staff of child day care centers, group day care homes and family day care homes and shall make recommendations to the Commissioner of Public Health on the administration of said sections. The Council shall also make recommendations to the Department of Social Services as the lead agency for day care on grants management and the

planning and development of child day care services. The Council shall serve as an advisory committee to the Department of Social Services in the development of the State Child Care Plan required pursuant to the Child Care Development and Improvement Act of 1990 and shall conduct biennial public hearings on such State Plan. In addition, the Council shall provide guidelines for drop-in supplementary child care operations.

Members of the Council consist of the Commissioners of Public Health, Social Services, Children and Families, Education, Economic and Community Development or a representative of each, designated by him or her in writing to serve as such representative, and sixteen other persons appointed by the Governor. The chairperson and vice-chairperson of the Council shall be elected by the full membership of the Council from among the persons appointed by the Governor.

The Council shall be within the Department of Social Services for administrative purposes only.

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**RÉSUMÉ OF OPERATIONS**

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Receipts and expenditures for the Department for the two years under review are summarized below.

	<b><u>Fiscal Year</u></b> <b><u>1999-2000</u></b>	<b><u>Fiscal Year</u></b> <b><u>2000-2001</u></b>
General Fund:		
Federal Contributions:		
Federal agencies:		
Medical Assistance—Title XIX (Medicaid)	\$1,464,552,373	\$1,584,506,431
Temporary Assistance to Needy Families	276,713,206	292,786,728
Collection of Federal Receivables	155,340,064	172,634,105
DMR/Intermediate Care Facilities	85,438,529	90,426,543
Administration – Income Maintenance	93,364,431	88,881,886
Other	<u>18,377,741</u>	<u>36,705,017</u>
Total Federal agencies	2,093,786,344	2,265,940,710
State agencies	<u>6,105,397</u>	<u>7,314,587</u>
Total Federal Contributions	2,099,891,741	2,273,255,297
Refunds of current year expenditures	1,546,424	4,419,973
Restricted contribution, other than Federal	4,541,334	23,462,684
Miscellaneous receipts	<u>43,736,275</u>	<u>36,053,967</u>
Total General Fund Receipts and Credits	<b><u>\$2,149,715,774</u></b>	<b><u>\$2,337,191,921</u></b>
Expenditures, charged to:		
Budgeted appropriations	3,430,561,029	3,537,461,919
Restricted appropriations	<u>162,124,604</u>	<u>203,487,135</u>
Total General Fund Expenditures	<b><u>\$3,592,685,633</u></b>	<b><u>\$3,740,949,054</u></b>
Special Revenue Funds:		
Total Receipts	<b><u>\$5,692</u></b>	<b><u>\$9,211</u></b>
Total Expenditures	<b><u>\$4,258,934</u></b>	<b><u>\$4,498,902</u></b>
Capital Projects Funds:		
Total Receipts	<b><u>\$363,275</u></b>	<b><u>\$-0-</u></b>
Total Expenditures	<b><u>\$2,874,725</u></b>	<b><u>\$6,845,000</u></b>
Fiduciary Funds:		
Social Services Support Fund:		
Total Receipts	<b><u>\$23,575,128</u></b>	<b><u>\$22,226,558</u></b>
Total Disbursements	<b><u>\$26,332,647</u></b>	<b><u>\$22,285,093</u></b>
Funds Awaiting Distribution:		
Total Receipts and Transfers	<b><u>\$15,493,267</u></b>	<b><u>\$14,989,923</u></b>
Refunds and Net Transfers	<b><u>\$15,257,875</u></b>	<b><u>\$15,213,210</u></b>

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Initial Supplemental Security Income Benefits Fund:

Total Receipts	<u>\$5,328,617</u>	<u>\$4,358,690</u>
Total Disbursements	<u>\$5,261,752</u>	<u>\$4,380,204</u>

**General Fund -Receipts:**

The 1999-2000 General Fund receipts increased \$129,446,336 from the 1998-1999 total of \$2,020,269,438 to the 1999-2000 total of \$2,149,715,774. In the 2000-2001 fiscal year, General Fund receipts increased \$187,476,147 to the 2000-2001 total of \$2,337,191,921. These increases resulted primarily from the following significant increases and decreases in individual programs.

During the 1999-2000 fiscal year increases of \$101,081,298, \$5,432,344, \$9,243,283, \$35,394,867 and \$17,720,720, were reflected in Medicaid, HUSKY, Federal Aid – DMR/Intermediate Care Facility, Federal Administration - Income Maintenance, and Federal Receivables accounts, respectively. These increases were partially offset by decreases of \$10,806,024, \$7,022,128, \$7,262,149 and \$12,334,527 in Administration – Human Resources, Federal Aid - Dependent Children, Refunds of Current Expenditures and Grants Other Than Federal Restricted Transferred from Budgeted Accounts, respectively.

The increase of \$101,081,298 in the Medicaid account can primarily be attributed to increases in Pharmacy, Managed Care, Psychiatric Reinsurance, Chronic Care Hospitals and State Nursing Homes billings. The increases reflected in the HUSKY Program represent full year operations for the program. The \$9,243,283 in the Federal Aid – DMR/Intermediate Care Facility represents an increase in the number of beds at the Southbury Training School becoming ICF certified. The \$35,394,867 increase in the Administration – Income Maintenance account is the result of a large supplemental grant award in Title XIX received in State Fiscal Year 2000 from State Fiscal Year 1999 expenditures, plus audit adjustments filed in State Fiscal Year 2000 for prior years and an increase in Medicaid Management Information System (MMIS) expenditures. The \$17,720,720 increase reflected in the Collection of Federal Receivables is due primarily to the increased funding in the Low Income Home Energy Assistance and Section 8 Housing Vouchers programs.

The majority of the decrease of \$10,806,024 in the Administration – Human Resources account is the result of a negative adjustment of \$7,642,985 which was the result of a Federal Office of Child Support Enforcement audit. The decrease in the Federal Aid – Dependent Children account is due to the delay in claiming “Other Agencies” expenditures for the quarter ending March 2000, totaling \$20,000,000 until State Fiscal Year 2001. Funds in the amount of \$6,500,000 were returned from the Agency Benefit checking account and credited to the Refund of Current Expenditures account to be available for expenditures from the Child Care Services – TANF/CCDF appropriation ledger account. The decrease of \$12,334,527 in the Grants Other Than Federal Restricted Transferred from Budgeted Accounts is attributed to a decrease in funds received in the Behavioral Health Services account from the Department of Mental Health and Addiction Services in State Fiscal Year 2000 as expenditures were lower.

During the 2000-2001 fiscal year increases of \$119,954,058, \$12,590,447, \$16,073,522, \$17,294,041 and \$18,377,191 were noted in Medicaid, Administration – Human Resources,

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Federal Aid – Dependent Children, Collections of Federal Receivables accounts and Grants Other than Restricted accounts, respectively.

The increase \$119,954,058 in the Medicaid account can be attributed to increases in the reimbursement of Federal expenditures and a \$44,279,087 supplemental payment from the 2000 State fiscal year. The increase reflected in the Administration – Human Resources account is due primarily to the return of historical levels of reimbursement for the child support after various adjustments made in the 1999-2000 State fiscal year. In August 2000, the State was able to drawdown a previously undrawn \$20,000,000 that had been awarded in the State fiscal year under its TANF grant award which primarily resulted in the increase of \$16,073,522 reflected in the Federal Aid- Dependent Children account. The \$17,294,041 increase reflected in the Collection of Federal Receivables is due primarily to increased funding in the Low Income Home Energy Assistance and Social Services Block Grant programs. The increase in revenue of \$18,377,191 reflected in the Grants Other than Restricted account is due primarily to deposits in the Managed Care Organization (MCO) Reinvestment (343) and Psychiatric Reinsurance Payments (370) accounts. Deposits to the 343 account are for revenue received from sanctions imposed on Managed Care Organizations for not meeting certain contractual requirements and totaled \$1,333,405 in the 1999-2000 State fiscal year. The Department is authorized to receive these funds and to expend them through reinvestment in MCO related services. The 370 account is used for Psychiatric Reinsurance payments made by DSS to a MCO for services performed at a State run institution (Riverview is a State funded facility under a Department of Children and Families (DCF) appropriation). DSS makes monthly payments to the MCO's for psychiatric services, a portion of which is performed at Riverview. The MCO's in turn pay the providers of psychiatric services. When DCF receives the funds from the MCO's, they in turn reimburse DSS for that portion of the claim attributable to DSS clients. Those funds are deposited by DSS into the Grants Other than Federal – Restricted (9920) account. These funds are then used to offset Medicaid expenditures per legislative directives. In the State fiscal year ended June 30, 2001, revenue for Riverview totaled \$16,961,917.

### **General Fund - Expenditures:**

A summary of General Fund expenditures in the audited period, along with those of the preceding fiscal year, follows:

	<b><u>Fiscal Year Ended June 30,</u></b>		
	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>
Budgeted Accounts:			
Personal Services	\$101,086,429	\$108,785,661	\$109,358,111
Contractual Services	82,177,460	89,541,497	95,200,812
Commodities	1,215,940	1,388,495	1,267,543
Revenue refunds	-150	-0-	860,675
Sundry charges	20,187,638	5,841,964	6,406,599
State aid grants	3,026,311,250	3,224,506,482	3,324,191,171
Equipment	<u>116,224</u>	<u>496,931</u>	<u>177,008</u>
Total Budgeted Accounts	3,231,094,791	3,430,561,029	3,537,461,919
Restricted Accounts	<u>159,134,541</u>	<u>162,124,604</u>	<u>203,487,135</u>
Total Expenditures	<b><u>\$3,390,229,332</u></b>	<b><u>\$3,592,685,633</u></b>	<b><u>\$3,740,949,054</u></b>

**General Fund – Expenditures from Budgeted Accounts:**

Net expenditures charged to Budgeted accounts totaled \$3,430,561,029 and \$3,537,461,919 during the fiscal years ended June 30, 2000 and 2001, respectively, as compared to \$3,231,094,791 during the 1998-1999 fiscal year.

During the 1999-2000 fiscal year total budgeted expenditures increased \$199,466,238. Expenditures for Personal Services and Contractual Services increased \$7,699,232 and \$7,364,037, respectively while expenditures for Sundry Charges decreased \$14,345,674. The increase in Personal Services can be attributed to the payment of retroactive collective bargaining awards and the payment of an additional pay period in the 1999-2000 fiscal year. The increase in Contractual Services is due to the increase in expenditures for fees for outside professional services. The decrease in Sundry Charges is primarily the result of the decrease in the transfer of grants to other State agencies.

However, the primary reason for the increases in budgeted expenditures of \$199,466,238 and \$106,900,890 in the 1999-2000 and 2000-2001 fiscal years, respectively, is that State Aid Grant expenditures increased \$198,195,232 and \$99,684,689 in the respective fiscal years. The State Aid Grants are presented in the following analysis by type of special appropriation for which they were expended.

	<u>Fiscal Year Ended June 30,</u>		
	<u>1999</u>	<u>2000</u>	<u>2001</u>
Total State Aid Grants			
Medicaid	\$2,188,914,879	\$2,407,789,087	\$2,523,993,625
TANF	212,526,611	167,642,578	147,702,330
General Assistance	74,411,902	87,579,853	94,065,800
Aid to the Disabled	63,991,720	62,192,298	58,430,354
Old Age Assistance	31,402,785	30,938,990	28,823,382
Child Day Care	22,365,069	21,292,482	10,677,107
Housing – Homeless	7,854,712	8,029,390	18,032,524
CONNPACE	31,843,344	38,301,699	36,280,262
Disproportionate Share	214,238,594	204,511,277	205,487,358
Ct Home Care Program	15,248,416	19,058,098	21,410,509
Child Care Services	104,658,401	103,899,796	104,311,896
Other	<u>58,854,817</u>	<u>73,270,934</u>	<u>74,976,024</u>
Total Grants	<u>\$3,026,311,250</u>	<u>\$3,224,506,482</u>	<u>\$3,324,191,171</u>

The reasons for the major changes in expenditures for the above State Aid programs and major restricted expenditure accounts are presented as follows:

- **Medicaid:** Program expenditures showed increases of \$218,874,208 and \$116,204,538 for the fiscal years ended June 30, 2000 and 2001, respectively. These increases in expenditures over the two fiscal years reflected volume growth under the program and cost increases for medical services.

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- **TANF:** Program expenditures decreased \$44,884,033 and \$19,940,248 for the fiscal years ended June 30, 2000 and 2001, respectively. The primary reason for the decrease in expenditures can be attributed to welfare reform initiatives. Caseloads continue to drop as clients enter the workforce and work towards self-sufficiency.
- **General Assistance:** Program expenditures increased \$13,167,951 and \$6,485,947 during the 1999-2000 and 2000-2001 fiscal years, respectively. These increases can be attributed to significant increases in overall cost. Although cash benefits have decreased, medical benefits continue to see significant growth in services rendered, recipients served and overall cost.
- **Child Day Care:** Program expenditures decreased \$1,072,587 and \$10,615,375 during the 1999-2000 and 2000-2001 fiscal years, respectively. The large decrease during the 2000-2001 fiscal year is the result of a change in the funding source for these grants from General Fund budgeted to restricted Social Services Block Grants/TANF funding.
- **Housing – Homeless:** Program expenditures increased \$174,678 and \$10,003,134 during the 1999-2000 and 2000-2001 fiscal years, respectively. The large increase in expenditures during the 2000-2001 fiscal years can be attributed to additional State funds required for the Rental Assistance Program as the utilization of SSBG/TANF was prohibited.
- **Disproportionate Share:** Program expenditures decreased \$9,727,317 during the 1999-2000 fiscal year and increased \$976,081 during the 2000-2001 fiscal year. Disproportionate Share Uncompensated Care expenditures are based upon funding levels as appropriated by the Legislature. The reduction of payments for acute care hospitals declined by 4.5 percent during the 1999-2000 fiscal year and increased .5 percent during the 2000-2001 fiscal year.

**General Fund – Expenditures from Restricted Accounts:**

Net expenditures from restricted accounts totaled \$162,124,604 and \$203,487,135 for the fiscal years ended June 30, 2000 and 2001, respectively. Net expenditures for the 1998-1999 fiscal year were \$159,134,541.

	<b>Fiscal Year Ended June 30,</b>		
	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>
Restricted Accounts:			
Non-Federal	\$16,502,114	\$5,289,358	\$21,203,803
Federal	<u>142,632,427</u>	<u>156,835,246</u>	<u>182,283,332</u>
Totals	<b><u>\$159,134,541</u></b>	<b><u>\$162,124,604</u></b>	<b><u>\$203,487,135</u></b>

As shown above, expenditures from non-Federal restricted accounts decreased \$11,212,756 to the 1999-2000 total of \$5,289,358 and then increased \$15,914,445 to the 2000-2001 total of \$21,203,803.

The decrease in non-Federal restricted expenditures resulted from the decrease of \$11,152,561 in the amount charged to the Behavioral Health Services restricted account. Due to a change in the method of financing medical services to clients of the General Assistance

program, the Department of Mental Health and Addiction Services (DMHAS) was required to provide behavioral health services for recipients of General Assistance. As DMHAS did not have the systems in place to make these payments, transfers were previously made to the DSS' restricted account "Behavioral Health Services" from DMHAS and payments were charged to that restricted account for those purposes. Subsequently, these payments were made by DMHAS.

The increase of \$15,914,445 in the 2000-2001 fiscal year can be attributed to expenditures charged to the restricted contribution account entitled "Psychiatric Reinsurance Payments – Medicaid" which increased \$15,227,783 during the fiscal year ended June 30, 2001. This account is used for Psychiatric Reinsurance payments made by DSS to a Managed Care Organization (MCO) for services performed at a State run institution (Riverview). The MCOs in turn pay the providers of psychiatric services. Funds collected by the Department of Administrative Services Financial Services Center (FSC) represent MCO payments to Riverview Hospital for psychiatric reinsurance payments. When FSC receives the funds from the MCO's, they in turn reimburse DSS for that portion of the claim attributable to DSS clients. These funds are deposited by DSS into the restricted account and are then used to offset Medicaid expenditures.

In addition, the Department operated numerous grant programs during the audited period. These programs were audited as part of our annual Statewide Single Audit.

#### **Capital Projects Funds and Special Revenue Funds Programs:**

State Capital Projects and Special Revenue Funds grants-in-aid expenditures were \$7,133,659 and \$11,343,902 for the fiscal years ended June 30, 2000 and 2001, respectively. During the 1998-1999 fiscal year these expenditures were \$11,463,442. These grants-in-aid expenditures were primarily for the renovation and expansion of neighborhood facilities used as senior centers, day care facilities, emergency shelters, etc.

#### **Fiduciary Funds:**

- **Social Services Support Fund (7009):**

The Social Services Support Fund, an agency fund, is used as a clearing account for payments received from persons in other states who were obligated to support children who were beneficiaries of public assistance in Connecticut. In addition, amounts recovered from the Internal Revenue Service's interception of tax refunds and of withholding of State income tax refunds for delinquent support payors are also deposited in this Fund. These receipts are deposited to the Fund pending computation of amounts due other states and amounts refunded to child support obligors after deducting the delinquent child support which is then transferred to the General Fund.

Receipts of the Fund were \$23,575,128 and \$22,226,558 during the fiscal years ended June 30, 2000 and 2001, respectively. During the 1998-1999 fiscal year receipts were \$23,000,437.

Expenditures charged to the Fund were \$26,332,647 and \$22,285,093 during the 1999-2000 and 2000-2001 fiscal years, respectively as compared to the 1998-1999 total of \$20,990,779.

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These expenditures were primarily transfers to the State General Fund for the recovery of public assistance.

According to the records of the State Comptroller, the Fund's resources at June 30, 2001, were \$387,861.

- **Funds Awaiting Distribution (7013):**

The Department primarily used the Funds Awaiting Distribution Fund for the distribution of child support receipts as provided by the Federal Child Support Enforcement Program (Title IV-D). The Federal Deficit Reduction Act of 1984 mandates that actual child support collected by the State for an active AFDC case, up to a maximum of \$50 per month, be redirected to the AFDC family. Deposits are made to the General Fund revenue account entitled "Recovery of Public Assistance." Transfers are then made monthly from the General Fund to the Funds Awaiting Distribution Fund for anticipated funding requirements. A payment list, in the amount of the transfer, is then drawn from the Funds Awaiting Distribution Fund for deposit in the DSS' Benefit Assistance checking account. Payments are then made to AFDC families from this account. The Department also used this Fund to account for moneys recovered from food stamp collections and DSS client overpayment collections recovered by the Department of Administrative Services Bureau of Collection Services.

According to the records of the State Comptroller, the Fund's resources at June 30, 2001, were \$1,317,322.

- **Burial Reserve Fund:**

Section 17-114 of the General Statutes, as it was formerly in effect, provided for the assignment of up to \$600 in personal property, including insurance policies to the State's Burial Reserve Fund by individuals who thereby became eligible for public assistance. Public Act 86-290, effective July 1986, repealed the aforementioned Section 17-114 of the General Statutes, but did not address the disposition of existing Burial Reserve accounts. A formal opinion, requested by DSS was received from the Attorney General on November 25, 1996, relative to the appropriate disposition of existing Burial Reserve assets. In his opinion, the Attorney General states that, in the case of a deceased individual who assigned assets, the DSS is required to release up to \$600 of the assigned funds for the direct payment by the Department of any unpaid funeral or burial expenses outstanding. After making this payment, or if there are no outstanding unpaid funeral or burial expenses to be paid, the Department should retain the balance of the assigned assets and any earnings which may have accrued thereon as reimbursement for prior grants of public assistance to the deceased individual. The Department completed the disposition of cash assigned to the DSS Commissioner in October 1997. However, the Agency still has on hand approximately 1,100 life insurance policies that have been assigned to the Commissioner.

See additional comments under the "Condition of Records" section of this report.

- **Initial Supplemental Security Income Benefits Fund:**

Federal law provides that the Social Security Administration may, upon written authorization by an individual, reimburse states which have furnished interim assistance to recipients between the month the recipient files his claim for Supplemental Security Income benefits and the month

in which benefits are paid. This provision has allowed the individual to receive prompt general assistance. For this consideration, the individual authorizes the State to receive his/her initial, and any retroactive, Supplemental Security Income payment. The State then, as agent, pays the town for the assistance rendered and remits the balance to the applicant. The Initial Supplemental Security Income Benefits Fund was established by the State Comptroller to account for these receipts and payments.

The cash balance at June 30, 2000 and 2001, was \$334,784 and \$313,270, respectively.

**Conservator Account:**

In accordance with Section 45a-651 of the General Statutes, the Commissioner of DSS could be appointed, by a probate court, as conservator of the estate of certain persons with limited resources. The Commissioner may delegate any power, duty or function arising from the appointment as either conservator of the estate or of the person, respectively, to an employee of the DSS.

The Department maintained a single checking account for the conservator program with computerized subsidiary records for each client's funds. In addition to cash balances of \$5,517 and \$23,300 at June 30, 2000 and 2001, respectively, the Conservator Account had investments in the State of Connecticut's Short Term Investment Fund of \$186,473 and \$172,848 on those respective dates.

**Connecticut Medicare Assignment Program (CONNMAP):**

The Connecticut Medicare Assignment Program (CONNMAP) is authorized by Sections 17b-550 through 17b-554 of the General Statutes. The Program ensures that beneficiaries of CONNMAP and of the pharmaceutical assistance program (CONNPACE) who receive Medicare-covered services will be charged no more than the rate determined to be reasonable and necessary by Medicare. The Department issued an identification card and maintained a toll-free telephone information line for the program.

## CONDITION OF RECORDS

### Findings:

Our review of the records of DSS revealed several areas requiring improvement. Separate captions have been included for major areas of discussion.

### Prompt Deposit of Receipts:

- Criteria:* Section 4-32 of the General Statutes requires that any State agency receiving any money or revenue for the State amounting to more than \$500 shall deposit such receipts in depositories designated by the State Treasurer within 24 hours of receipt. Total daily receipts of less than \$500 may be held until the total receipts to date amount to \$500, but not for a period of more than seven calendar days.
- Condition:* During our testing we noted that checks totaling \$87,257 were held for extended periods of time. We found eight checks, ranging in amounts from \$400 to \$25,900, on hand for between one and eleven days in excess of the allowed time.
- Effect:* The lack of prompt deposits increases the opportunity for the loss or misappropriation of funds.
- Cause:* Supervisors and employees did not follow established procedures for the depositing and controlling of checks.
- Recommendation:* All offices should be instructed as to the necessity of meeting the requirements of Section 4-32 of the General Statutes and the possibility of depositing to the Funds Awaiting Distribution Fund any monies received for which the disposition cannot be immediately determined. (See Recommendation 1.)
- Agency Response:* “The Department agrees with this finding in part. Of the eight checks cited for not being in compliance with the timely deposit requirements of CGS Section 4-32, four (4) of them were related to courier mail delays. The delay may have been caused by the implementation of the new mail handling procedures to protect employees from possible anthrax infection. Of the remaining checks, one had an incorrect receipt date, and if the actual receipt date was used the deposit was actually made on a timely basis. In another instance, due to a shortage in staffing, checks received in Meriden have to be transferred to the resource worker in Middletown for processing, therefore a built in delay exists for these receipts. The remaining two checks did not meet the requirements and corrective action has been taken to prevent future occurrences.”

**Petty Cash:**

Our review of the DSS' Petty Cash Fund revealed several areas requiring improvement. These areas are combined under one finding as stated below:

*Criteria:* The State Accounting Manual requires that various records must be maintained for all Petty Cash Fund receipts and disbursements in detail in order to provide complete accountability. These records include a journal or register in which all fund receipts and expenditures are recorded, receipts to document all disbursements of funds, an approved checking account and reconciled checking account statements. Also required is a reconciliation of the Fund including a detailed count of cash on hand, plus cash in the bank, plus advances, plus receipts for disbursements not yet submitted for reimbursement plus outstanding vouchers submitted for reimbursement but not yet received which should equal the authorized Petty Cash Fund. (Chapter 12, Section 2-5)

The State Accounting Manual requires that an employee receiving a travel advance must sign a statement acknowledging the amount of cash advanced and within 5 working days after returning, submit a completed "Employee Payroll Reimbursement" form CO-17XP-PR with the necessary documentation to the Department's business office. (Chapter 12, Section 2.10)

*Condition:*

*Reconciliation of the Petty Cash Fund*

We found that the Department has been unable to reconcile the authorized Petty Cash Fund account with its records and/or supporting documentation.

*Review of Petty Cash Vouchers and Travel Advances*

Our review of the petty cash vouchers and travel advances made with petty cash funds disclosed the following:

- Eighteen of the 27 "Employee Payroll Reimbursement" forms were returned from one to 47 days late.
- As of April 2, 2002, one "Employee Payroll Reimbursement" form had not been returned for travel ending on November 9, 2001.
- Six Travel Authorization forms were either not approved or not authorized.
- Seven of the travel advances were given without the employee submitting an "Employee Payroll Reimbursement" form.
- One advance was submitted with a different amount shown on the "Employee Payroll Reimbursement" form than the actual petty cash advance made to the employee.

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- Three “Employee Payroll Reimbursement” forms were signed in the wrong area and one employee receiving the advance did not sign the form.
- In four instances the trip dates noted on the “Travel Authorization Request” form differed from the dates noted on the “Employee Payroll Reimbursement” form.

*Effect:* If petty cash procedures are not followed nor reconciled in a timely manner, misappropriation of the petty cash fund may occur and not be detected.

*Cause:* The Department changed to a computerized system, which was used to produce petty cash checks. After they changed over to the computerized system, a parallel system was not maintained with the Petty Cash Fund Account (CO-92) manual register. Therefore, they were unable to reconcile the Petty Cash Fund account.

The procedures to ensure the submission of the required paperwork for both travel advances and reimbursement thereof were not enforced.

*Recommendation:* The Department should follow the procedures for the maintenance of the Petty Cash Fund as set forth by the State Comptroller. (See Recommendation 2.)

*Agency Response:* “The Department agrees with this finding. The Internal Audit Unit is in the process of reviewing and reconciling the Petty Cash Fund and recommending control improvements, as necessary.”

### **Accounts Receivable - Cancellation of Uncollectible Claims:**

*Background:* Client overpayments occur in several programs administered by the Department in which a client receives benefits. Overpayments occur as the result of a change in circumstances pertaining to a client. Most of the changes are identified or discovered by the Department after the fact. Thus, the recipient ends up receiving more benefits than those to which he is entitled. The Department establishes a receivable for the overpayment and seeks to recoup the overpayment from the client. Due to the nature of the receivable, many go uncollected and eventually are cancelled.

*Criteria:* Section 3-7 of the Connecticut General Statutes (CGS) provides that the Secretary of the Office of Policy and Management (OPM) may authorize the cancellation upon the books of any State department or agency any uncollectible claim in an amount greater than \$1,000 due to such department or agency.

*Condition:* Our review of client overpayments disclosed that the Department cancelled 549 overpayments in the State Supplement program that were greater than \$1,000 without first obtaining OPM approval. The State

Supplement program provides cash assistance to the aged, blind and disabled and is funded entirely by State funds. The overpayments were cancelled in August of 2000 and totaled \$1,467,000. The cancellations were part of a computer system mass modification targeted to remove certain overpayments established by the Department prior to July 29, 1998 that were in inactive status. We reported this matter to the Governor and others on March 20, 2002.

- Effect:* Executive control over the Department is diminished.
- Cause:* The Department did not obtain authorization due to administrative oversight.
- Recommendation:* The Department should obtain authorization from OPM prior to canceling any uncollectible claim in an amount greater than \$1,000. (See Recommendation 3.)
- Agency Response:* “The Department agrees with this finding. This was an oversight by the Department and as soon as the auditors brought this to the Department’s attention, a list of these old, non-fraud uncollectible state supplement claims was forwarded to OPM for approval. OPM did approve the cancellation.
- Our general procedures for canceling uncollectible claims through OPM call for the claim to be sent through the Financial Services Center. This procedure is firmly in place. The Department has put a new automated process in place, which will help ensure this oversight does not happen again.”

**Accounts Receivable – Aged Receivables:**

- Criteria:* Past due accounts receivable should be periodically reviewed to determine their collectibility. Receivables judged by management to be uncollectible should be written off.
- Condition:* Our review of Department receivable records disclosed numerous accounts receivables as of June 30, 2001, that dated back several years and for which no recent collection activity had been recorded. Receivable balances over one year old were noted under the following receivable types:

Community Action Agency Grants	\$4,556,754
Audited Non Profit Agencies	1,557,170
Medical Audits	11,888,911
Payment Appeals	3,414,462
Retroactive Hospital Payment	138,380
Rate Recoupment	5,438,802
HMS Special Project	275,958
Nursing Home	11,687

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Closed Facilities	<u>636,373</u>
Total	<u>\$27,918,497</u>

Many of the receivables are due from inactive medical providers, or if active, pertain to grants or overpayments as much as 30 years old.

*Effect:* Untimely collection efforts increase the risk that receivables will not be collected and unnecessary staff resources are being used to account for receivables that are not collectible.

*Cause:* The above condition was caused by insufficient internal controls over receivables combined with a lack of a policy by management to aggressively pursue delinquent accounts. To its credit the Department did initiate a review of its receivables in March of 2002. This review is currently ongoing and involves over 350 providers that account for approximately \$12,000,000 in receivables. However, this receivable category represents one of several receivables accounted for by the Department.

*Recommendation:* The Department should establish internal controls over its significant receivable categories that provide for the timely identification and collection of delinquent receivables and subsequent write off of the receivable, in accordance with Section 3-7 of the General Statutes, if collection efforts prove unsuccessful. (See Recommendation 4.)

*Agency Response:* “The Department agrees with this finding. We are currently in the process of reviewing all receivables to ensure a more proactive approach to collection and write off, if appropriate. Currently, we have sent out remittance advices and letters to over 1,000 providers who have balances due on outstanding medical claim issues. This effort is expected to yield substantive results and to allow us to determine if a significant portion of aged claims can be written off. We will be establishing a regular quarterly process to prevent the accumulation of aged claims in the medical receivables area.

In addition, the Department is in the process of seeking authorization to write off uncollectible balances at our Community Action Agencies.

These actions, coupled with a more proactive recoupment process, should allow the Department to make substantial headway to reduce the number and dollar magnitude of our aged receivables.”

**Payroll and Personnel – Payments at Termination:**

*Criteria:* In accordance with Section 5-252 of the General Statutes any State employee leaving State service shall receive a lump sum payment for accrued vacation time.

Section 5-247 of the General Statutes, requires that each employee who retires under the provisions of Chapter 66 shall be compensated, effective as of the date of his retirement, at the rate of one-fourth of such employee's salary for sick leave accrued to his credit as of the last day on the active payroll up to a maximum payment equivalent to sixty days pay.

Section 5-213 (b) of the General Statutes states that semiannual longevity lump-sum payments shall be made on the last regular pay day in April and October of each year, except that a retired employee shall receive, in the month immediately following retirement, a prorated payment based on the proportion of the six-month period served prior to the effective date of his retirement.

Article 12 of the Social and Human Services (P-2) Bargaining Unit contract requires that an employee must return to active status to have unpaid medical leave of absence following the exhaustion of sick leave included for seniority purposes.

*Condition:* Our review of compensation paid to 25 employees at termination indicated that two employees were incorrectly paid for accrued vacation and/or sick leave. We noted that one employee was underpaid for both vacation and sick leave by \$176 and \$62, respectively, and another employee was underpaid by \$83 for accrued vacation leave.

Our review of 11 longevity payments to employees at retirement indicated that payments made to two employees were incorrect. We noted that a \$754 payment was made to a P-2 bargaining unit employee who failed to be reinstated to active status after being on unpaid leave for the last three months of State service. We also noted that one employee was underpaid \$2 as the result of an incorrect percentage used when calculating the prorated longevity payment at retirement.

In our attempt to review the worksheets for the computation of termination payments for the 25 employees we noted that 10 worksheets were not reviewed for accuracy by payroll staff and seven could not be located.

*Effect:* Incorrect vacation and sick leave and prorated longevity payments were made to employees leaving State service.

*Cause:* Payroll staff had incorrectly calculated termination payments. These errors may have been detected had the termination payment worksheets used to calculate payments been reviewed before payment was made.

Payroll staff believed that the action of separating the employee from State service in essence reinstated the employee to active status.

*Recommendation:* All termination worksheets should be reviewed for both accuracy and compliance with State regulations and/or collective bargaining contracts before payment is made. (See Recommendation 5.)

*Agency Response:* “The Department agrees with this finding. The Department will have all termination payment worksheets reviewed by a payroll staff member other than the preparer. The reviewer will also sign off on the form indicating that the worksheet has been reviewed for accuracy. It should be noted that the worksheets review process has been fully instituted by Payroll to ensure that all such sheets are reviewed for accuracy.”

**Payroll and Personnel – Workers’ Compensation:**

*Criteria:* Section 5-143 of the Connecticut General Statutes states that a State employee who was injured in the course of his employment may elect to receive, in addition to the benefits due as workers’ compensation, an amount which will result in the receipt of the full salary or wages for the period of any accumulated sick leave, computed on a hourly basis, that are due. Section VII of the Payroll Manual indicates that the election to use leave accruals to supplement workers’ compensation benefits is made by the employee on form CO-715, Request for Use of Accrued Leave with Workers’ Compensation.

Section 5-254 of the Connecticut General Statutes states that if a holiday occurs while an eligible employee is receiving compensation benefits, no credit for the holiday shall be allowed.

*Condition:* Our review of 25 workers’ compensation payments for the fiscal years ended June 30, 2000 and 2001 disclosed that one employee was overpaid \$161. This employee was paid \$129 for a holiday that occurred between this employee being on unpaid leave and prior to receiving workers’ compensation payments. In addition, an overpayment of \$32 was made because of adjustments made in the time and attendance codings.

We also noted that three of 25 employees workers’ compensation benefit payments were supplemented with leave time that was not elected by the employee on form CO-715, Request for Use of Accrued Leave with Workers’ Compensation.

*Effect:* Overpayments to employees may occur resulting from payment for holidays for which the employee is not entitled.

The potential exists for leave accruals to be used to supplement workers’ compensation benefits when not elected by the employee.

*Cause:* The payroll unit failed to account for timesheet adjustments, which resulted in an overpayment.

Supervisors responsible for submitting timesheets for employees absent due to work-related injuries failed to accurately complete timesheets based on the employee’s leave accrual election reported on the form CO-715 that was verbally provided by Human Resources.

*Recommendation:* The Department should ensure that payments made to employees receiving workers' compensation benefits are in accordance with the Connecticut General Statutes and the State Payroll Manual. (See Recommendation 6.)

*Agency Response:* "The Department agrees with this finding. We have made a process change and the Workers' Compensation Coordinator is now required to fax a copy of the CO-715 to the employee's supervisor so that they will have a record of whether the employee elects to use accruals and the type.

Regarding Section 5-254 of the Connecticut General Statutes, we have communicated to the time and attendance representative to override the "H" holiday code in the BOSS Time and Attendance System when an employee is out on Workers' Compensation and not entitled to be paid for the holiday. The BOSS system automatically enters "H" for designated State holidays. The time and attendance representative must override the system and change the record to the appropriate Workers' Compensation code for that day. The Third Party Administrator will pay the employee for the day. This information already appears in the current Time and Attendance Coding Manual in the Holiday Section. Upon the next revision of the Manual, it will be added to the Worker's Compensation Section as well."

#### **Payroll and Personnel – Compensatory Time:**

*Criteria:* The New England Health Care (P-1) Bargaining Unit deems employees who are paid over salary group 23, step 7 exempt from overtime pay and eligible to receive compensatory time. Non-exempt employees, by mutual agreement with the State, may elect compensatory time instead of overtime pay.

The Administrative and Residual Employees (P-5) Bargaining Unit deems employees who are paid over salary group 24 exempt from overtime pay and eligible to receive compensatory time.

*Condition:* Our review of compensatory time at the Department of Social Services for fiscal years ended June 30, 2000 and 2001, revealed that 19 of 80 employees had accrued and used compensatory time even though they appeared to be ineligible. We noted that 17 non-exempt employees in the P-1 Bargaining Unit had accrued and used compensatory time without the necessary written mutual agreement to do so on file. We also noted that two P-5 Bargaining Unit employees were allowed to accrue and use compensatory time even though they were ineligible.

*Effect:* Employees may be accruing and using compensatory time rather than being paid overtime in accordance with collective bargaining unit contracts.

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*Cause:* The Department believed the statement “Non-exempt employees, by mutual agreement with the State, may elect compensatory time instead of overtime pay” in the P-1 Bargaining Unit contract was sufficient to grant these seventeen employees compensatory time.

The Department indicated that management oversight allowed two P-5 bargaining unit employees to earn compensatory time rather than pay them overtime.

*Recommendation:* The Department of Social Services should comply with provisions within bargaining unit agreements regarding compensatory time. (See Recommendation 7.)

*Agency Response:* “The Department agrees with this finding. This condition resulted from a misinterpretation of the Collective Bargaining Agreement. We had further discussion with the Office of Labor Relations and learned that a formal agreement between the State and the Union needed to be in place in order for this allowance to be made.

Upon receipt of the information from the Office of Labor Relations, we notified our managers to discontinue allowing non-exempt P-1 employees the option to elect overtime pay or compensatory time until an agreement had been negotiated. Additionally, we formally requested that the Office of Labor Relation initiate an agreement which would allow our P-1 employees the flexibility to elect either compensatory time off or overtime pay.

Regarding the two P-5 employees who were granted compensatory time instead of overtime pay, we learned that it was an oversight on the part of management. This issue has been addressed with the appropriate manager.”

## **Connecticut Pharmaceutical Assistance Contract to the Elderly and the Disabled Program (CONNPACE) – Monitoring:**

*Criteria:* Internal controls used by non-governmental entities in the administration of governmental programs are considered part of the governmental unit’s management internal controls. Management is responsible to monitor internal controls to consider whether they are operating as intended and that they are modified as appropriate for changes in conditions.

*Condition:* Our review of the CONNPACE program relative to eligibility determinations performed by the Electronic Data Systems (EDS), the Department’s fiscal intermediary, disclosed that the Department does not review beneficiary determinations made by EDS.

- Effect:* The lack of monitoring procedures lessens the Department's assurance that eligibility determinations are being performed in accordance with the requirements of the program.
- Cause:* The cause could not be determined.
- Recommendation:* The Department should periodically conduct reviews of eligibility determinations made by its fiscal intermediary to determine whether program requirements are being followed as intended. (See Recommendation 8.)
- Agency Response:* "The Department agrees with this finding. Beginning in calendar year 2002, the Department has begun to hold quarterly meetings with the fiscal intermediary in order to address any issues/concerns/new policies, etc. In addition, the Department has assigned CONNPACE oversight to a Department staff person who will be responsible for conducting monthly reviews of the fiscal intermediary's internal controls/processes."

**Connecticut Pharmaceutical Assistance Contract to the Elderly and the Disabled Program (CONNPACE) - Coding/Data Entry Errors:**

- Criteria:* To enroll in the CONNPACE program, an applicant is required to submit a completed application form and proof of age, residency, disability (if any), insurance (if any) and income. If an application is submitted without all the required information, information on the application is still entered into the CONNPACE computer system and a system generated application correction form is sent to the applicant requesting additional information. Eligibility is not granted until all information is received and reviewed.
- Condition:* Our review of 50 cases for applicant eligibility disclosed that although the applications in four cases included information on third party insurance DSS employees did not enter it into the CONNPACE system. This allowed the applications to be processed without obtaining additional information relative to the applicant's other insurance coverage.
- Effect:* Applicants may have had other third party insurance that would have made them ineligible for the program.
- Cause:* The failure to include all information during the application coding and/or data entry process caused the above condition.
- Recommendation:* Greater care should be given to the coding/data entry of CONNPACE applications. (See Recommendation 9.)
- Agency Response:* "The Department agrees with this finding. Quality assurance procedures have been put into place by the fiscal intermediary. Quality worksheets are generated which list a random 5 percent sample of applications and renewals processed each day. Information coded and keyed on each of the samples will be verified for accuracy. If needed, additional training will

be given to personnel who are keying/coding CONNPACE material. Additionally, with the monitoring process in place, the Department will be better able to gauge the impact of this finding and, if necessary, make any adjustments to the fiscal intermediary's internal controls/processes.”

**Medical Assistance Program (Medicaid, Title XIX) – Reporting:**

*Criteria:* Financial reports should contain complete and accurate information and be supported by applicable accounting records.

*Condition:* Our review of the Medicaid Statement of Expenditure Report (HCFA 64) for the quarter ending December 31, 2000, disclosed that net expenditures were understated by \$1,469,851. Total expenditures reported for this quarter totaled \$835,302,803 but should have been \$836,772,654.

In reviewing supporting documentation for the report, we noted that the Department did not report administrative costs as allocated on its cost allocation plan. We also noted that the Department reported disproportionate share hospital payments that were different than those reported in their cashbook.

*Effect:* The Department underclaimed \$734,926 in federal financial participation.

*Cause:* These exceptions may not have occurred if there were sufficient administrative oversight in the preparation of this report.

*Recommendation:* Greater care should be exercised by the Department to ensure that reported amounts reflect accurate and complete information. (See Recommendation 10.)

*Agency Response:* “The Department agrees that claims were understated on the HCFA 64 for the quarter ending 12/31/00, although we disagree with the amount. The audit amount includes \$500,000 in Psychiatric DSH underpayments, and \$969,851 in understated administrative expenditures, totaling \$1,469,851 in gross expenditures for the quarter ending 12/31/00.

The Department agrees with the dollar amount of the audit finding for the Psychiatric DSH expenditures, and has made the corrective action to include those dollars in the quarter ending 3/31/01 HCFA 64 report. The Department was aware of the understatement of these claims prior to the audit, but because of the timing issues related to the audit and the actual filing of the HCFA 64 for the quarter ending 3/31/01 it was included as an audit finding.

The Department disagrees with the audit finding of \$969,851 in understated administrative expenditures. This amount represents the difference between the gross Medicaid/HUSKY claim dollars prior to our proration process, and the amount that was prorated to the HUSKY program.”

*Auditors' Concluding Comments:*

At the time of our review, the Department provided documentation for the administrative expenditures that appeared to be understated by \$969,851. Regardless of the amount, the recommendation that the Department exercise greater care to ensure that reported amounts are complete and accurate is still relevant.

**State Supplemental Payments – Therapeutic Diet:**

*Criteria:* According to Section 4525.60 of the Department's Uniform Policy Manual (UPM) the cost of a therapeutic diet is recognized as a recurrent special need in the following situations: (a) when the nutritional status of the assistance unit requires modification of the normal diet; (b) when the modification of the diet is a necessary part of medical care; and (c) when modification of the diet increases the cost of the food budget. A physician is required to submit a statement every six months indicating: (a) why this special need is a necessary part of medical care; and (b) whether or not it represents an increased cost to the unit member.

*Condition:* We reviewed 50 payments made to or on behalf of State Supplement recipients for the two-year period ended June 30, 2001. Our review disclosed eight cases in which the recipient received a therapeutic diet special need payment that was not supported by appropriate documentation. In three cases there was no therapeutic diet request form in the case file. For five of the cases, the request was not signed by a physician within six months of the benefit month tested, and, in one case, was as much as nine years old. In two cases of the five requests not submitted in a timely manner, the physician did not indicate that diet modification would increase the cost of the recipient's food budget.

*Effect:* Payments may have been made to recipients who were not eligible for special needs payments.

*Cause:* It appears that caseworkers are not following the Department's Uniform Policy Manual. In several cases, the recipient had a permanent medical condition.

*Recommendation:* The Department should follow procedures to ensure that appropriate supporting documentation is obtained in a timely manner for State Supplemental therapeutic diet special needs payments or should consider revising the six-month requirement in the UPM. (See Recommendation 11.)

*Agency Response:* "The Department agrees with this finding. The Adult Services Division will issue a reminder to staff to follow UPM policy and procedures with respect to Special Need Therapeutic Diets. The Adult Services Division will also share a list of these cases with the Regional Administrators who may want to review policy and procedures with appropriate staff if they

believe it is warranted. In addition, the Department is reviewing the current W-351 form (“Therapeutic Diet Request”), and we will work on revising the form.”

**State Supplemental – Burial Payments and Transportation Services:**

*Background:* The Department of Social Services (DSS) contracts with two vendors to administer medical transportation for recipients on public assistance. The vendors receive a monthly capitated rate for each client and are responsible for subcontracting with transportation carriers to provide the services. If the Department receives a notification of a client’s death after the month-end cutoff, transportation payments are still issued subsequent to the date of death.

*Criteria:* The policies and procedures to be followed for the payment of funeral and burial expenses are outlined in Sections 9005.05 and P-9005.05 of the Department’s Uniform Policy Manual (UPM). The State’s Records Retention Schedule requires that supporting documentation for expenditures is kept for a minimum of three years or until audited, whichever comes later.

Section 1565.05 of the DSS’ UPM sets forth the ending date of assistance due to non-financial factors, including the death of a client. “When eligibility has been determined to no longer exist, the last day for which the assistance unit is entitled to the benefits of the program is the last day of the month in which a non-financial eligibility factor causes ineligibility, provided that eligibility existed on the first of the month. This includes the death of a recipient.”

*Condition:* Our review of State Supplement cases for payments of funeral/burial expenses and termination of benefit payments at death disclosed the following.

- Supporting documentation could not be located for four of the 25 cases reviewed for the 1999-2000 fiscal year and for one of the 25 cases reviewed for the 2000-2001 fiscal year.
- In four cases, State Supplement Program benefit payment checks totaling \$968 were issued and cashed for the month after the death of the recipient. In three cases benefit payments totaling \$664 were issued and accessed via Electronic Benefit Transfer (EBT) for the month after the death of the recipient. The Department has not pursued collection of these overpayments.
- In eleven cases, transportation payments totaling \$212 were paid on behalf of recipients for services in the month following the recipient’s death. The Department has not attempted to recover these overpayments.

*Effect:* In the first condition the failure to obtain and retain supporting documentation could result in erroneous payments being made and not be detected. The effect of the second and third conditions was that overpayments totaling \$1,844 were made after the death of the clients.

*Cause:*

- Procedures for storing case files and documentation are not being followed at all of the regional offices.
- Procedures were not followed to ensure that all checks and EBT issuances issued erroneously were cancelled or, if cashed, recovery made in a timely manner.
- The Department does not have a process to recoup transportation payments that are made after the death of the recipient.

*Recommendation:* Procedures relative to cases closed due to death should be improved to ensure the discontinuance or recovery of State Supplement benefits issued after death. (See Recommendation 12.)

*Agency Response:* “The Department agrees with this finding. Concerning the cases in question, the Adult Services Division will forward the information to the Regional Administrators so they can institute procedures to ensure that case file documentation is appropriately maintained, that notification of a recipient’s death is properly acted upon in a timely fashion, and that recovery of benefits is pursued when appropriate.

It should be noted that the Regional Office review of the five cases with missing records revealed that the payments were proper and accurate. Nevertheless, the Department will improve its controls over the filing of the required documentation.

It should also be noted that the Department is now producing a monthly report of deceased recipients (DMD6952A – DMD 6964H) specifically for the purpose of recovering non emergency medical transportation overpayments.”

**Burial Reserve Fund – Assigned Life Insurance Policies:**

*Background:* Section 17-114 of the General Statutes, as it was formerly in effect, provided for the assignment of up to \$600 in personal property, including insurance policies to the State’s Burial Reserve Fund by individuals who thereby became eligible for Public Assistance. When an individual stopped receiving assistance, an amount equal to the value of the assigned property could be released to them.

In 1986, Public Act 86-290 repealed Section 17-114 of the General Statutes but did not address the disposition of existing Burial Reserve accounts.

The Department of Social Services (DSS) requested and received a formal opinion from the Attorney General dated November 25, 1996, as to the appropriate disposition of existing Burial Reserve assets.

*Criteria:* The Attorney General's opinion dated November 25, 1996, states that, in the case of a deceased individual who assigned assets pursuant to Section 17-114, the Department is required to release up to \$600 of the assigned funds for the direct payment of any unpaid funeral or burial expenses outstanding. After making this payment, or if there are no outstanding unpaid funeral or burial expenses to be paid, the Department should retain the balance of the assigned assets and any earnings, which may have accrued thereon as reimbursement for prior grants of public assistance to the deceased individual.

*Condition:* Our review of twenty-nine of the 1,100 assigned life insurance policies disclosed that agency personnel did not initiate or follow up the recovery of five life insurance policies on individuals who were identified as deceased on the Eligibility Management System. As of March 2002, the individuals had been deceased for a period ranging from three months to fifteen years three months. In addition, our follow up of prior audit exceptions disclosed that the Department still has not taken initial or follow up action to recover proceeds from insurance policies for individuals previously identified.

*Effect:* The DSS is not collecting all life insurance proceeds it is entitled to as reimbursement for prior grants of assistance.

*Cause:* Agency personnel are not following established procedures for initiating insurance claims and are not performing appropriate follow up action.

*Recommendation:* The Department should follow established procedures for initiating the collection of life insurance proceeds in a timely manner and should establish procedures for performing appropriate follow up action. (See Recommendation 13.)

*Agency Response:* "The Department agrees with this finding. Since the last audit of these assigned policies, we have done extensive work in contacting insurance companies on the status of the policies and determining the status of the insured. Some of this information is still outstanding. In addition we have entered most of this information into an access report. We are still in the process of updating all records and databases with the most current information. In addition, we are following-up on each individual item cited in the Auditor's report."

**Retention of Records:**

- Criteria:* The State’s Records Retention Schedule requires that supporting documentation for expenditures be kept for a minimum of three years or until audited, whichever comes later.
- Condition:* Our review of 100 public assistance payments revealed that there was not a timely application or re-determination in five case files and in six instances the Department was unable to locate the case file.
- Effect:* The failure to maintain required eligibility documentation in clients’ case file records has resulted in non-compliance with the State’s Records Retention Schedule. The determination of benefit amounts without an adequate and thorough review of all income and eligibility information could result in payments of incorrect benefit amounts.
- Cause:* The cause could not be determined.
- Recommendation:* The Department should institute procedures to ensure that case file documentation is appropriately maintained. (See Recommendation 14.)
- Agency Response:* “The Department agrees with this finding. The Department recognizes and respects its obligation to adhere to the state record retention schedule. The Adult Services Division will share this information with the Regional Administrators so that they may identify and correct any procedures or lapses that resulted in missing forms and case records.”

**Reporting Systems:**

- Background:* The DSS is mandated to submit a variety of reports under various sections of the General Statutes or by individual legislative acts. The Governor, General Assembly as a whole and various joint standing committees of the General Assembly are included among the designated recipients of these reports. The information provided is necessary to facilitate both executive and legislative branch oversight of the assistance programs administered by the Department.
- Criteria:* In accordance with Section 11-4a of the General Statutes “. . . each state agency which submits a report to the General Assembly or any committee of the General Assembly, shall submit its report to the clerks of the Senate and the House of Representatives, and shall file with the State Librarian as many copies of such report as the . . . agency and the librarian jointly deem appropriate and one copy with the Office of Legislative Research.”
- Pursuant to Section 17b-665 of the General Statutes, “the Department of Social Services shall report . . . (1) the plans of the department to reduce the case loads of counselors of the Bureau of Rehabilitation Services to reflect the regional average for counselor case loads, (2) client information, including, but not limited to, the age, race, gender, nature of

disabilities, placements and statistics on job retention and on the number of persons with disabilities in the state, (3) the department's efforts to insure that the proportion of disabled persons who are minorities, as defined in subsection (a) of section 32-9n, and who are served by the bureau is equivalent to the proportion of minorities within the total disabled population of the state and (4) the number, nature and resolution of complaints received by the bureau. The department shall provide . . . a copy of the federal audit of the Bureau of Rehabilitation Services . . .”

An adequate system of internal control should include a method for management to track or otherwise monitor the submission of all mandated reports.

*Condition:* We have identified 53 reports that the Department of Social Services is mandated to submit to various legislative bodies in accordance with Title 17b of the General Statutes and the various public and special acts of 1999 and 2000. Of the 53 reports identified, only four were filed with the State Librarian and nine filed with the Legislative Library.

We noted that the report filed in accordance with Section 17b-665 of the General Statutes still did not contain the information specified by the statute.

We also noted that a number of reports still were not prepared and/or submitted as required by the applicable State statutes or legislative acts. For example, we found no evidence that the Department submitted annual reports on the funding requirements necessary to support the programs funded by the temporary assistance to needy families block grant as required under Subsection (j) of Section 17b-112.

*Effect:* Executive and/or legislative oversight of the Department is diminished. Information relevant to the administration and/or operation of the various assistance programs may not be provided in compliance with legislative intent.

*Cause:* The Department lacks a system capable of monitoring and tracking the submission of mandated reports on a Department wide basis.

*Recommendation:* The Department should institute procedures to ensure that all reports mandated by statute or legislative act are submitted as required. In those instances where the Department feels that the statutes are obsolete or no longer applicable, it should seek legislation to modify or repeal existing legislation. (See Recommendation 15.)

*Agency Response:* “The Department agrees with this finding. The Department will review the list of the various mandatory reports to determine which reports are still applicable. In addition, once an updated list is developed, we will prepare a monitoring report to make certain that all reports on the list are submitted promptly.”

**Capital Project and Special Revenue Funds – Grants-In-Aid:**

Our review of the Capital Project and Special Revenue Funds’ grants-in-aid revealed the following discrepancies:

- Criteria:* Human service contracts for the capital development of neighborhood facilities require the contractor to provide project status reports on a quarterly basis.
- Condition:* Our review of 20 neighborhood facilities grant files revealed that the required quarterly and/or annual reports were not on hand for 7 of the files.
- Effect:* Controls are weakened in that the DSS is not aware of the status of various projects funded by these grants-in-aid.
- Cause:* Adequate procedures are not in place to ensure that required reports are filed with DSS.
- Recommendation:* The Department should develop and follow procedures to ensure that progress reports are received for various grants-in-aid as required by contract. (See Recommendation 16.)
- Agency Response:* “The Department agrees with this finding. Reporting requirement must be more closely monitored and enforced. Staff will maintain a list of executed contracts and will log the receipt of required reports. Missing reports will be identified and contractors will be reminded of the requirement.”

**Emergency Shelter Services - Payments to Contractors:**

- Criteria:* Contracts between the Department of Social Services and contractors require that contractors submit quarterly fiscal reports within 30 days following the end of each quarter to the Department. In addition the contractor must submit final reports within 60 days following the close of the contract year. The contractor shall submit a payment requisition to the regional field representative. The requisition will be paid based on the submission of the contractor, with the review and acceptance by the Department, of quarterly financial reports; the availability of funds; and the contractor’s compliance with the terms of the contract.
- Condition:* Our review of 20 Emergency Shelter Services grantee files revealed that 40 out of 80 Financial Status Reports and Quarterly Expenditure Reports due were not submitted timely by the contractor to the Department. The overdue quarterly reports were received between 5 to 164 days after the submission due date.

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In addition, three of the 20 payments reviewed revealed that the payments were made without adequate supporting documentation. For all three, the contractors were given two quarterly payments prior to the Department receiving any quarterly financial reports.

*Effect:* Failure to receive and review financial reports in a timely manner weakens control over the grant programs. In addition, grant payments could be made to grantees without prior review of expenditures and under-utilization or misuse of contract funds could occur.

*Cause:* Although the quarterly financial reports are received, there does not appear to be a review process in place to ensure that the required financial reports are received timely. According to the Department, the delay in executing the contracts necessitated the issuance of two quarterly payments for two of the three contracts. For the other, the payment requisition indicated only one quarter being paid; however, the dollar amount indicates two quarters and therefore appears to be an oversight by the Department.

*Recommendation:* The Department should develop and implement procedures to ensure that required financial reports are received and reviewed in a timely manner. In addition, the Department should ensure the prompt execution of contracts and adhere to the contract provisions regarding issuance of payments. (See Recommendation 17.)

*Agency Response:* “The Department agrees with this finding. The Department is undertaking a major initiative to ensure the timely execution of contracts. The appropriate timelines to enable timely execution have been shared with staff responsible for contracts and Contract Administration and the Division of Fiscal Analysis have taken steps to enable this process to proceed as expeditiously as possible.

The Division of Fiscal Analysis is instituting tighter controls on the payment process to ensure that payments are not made without required financial reports. In addition, all financial reports are now being thoroughly reviewed and payments are not being made unless all issues regarding the payment can be resolved to the satisfaction of Accounts Payable.”

### **Rental Assistance Program (RAP) – Monitoring of Subrecipients:**

*Background:* The Department of Social Services (DSS) contracted with two Community Action Agencies (CAA) - Community Renewal Team of Greater Hartford, Inc. (CRT), and Community Action Agency of New Haven, Inc. (CAANH) - through February 28, 2001, to administer the State’s Rental Assistance Program (RAP). These contracts were not renewed. The Department of Social Services contracted with J. D’Amelia and Associates LLC commencing on September 29, 2000, to administer the State’s Rental Assistance Program. DSS’ inspectors monitor the administration of the program by completing physical inspections of participants’ dwellings to

ensure that they meet Housing Quality Standards (HQS). The inspectors also review the program participants' case files to ensure that they are in compliance with State Rental Assistance Program regulations and the DSS' Administrative Plan. Monitoring procedures include the completion of a Rental Assistance Program Calculation Worksheet and an HQS Inspection Form. In addition, DSS' monitoring procedures include the completion of the Section 8/Rental Assistance Program Document Review Record. The DSS issues a written notice of monitoring findings to the applicable CAA and requests the CAA to respond within 45 days identifying corrective actions taken.

*Criteria:* In accordance with Section 17b-812 of the General Statutes, the DSS is responsible for administering, overseeing and establishing regulations for the Rental Assistance Program. Adequate internal control requires sound monitoring procedures to ensure that the Rental Assistance Program is administered in compliance with laws, regulations and provisions of contracts and that performance goals are achieved.

*Condition:* We found that monitoring had not been undertaken from September 2000 through June 2001. For monitoring findings on inspections performed from July 1999 through August 2000, it appeared that if the Community Action Agencies were notified of findings, they had either not responded or not taken corrective action.

*Effect:* Monitoring omissions and inadequate follow up on responses to findings could result in the failure of the Community Action Agencies to adequately administer the Rental Assistance Program.

*Cause:* The internal control procedures did not provide reasonable assurance that DSS' inspectors completed all required monitoring and if completed, that the Community Action Agencies addressed all monitoring findings and took required corrective actions.

In addition, the Agency stated that because the CAA's contracts were not renewed, they began losing staff and became indifferent to contract compliance. Therefore, corrective action was not going to take place after the contract was awarded to another contractor.

*Recommendation:* The Department should ensure that monitoring procedures are followed, including the completion of all required forms, and that Community Action Agencies' responses to violations noted are received and required corrective actions have been taken. (See Recommendation 18.)

*Agency Response:* "The Department agrees with this finding. The failure of the Community Action Agencies, contracted by DSS to administer the Rental Assistance Program, to comply with contractual obligations was taken into consideration when the contract was re-bid in 2000. Administration of the Department's housing programs, Section 8, RAP and Transitional Rental Assistance (T-RAP) went to a single contractor, John D'Amelia &

Associates. The new contractor assumed responsibility for the three programs January 1, 2001. Provisions were included in the new contract that allow the Department to penalize the contractor for non-compliance which include, but are not limited to, a reduction in monthly administrative fees or termination of the contract.

Program monitoring of John D'Amelia & Associates began in August 2001. Prior to that, DSS Housing Services staff was fully engaged in working closely with the new contractor and its fourteen subcontracting agencies during a difficult transition period. This necessitated suspension of our normal monitoring procedures during this period. New monitoring forms and policies have been implemented. All findings are reviewed and compiled by the unit's Housing & Community Development Agent. The Housing and Community Development Agent works with monitoring staff to tract contractor responses. Contractor responses include attached documentation that proves corrective action has been taken.”

**Emergency Shelter Services and Rental Assistance Program-Untimely Submission of Audit Reports:**

*Criteria:* Section 4-232 (b) (1) requires that the non-State entity file copies of the audit report with state grantor agencies no later than 30 days after the completion of such report, if possible, but not later than six months after the end of the audit period. Sound monitoring and departmental policies and procedures require the prompt obtaining and review of audit reports on grantees.

*Condition:* We found that audit reports relative to 20 Emergency Shelter Services (ESS) Program grants and three Rental Assistance Program (RAP) grants reviewed revealed 11 out of 23 required reports were filed late. In addition, we could not determine if one ESS audit report was late because the report was not date stamped when received.

*Effect:* Control is weakened when audit reports are not received and reviewed in a timely manner.

*Cause:* Current procedures are inadequate to ensure that all required audit reports are received when due.

*Recommendation:* The Department should enforce requirements for the submission of grantee audit reports and such reports should be reviewed in a timely manner. (See Recommendation 19.)

*Agency Response:* The Department agrees with this finding. The External Audit Division has procedures in place to track contractors' audit reports when they are due. DSS has over six hundred contractors and thousands of individual contracts, which come to an end any time in the course of a year. We call each contractor when the audit is over-due to remind them of their

contractual obligation. We will endeavor to continue to follow through when contractors' audits have not been received on time."

**Section 8 – Administrative Fees:**

*Criteria:* During State Fiscal Year 2000 and a portion of State Fiscal Year 2001 the Department of Social Services (DSS) contracted with the Connecticut Association for Community Action (CAFCA) for the administration of the Section 8 Rental Certificate/Voucher program. During December 2000 John D'Amelia & Associates LLC replaced CAFCA as the Department's Section 8 contractor.

Both contracts required that the Population by Metropolitan Statistical Area (PMSA) Codes Total by Annual Contribution Contract report be submitted by the fifteenth of each month. This monthly report, which is required, lists the PMSA code totals, monthly number of Section 8 units served, contracted administrative fee and the calculated subtotal administrative fee by town. The contractor shall also submit a Housing Assistance Program (HAP) Register by the fifteenth. The HAP register details the name and address of the family; name and address of the owner; dwelling unit size; beginning date of lease term; monthly contract rent to owner; monthly tenant share and monthly housing assistance payment to owner.

Good internal control would require that the Department of Social Services verify the amounts reported on the PMSA reports to the contractor's supporting documentation (i.e., HAP register).

*Condition:* Although the Department received PMSA reports and verified that these monthly report figures could be traced to the "Statement of Program Costs" reports, there was no independent review or reconciliation of the units served to the contractor's HAP register.

*Effect:* Incorrect payment of administrative fees could occur if payments are based on reports submitted rather than on the verified number of Section 8 units served.

*Cause:* The Department lacks the internal controls to ensure that the Section 8 contractor is paid in accordance with the terms of the contract. Although the contractors were forwarding the supporting documentation to allow DSS to calculate the administrative fees, DSS failed to independently verify the number of the units served.

*Recommendation:* The Department should institute procedures to ensure that administrative fees are calculated correctly and are reconciled with the contractor's supporting documentation. (See Recommendation 20.)

*Agency Response:* "The Department agrees with this finding. The Department corrected an earlier audit finding on this area which required a reconciliation of the

administrative fee data reported on the Statement of Program Costs to the submitted PMSA reports. This new audit finding requires an additional step in the reconciliation of unit data by reconciling units reported on the PMSA report to units on the HAP register.

The Department will now attempt to reconcile total units on the submitted PMSA reports to the total units submitted on the HAP registers. The Division of Fiscal Analysis will be working with our Housing Unit staff and Contract Administration to review the existing contract and associated reporting requirements to determine if this reconciliation can be performed at the contractor level.”

**Rental Assistance Program (RAP) – Reconciliation of Tenant Assistance Payments:**

*Background:*

The Department of Social Services (DSS) contracted with two Community Action Agencies (CAA) - Community Renewal Team of Greater Hartford, Inc. (CRT), and Community Action Agency of New Haven, Inc. (CAANH) - through February 28, 2001 to administer the State’s Rental Assistance Program (RAP). The Department of Social Services contracted with J. D’Amelia and Associates LLC commencing on September 29, 2000 to administer the State’s Rental Assistance Program. These contracts overlapped because while the old contractor was completing his contract the new contractor had to input all the necessary data into his system.

*Criteria:*

In accordance with the State of Connecticut Department of Social Services Administrative Plan for the Rental Assistance Program, the total of rent paid by the tenant plus the Public Housing Authority’s (PHA) housing assistance payment to the owner may not be more than the contracted rent to the owner.

In accordance with the State of Connecticut’s Human Service Contract with J. D’Amelia and Associates, L.L.C., the contractor is required to issue rent payments to landlords based on State and Federal Department of Housing and Urban Development (HUD) established rules and rates. In doing so, the contractor must assure a match between the total amount of checks issued by month with the Housing Assistance Payment (HAP) Register. Prepared by the Department’s subcontractor, the HAP register compiles the tenant assistance payment information, which includes such items as the name of the tenant, location of the rental, the total contract rent, the subsidy payment and the tenant’s portion of the payment. In addition, the contractor is to maintain an automated database containing all tenant and landlord data necessary to support the efficient administration of the program, including eligibility determination and re-certification, payment processing and data reporting requirements.

The Department’s Human Service Contract requires the Department to conduct quality control reviews of the contractor’s performance at six-month intervals. These reviews shall be in addition to any other HUD requirements or process reviews that may be conducted in the course of

monitoring the program and shall include among others, payment error rate desk reviews.

*Condition:* Our review of the Tenant Assistance Payments for both Community Action Agency of New Haven and Community Renewal Team, disclosed numerous discrepancies where the total of contract rent was either more or less than the tenant payment plus the subsidy payment.

The first HAP Roll Report (i.e., HAP Register) produced by J. D'Amelia and Associates was for November 2001 even though the contract period began in September 2000. Our review of this report noted that it also contained various discrepancies in that the total contract rent did not equal the tenant rent plus the HAP payment. Our review of the March 2002 HAP Roll Report, however, revealed that the J. D'Amelia and Associates apparently took corrective action on most of the discrepancies previously noted.

We noted however, that the Department had not independently reviewed any of these monthly reports for accuracy. Nor did the Department reconcile these reports, which indicate the number of units rented and payment amounts, to the contractor's check registers. The Department does not have established internal control procedures to adequately ensure that the reports received are accurate and fairly represent the correct contract rents, HAP amounts and tenant rent amounts.

*Effect:* Incorrect amounts could be paid and errors and/or omissions could be made for rental assistance and not detected by the Department.

*Cause:* The Department did not have in place internal control procedures to detect and correct the discrepancies between the tenant and subsidy payment totals and contracted rent amounts.

*Recommendation:* The Department should establish procedures for the Rental Assistance program to ensure that the tenant and State subsidy payments do not exceed the total contracted rent. (See Recommendation 21.)

*Agency Response:* "The Department agrees with this finding. Effective April 1, 2002, the HAP Roll report which is the source file for the monthly check run, generates a landlord disbursement list. This list is compared to the HAP report to verify that total payments and adjustments are correctly reflected. Using the landlord disbursement list a check register is created. Before the check file is sent to the bank all three reports, HAP report, disbursement list and check register must agree. Checks are issued using the numbers assigned by the contractor."

**Other Matters:**

In addition to the letters to the Governor and others mentioned in the preceding findings, we also wrote to the Governor and other State Officials on another reportable condition that did not result in findings.

On January 10, 2001, we wrote that we became aware of an insulated breakdown in internal control at the Department of Social Services (DSS) in that the Department's Accounts Payable Unit was making payments from copies of invoices, which resulted in two duplicate/overpayments. In one instance the Department was notified, by the vendor, of the overpayment and in the second instance a DSS Food Stamp program employee noted the duplicate payment.

During the course of our audit of the Department's expenditure transactions we noted an overpayment to Electronic Data Systems (EDS) in the amount of \$1,547,192.98. On June 28, 2000, DSS made a partial payment to EDS in the amount of \$1,547,192.98 against an invoice that totaled \$1,671,570.65. The remaining amount of \$124,377.67 was to be processed in the 2001 fiscal year. A payment request in the amount of the \$124,377.67 was initiated by the Department's Fiscal Analysis Unit and sent to the Accounts Payable Unit with copies of the prior year payment attached. The Accounts Payable Unit, rather than paying the \$124,377.67, created an invoice for the full amount of the original invoice from EDS in the amount of \$1,671,567.65. This total of \$1,671,570.65 was submitted to the Comptroller and paid on July 20, 2000. On August 1, 2000, the DSS received a call from EDS advising them of the \$1,547,192.98 overpayment.

We also noted that the DSS paid \$2,335 to CTE, Inc. twice on the same invoice. These payments were made to CTE, Inc. for the Food Stamp Employment and Training Program. This overpayment was subsequently reimbursed from future grant payments

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**RECOMMENDATIONS**

*Status of Prior Audit Recommendations:*

The following is a summary of the recommendations presented in our prior audit report.

- All offices should be instructed as to the necessity of meeting the requirements of Section 4-32 of the General Statutes and the possibility of depositing to the Funds Awaiting Distribution Fund (formerly the Pending Receipts Fund) any monies received for which the disposition cannot be immediately determined. – As insufficient action has been taken on this recommendation, it is being repeated as Recommendation 1 of this report.
- The Agency should take the action necessary to resolve all reconciling items in a timely manner. Such action may include writing off unresolved items. – This recommendation has been resolved.
- The Department should adhere to the State’s Petty Cash policy and not issue payroll advances to current employees. In addition, the Department should be more aggressive with follow-up procedures to ensure the timely submission or required paperwork upon the employee’s return from travel. – As this recommendation has only been partially implemented, it is being repeated in essence as Recommendation 2 of this report.
- The Department should improve its internal control procedures to ensure that accounts receivables are maintained on a current and accurate basis and institute procedures for the timely collection thereof. – As many of the same deficiencies continue to exist, this recommendation is being repeated, as modified as Recommendation 4 of this report.
- The Department should follow established procedures for the forwarding of inactive Assistance Unit cases to the Department of Administrative Services Financial Services Center for collection. – This recommendation has been implemented.
- Greater care should be exercised by DSS in the interpretation of the GAAP year-end instructions and the preparation of the GAAP closing package to ensure that reported amounts reflect accurate and complete information. – This recommendation has been implemented.
- The payroll supervisor should review all termination worksheets prepared by payroll staff for both accuracy and compliance with State regulations and/or collective bargaining contracts. – As insufficient action has been taken on this recommendation, it is being repeated as Recommendation 5 of this report.
- The Department should institute procedures to ensure that salaries of employees transferred are in accordance with State regulations and follow the procedures as set forth in the Department of Administrative Services publication, “Determining Salary Upon Changes In Class.” – This recommendation has been resolved.

- The Department should follow established procedures to ensure that the inventory reported to the State Comptroller is complete and accurate. Detailed inventory records should be updated in a timely manner and should be supported by documentation on hand. Lost or stolen equipment should be reported as required by Section 4-33a of the General Statutes. – This recommendation has been implemented.
- The Department should eliminate access rights to all individuals that do not require access to the database. An administrator, responsible for the integrity of the database, should set up user groups and instruct them on the use of the database. – This recommendation has been implemented.
- The Department should claim the expenditures for the quarter ended December 31, 1994, and seek reimbursement from the Federal Government. They should also establish procedures to ensure that all claims for FFP are submitted within the required timeframes. – This recommendation has been implemented.
- The Department should claim administrative costs for the Rehabilitation Services – Vocational Rehabilitation Grants to States and Social Security – Disability Insurance programs through the Department’s Cost Allocation Plan (CAP). – This recommendation has been resolved.
- The Department should implement the necessary controls to properly ensure that all costs charged to Federal awards are allowable and in accordance with applicable cost principles and that all-allowable costs are included in the Cost Allocation Plan. – This recommendation has been resolved.
- The Department should follow established procedures for initiating the collection of life insurance proceeds in a timely manner and should establish procedures for performing appropriate follow up action. - As insufficient action has been taken on this recommendation, it is being repeated as Recommendation 13 of this report.
- The Department should ensure that all funeral/burial payments are made in accordance with applicable regulations. Procedures relative to cases closed due to death should be improved to ensure the discontinuance or recovery of State Supplement checks issued after death. – Our current review disclosed similar conditions. Therefore this recommendation, combined with a finding on State Supplement payments and Transportation payments that were issued after the date of death, is in essence repeated as Recommendation 12 of this report.
- Procedures relative to cases closed due to death should be improved to ensure the discontinuance and/or recovery of assistance payments made after the death of the recipient. – Our review disclosed similar conditions and therefore this recommendation is combined with a finding on State Supplement payments and Transportation payments that were issued after the date of death and is in essence repeated as Recommendation 12 of this report.

- The Department should establish the procedures necessary for administrating the security deposit programs. These procedures include the tracking of security deposits paid and reconciliation of deposits. – This recommendation has been resolved.
- The Department should institute procedures to ensure that administrative fees are calculated correctly and are reconciled with Connecticut Association for Community Action (CAFCA) financial reports. - As insufficient action has been taken on this recommendation it is in essence being repeated as Recommendation 20 of this report.
- Procedures should be established to ensure supervisory oversight of disbursements that are made from the Conservator account. – This recommendation has been implemented.
- The Department should recoup the amounts questioned by our review. In addition, the Department’s Alternate Care Unit should reiterate to its field offices and access agencies that functional and financial eligibility re-determinations be performed in the recipient’s reassessment month and that program services should not be initiated or continued until both the functional and financial eligibility determinations have been completed. – This recommendation has been implemented.
- The Department should periodically conduct reviews of eligibility determinations made by its fiscal intermediary to determine whether program requirements are being followed as intended. – As insufficient action has been taken on this recommendation it is in essence being repeated as Recommendation 8 of this report.
- The Department should follow established procedures to ensure that subrecipients are notified of the funding source and, if Federal funds, the Federal CFDA title and number. – This recommendation has been implemented.
- The Department should enforce requirements for the submission of grantee audit reports. – As insufficient action has been taken on this recommendation, it is in essence being repeated as Recommendation 19 of this report.
- The Department should institute procedures to ensure that all reports mandated by statute or legislative act are submitted as required. In those instances where the Department feels that the statutes are obsolete or no longer applicable, it should seek legislation to modify or repeal existing legislation. – As insufficient action has been taken on this recommendation, it is being repeated as Recommendation 15 of this report.
- The Department should develop and follow procedures to ensure that progress reports and detailed expenditure reports are received for various grants-in-aid. - As insufficient action has been taken on this recommendation, it is being repeated as Recommendation 16 of this report.

*Current Audit Recommendations:*

1. **All offices should be instructed as to the necessity of meeting the requirements of Section 4-32 of the General Statutes and the possibility of depositing to the Funds Awaiting Distribution Fund any monies received for which the disposition cannot be immediately determined.**

Comment:

Our review revealed that checks were on hand for between one and eleven days in excess of the allowed time, which was in violation of Section 4-32 of the General Statutes.

2. **The Department should follow the procedures for the maintenance of the Petty Cash Fund as set forth by the State Comptroller.**

Comment:

Our review disclosed that the Department was unable to reconcile its Petty Cash Fund and that procedures to ensure the submission of the required paperwork for both travel advances and reimbursement thereof were not enforced.

3. **The Department should obtain authorization from OPM prior to canceling any uncollectible claim in an amount greater than \$1,000.**

Comment:

Our review disclosed that the Department cancelled 549 overpayments in the State Supplement program that were greater than \$1,000 without first obtaining OPM approval. The overpayments were cancelled in August 2000 and totaled \$1,467,000.

4. **The Department should establish internal controls over its significant receivable categories that provide for the timely identification and collection of delinquent receivables and subsequent write off of the receivable, in accordance with Section 3-7 of the General Statutes if collection efforts prove unsuccessful.**

Comment:

Our review of Department receivable records disclosed numerous accounts receivables as of June 30, 2001, that dated back several years and for which no recent collection activity had been recorded.

5. **All termination worksheets should be reviewed for both accuracy and compliance with State regulations and/or collective bargaining contracts before payment is made.**

Comment:

Our review disclosed that incorrect vacation and sick leave and prorated longevity payments were made to employees leaving State service.

6. **The Department should ensure that payments made to employees receiving workers' compensation benefits are in accordance with the Connecticut General Statutes and the State Payroll Manual.**

Comment:

Our review of 25 workers' compensation payments disclosed one overpayment and three payments that were supplemented with leave time that was not elected by the employee on form CO-715, Request for Use of Accrued Leave with Workers' Compensation.

7. **The Department of Social Service should comply with provisions within bargaining unit agreements regarding compensatory time.**

Comment:

Our review of compensatory time at the Department of Social Services revealed that 19 of 80 employees had accrued and used compensatory time even though they appeared to be ineligible.

8. **The Department should periodically conduct reviews of eligibility determinations made by its fiscal intermediary to determine whether program requirements are being followed as intended.**

Comment:

Our review of the CONNPACE program relative to eligibility determinations performed by the Electronic Data Systems (EDS) the Department's fiscal intermediary disclosed that the Department does not review beneficiary determinations made by EDS.

9. **Greater care should be given to the coding/data entry of CONNPACE applications.**

Comment:

Our review of 50 cases for applicant eligibility disclosed application coding and/or data entry errors.

10. **Greater care should be exercised by the Department to ensure that reported amounts reflect accurate and complete information.**

Comment:

We noted that the Department had underclaimed \$734,926 in Federal financial participation for the Medicaid program for the quarter ended December 31, 2000.

11. **The Department should follow procedures to ensure that appropriate supporting documentation is obtained in a timely manner for State Supplemental therapeutic diet special needs payments or should consider revising the six-month requirement in the Department's Uniform Policy Manual.**

Comment:

Our review disclosed that payments might have been made to recipients who were not eligible for special needs payments.

12. **Procedures relative to cases closed due to death should be improved to ensure the discontinuance or recovery of State Supplement benefits issued after death.**

Comment:

Our review of State Supplement cases for payments of funeral/burial expenses and termination of benefit payments at death disclosed that some supporting documentation could not be located, benefit payment checks were issued and cashed after the death of the recipient and benefit payments were issued and accessed via Electronic Benefit Transfer after the death of the recipient. We also noted that transportation payments were paid on behalf of recipients for services in the month following the recipient's death.

13. **The Department should follow established procedures for initiating the collection of life insurance proceeds in a timely manner and should establish procedures for performing appropriate follow up action.**

Comment:

Our review disclosed that the Department did not initiate the recovery on five of 29 life insurance policies on individuals who were identified as deceased on the Eligibility Management System. In addition, we noted that the Department still has not taken initial or follow up action to recover proceeds from insurance policies for individuals previously identified.

14. **The Department should institute procedures to ensure that case file documentation is appropriately maintained.**

Comment:

Our review of 100 public assistance payments revealed that there was not a timely application or re-determination in five case files and in six instances the Department was unable to locate the case file.

- 15. The Department should institute procedures to ensure that all reports mandated by statute or legislative act are submitted as required. In those instances where the Department feels that the statutes are obsolete or no longer applicable, it should seek legislation to modify or repeal existing legislation.**

Comment:

Without these required reports information relevant to the administration and/or operation of the various assistance programs may not be provided to interested parties.

- 16. The Department should develop and follow procedures to ensure that progress reports are received for various grants-in-aid as required by contract.**

Comment:

Our review of 20 neighborhood facilities grant files revealed that the required quarterly and/or annual reports were not on hand for 7 of the files.

- 17. The Department should develop and implement procedures to ensure that required financial reports are received and reviewed in a timely manner. In addition, the Department should ensure the prompt execution of contracts and adhere to the contract provisions regarding issuance of payments.**

Comment:

Failure to receive and review financial reports in a timely manner weakens control over grant programs. In addition, grant payments could be made to grantees without prior review of expenditures and under-utilization or misuse of contract funds could occur.

- 18. The Department should ensure that monitoring procedures are followed, including the completion of all required forms, and that Community Action Agencies' responses to violations noted are received and required corrective actions have been taken.**

Comment:

We found that monitoring had not been undertaken from September 2000 through June 2001. For monitoring findings on inspections performed from July 1999 through August 2000, it appeared that if the Community Action

Agencies were notified of findings, they had either not responded or not taken corrective action.

- 19. The Department should enforce requirements for the submission of grantee audit reports and such reports should be reviewed in a timely manner.**

Comment:

Controls could be weakened if audit reports are not received and reviewed in a timely manner.

- 20. The Department should institute procedures to ensure that administrative fees are calculated correctly and are reconciled with the contractor's supporting documentation.**

Comment:

We noted that incorrect payment of administrative fees could occur if payments are based on reports submitted rather than the verified number of units served.

- 21. The Department should establish procedures for the Rental Assistance program to ensure that the tenant and State subsidy payments do not exceed the total contracted rent.**

Comment:

Our review disclosed that the Department was not nor did they have procedures in place for the reconciliation of contracted rents with payments made.

## INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Department of Social Services (DSS) for the fiscal years ended June 30, 2000 and 2001. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding, and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the Agency were 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 DSS for the fiscal years ended June 30, 2000 and 2001, are included as a part of our Statewide Single Audits of the State of Connecticut for those 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 DSS complied in all material or significant respects with the provisions of the certain laws, regulations, contracts and grants and to obtain a sufficient understanding of the internal control structure 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 DSS is the responsibility of the DSS' management.

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

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

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

The management of the Department of Social Services 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

## *Auditors of Public Accounts*

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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 DSS' 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.

However, 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 judgement, 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 findings in the following areas represent reportable conditions: the timeliness of deposits, accounts receivable, payroll and personnel, benefit payments, program monitoring, and other reporting requirements.

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, of the reportable conditions described above, we believe the following to be a material or significant weakness: the accounts receivable. We noted cases where accounts receivable balances were written off without obtaining approval from the Office of Policy and Management. We also noted numerous instances where old accounts receivable had no recent collection activity recorded.

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**

In conclusion, we wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Department of Social Services during the course of our examination.

Edward C. Wilmot  
Principal Auditor

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts

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