

# STATE OF CONNECTICUT

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

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

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March 23, 2005

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

We have made an examination of the financial records of the Department of Social Services (DSS) for the fiscal years ended June 30, 2002 and 2003. 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 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 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 Medicaid program pursuant to Title XIX of the Social Security Act – Provides payments for medical assistance to low-income persons who are age 65 or over, blind, disabled, or members of families with dependent children or qualified pregnant women or children.

- The Temporary Assistance for Needy Families (TANF) program pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 - Provides time-limited assistance to needy families with children so that the children can be cared for in their own homes or in the homes of relatives; ends dependence of needy parents on government benefits by promoting job preparation, work, and marriage; prevents and reduces out-of-wedlock pregnancies, including establishing prevention and reduction goals; and encourages the formation and maintenance of two-parent families.
- The Child Care and Development Block Grant program 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.
- 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 pursuant to Title I of the Rehabilitation Act of 1973 – 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 State Children’s Health Insurance Program pursuant to Title XXI of the Social Security Act – Provides health insurance for children who are not eligible for Medicaid.
- The Food Stamps program pursuant to the Food Stamp Act of 1977 – Provides assistance to low-income households to purchase food.
- The Social Security Disability Insurance program pursuant to Title II of the Social Security Act – Provides disability benefits to individuals meeting Social Security Administration work history and/or medical requirements and provides referral to vocational rehabilitation services.
- 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 Grant pursuant to Title XX of the Social Security Act – Provides prevention, intervention and treatment services to individuals and families.
- The Section 8 Housing Choice Vouchers program pursuant to the Housing Act of 1937 – Provides rental assistance to help very low income families afford decent, safe, and sanitary rental housing.

- The State supplement to the Supplemental Security Income Program pursuant to Title VI of the Social Security Act – Provides supplemental cash assistance to elderly, blind or disabled individuals.
- The Connecticut Homecare Program for Elders pursuant to Section 17b-342 of the Connecticut General Statutes and to Title XIX of the Social Security Act – Provides an array of home care services and helps eligible Connecticut residents age 65 and older continue living at home instead of prematurely going to a nursing facility.
- The Connecticut Pharmaceutical Assistance Contract to the Elderly and Disabled (ConnPACE) program pursuant to Section 17b-491 of the Connecticut General Statutes – Helps eligible senior citizens and people with disabilities afford the cost of most prescription medicines.
- The State-Administered General Assistance (SAGA) program pursuant to Section 17b-111 of the Connecticut General Statutes – Provides cash and medical assistance to eligible individuals and families who do not have enough money to meet their basic needs.
- Housing / Homeless Services pursuant to Section 17b-800 of the Connecticut General Statutes - Makes grants to develop and maintain programs for homeless individuals including programs for emergency shelter services, transitional housing services, on-site social services for available permanent housing, and for the prevention of homelessness.
- The Connecticut Medicare Assignment Program (CONNMAP) pursuant to Sections 17b-550 through 17b-554 of the General Statutes – 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.

Patricia Wilson-Coker was appointed Commissioner on March 8, 1999, and continued to serve in that capacity during the audited period.

**Significant Legislation:**

*Public Act 01-2 “An Act Concerning the Expenditures of the Department of Social Services”*

This Act implements the Department of Social Services (DSS) budget for the biennium beginning July 1, 2001, and ending June 30, 2003. The Act became effective upon passage except certain provisions were effective July 1, 2001, or October 1, 2001. The Act:

- increases the Connecticut Pharmaceutical Contract to the Elderly and Disabled (ConnPACE) program's income limits;
- revises the State's system of care for providing behavioral health services to children and renames it Connecticut Community KidCare;

- limits to three the number of six-month extensions families receiving funds under the Temporary Assistance to Families program can have; caps benefits for all time-limited families at 60 months, with one exception; increases penalties for noncompliance with the program's work requirements; creates a transportation program to take recipients to jobs in eastern Connecticut; and makes other related changes;
- prohibits legal immigrants from applying for certain cash assistance benefits as of July 2, 2001, and for the State-funded Food Stamp program after June 30, 2002 (but PA 01-9, June Special Session delayed the July 2<sup>nd</sup> cut-off date for cash assistance and kept these and other programs for immigrants open for new applicants through June 30, 2002);
- continues to freeze benefit levels in the TFA, Aid to Families with Dependent Children (AFDC) (small control group), State-Administered General Assistance (SAGA), General Assistance (GA), and State Supplement programs from July 1, 2001 through June 30, 2003;
- tightens asset transfer rules for Medicaid eligibility for long-term care and limits the probate courts' authority to make exceptions to these rules;
- provides Medicaid coverage for women diagnosed with breast or cervical cancer under an existing national screening program. It requires several State agencies to collaborate in preparing a plan for the State to purchase employer-sponsored health insurance for lower-income adults and children. But it eliminates coverage for nonemergency medical transportation under the SAGA and GA programs;
- makes a number of changes concerning nursing homes, such as (1) increasing rates, (2) giving the DSS commissioner an option to provide future rate relief to enhance staffing, and (3) extending the moratorium on new nursing home beds to 2007. It also expands assisted living demonstration programs in Federally funded senior housing and extends a Connecticut Home Care Program for Elders (CHCPE) pilot;
- adjusts Medicaid rates for a number of other health care institutions, such as chronic disease hospitals and residential care homes. It allows DSS to use a primary care case management model for delivering medical benefits and subjects managed care organizations participating in the State's Medicaid managed care program to new accountability measures. It allows Medicaid to pay for used durable medical equipment and expands locations where a dental hygienist can work without a dentist's supervision; and
- transfers administration of opportunities industrialization center grants and individual performance contracts from DSS to the Department of Labor, and makes changes in the Security Deposit Guarantee Program.

**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.

**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 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.

**RÉSUMÉ OF OPERATIONS**

Receipts and expenditures for the Department for the past three fiscal years are summarized below:

	<b>Fiscal Year 2000-2001</b>	<b>Fiscal Year 2001-2002</b>	<b>Fiscal Year 2002-2003</b>
General Fund:	\$	\$	\$
Revenue:			
Federal Contributions	2,273,255,297	2,269,292,157	2,524,971,983
State Receipts	63,936,624	82,356,455	125,862,899
Total General Fund Receipts	<u>\$ 2,337,191,921</u>	<u>\$ 2,351,648,612</u>	<u>\$ 2,650,834,882</u>
Expenditures, charged to:			
Budgeted Appropriations	3,537,461,919	3,589,653,137	3,724,789,494
Restricted Contributions	203,487,135	298,982,020	326,397,385
Total General Fund Expenditures	<u>\$ 3,740,949,054</u>	<u>\$ 3,888,635,157</u>	<u>\$ 4,051,186,879</u>
Special Revenue Funds:			
Total Receipts	<u>\$ 9,211</u>	<u>\$ 177,560</u>	<u>\$ 16,205</u>
Total Expenditures	<u>\$ 4,498,902</u>	<u>\$ 5,950,589</u>	<u>\$ 11,029,890</u>
Capital Projects Funds:			
Total Receipts	<u>\$ 0</u>	<u>\$ 1,074</u>	<u>\$ 2,028</u>
Total Expenditures	<u>\$ 6,845,000</u>	<u>\$ 4,807,426</u>	<u>\$ 16,967,421</u>
Fiduciary Funds:			
Social Services Support Fund:			
Total Receipts	<u>\$ 22,226,558</u>	<u>\$ 28,958,557</u>	<u>\$ 23,904,471</u>
Total Disbursements	<u>\$ 22,285,093</u>	<u>\$ 26,775,749</u>	<u>\$ 26,287,417</u>
Funds Awaiting Distribution:			
Total Receipts and Transfers	<u>\$ 14,989,923</u>	<u>\$ 26,522,300</u>	<u>\$ 17,608,522</u>
Refunds and Net Transfers	<u>\$ 15,201,619</u>	<u>\$ 17,497,265</u>	<u>\$ 26,023,639</u>

**General Fund - Receipts:**

The Department's General Fund receipts for the past three fiscal years are summarized below:

	<b>Fiscal Year 2000-2001</b>	<b>Fiscal Year 2001-2002</b>	<b>Fiscal Year 2002-2003</b>
	\$	\$	\$
<b>Federal Contributions:</b>			
Medical Assistance (See Note 1)	1,584,506,431	1,465,673,123	1,691,594,212
Dependent Children (See Note 2)	292,786,728	287,094,912	309,612,893
Collection of Federal Receivables	172,634,105	258,785,275	290,211,999
Department of Mental Retardation - Immediate Care Facilities (See Note 3)	90,426,543	89,403,103	79,364,537
Federal Administration (See Note 4)	88,881,886	123,104,542	104,124,620
Child Support Enforcement	21,734,074	21,610,495	26,562,107
State Children's Health Insurance Program	13,470,805	14,923,126	14,486,795
Other	1,500,138	1,190,060	1,042,636
Transfers from Other State Agencies	7,314,587	7,507,521	7,972,184
<b>Total Federal Contributions</b>	<u>2,273,255,297</u>	<u>2,269,292,157</u>	<u>2,524,971,983</u>
<b>State Receipts:</b>			
Refunds of Current Year Expenditures	4,419,973	19,544,544	4,203,704
Restricted Contributions	23,462,684	24,598,243	20,770,913
Recoveries	33,537,825	36,016,315	98,139,402
Miscellaneous Receipts	2,516,142	2,197,353	2,748,880
<b>Total State Receipts</b>	<u>63,936,624</u>	<u>82,356,455</u>	<u>125,862,899</u>
<b>Total General Fund Receipts</b>	<u>\$ 2,337,191,921</u>	<u>\$ 2,351,648,612</u>	<u>\$ 2,650,834,882</u>

Notes to above schedule:

- Note 1 These receipts represent reimbursement of Medicaid costs other than administration costs (Note 4) and costs incurred by the Department of Mental Retardation (Note 3).
- Note 2 These receipts represent reimbursement of expenditures incurred on behalf of administering and providing benefits under the Temporary Assistance for Needy Families program and the Child Care Development program.
- Note 3 These receipts represent reimbursement of costs of services related to the Medicaid program.
- Note 4 Administrative costs incurred on behalf of administering Medicaid, Food Stamps and the State Children's Health Insurance Program.

Total revenue and receipts increased by \$14,456,691 and \$299,186,270 during the fiscal years ended June 30, 2002 and 2003, respectively. These increases resulted primarily from the following significant increases and decreases in individual accounts.

During the 2001-2002 fiscal year, increases of \$86,151,170, \$34,222,656, and \$15,124,571 were reflected in Collection of Federal Receivables, Federal Administration, and Refunds of Current Year Expenditures, respectively. These increases were offset by decreases of \$118,833,308 and \$5,691,816 in Medical Assistance and Dependent Children, respectively.

The increase of \$86,151,170 in Collection of Federal Receivables can be primarily attributed to a change in reporting reimbursements received for expenditures related to Additional Low Income Medicare Beneficiary Program, School Based Child Health Services, and Medicare Part B Premiums, which were all previously reported as Medical Assistance. The increase of \$34,222,656 in Federal Administration can be primarily attributed to a change in reporting reimbursements received for Non Emergency Medical Transportation expenditures, which were previously reported as Medical Assistance. The increase of \$15,124,571 in Refunds of Current Year Expenditures was primarily attributed to depositing as refunds Federal reimbursements of nursing home strike costs.

The decrease of \$118,833,308 in Medical Assistance can be primarily attributed to accounting changes indicated in the immediate above paragraph and a significant decrease in the appropriation for Disproportionate Share Hospital Care. The decrease of \$5,691,816 in the Dependent Children account is due to the delay in drawing down Federal funds until State fiscal year 2002-2003.

During the 2002-2003 fiscal year, increases of \$225,921,089, \$22,517,981, \$31,426,724, and \$62,123,087 were reflected in Medical Assistance, Dependent Children, Collection of Federal Receivables, and Recoveries, respectively. These increases were offset by decreases of \$10,038,566, \$18,979,922 and \$15,340,840 in Department of Mental Retardation/Intermediate Care Facilities, Federal Administration, and Refunds of Current Year Expenditures, respectively.

The increase \$225,921,089 in Medical Assistance can be attributed to increases in the reimbursement of Federal expenditures, a delay in drawing down Federal funds, and supplemental grant awards received during the 2002-2003 State fiscal year. The increase of \$22,517,981 in Dependent Children was attributed to drawing down of funds for the remainder of the Federal fiscal year ending September 30, 2001, and a portion of the TANF's High Performance Bonus funds. The increase of \$31,426,724 in Collection of Federal receivables is due primarily to increased Federal funding in Low Income Home Energy Assistance, Section 8 Housing Choice Vouchers, and Medicare Part B Premiums. The increase of \$62,123,087 in Recoveries was primarily attributed to a settlement between the State and the Centers for Medicare and Medicaid Services concerning third party liabilities. This settlement addressed skilled nursing services delivered as part of the home health benefit for dual eligible clients where the State appealed Medicare denials of coverage. The settlement resulted in an increase of \$66,600,000 of which \$33,300,000 (the Medicaid Federal financial participation match portion) will be returned to the Federal government during the subsequent State fiscal year.

The decrease of \$10,038,566 in the Department of Mental Retardation/Intermediate Care Facilities account was attributed to a delay in billings to public providers, which resulted in funds being draw down in the subsequent State fiscal year. The decrease of \$18,979,922 in Federal

Administration was attributed to a reduction of contract costs and personnel costs. The decrease of \$15,340,840 in Refunds of Current Year Expenditures was attributed to a large increase in the previous year as a result of depositing as refunds Federal reimbursements resulting from expenditures associated with the nursing home strike costs.

**General Fund - Expenditures:**

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

	<b>Fiscal Year 2000-2001</b>	<b>Fiscal Year 2001-2002</b>	<b>Fiscal Year 2002-2003</b>
	\$	\$	\$
Budgeted Accounts:			
Personal Services	109,358,111	111,802,921	106,207,722
Contractual Services	95,200,812	98,440,589	83,869,671
Commodities	1,267,543	1,143,068	991,786
Revenue Refunds	860,675	0	(43,106)
Sundry Charges	6,406,599	8,352,078	13,354,424
State Aid Grants	3,324,191,171	3,369,889,440	3,520,408,997
Equipment	177,008	25,042	0
Total Budgeted Accounts	<u>3,537,461,919</u>	<u>3,589,653,138</u>	<u>3,724,789,494</u>
Restricted Accounts:			
Federal Accounts	182,283,332	274,303,704	303,264,302
Other than Federal Accounts	21,203,803	24,678,316	23,133,083
Total Restricted Accounts	<u>203,487,135</u>	<u>298,982,020</u>	<u>326,397,385</u>
Total Expenditures	<u>\$ 3,740,949,054</u>	<u>\$ 3,888,635,158</u>	<u>\$ 4,051,186,879</u>

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

Total expenditures increased by \$147,686,104 and \$162,551,721 during the fiscal years ended June 30, 2002 and 2003, respectively. These changes resulted primarily from the following significant increases and decreases in individual accounts.

Total budgeted expenditures increased by \$52,191,219 and \$135,136,356 during the fiscal years ended June 30, 2002 and 2003, respectively. Part of the changes in total budgeted expenditures was the result of Personal Services and Contractual Services expenditures increasing during fiscal year 2001-2002 and subsequently decreasing during fiscal year 2002-2003. The increase in Personal Services during fiscal year 2001-2002 was attributed to collective bargaining salary increases and the decrease during fiscal year 2002-2003 was attributed to layoffs that occurred at the Department. The increase in Contractual Services during fiscal year 2001-2002 was attributed to an increase in fee expenditures due to a new contractor taking over the Child Support Program at a higher negotiated rate and the decrease

during fiscal year 2002-2003 was attributed to an effort by the Department to reduce expenditures, which resulted in a decrease in Fees for Outside Professional Services. There were also increases in both fiscal years for Sundry Charges caused by increases in grant payments made to subgrantees. However, the majority of the increases during the fiscal years 2001-2002 and 2002-2003 was primarily due to increases in State Aid Grants. The State Aid Grants are presented in the following analysis by type of special appropriation for which they were expended.

<b>Program</b>	<b>Fiscal Year 2000-2001</b>	<b>Fiscal Year 2001-2002</b>	<b>Fiscal Year 2002-2003</b>
	\$	\$	\$
Medicaid	2,523,993,625	2,652,223,082	2,809,138,647
Disproportionate Share	205,487,358	100,000,000	98,275,000
Temporary Assistance to Families	147,702,330	137,708,425	113,405,573
Child Care Services	104,311,896	115,281,106	98,915,872
HUSKY B Program	10,394,296	15,760,023	18,059,835
General Assistance	94,065,800	105,306,213	122,435,907
Aid to the Disabled	58,430,354	56,021,503	55,422,841
Old Age Assistance	28,823,382	29,539,600	29,959,487
Child Day Care	10,677,107	7,054,876	6,685,778
Housing – Homeless	18,032,524	20,660,706	21,213,285
ConnPACE	36,280,262	41,895,923	69,194,282
Connecticut Home Care Program	21,410,509	19,617,101	29,059,949
Other	64,581,728	68,820,882	48,642,541
Total State Aid Grants	<u>\$ 3,324,191,171</u>	<u>\$ 3,369,889,440</u>	<u>\$ 3,520,408,997</u>

Note to above schedule:

A portion of the expenditures made under Medicaid, Disproportionate Share, Temporary Assistance to Families, Child Care Services, and HUSKY are claimed for reimbursement under various Federal programs.

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 increased \$128,229,457 and \$156,915,565 for the fiscal years ended June 30, 2002 and 2003, respectively. The increases in spending represent normal inflationary increases, rate increases, increases in utilization, and program expansions. Several Medicaid categories of service experienced significant increases from fiscal 2000-2001 to 2002-2003, including Pharmacy (\$79.7 million), Home Health (\$43.2 m), Hospital Inpatient (\$24.4 million), and Managed Care (\$193.5 million).
- **Disproportionate Share:** Program expenditures decreased \$105,487,358 and \$1,725,000 for the fiscal years ended June 30, 2002 and 2003, respectively. Disproportionate Share Uncompensated Care expenditures are based upon funding levels as appropriated by the Legislature. Disproportionate Share payments for acute care hospitals were reduced significantly from State fiscal year 2001 to 2002 (\$105.5 million) as part of a total

package of changes affecting State taxation and payments to hospitals. While tax relief was provided to hospitals, partially offsetting payment reductions were instituted in recognition of these tax changes.

- **Temporary Assistance to Families:** Program expenditures decreased \$9,993,905 and \$24,302,852 for the fiscal years ended June 30, 2002 and 2003, respectively. The primary reason for the decrease in expenditures can be attributed to the continuing effects of welfare reform. Caseloads have continued to drop as clients enter the workforce and work toward self-sufficiency. In fiscal year 2000-2001, the average monthly caseload was 27,659. The average monthly caseload had decreased to 26,234 and to 24,404 in fiscal years 2001-2002 and 2002-2003, respectively.
- **Child Care Services:** Program expenditures increased \$10,969,210 during the fiscal year ended June 30, 2002, and decreased \$16,365,234 for the fiscal year ended June 30, 2003. The increase in expenditures experienced during fiscal year 2001-2002 was due to a combination of factors. Intake to the non-Temporary Family Assistance portion of the child care program remained open throughout fiscal years 2000-2001 and 2001-2002 and caseloads continued to rise, from an average monthly caseload of 16,204 in fiscal year 2000-2001 to an average monthly caseload of 16,829 in fiscal year 2001-2002. In addition, a new rate structure was implemented effective with payments made in February 2002, causing the average cost per case to increase from \$578 in fiscal year 2000-2001 to \$602 in fiscal year 2001-2002. Due to the rising costs of the Child Care Services program, intake to the non-Temporary Family Assistance portion of the program was closed effective July 1, 2002. As a result the child care caseload decreased an average of 515 cases per month, which resulted in the decrease in expenditures during fiscal year 2002-2003.
- **HUSKY B Program:** Program expenditures increased \$5,365,727 and \$2,299,812 for the fiscal years ended June 30, 2002 and 2003, respectively. The increases are the result of significant increases in enrollment growth. The average enrollment increased by 45.5 percent and by 28.5 percent during fiscal years 2001-2002 and 2002-2003, respectively.
- **General Assistance:** Program expenditures increased \$11,240,413 and \$17,129,694 for the fiscal years ended June 30, 2002 and 2003, respectively. These increases can be primarily attributed to the large rate of increase in medical costs under the program. The total medical expenditures increased approximately \$10.5 million and \$15.7 million during fiscal years ending June 30, 2002 and 2003, respectively.
- **Child Day Care:** Program expenditures decreased \$3,622,231 and \$369,098 during fiscal years ended June 30, 2002 and 2003, respectively. The large decrease during fiscal year ended June 30, 2002, is the result of a change in the funding source for these grants from General Funds to the Social Services Block Grant/Temporary Assistance for Needy Families Federal funding. This change was initiated in fiscal year 2000-2001 and the final phase of this shift was completed in fiscal year 2001-2002.

- **ConnPACE:** Program expenditures increased \$5,615,661 and \$27,298,359 for the fiscal years ended June 30, 2002 and 2003, respectively. The significant increase in fiscal year 2001-2002 reflects a combination of increases in both cost per case and caseload. In that year caseloads rose by 13.9 percent while the cost per case rose by 3.5 percent. The large increase during fiscal year 2002-2003 represents the Legislature’s expansion of the program to serve individuals up to 233 percent of the Federal poverty level. This significant program expansion resulted in a caseload growth of approximately 36 percent during fiscal year 2002-2003.
  
- **Connecticut Home Care Program:** Program expenditures decreased \$1,793,408 during fiscal year ended June 30, 2002, and increased \$9,442,848 for the fiscal year June 30, 2003. The significant increase in expenditures during fiscal year 2002-2003 is primarily attributed to a 13.8 percent increase in program enrollment and the one-time allocation of \$5.4 million in Social Services Block Grant Federal funding to support the account during fiscal year 2001-2002.
  
- **Other:** The decrease in expenditures during fiscal year 2002-2003 was primarily the result of the Legislature altering the manner in which the Department provided funding to reimburse towns for their School-Based Child Health program expenditures during fiscal year 2001-2002. Prior to fiscal year 2001-2002, the funds were directly appropriated through the General Fund. For fiscal year 2001-2002, this appropriation ended and the Department was directed to pay these costs from revenues received through the Federal Medicaid grant award. This decrease in expenditures during fiscal year 2001-2002 was negated by the Hospital Finance Restructuring Funding. This funding was provided on a one-time basis by the Legislature for fiscal year 2001-2002. It was intended to assist hospitals in the transition of their financing.

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

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

	<b>Fiscal Year 2000-2001</b>	<b>Fiscal Year 2001-2002</b>	<b>Fiscal Year 2002-2003</b>
	\$	\$	\$
Non-Federal	21,203,803	24,678,316	23,133,083
Federal	182,283,332	274,303,704	303,264,302
Totals	\$203,487,135	\$298,982,020	\$326,397,385

As shown above, expenditures from non-Federal restricted accounts increased \$3,474,513 and decreased \$1,545,233 during the fiscal years 2001-2002 and 2002-2003, respectively.

The increase in the 2001-2002 fiscal year and the decrease in 2002-2003 fiscal year can be mostly attributed to expenditures charged to the restricted contribution account entitled “Psychiatric Reinsurance Payments – Medicaid” which increased \$4,536,058 during the fiscal year ended June 30, 2002, and decreased \$1,980,416 during the fiscal year ended June 30, 2003.

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 MCO in turn pays the providers for psychiatric services.

The Department operated numerous Federal grant programs during the audited period. Federal expenditures increased \$92,020,372 and \$28,960,598 during fiscal years 2001-2002 and 2002-2003, respectively. The increase in fiscal year 2001-2002 was mostly attributed to an increase in the Section 8 Housing Choice Vouchers program and the Department implemented a diversion of Medicaid revenue to offset program costs for Medicare Part B, Additional Low Income Medicare Beneficiaries, and School-Based Child Health. This budget initiative effectively moved Medicaid expenditures from the General Fund Budgeted Accounts to Federal Restricted Accounts. The increase in fiscal year 2002-2003 was mostly attributed to increases in Section 8 Housing Choice Vouchers and the Low Income Energy Assistance programs. The increase was also attributed to the Department expending the TANF High Performance Bonus directly from a Federal Restricted Account during fiscal year 2002-2003 instead of from a General Fund Budgeted Account as was the Department's practice in prior years. The Federal 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, which were made under various Bond Acts passed by the Legislature, totaled \$10,758,015 and \$27,997,311 for the fiscal years ended June 30, 2002 and 2003, respectively. During the 2000-2001 fiscal year these expenditures totaled \$11,343,902. 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. In addition, the increase in fiscal year 2002-2003 was primarily due to a Capital Projects Fund that was established to provide funds for the Department to administer its requirements under the Health Insurance Portability and Accountability Act of 1996 (HIPPA).

**Fiduciary Funds:**

*Social Services Support Fund:*

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 totaled \$28,958,557 and \$23,904,471 during the fiscal years ended June 30, 2002 and 2003, respectively. During the 2000-2001 fiscal year receipts totaled \$22,226,558.

Expenditures charged to the Fund totaled \$26,775,749 and \$26,287,417 during the 2001-2002 and 2002-2003 fiscal years, respectively, as compared to the fiscal year 2000-2001 total of \$22,285,093. These expenditures primarily consisted of 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, 2003, totaled \$187,721.

*Funds Awaiting Distribution:*

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 Financial Services Center.

According to the records of the State Comptroller, the Fund's resources at June 30, 2003, totaled \$1,934,392.

*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 Department 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 Account:**

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. From Supplemental Security Income received, the State retains the amount of general assistance provided to the individual and remits the balance of the Supplemental Security Income to the individual.

The cash balance at June 30, 2002 and 2003, was \$492,684 and \$457,119, respectively.

**Conservator Account:**

In accordance with Section 45a-651 of the General Statutes, the Commissioner of the Department of Social Services 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 Department.

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 \$1,040 and \$2,173 at June 30, 2002 and 2003, respectively, the Conservator Account had investments in the State of Connecticut's Short Term Investment Fund of \$122,791 and \$99,346 on those respective dates.

## CONDITION OF RECORDS

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

### **Prompt Deposit of Receipts:**

*Background:* Each of the Department's 12 regional/sub office prepares a log of receipts. We selected a sample of receipts from five of the 12 offices. From each of these five offices, we selected three receipts with the highest dollar amount that were received during the period January 1, 2004 to June 30, 2004. Of these 15 receipts, six were deposited by the Department of Social Services and nine receipts were forwarded to the Department of Administrative Services Financial Services Center. The condition noted below is based solely on the six receipts deposited by the Department of Social Services.

*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 six checks totaling \$35,039 were not deposited within 24 hours of receipt as required by Section 4-32 of the Connecticut General Statutes. We found that these checks were on hand between two and seven days in excess of the allowed time.

*Effect:* The lack of prompt deposits increases the opportunity for the loss or misappropriation of funds.

*Cause:* The Department's procedures for handling cash receipts at the Regional/Sub Offices prevents the Department from depositing the receipts in a timely manner. Specifically, the Department's Regional/Sub Offices send their receipts to the Department's Central Office for depositing, which creates a delay in depositing the receipts to a depository designated by the State Treasurer of greater than twenty-four hours.

*Recommendation:* The Department should develop procedures to ensure that receipts are deposited in accordance with Section 4-32 of the Connecticut General Statutes including 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. However, the Department has received from the State Treasurer a waiver of the one-day requirement for all deposits. As it is not logistically feasible to deposit checks received at regional office locations statewide in a 24-hour turnaround, we received a waiver of this deadline for regionally received checks only. The Department now has three business days to deposit checks which total more than \$1,000 and five business days for checks totaling under \$1,000. Notification of this recent change will be issued to staff stressing the need to make these timely deposits in order to prevent future findings of this nature.”

**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 continued to disclose numerous delinquent accounts receivables as of June 30, 2003.

Medical receivables greater than one year old with no collection activity recorded in over one year totaled \$27,361,547 and were recorded as much as 22 years earlier.

Drug rebate receivables greater than one year old totaled \$1,768,759 and were recorded up to 12 years earlier.

*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:* There were insufficient internal controls over receivables combined with a lack of a policy by management to aggressively pursue delinquent accounts.

*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 if collection efforts prove unsuccessful. (See Recommendation 2.)

*Agency Response:* “The Department agrees with this finding. The Department’s receivable process has changed significantly since this audit finding. A new accounts receivable database has been created that allows the Division of Fiscal Analysis (DFA) to better analyze, monitor and report on the Department’s Medical and Non-Medical receivables (those created by Certificate of Terminations (COT’s). By using this database, DFA now reviews and aggressively pursues outstanding receivables. Providers and vendors with overdue balances are contacted. Alternate methods of collection are utilized, such as determining if a provider has an additional provider number from which the Department can collect an outstanding receivable. When a provider/vendor questions the validity of the amounts due, DFA contacts the division within the Department for clarification.

The Department has taken action on the receivables listed in the audit finding. All of the Community Action Agency grants on the list were written-off after the Department received proper authorization from OPM in accordance with State Regulations. A number of other items on the list have been researched for possibility of collection. DFA has identified a number of items that are uncollectible. DFA has provided a list of the old Medical Audits to Quality Assurance for any input they might have on the receivables. In the immediate future we will be developing a process to seek alternate methods of clearing the old receivables, including: write-off of the receivables in accordance with State and Federal Regulations; sending receivables to the Financial Services Center of DAS and referral to the State’s Attorney General Office for possible legal action.”

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

*Background:* The Department of Social Services’ (DSS) personnel information was maintained on the Department of Administrative Services’ Automated Personnel System (APS), its timesheets were maintained on the Department of Information Technology’s Time and Attendance System (TAS), and its payroll was processed through the State Payroll System.

*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 5-213, subsection (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 the employee’s retirement.

*Condition:* Our review of compensation paid to 25 employees at termination indicated that two employees were paid for accrued vacation leave at a hourly rate that was different than the hourly rate included in APS. The Department informed us that the information in APS was not updated.

Our review of seven longevity payments to employees at retirement indicated that one employee was underpaid \$54. This incorrect payment occurred because the improper longevity balance was initially entered into the Time and Attendance system.

In our attempt to review the worksheets for the computation of termination payments for the 25 employees, we noted that the Department could not locate nine worksheets and the payroll supervisor did not sign one worksheet.

*Effect:* Vacation leave payments were not adequately supported and an incorrect prorated longevity payment was made to an employee leaving State service.

*Cause:* The correct information was not included in the APS and the Time and Attendance System.

*Recommendation:* The Department should ensure that the information included in the State's computer system is up-to-date and should review all termination worksheets for both accuracy and compliance with State regulations and/or collective bargaining contracts before payment is made. (See Recommendation 3.)

*Agency Response:* "The Department agrees with this finding. During the audit period, the Department used two different computer systems for personnel information and payroll information and at times discrepancies between the two systems occurred. With the implementation of the CORE-CT system the personnel and payroll records have been consolidated; accordingly, these discrepancies will be prevented."

### **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 the employee's 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 is due. Section VII of the State 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.

*Condition:* We selected nine of the 41 employees who received worker's compensation benefits during the fiscal year ended June 30, 2003. For each employee, we selected one pay period in which the employee received workers' compensation benefit payments.

Our review disclosed that the attendance record for one employee indicated that the employee was out on worker's compensation for 24.25 hours during the pay period selected for testing. Based on an 80 hour pay period, the employee should have been paid for 55.75 hours in regular earnings. However, our review of the payroll register disclosed that the employee was paid for 56.75 hours in regular earnings. As a result the employee was incorrectly paid \$24.24 in regular earnings.

We also noted that three of the nine employee's 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. We also could not locate one CO-715 and could not determine whether another CO-715 was the most current because it was not dated by the employee.

*Effect:* An employee was paid regular earnings for one hour that should have been paid as workers' compensation benefit payments.

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

*Cause:* The payroll unit incorrectly calculated the number of hours that the employee should have been paid in regular earnings.

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 4.)

*Agency Response:* "The Department agrees with this finding. The Department will ensure that staff and supervisors are aware of the proper coding for Worker's Compensation and that staff are more careful when calculating benefit amounts."

**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 for the Connecticut Pharmaceutical Assistance Contract to the Elderly and the Disabled Program (ConnPACE) to determine whether program requirements are being followed as intended. (See Recommendation 5.)

*Agency Response:* "The Department agrees with this finding. Due to staffing reductions the practice of on-site review of client files located at EDS by the Department of Social Services' Pharmacy Unit was discontinued. It is now possible for the Pharmacy Unit to access this same information directly via the "On Demand System" and compare it to the data entered into the ConnPACE Management Information System (CMIS). The Pharmacy Unit will conduct periodic reviews of this information on a regular basis."

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

*Criteria:* State Medicaid agencies are required to report provider overpayments to the Federal government within 60 days of identification of the overpayment. States refund the Federal share of the overpayments through a credit on its Quarterly Statement of Expenditures (Form CMS-64).

*Condition:* Our review of provider overpayments reported on the Department's Form CMS-64 for the quarter ended December 31, 2002, disclosed the following:

- Three overpayments were overstated.
- One overpayment was understated.
- One overpayment was reported twice.
- One overpayment from an out of business provider was not reported.

*Effect:* Provider overpayments were overstated by \$1,563,560 resulting in the Department over crediting the Federal government by \$781,780.

*Cause:* The Department's internal controls to identify and report provider overpayments are inadequate. The above errors were corrected by the Department and reported on the Form CMS-64 for the quarter ended March 31, 2003.

*Recommendation:* The Department should establish internal controls over the identification and reporting of provider overpayments on the Medicaid Form CMS-64 that reasonably ensure that reported amounts contain accurate and complete information. (See Recommendation 6.)

*Agency Response:* "The Department agrees with this finding. This finding was addressed with the filing of our March 31st 2003 CMS 64 report."

**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 situation: (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 25 payments made to, or on behalf of, State Supplement recipients for the fiscal years ended June 30, 2002 and 2003. Our review disclosed the following six cases in which the recipient received a therapeutic diet special need payment that was not supported by appropriate documentation.

- In one case there was no therapeutic diet request form in the case file.
- For four of the cases, the request was not signed by a physician within six months of the benefit month tested.
- In one case, the Department could not locate the client's case file (see heading "Retention of Records" in the Condition of Records).

*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 Department's Uniform Policy Manual. (See Recommendation 7.)

*Agency Response:* "The Department agrees with this finding. The Department has revised the W-351 form ("Therapeutic Diet Request") in response to the audit finding from FYE June 30, 2002. In addition, the Adult Services Division will issue an e-mail reminder to all eligibility staff that the Therapeutic Diet is approved for either the shorter of the period specified by the physician or six months as per the department's Uniform Policy Manual. Also, in an effort to provide frontline department staff with a tool that will readily identify recipients of State Supplemental Payments for Therapeutic Diets, the Department is exploring the utilization of a State Supplement download."

### **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).

Section 1565.05 of the Department's 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 15 State Supplement cases for payments of funeral/burial expenses and termination of benefit payments at death disclosed the following:

- In one case, a State Supplement Program benefit payment check in the amount of \$2,066 was issued for the month after the death of the recipient and subsequently cashed. The Department has not pursued collection of this overpayment.
- In three cases, transportation payments totaling \$56 were paid on behalf of recipients for services in the month following the recipients' death. The Department has not attempted to recover these overpayments. In addition, the Department could not locate the client's case file for one of these three cases (see heading "Retention of Records" in the Condition of Records).

*Effect:* Improper payments totaling \$2,122 were made because these payments were made after the death of the clients.

- Cause:*
- Procedures were not followed to ensure that the check issued erroneously was cancelled prior to being cashed or subsequently recovered.
  - The Department does not have a process to recoup transportation payments that are made after the death of the recipient, but a plan to have such a process is being developed.

*Recommendation:* Procedures relative to cases closed due to death should be improved to ensure the discontinuance of State Supplement benefits or recovery of those benefits issued after death. (See Recommendation 8.)

*Agency Response:* "The Department agrees with this finding. The Department is working with the MIS division to receive a report of payments made of non-emergency medical transportation (NEMT) subsequent to the month of

death of clients. This report will provide the Department with the information needed to pursue reimbursement from the transportation brokers. Several unsuccessful attempts have been made to produce an accurate and workable report. The reports produced to date have contained incorrect amounts, making it unreliable. As a result, the department has not been able to pursue reimbursement.

Additionally, It should be noted that EMS correctly terminates assistance effective the date of death of the recipient. However, if the death is not reported to the Department in a timely manner, recurring benefits will be issued. Recovery of erroneously issued benefits to deceased recipients is pursued by the Fraud and Recoveries Division of the Department.”

### **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 12 of the 583 assigned life insurance policies disclosed that Department personnel did not initiate or follow-up the recovery of four life insurance policies on individuals who were identified as deceased on the Eligibility Management System. As of February 2004, the individuals had been deceased for a period ranging from one year to 13 years, seven

months. In addition, our follow-up of prior audit exceptions disclosed that the Department has not taken initial or follow-up action to recover proceeds from insurance policies for individuals previously identified.

*Effect:* The Department did not collect all life insurance proceeds it was entitled to as reimbursement for prior grants of assistance.

*Cause:* Department 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 9.)

*Agency Response:* “The Department agrees with this finding. Since the last audit, the Department has updated the status of assigned insurance policies and system files. The number of active policies has been reduced by nearly 50%. To date there are 444 assigned policies in the Access database developed after the last audit. The current audit report refers to Connecticut General Statutes, Sec.3-7, Cancellation of uncollectible claims. Compromise of disputed claims. As suggested, the Department will propose the cancellation of claims against assigned insurance policies for an amount of one thousand dollars or less under the conditions noted below:

- Active clients - Insurance information is entered in EMS advising regional staff to contact the Division of Fraud & Recoveries at the time of a client's death.
- Deceased clients - The Department is obtaining death certificates and submitting claims to the insurance companies. When the insurance company cannot be located, the claim may be classified as uncollectible and deleted in accordance with CGS 3-7.
- Persons no longer on assistance - The Department has sent written correspondence to the address obtained from Social Security records. Failure to locate a client may lead to the deletion of the case in accordance with CGS 3-7.
- Persons unknown - The Department is unable to locate the individual in any of its systems (PAIN, CLEM, and EMS). Requests to the Department of Public Health and Vital Statistics to search their records for these individuals are being made. If information cannot be found on these individuals, the Department proposes deletion of the case from the database.

In addition, the supervisor now sets a thirty-day alert on each claim submitted to an insurance company for follow-up.”

**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 65 public assistance payments made under the State Supplement Program and the State Administered General Assistance Program revealed that the Department was unable to locate six case files.

*Effect:* The failure to maintain clients’ case file records has resulted in non-compliance with the State’s Records Retention Schedule.

*Cause:* There appears to be a lack of controls over the maintenance of case files.

*Recommendation:* The Department should institute procedures to ensure that the case files are appropriately maintained. (See Recommendation 10.)

*Agency Response:* “The Department agrees with this finding. The Adult Services Division will reissue the State Records Retention Schedule to the Regional Offices and reiterate the compliance requirement for records retention.”

**Reporting Systems:**

*Background:* The Department of Social Services is mandated to submit 36 different 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.”

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

*Condition:* Our test of 13 mandated reports revealed that for fiscal year 2001-2002 one report out of the required seven reports was not prepared and that for fiscal year 2002-2003 four out of the required six reports were not prepared. None of the prepared reports for 2002 or 2003 were on file with the State Library, and only three were appropriately filed with the Legislative Library.

*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 Department reports mandated by statutes or legislative acts 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 11.)

*Agency Response:* “The Department agrees with this finding. Corrective action is in the process of being developed for this finding.”

### **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 11 of the files.

*Effect:* Controls are weakened in that the Department 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 the Department.

*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 12.)

*Agency Response:* “The Department agrees with this finding. The Department will develop procedures to ensure that progress reports are received for various grants-in-aid as required by contract. The Department is currently working on a revised approval letter, which will specifically address the requirement for quarterly progress report submissions. Contractors will also be informed that subsequent payments will be based on reporting.”

**Rental Assistance Program (RAP) – Monitoring of Contractor:**

*Background:* The Rental Assistance Program funds tenant-based rental assistance for very low-income families. The Department contracts with a vendor to administer this program. The vendor subcontracts with housing authorities to administer the program in their areas.

Expenditures are comprised of housing assistance payments and administrative costs of the Department of Social Services (DSS) and the vendor. The Department made grant payments of \$10,366,648 and \$10,850,960 during the fiscal years ended June 30, 2002 and 2003, respectively. These amounts represent over 92 percent of the expenditures for the Rental Assistance Program for those years.

The vendor is responsible for areas of compliance with requirements including:

- Eligibility
- Selection from the waiting list
- Reasonable rent
- Utility allowance schedule
- Housing quality standards inspections and enforcement
- Activities allowed and allowable costs

*Criteria:* The Department has a contract with a vendor for the period of August 29, 2000, through December 1, 2005. That contract requires that the vendor shall:

- Provide for an annual financial audit acceptable to the Department for any expenditure of State-awarded funds made by the contractor.
- Administer the program in accordance with the Department’s Administrative Plan and the Department’s Agency Plan.
- Implement internal processes to ensure programmatic compliance

including but not limited to independent audits of financial processes, independent audits of program functions, supervisory staff review of five to ten percent of reexaminations, five to ten percent review of new applications, five to ten percent review of HQS Inspections...

- Perform specific administrative tasks that ... assure efficient and effective program administration. To fulfill this requirement the contractor shall ... conduct independent programmatic audits of each subcontractor and a financial and programmatic audit of the program's check issuance process...

That contract also requires that the Department conduct quality control reviews of the vendor's performance. The Department of Social Services Administrative Plan for the Rental Assistance Program contains requirements for the compliance requirements listed above.

*Condition:*

The Department did not adequately monitor the activity of the vendor to ensure that the program was administered in compliance with State requirements.

We selected a sample of the Department's on-site inspections of ten tenant files and/or housing units. We found that the Department identified noncompliance in all of its reviews. However, the Department did not verify that the corrective action was taken for all of its findings for seven of those tenants. We also found seven of the Department's on-site inspections did not reflect that the Department reviewed the compliance requirements for annual income reexaminations, calculation of rental assistance amounts, utility allowance, and selection from the waiting list.

Before May 2003, the Department did not enforce the contractual requirement that the vendor review five to ten percent of subcontractor activity. We were informed that beginning in May 2003 the vendor began performing these reviews. We were also informed that the Department did not verify or examine these reviews or the logs of these reviews.

*Effect:*

The vendor may not have administered the Rental Assistance Program in compliance with State requirements.

The Department paid the vendor administrative fees for services that were not received. The amount of improper fees paid was not determined.

*Cause:*

We were informed that the Department can only review a small percentage of the vendor's activity regarding individual tenants, and that the Department did not have time for in-depth analysis and complete follow-up of the sample of inspections reviewed by the Department.

*Recommendation:* The Department should ensure that the vendor contracted to administer the Rental Assistance Program performs all contracted services and is monitored for compliance with all program requirements. Also the Department should take appropriate action when performance problems arise. (See Recommendation 13.)

*Agency Response:* “The Department agrees with this finding. The Department has reduced the monitoring sample from 10 percent to 3 percent of tenant files to allow for more in-depth analysis and complete follow-up. In October 2003, a new exit procedure was established in an effort to close the gap between the time a file exception is noted and when it is cleared. Findings will be shared with each Housing Authority (HA) at the end of a review period and an exit interview, including the HA Rental Assistance Program Manager, the Housing Director at the Contractor and DSS monitoring staff will be scheduled. The HA will be allowed to provide documentation of corrective action at the interview. In addition, the quarterly DSS monitoring report to the contractor will note corrected findings as well as findings that remain open and require further action. An assigned DSS staff member will track open findings. The contractor is now required to review at least 5 percent of subcontractor activity and submit a status report to the Department on a regular basis.”

### **Emergency Shelter Services, Transitional Living and Victims of AIDS Programs – Grantee Monitoring:**

*Background:* During our audited period, the Department expended State funds for eleven housing programs. Expenditures on those programs totaled \$21,551,643 and \$23,082,371 during the fiscal years ended June 30, 2002 and 2003, respectively. More than 94 percent of those expenditures were payments to organizations contracted by the Department to implement the programs.

We reviewed the Department’s monitoring of grantees for four of those eleven programs, the Rental Assistance Program, the Emergency Shelter Services Program, the Transitional Living Program and the Victims of AIDS Program. Expenditures for these four programs represented more than 93 percent of the total expenditures presented above.

The finding presented below applies to the Emergency Shelter Services Program, the Transitional Living Program and the Victims of AIDS Program. We are reporting a finding for the Rental Assistance Program separately (see Condition of Records “Rental Assistance Program (RAP) – Monitoring of Contractor”).

*Criteria:*

On-Site Monitoring:

The State of Connecticut Human Service Contract between DSS and grantees requires that the performance of the grantee, and any applicable subcontractors, shall be reviewed and evaluated at least annually by Department staff. Such reviews and evaluations may be performed by examination of documents and reports, site visits to funded facilities and program sites administered by the grantee, or by a combination of both.

Receipt of Audit Reports:

Section 4-232(b)(1) of the General Statutes requires that a non-State entity file copies of its 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.

Although there is no written requirement for timely submission of audit reports for grantees that are not required to obtain a State Single Audit, good internal controls would require that the Department obtain audit reports within a reasonable period to enable monitoring of the grants.

*Condition:*

On-Site Monitoring:

We reviewed monitoring documentation of a sample of ten grantees for either the Emergency Shelter Services, Transitional Living or Housing Pilot for Victims of AIDS Programs. For these 10 grantees, there were 13 grant agreements that required individual monitoring reports. We could not locate seven DSS monitoring reports. For three of those seven, some monitoring forms were in the files; however, the monitoring reports with conclusions and recommendations were not located. It was not determined whether the monitoring was actually performed.

Receipt of Audit Reports:

We reviewed a sample of ten audit reports for housing program grantees. We found that two grantees did not submit State Single Audit reports to the Department within six months after the end of the audit period. Those audit reports were received by the Department between eight and nine months after the end of the grantees' audit period. We also found that two grantees, which were not required to submit State Single Audit reports, did not submit their financial audit reports in a timely manner. Those two reports were received by the Department ten and 16 months after the end of the grantees' audit period.

The Department's policy is to contact by telephone the grantees that have not submitted audit reports. For three of the four, this was done. However, further follow-up was not performed if the audit reports were still not submitted.

*Effect:* Failure to perform timely monitoring of grantees weakens control over grant programs. In addition, the performance of grantees may not accomplish the programs' requirements.

*Cause:* Department procedures for grantee monitoring are not being enforced.

*Recommendation:* The Department should ensure that monitoring of grantee procedures are followed, including the completion of required monitoring, reporting, and timely review of audit reports. (See Recommendation 14.)

*Agency Response:* "The Department agrees with this finding. In order to promote prompt review of audit reports for contractors and grantees, the Department will tighten procedures for the submission of audit reports (State single audits and financial audits). Also, the Department will make follow-up telephone contacts to ensure timely review of audit reports."

#### **Rental Assistance Program - Administrative Fees / Hold Report:**

*Criteria:* The Department pays administrative fees to the contractor for leased units (e.g. those units that the Department is paying landlords housing assistance payments, and those units that are on "Hold Status" because of factors such as housing quality standard violations, the tenant is searching for a new unit, or other factors). The Department's Administrative Plan requires that tenants be removed from the program if housing assistance payments have not been made for their benefit for 180 days. The Department should not be paying an administrative fee to the contractor for those tenants that should be removed.

*Condition:* We reviewed the Hold Report dated May 29, 2003, and found that the Department paid administrative fees to the contractor for tenants that apparently should have been removed from Rental Assistance Program. That Hold Report showed that there were 195 Rental Assistance Program tenants on "Hold Status." There were 32 tenants on the Hold Report with hold dates that were more than 180 days before the Hold Report date. Identified improper administrative fees paid for those 32 tenants totaled \$5,658.

*Effect:* There appear to be names on the Hold Report for households who are no longer participating in the Program. We identified \$5,658 in improper administrative fees paid to the contractor for 32 tenants on the Hold Report dated May 29, 2003.

If the Department removes nonparticipating households from the active Program records, new households may be eligible for housing assistance.

*Cause:* It appears that a lack of review of names on the Hold Report, both by the Department and by the contractor, contributed to to this condition.

*Recommendation:* The Department should not pay administrative fees to the contractor used to administer the Rental Assistance Program for tenants on the Hold Report that should be removed from the Program. The Department should confirm that only valid names appear on the Hold Report and should remove those who are not participating in the Program. (See Recommendation 15.)

*Agency Response:* “The Department agrees with this finding. The Department has developed a protocol with the contractor to ensure that abatement letters are mailed and checks abated in a timely manner. In addition, the Department will review the “hold reports” to ensure that units are correctly placed in abatement and that tenants are promptly issued and referred to one of three mobility counseling/search assistance contractors that work with the Department and the contractor to place tenants. Tenants with Rental Assistance Program certificates are given up to 180 days to locate a new unit.”

### **Equipment Inventory:**

*Criteria:* Section 4-36 of the Connecticut General Statutes requires that each State agency shall establish and keep an inventory account in the form prescribed by the Comptroller, and shall annually, on or before October first, transmit to the Comptroller a detailed inventory as of June 30<sup>th</sup> of all real property and personal property having a value of one thousand dollars or more.

The Connecticut *Property Control Manual* provides guidance on standards and procedures for maintaining a property control system.

*Condition:* Our review of the Department’s inventory revealed the following:

- The Department could not substantiate the amounts reported on the annual Fixed Assets/Property Inventory Report/GAAP Reporting Forms (CO59) submitted for fiscal years ended June 30, 2002 and 2003.
- The Department could not provide adequate documentation to substantiate the total deletions reported on the CO59s for the fiscal years ended June 30, 2002 and 2003.
- Expenditures made during the fiscal year ended June 30, 2003, for inventory items that should be recorded on the CO59 as additions,

totaled \$2,356,531. However, total additions reported on the CO59 for the fiscal year ended June 30, 2003, were \$1,255,970.

- The inventory listing contained inaccurate and inadequate information.
- The Department has not completed a physical inventory for fiscal year ended June 30, 2002 or 2003.
- The line item “Property of U.S. Government (Ins. Reqd.)” included on the CO59 was not adequately supported.

*Effect:* The Department does not have adequate control measures in place to safeguard its inventory. The figures reported on the CO-59 for fiscal year ended June 30, 2003, are unsubstantiated and cannot be relied upon as an accurate assessment of the Department’s equipment inventory.

*Cause:* The Department did not have adequate procedures to maintain inventory records.

*Recommendation:* The Department should improve controls over its equipment, software and supplies inventories. Inventory records for the Department’s equipment, supplies, and software should be kept in a manner consistent with the State of Connecticut’s *Property Control Manual*. (See Recommendation 16.)

*Agency Response:* “The Department agrees with the finding. While the Department feels very confident in the overall physical security of our offices, i.e., that no one can break in and steal items after hours and that there is a level of scrutiny during operating hours, we know that an accurate inventory system is a crucial element in the safeguarding of agency resources. Thus, the Department has met with staff from the Comptrollers Office and CORE-CT to design an inventory system that will track equipment inventory from date of purchase to date of scrap or trade in. This system is scheduled for implementation in the spring of 2005 when the CORE-CT asset control module comes on line. At that time, a thorough physical inventory of Department equipment will be conducted. All inaccurate inventory records will be corrected.

**Expenditures – Duplicate Payments:**

*Background:* Established Department procedures require that any payment made to a vendor using a copy of an invoice must be approved by the Director of Fiscal Analysis. The Department’s Accounts Payable Unit made payments from copies of invoices, which resulted in duplicate payments.

*Criteria:* Section 3-117, subsection (a), of the Connecticut General Statutes provides that the original vouchers or receipts shall be filed in the Comptroller's Office or retained by such agency in accordance with such procedures as the Comptroller may prescribe.

The State Accounting Manual, issued by the Office of the State Comptroller, includes policies and procedures that State agencies should follow for processing expenditure transactions.

*Condition:* Five duplicate payments totaling \$920 were made during the fiscal years ending June 30, 2002 and 2003. In four instances, the State was notified by the vendors of the overpayments. The overpayments were returned by the vendors. The remaining duplicate payment was disclosed based on our audit of expenditures.

*Effect:* The risk of misuse and/or misappropriation of State funds is increased because payments were not made based on original vendor invoices.

*Cause:* The Department's Accounts Payable Unit did not follow established procedures, which require that any payment made to a vendor using a photocopy of an invoice must be approved by the Department's Director of Fiscal Analysis.

*Recommendation:* The Department should ensure that its procedures for processing expenditures will prevent the duplicate payment of goods and services. (See Recommendation 17.)

*Agency Response:* "The Department agrees with this finding. Although we make every effort by following established departmental procedures to avoid duplicates, occasionally an error may occur.

It is the Department's policy that the responsibility for receipt of an item or service is signed off on the payment request by the staff that originally ordered the item or service. The Accounts Payable unit understands that accepting signed copies as the basis for payment can lead to a duplicate payment error. However, when a copy of an invoice with an original DSS signature stating the payment has not been made is submitted, the Unit must make the payment otherwise the vendor will not get paid.

With CORE-CT in place, additional controls have been established to help prevent duplicate payment requests from being processed. Before processing, the Accounts Payable Unit researches the request for prior payment using CORE-CT inquiries and insures that the item has a unique invoice number. Procedures in place with CORE-CT use one invoice per voucher and will help prevent duplication of payment. These processes

and the new CORE-CT system's enhanced controls will prevent most errors in the future."

**Expenditures – Noncompliance with State Laws and Regulations:**

*Criteria:* Section 4-98 of the Connecticut General Statutes requires the issuance of a purchase order and commitment prior to incurring a payment obligation.

The *State Accounting Manual*, issued by the Office of the State Comptroller, includes policies and procedures that State agencies should follow for processing expenditure transactions.

*Condition:* We reviewed 269 DSS transactions that were expended during the fiscal years ended June 30, 2002 and 2003. Our review disclosed that some of the transactions tested were not made in accordance with either applicable State laws and regulations or the *State Accounting Manual*. We noted the following:

- For one transaction, the Invoice – Voucher for Goods and Services Rendered to the State of Connecticut (Form CO17) was not signed certifying that services were received. In addition, the contract was signed after the start of the service period.
- For three transactions, the contracts were signed after the start of the service periods. In addition, for one of these transactions the payment was made prior to the signing of the contract.
- For one transaction, the contract was not signed.

*Effect:* The Department did not comply with Section 4-98 of the Connecticut General Statutes and with the *State Accounting Manual*.

*Cause:* The controls in place were not completely effective.

*Recommendation:* The Department of Social Services should process expenditures in accordance with State laws and regulations and the *State Accounting Manual*. (See Recommendation 18.)

*Agency Response:* "The Department is looking into this matter and formulating corrective action."

**Supplemental Security Income Account:**

*Background:* Federal law provides that the Social Security Administration (SSA), 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 (SSI) benefits and the month in which benefits are paid. This provision allows the individual to receive prompt general assistance. For this consideration, the individual authorizes the State to receive his/her initial and any retroactive SSI payment. The State then transfers to the State Administered General Assistance account any cash state assistance given and remits the balance to the applicant. The Department has established a subsidiary account for SSI transactions within its main checking account used to process benefit payments under various State Aid Grants.

*Criteria:* According to 20 Code of Federal Regulations 416.1910, if the Social Security Administration repays to the State an amount greater than the amount of interim assistance, the State is required to:

- Pay the excess amount to the client no later than ten working days from the date the State receives repayment from the SSA, and
- Refund the excess amount to the SSA in the event it can not pay the client (for example, if the client dies or the State cannot locate the client).

*Condition:* Based on our review of the list of outstanding balances provided by the Department, there is approximately \$281,000 being held by the Department with transaction dates of March 31, 2004, or earlier. Based on the Federal regulations, these funds should have been returned to SSA if it was determined that the client could not be located.

The Access database being used to record SSI transactions on behalf of clients does not balance to the cash balance included in the Department's subsidiary account at April 30, 2004.

*Effect:* The State is holding on to monies that should have been returned to the Social Security Administration for disposition.

The accounting records are not in balance between the subsidiary account and the Access database. This diminishes the accuracy and reliability of reported amounts.

*Cause:* Department personnel are not following established procedures regarding the disposition of SSI checks. Insufficient procedures exist for reconciling the checking account and the subsidiary ledger.

*Recommendation:* Department personnel should follow established procedures for the timely disposition of Social Security Income payments received on behalf of clients. Also, reconciliations between the control account and the

subsidiary ledger should be done on an ongoing basis. (See Recommendation 19.)

*Agency Response:* “The Department agrees with these findings. The Department has initiated a project to correct the balances between the Access database and the Agency cashbook. The project will reconcile the database to the cashbook and identify funds that belong to the Social Security Administration (SSA). Once the project is complete, the funds will be returned to SSA. The estimated completion date is September 30, 2004.

In addition, procedures will be put in place to ensure that the cashbook remains in balance with the database and that all SSI funds are correctly distributed. A reconciliation of the cashbook balance will be performed on a monthly basis, with a copy of the reconciliation report kept on file. Furthermore, outstanding SSI deposits will be identified and investigated on a bi-weekly basis.”

### **Financial Reporting:**

*Background:* In conjunction with our audits of the State's Comprehensive Annual Financial Reports (CAFR) for the fiscal years ended June 30, 2002 and 2003, we reviewed the Department's Generally Accepted Accounting Principles (GAAP) Reporting Packages and the Schedule of Expenditures of Federal Awards (SEFA) submitted to the Comptroller.

*Criteria:* The submission of complete and accurate GAAP and Federal financial expenditure information are instrumental in producing a fairly stated CAFR and SEFA. Reports should be complete, accurate and in compliance with the State Comptroller's requirements contained in the State Accounting Manual and other instructions.

*Condition:* Our review of the Department's GAAP package for the fiscal years ended June 30, 2002 and 2003, disclosed the following exceptions:

- For fiscal year ended June 30, 2003, the receivable amount for the “Food Stamp Benefits” reported on *GAAP Form #2 Receivables* was understated by \$4,965,300. The Department originally reported the net receivable amount as “Food Stamp Benefits.” However, the gross receivable amount for the “Food Stamp Benefits” should have been reported.
- For fiscal year ended June 30, 2002, the receivables estimated to be uncollectible reported on GAAP Form 2 for Client Overpayments AFDC and AFDC-UP and Aid to Aged, Blind, or Disabled were understated by \$148,183 and \$158,527, respectively, and for the

Dependent Student Program the amount was overstated by \$50,355. For the fiscal year ended June 30, 2003, the amount estimated to be uncollectible for the "Food Stamp Benefits" was understated by \$4,965,300 and amount estimated to be uncollectible for the "Third Party Liability Billings to Private Insurance from Medicaid" was overstated by \$443,041.

- The "Estimated Medicaid Reimbursement Expense to State Providers not Claimed" amount reported on GAAP Form 3 was understated by \$4,305,443.
- For the fiscal year ended June 30, 2002 and 2003, the Department overstated the contractual obligation amounts by \$294,751 and \$401,069, respectively.
- For the fiscal year ended June 30, 2002, the number of accumulated sick leave hours for employees with five or more years of service reported on GAAP Form 7 was overstated 96 hours.
- For fiscal year ended June 30, 2003, the liability amount under the Federal Grant for "Medicaid Payments to Non-Government Providers" reported on GAAP Form 8 was understated by \$1,275,175. Also, the amounts reimbursable under the Federal Grants for "Medicaid Payments to Non-Government Providers," "Husky A" and "NEMT" (non-emergency medical transportation) were understated by \$533,412, understated by \$473,129, and overstated by \$56,262, respectively. For fiscal year ended June 30, 2002, the liability amounts under "TANF Collections re-spend on Clients (EMS)" and "Liability on AFDC and AFDC-UP (EMS) Client Overpayment" reported on GAAP Form 8 were overstated by \$111,138 and \$18,522, respectively, and the Department did not report \$47,132 in liabilities for Local Educational Agencies.
- For the fiscal year ended June 30, 2003, the Department reported the gross amount of food distributions in its GAAP package. However, GASB 24 provides that distribution is assumed to occur when an individual uses the benefits at a retail establishment. Therefore, the Department should have reported the net amount of food distribution. The difference between the gross amount and the net amount is the result of food stamps distributed that were not used by the recipients. The amount of food stamps not used by the recipients is expunged. As a result, the Department overstated the food stamps distribution by \$2,626,215.

Our review of the Department's SEFA for the fiscal year ended June 30, 2003, disclosed 12 financial reporting findings that required adjustments

to the SEFA reported by the Department. These financial reporting findings resulted in expenditure amounts that were improperly reported for eight Federal programs. These findings resulted in a net understatement to the SEFA totaling \$24,955,464.

*Effect:* These conditions have the effect of providing inaccurate and/or incomplete information on the Department's GAAP Reporting Package and the SEFA. If not corrected this would have caused inaccurate and/or incomplete information to be reported on the State's CAFR and SEFA.

*Cause:* Failure to follow the instructions of the State Comptroller and clerical errors were the causes of these conditions.

*Recommendation:* The Department should prepare the Generally Accepted Accounting Principles (GAAP) Reporting Package and the Schedule of Expenditures of Federal Awards in accordance with the State Comptroller's requirements. (See Recommendation 20.)

*Agency Response:* "The Department agrees with this finding and concurs with the recommended adjustments to the Schedule of Expenditures of Federal Awards (SEFA) for FY 2003. Changes to the SEFA filed by DSS were not required because the changes needed were coordinated by the Auditors of Public Accounts during the Comptroller's audit."

## RECOMMENDATIONS

### *Status of Prior Audit Recommendations:*

- 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. – Our current audit continued to disclose that receipts were not being deposited in a timely manner. This recommendation is being repeated. (See Recommendation 1.)
- The Department should follow the procedures for the maintenance of the Petty Cash Fund as set forth by the State Comptroller. – Our current audit disclosed that the Department is maintaining the Petty Cash Fund as set forth by the State Comptroller. This recommendation has been implemented.
- The Department should obtain authorization from OPM prior to canceling any uncollectible claim in an amount greater than \$1,000. – Our current audit disclosed that proper authorization was obtained for those accounts that were written off. This recommendation has been implemented.
- 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 receivables, in accordance with Section 3-7 of the General Statutes if collection efforts prove unsuccessful. – Our current audit continued to disclose deficiencies related to its receivables. This recommendation is being repeated. (See Recommendation 2.)
- All termination worksheets should be reviewed for both accuracy and compliance with State regulations and/or collective bargaining contracts before payment is made. – Our current audit continued to disclose deficiencies related to vacation accrued leave payments and prorated longevity payments made to employees who ended State service. This recommendation is being restated. (See Recommendation 3.)
- 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. – Our current audit continued to disclose deficiencies related to employees who are receiving workers' compensation benefits. This recommendation is being repeated. (See Recommendation 4.)
- The Department should comply with provisions within bargaining unit agreements regarding compensatory time. – Our current audit did not disclose noncompliance with compensatory time provisions included in bargaining unit agreements. 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. – Our current audit disclosed that the Department did not conduct reviews of eligibility determinations made by its fiscal intermediary. This recommendation is being repeated. (See Recommendation 5.)
- Greater care should be given to the coding/data entry of ConnPACE applications. – Our current audit did not disclose any data entry errors that resulted in ineligible clients receiving benefits under the ConnPACE program. This recommendation has been implemented.
- Greater care should be exercised by the Department to ensure that reported amounts reflect accurate and complete information. – Our current audit continued to disclose errors on the Medicaid reports that resulted in an underclaim in Federal reimbursement. This recommendation is being restated. (See Recommendation 6.)
- 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. – Our current audit continued to disclose that supporting documentation for State Supplemental therapeutic diet special needs payments was not obtained in a timely manner. This recommendation is being repeated. (See Recommendation 7.)
- Procedures relative to cases closed due to death should be improved to ensure the discontinuance or recovery of State Supplement benefits issued after death. – Our current audit continued to disclose payments made after the death of clients and no attempt to recover the overpayments. This recommendation is being repeated. (See Recommendation 8.)
- 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. – Our current audit continued to disclose that life insurance proceeds were not collected. This recommendation is being repeated. (See Recommendation 9.)
- The Department should institute procedures to ensure that case file documentation is appropriately maintained. – During our current audit the Department could not locate case files. This recommendation is being repeated. (See Recommendation 10.)
- 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. – Our current audit continued to disclose that reports mandated by statutes or legislative acts were not submitted as required. This recommendation is being repeated. (See Recommendation 11.)

- The Department should develop and follow procedures to ensure that progress reports are received for various grants-in-aid as required by contract. – Our current audit disclosed that progress reports were not received for various grants-in-aid. This recommendation is being repeated. (See Recommendation 12.)
- 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. – During the audited period, the Department received the required financial reports, promptly implemented the contracts, and adhered to contract provisions regarding issuance of payments. This recommendation has been implemented.
- 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. – Our current audit continued to disclose inadequate monitoring procedure. This recommendation is being restated. (See Recommendation 13.)
- The Department should enforce requirements for the submission of grantee audit reports and such reports should be reviewed in a timely manner. – Our current audit continued to disclose that grantee audit reports were not received in a timely manner. This recommendation is being restated. (See Recommendation 14.)
- The Department should institute procedures to ensure that administrative fees are calculated correctly and are reconciled with the contractor's supporting documentation. – During the fiscal year ended June 30, 2004, which is subsequent to our current audit period, the Department instituted procedures to ensure that administrative fees are calculated correctly and are reconciled with the contractor's supporting documentation. Therefore, this recommendation has been implemented.
- 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. – Our current audit did not disclose any tenant and State subsidy payments exceeding the total contracted rent. This recommendation has been implemented.

*Current Audit Recommendations:*

- 1. The Department should develop procedures to ensure that receipts are deposited in accordance with Section 4-32 of the Connecticut General Statutes including 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 two and seven days in excess of the allowed time, which was in violation of Section 4-32 of the General Statutes.

- 2. 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 if collection efforts prove unsuccessful.**

Comment:

Our review of Department receivable records disclosed numerous accounts receivables as of June 30, 2003, that dated back several years and for which no recent collection activity had been recorded.

- 3. The Department should ensure that the information included in the State's computer system is up-to-date and should review all termination worksheets for both accuracy and compliance with State regulations and/or collective bargaining contracts before payment is made.**

Comment:

Our review of compensation paid to employees at termination disclosed that hourly rates included in the Automated Personnel System were not updated. Our review of longevity payments paid to employees at retirement disclosed an underpayment.

- 4. 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 workers' compensation payments disclosed one improper payment made in regular earnings 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.

5. **The Department should periodically conduct reviews of eligibility determinations made by its fiscal intermediary for the Connecticut Pharmaceutical Assistance Contract to the Elderly and the Disabled Program (ConnPACE) 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.

6. **The Department should establish internal controls over the identification and reporting of provider overpayments on the Medicaid Form CMS-64 that reasonably ensure that reported amounts contain accurate and complete information.**

Comment:

Our review of the Form CMS-64 submitted to the Federal government for the Medicaid program for the quarter ended December 31, 2002, disclosed improper reporting of overpayments resulting in the Department over crediting the Federal government by \$781,780.

7. **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.

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

- 9. 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 of 12 of the 583 assigned life insurance policies disclosed that Department personnel did not initiate or follow-up the recovery of four life insurance policies on individuals who were identified as deceased on the Department's Eligibility Management System. In addition, our follow-up of prior audit exceptions disclosed that the Department has not taken initial or follow-up action to recover proceeds from insurance policies for individuals previously identified.

- 10. The Department should institute procedures to ensure that the case files are appropriately maintained.**

Comment:

Our review of 65 public assistance payments made under the State Supplement Program and the State Administered General Assistance Program revealed that the Department was unable to locate six case files.

- 11. The Department should institute procedures to ensure that all Department reports mandated by statutes or legislative acts 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:

Our test of ten mandated reports revealed five reports that were not prepared. None of the prepared reports sampled were on file with the State Library, and only three were appropriately filed with the Legislative Library.

- 12. 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 11 of the files.

- 13. The Department should ensure that the vendor contracted to administer the Rental Assistance Program performs all contracted services and is monitored for compliance with all program requirements. Also the Department should take appropriate action when performance problems arise.**

Comment:

The Department did not verify that corrective action was taken for its identified noncompliance related to on-site inspections of tenant files and/or housing units for seven of the ten files tested. The Department did not enforce the contractual requirement that the vendor review five to ten percent of subcontractor activity during the majority of the audit period. Further, the Department did not verify or examine those reviews performed by the vendor.

- 14. The Department should ensure that monitoring of grantee procedures are followed, including the completion of required monitoring, reporting, and timely review of audit reports.**

Comment:

For seven of a sample of thirteen grantees, we did not locate the Department's monitoring reports. For three of these seven, some monitoring forms were in the files; however, the monitoring reports with conclusions and recommendations were not located. We reviewed a sample of ten audit reports for housing program grantees. We found that four grantees did not submit required audit reports in a timely manner.

- 15. The Department should not pay administrative fees to the contractor used to administer the Rental Assistance Program for tenants on the Hold Report that should be removed from the Program. The Department should confirm that only valid names appear on the Hold Report and should remove those who are not participating in the Program.**

Comment:

The Department paid administrative fees to the contractor for 32 tenants that apparently

should have been removed from Rental Assistance Program. Identified improper administrative fees paid for the 32 tenants totaled \$5,658.

- 16. The Department should improve controls over its equipment, software and supplies inventories. Inventory records for the Department's equipment, supplies, and software should be kept in a manner consistent with the State of Connecticut's Property Control Manual.**

Comment:

The Department did not maintain adequate records to support amounts reported, in total, on the Annual Fixed Asset/Property Inventory Reports. The Department's equipment, software and supplies inventory records are not in compliance with the State of Connecticut's Property Control Manual.

- 16. The Department should ensure that its procedures for processing expenditures will prevent the duplicate payment of goods and services.**

Comment:

Five duplicate payments totaling \$920 were made during fiscal years ending June 30, 2002 and 2003. In four instances, the State was notified by the vendors of the overpayments. The overpayments were returned by the vendors. The remaining duplicate payment was disclosed based on our audit of expenditures.

- 18. The Department of Social Services should process expenditures in accordance with State laws and regulations and the State Accounting Manual.**

Comment:

Our review of expenditures disclosed that the Department did not always comply with Section 4-98 of the Connecticut General Statutes and with the *State Accounting Manual*.

- 19. Department personnel should follow established procedures for the timely disposition of Social Security Income payments received on behalf of clients. Also, reconciliations between the control account and the subsidiary ledger should be done on an ongoing basis.**

Comment:

The Department has Social Security Income (SSI) funds that should have been returned

to the Social Security Administration for those clients that could not be located. The Access database being used to record SSI transactions on behalf of clients does not balance to the cash balance included in the Department's checking account.

- 20. The Department should prepare the Generally Accepted Accounting Principles (GAAP) Reporting Package and the Schedule of Expenditures of Federal Awards in accordance with the State Comptroller's requirements.**

Comment:

The Department did not report complete and accurate information on the GAAP Reporting Packages and the Schedule of Expenditures of Federal Awards submitted to the State Comptroller.

## 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, 2002 and 2003. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding, and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the Agency 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, 2002 and 2003, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2002 and 2003, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

The management of the Department of 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 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, expenditures, inventory 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: accounts receivable that 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.

Frank LaRosa  
Principal Auditor

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts